

ANNUAL REPORT  
2015



INNER MONGOLIA  
**YiTai**  
COAL CO.,LTD.



**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

\*For identification purposes only

## IMPORTANT NOTICE

- I. The Board of Directors, and the Supervisory Committee of the Company and its Directors, supervisors and senior management warrant that the information herein contained is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full legal responsibility.
- II. All of the Company's Directors attended the Board meeting.
- III. Deloitte Touche Tohmatsu has issued its standard unmodified auditor's report for the Company.
- IV. The Company's Chairman, Mr. Zhang Donghai, Senior Management responsible for finance and accounting, Mr. Lv Guiliang, and Head of Financial Department (accounting chief), Mr. Lv Xudong, warrant the truthfulness, accuracy and completeness of the financial report.
- V. Preliminary Plans for Profit Distribution or Transfer of Public Reserve into Share Capital for the reporting period as reviewed by the Board of Directors for the year ended 31 December 2015, the net profit attributable to the owners of the Company amounted to RMB90,500,985.99 and RMB90,500,985.99 as set out in the audited consolidated statements of the year 2015 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. To provide better rewards to our shareholders as well as improve corporate values, taking into consideration of our cash dividends policy and the cash dividends distribution record for the last three years, the Board of the Company recommended a cash dividend of RMB0.085 (including tax) for every 10 shares, calculated by total share capital of 3,254,007,000 shares, will be paid to all shareholders of the Company. The total dividends to be distributed is RMB27,659,059.50, representing over 30.56% of the net profit attributable to the owners of the Company of RMB90,500,985.99 as set out in the consolidated statements of the year 2015 of the Company.
- VI. Statement for the risks involved in the forward-looking statement: this annual report contains forwardlooking statements including future plans and development strategies, which do not constitute actual commitments of the Company to investors because of the existing uncertainty. Investors are advised to pay attention to the investment risks involved.
- VII. During the reporting period, there were no non-operational funds appropriated by controlling shareholders and its connected parties.
- VIII. During the reporting period, the Company did not provide external guarantees in violation of stipulated decision-making procedures.
- IX. Major Risk Notice

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



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## DEFINITIONS

### I. DEFINITIONS

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

#### Definitions of frequently-used terms

Company or the Company	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai Group (Hong Kong) 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 AND MAJOR FINANCIAL INDICATORS

### I. CORPORATE INFORMATION

Chinese name of the Company	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO., LTD.
English abbreviation of the name of the Company	IMYCC/Yitai Coal
Legal representative	Zhang Donghai
Members of the Board	<i>Executive Directors:</i>  Zhang Donghai ( <i>Chairman</i> ) Liu Chunlin Ge Yaoyong Zhang Dongsheng Zhang Jingquan Song Zhanyou Lv Guiliang  <i>Independent Non-executive Directors:</i>  Yu Youguang Qi Yongxing Zhang Zhiming Tam Kwok Ming, Banny
Members of the Strategic Planning Committee	Zhang Donghai ( <i>Chairman</i> ) Liu Chunlin Ge Yaoyong Zhang Dongsheng Song Zhanyou Zhang Jingquan Lv Guiliang Zhang Zhiming Yu Youguang Qi Yongxing Tam Kwok Ming, Banny
Members of the Audit Committee	Yu Youguang ( <i>Chairman</i> ) Zhang Zhiming Qi Yongxing Tam Kwok Ming, Banny

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS *(Continued)*

Members of the Nomination Committee	Zhang Zhiming ( <i>Chairman</i> ) Zhang Donghai Liu Chunlin Zhang Jingquan Yu Youguang Qi Yongxing Tam Kwok Ming, Banny
Members of the Remuneration and Assessment Committee	Qi Yongxing ( <i>Chairman</i> ) Zhang Donghai Liu Chunlin Zhang Jingquan Zhang Zhiming Yu Youguang Tam Kwok Ming, Banny
Members of Production Committee	Zhang Donghai ( <i>Chairman</i> ) Ge Yauyong Zhang Jingquan Qi Yongxing Yu Youguang
Members of the Supervisory Committee	Li Wenshan Jia Xiaolan Wang Xiaodong Ji Zhifu Han Zhanchun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternative Authorized Representative	Wong Wai Ling

## II. CONTACT PERSONS AND CONTACT METHODS

### **Board Secretary/Joint Company Secretary**

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

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### III. BASIC INFORMATION OF THE COMPANY

Registered address	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the registered address	017000
Office address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the office address	017000
Principal place of business in Hong Kong	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Website	<a href="http://www.yitaicoal.com">http://www.yitaicoal.com</a>
E-mail	<a href="mailto:ir@yitaicoal.com">ir@yitaicoal.com</a>

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

### V. BASIC INFORMATION ON THE COMPANY'S SHARES

#### Basic information on the company's shares

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

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### VI. 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

### VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (1) Key Business Data

Unit: million tonnes unit: RMB

Major Accounting Data	2015	2014	Increase/ Decrease (%)
Coal production	<b>34.34</b>	43.21	-20.53
Coal sales volume	<b>59.82</b>	66.03	-9.40
Of which: Local sales at mines	<b>8.75</b>	18.29	-52.16
Local sales at loading facilities	<b>6.68</b>	2.12	215.09
Sales via direct rail access	<b>9.83</b>	7.37	33.38
Sales at ports	<b>34.56</b>	38.24	-9.62
Railway transport volume:	<b>83.52</b>	90.31	-7.52
Huzhun Railway Line	<b>55.19</b>	36.61	50.75
Zhundong Railway Line	<b>28.33</b>	53.69	-47.23
Coal-related chemical production	<b>0.2022</b>	0.1783	13.38



## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (CONTINUED)

#### (2) Major Accounting Data

Unit: RMB'000

Major Accounting Data	2015	2014	Change (%)
Revenue	<b>19,116,172</b>	24,806,104	-22.94
Profit for the year	<b>252,726</b>	2,761,317	-90.85
Profit for the year attributable to owners of the Company	<b>90,501</b>	2,252,637	-95.98
Basic earnings per share (RMB)	<b>0.03</b>	0.69	-95.65
Net cash flow from operating activities	<b>2,758,297</b>	5,745,435	-55.99

	At the end of 2015	At the end of 2014	Change (%)
Net assets attributable to owners of the Company	<b>22,151,314</b>	22,931,740	-3.40
Total assets	<b>68,168,766</b>	58,744,078	16.04

### VIII. MAJOR FINANCIAL DATA IN 2015 BY QUARTERS

Unit: RMB

	First quarter (January-March)	Second quarter (April-June)	Third quarter (July-September)	Fourth quarter (October-December)
Revenue	4,362,759,226.28	4,840,250,640.79	4,645,741,215.96	5,716,767,052.31
Net profits attributable to owners of the Company	223,924,899.55	-48,377,178.68	220,299,510.56	-305,346,245.44
Net profit after non-recurring profit and loss attributable to shareholders of listed companies	158,718,891.50	-70,627,014.63	209,900,140.88	-254,677,587.37
Net cash flow from operating activities	191,465,078.65	1,243,758,072.08	563,433,533.09	-162,731,575.61

Note: The above financial information is based on PRC Accounting Standards.

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### IX. ITEMS MEASURED AT FAIR VALUE

Unit: RMB

Items	Balance at the beginning of the period	Balance at the end of the period	Change for the period	Amounts that affect the profit for the period
Financial Assets	436,243,899.27	58,299,082.77	-377,944,816.50	103,964,531.76
Financial Liabilities	–	65,600.00	65,600.00	-65,600.00
Total	436,243,899.27	58,364,682.77	-377,879,216.50	103,898,931.76

Note: The above financial information is based on PRC Accounting Standards.

### XI. FIVE-YEAR FINANCIAL SUMMARY

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

	2011 RMB0'000	2012 RMB0'000	2013 RMB0'000	2014 RMB0'000	2015 RMB0'000
<b>Revenue and profit</b>					
Revenue	2,788,424.20	3,246,332.47	2,506,354.91	2,539,360.49	1,956,551.81
Total operating costs	1,814,077.90	2,431,062.51	2,044,913.90	2,204,756.94	1,938,795.64
Operating costs	1,481,723.29	2,023,798.87	1,590,322.42	1,775,056.01	1,523,479.52
Cost of sales	119,041.38	117,518.14	140,816.55	137,926.71	102,784.19
General and administrative expenses	112,207.26	165,039.99	163,862.93	164,301.36	160,086.88
Finance costs	23,682.05	43,383.17	81,736.36	67,895.93	82,718.43
Other operating costs, net	77,423.92	81,322.33	68,175.63	59,576.93	69,726.62
Operating profit	976,748.43	838,418.07	464,815.79	349,104.68	33,456.46
Total profit	989,666.55	871,831.71	463,386.33	340,007.46	29,432.33
Income tax	162,946.72	139,943.61	70,946.75	63,875.78	4,159.67
Net profit	826,719.83	731,888.10	392,439.58	276,131.69	25,272.66
Profit attributable to the owners of the parent company	772,048.91	662,188.08	344,462.83	225,263.67	9,050.10
Basic earnings per share	5.27	4.3	1.06	0.69	0.03
<b>Assets and Liabilities</b>					
Current assets	782,509.53	1,117,239.51	1,032,201.65	1,302,595.66	1,373,430.84
Non-current assets	2,562,001.32	3,019,474.85	3,516,249.11	4,571,812.20	5,443,445.63
Current liabilities	558,307.08	1,039,468.87	453,645.25	562,664.00	1,188,581.91
Non-current liabilities	649,426.93	903,358.70	1,593,364.62	2,562,078.56	2,951,459.90
Owners' equity	2,136,776.84	2,193,886.79	2,501,440.89	2,749,665.30	2,676,834.66

## COMPANY BUSINESS PROFILE

### I. PRINCIPLE ACTIVITIES, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION FOR INDUSTRY SITUATION DURING THE REPORTING PERIOD

The Company is a large industrial group with coal production as its principal business, railway transportation as its supplementary business and coal-related chemical business as extension of its business. Inner Mongolia Yitai Group Co., Ltd., to which the Company is a core member, ranked 21st at the Top 100 Chinese Coal Enterprises and 1st at the Top 50 Coal Enterprises in Inner Mongolia Autonomous Region. The Company directly owns and controls a total of 12 mechanized coal mines with production capacity of 50 Mtpa in operation. At present, the Company controls three main railways in operation, namely the Zhundong Railway (191.79km), Huzhun Railway (179.65km) and a special railway line for Suancang Mine (26.85km). At the same time, the Company also holds 18.96% equity interest in Zhunshuo Railway, 15% equity interest in Xin Baoshen Railway, 10% equity interest in Mengxi-Huazhong Railway, 9% equity interest in Mengji Railway and 10% equity interest in the south Ordos railway line, respectively. In addition, the Company has built the mine roads of 150 km covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area. The Company has kept increasing technical and equipment input in railway management for years, thus realizing interconnection with national railways. Currently, the design delivery capacity of the self-operated railways and the coal transport capacity reached 220 million tonnes/year and 100 million tonnes/year, respectively. A complete transport network covering all main mines of the Company has been established, thus creating a good condition for transporting the coal both owned by the Company and from the peripheral area. The Company possesses the world-leading indirect coal-to-liquid conversion technique and plans and constructs large-size coal-to-chemicals projects in Xinjiang and Inner Mongolia applying such technique. As a major product of the Company at present, environment-friendly and quality thermal coal which mainly serves as fuel coal for various industries in the downstream of the coal industry including thermal power, construction materials and chemicals.

Impacted by the domestic economic downturn and nationwide overcapacity, the coal market of China underwent thorough adjustment with drop in the coal price, which has aggravated the operation difficulties of enterprises since the second half of 2012. Problems lying in front of the industry comprise extensive coal production and consumption pattern, increasingly heightened constraints from the ecological environment and imbalance between supply and demand. However, within a predictable period, position of coal as the main energy of China is unshakable. The clean and efficient use of coal mainly through deep processing and conversion, and the integrated-operation-oriented industrial transformation and upgrading will lead the main development trend in the industry in the future.

### II. ANALYSIS OF CORE COMPETITIVENESS DURING THE PERIOD

As the largest local coal enterprise in Inner Mongolia, the Company has comparative advantages over its peers by boosting its size, growth quality and efficiency, optimizing industrial structure and enhancing financial strength after near 20 years of development. The Company has also forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy consumers with an eye to mutual benefits and win-win scenarios, achieving relatively high brand effect. The Company has abundant coal reserves, superior mining conditions, advanced mining technology and sustained opportunities for integration of internal and external resources. Meanwhile, the Company has always kept its operation strategy of integrating production, delivery and sales, creating new profit growth point in railway and coal-related chemical sector, which will be beneficial to the long-run stable development for its own.



## COMPANY BUSINESS PROFILE *(Continued)*

### II. ANALYSIS OF CORE COMPETITIVENESS DURING THE PERIOD *(CONTINUED)*

Firstly, as its coal products are environmental-protection typical high-quality thermal coal, with such characteristics as medium to high calorific value, medium to low ash content, ultra-low sulphur content, ultra-low phosphorous content, and low moisture content, all of which are highly competitive in the market.

Secondly, the Company has leading advantages in low-cost mining in the industry, and the major mining areas have stable ground conditions, simple geological structures, relatively thick flat-lying coal seams located at relatively shallow depths, and low methane gas concentration levels, which greatly reduced safety hazards in its mining operations, and lowered coal production costs.

Thirdly, the Company is in an advantageous position in railway transportation and has currently formed a railway transportation network, connecting Dazhun, Daqin Lines to the east, Dongwu Line to the west, Jingbao Line to the North, Shenshuo Line to the south, which centers on Jungar, Dongsheng Coalfield and spread hereof. Furthermore, several large scale coal dispatched stations, coal storage yards and transfer stations were established so as to be in favor of controlling transportation costs and promoting the transportation efficiency.

Fourthly, the Company actively expanded the coal chemicals operation in terms of the world-leading coal-to-oil production technologies possessed, which could extend the Company's coal industrial chain, realize industrial transformation and upgrading, and enhance its core competitiveness and consolidate its position in the industry.

Fifthly, the Company has been adhering to the responsibilities to all shareholders, local and society while strengthening and expanding its business. It maintained an outstanding profit sharing and tax paying record for a number of years, and actively participated in local environmental governance and ecological improvement, practically achieving harmonized development of the enterprise and the society.

## REPORT OF DIRECTORS

### I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, under the co-effect of slowdown of national macro-economic growth and structural transformation, coal consumption in coal consuming industries has declined sharply; on the other hand, given concentrated release of new domestic capacity, substantial excessive coal capacity and a large scale of coal importing, the situation of coal oversupply has not changed, causing a severe decline of the coal market and a drastic drop of the coal price, resulted in continuous declination in the industry profit.

Confronted by the unprecedented difficulties and challenges, led by the Board of Directors and the management, all employees of the Company took the initiative to address the adverse impact of the depressed coal market with an emphasis on safety, planned scientifically and arranged reasonably the production, transportation and sales of coal, further consolidated the coal-to-oil demonstration result and promoted project approval and construction steadily, thus resulting in steady and orderly development of all businesses. The Company recorded the total assets of RMB68.2 billion, revenue of RMB19.1 billion and a net profit to the parent company of RMB90.50 million.

#### (i) Coal sector

During the period, facing the challenges brought by downturn of industrial market, progressive decrease of coal reserves and gradually more complicated geological conditions, the Company has realized production of commodity coal of 34.34 million tonnes and sales of coal of 59.82 million tonnes throughout the year on the basis of safety production.

##### 1. Coal production

On one hand, the Company enhanced management and control on operating cost and pushed forward streamline management on coal with an objective of reducing cost and improving efficiency, thus organically combined the comprehensive budgetary objective with internal accounting and program control; on the other hand, the Company realized quality promotion and efficiency improvement by means of enhancing the coal quality management during production process under mine and well and during the washing process, and setting up an improved plan for delicacy warehousing management.

##### 2. Transportation and sales of coal

In 2015, on the basis of maintaining the current market share, the Company continuously optimized and expanded the markets inside and outside by means of establishing new sales company and carrying out cross-regional business. The Company has added more than 50 clients this year, and has further raised the market share. Besides, we increased sales of the high-efficiency coal at maximum through sales promotion with a mechanism of quantity-price interconnection, prepared special coal to meet the individual needs of some clients, adjusted the sales strategy timely so as to increase coal sales.

In cost reduction and efficiency promotion, we actively sought the best route to the port to save the logistic cost and have formed an outward transport mode of Focus on Allocation and Transportation in Taiyuan and Supported by Hohhot. Meanwhile, the Company initiated a new bidding mode for automobile transportation, thus having greatly reduced the automobile transportation cost.

## REPORT OF DIRECTORS (Continued)

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (ii) Railway sector

In 2015, the Company strengthened the cooperation with railway bureaus and vigorously strove for transportation volume. We paid attention to the market in time and formed a dynamic database, determined a tiered pricing plan of platform and transportation charges and adjusted the transportation expenses appropriately to attract customers. Meanwhile, we commenced logistics marketing among all employees by conducting several measures at the same time, actively explored potential demand of local power plants, attracted more private clients for dispatching goods and expanded the market in the Northeast. In addition, the Company improved the integral operating efficiency through equipment upgrading promotion, saving management enhancement, informationization construction strengthening and internal market-oriented reform. During the reporting period, Zhundong Railway and Huzhun Railway had dispatched 55.19 million tonnes and 28.33 million tonnes of coal, respectively.

#### (iii) Coal-to-chemicals sector

##### 1. Demonstration project of coal-to-oil production of 0.16 Mtpa

During the reporting period, the coal-to-oil companies ensured long-term operation of the equipment by promoting equipment management level, and improving inspection and repair work; the production volume for the whole year amounted to 0.202 million tonnes, representing a breakthrough since operation. At the same time, we actively carried out technology research and patent application. As at the reporting period, the Company owned 10 utility model patents and 4 invention patents authorized by the State Intellectual Property Office (“SIPO”). Moreover, the national standard of Coal-based Fischer-Tropsch Synthesis-Liquid Wax was approved by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (“AQSIQ”) and the Standardization Administration of the PRC (“SAC”), which helped us to promote our position in the coal-to-oil industry, and further offered strategic reserve for the access to the coal-to-oil industry.

##### 2. Oil sales

The coal-related companies have gradually formed a sales network with core business in Inner Mongolia and markets in North China such as Beijing, Tianjin and Hebei, and business as subordinate in markets of East China, Central China and the Southwest. Stable refined oil product distribution channels have been set up in Ordos, Baotou, Hohhot, Beijing and Shanghai, etc., and firm chemicals marketing channels are currently available in Tianjin, Henan, Hebei, Sichuan and Shandong. By further expanding the market, stably promoting popularization of clean oil products and conducting logistics and warehouse construction orderly, sale volume of all products reached 0.20 Mtpa for the year.

## REPORT OF DIRECTORS *(Continued)*

### I. MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

#### (iii) Coal-to-chemicals sector

##### 3. Project construction

Hanggin Banner 1.2 Mtpa Refined Chemical Project put a total investment amounted to RMB12.9 billion. 68% of the investment plan has been completed, and the installation work was carried out orderly while the water supply construction, building construction and equipment installation realized a basic completion. On the other hand, Taran-Jintai secondary road was officially opened to traffic. All work is carried forward smoothly and the project is scheduled to be constructed and put into operation on 30 November 2016.

#### (iv) Safety and environmental protection

In 2015, the Company continued to improve the system construction of safety production guaranteed, put more effort on safety and strengthened quality management. The casualty from the production of per million tonnes of primary coal was 0, and no serious personal injury or major equipment damage occurred in the railway transportation and coal-to-chemicals sectors, which indicated successful achievement of the target of safety production.

During the reporting period, the Company kept enhancing internal environment supervision, concretely promoted energy saving and emission reducing work and has fulfilled beyond the task of emission reduction of the “Twelfth Five Year Plan” with no occurrence of environment pollution accident for the year. In the meantime, the Company made more efforts in foundational work of environmental protection and ecological construction in an active manner. It has accomplished the project of carbon sequestration forest over 1 million mu. So far, the Company has planted 340,000 mu forest and the area of wind prevention and sand fixation covered 770,000 mu, which made great contribution to improve the local ecological environment.

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW

#### Financial Performance

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

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

Unit: RMB'000

Item	Amount for the reporting period	Amount for the same period last year	Change (%)
Revenue	19,116,172	24,806,104	-22.94
Sales costs	(15,442,988)	(18,004,758)	-14.22
Cost of sales and distribution	(1,017,994)	(1,355,153)	-24.88
General and administrative expenses	(1,572,629)	(1,610,984)	-2.52
Finance costs	(867,812)	(742,909)	16.81
Net cash flow from operating activities	2,758,297	5,745,435	-51.99
Net cash flow from investing activities	(6,250,607)	(11,901,744)	-47.48
Net cash flow from financing activities	5,071,094	7,382,537	-31.31
Expenses in R&D	103,152	79,841	29.20

##### 1. Revenue and cost analysis

##### (1) Principal business by segments

As of 31 December 2015	Coal-related				Total RMB'000
	Coal RMB'000	Transportation RMB'000	chemical RMB'000	Others RMB'000	
<b>Segment revenue</b>	17,073,880	1,710,925	1,857,764	7,212	20,649,781
External customers	16,847,610	416,387	1,844,963	7,212	19,116,172
Internal customers	226,270	1,294,538	12,801	-	1,533,609
<b>Segment results</b>					
Profit/(loss) before tax	(240,338)	521,286	14,852	(1,476)	294,324
Income tax expense	29,931	(67,172)	(4,356)	-	(41,597)
Net profit for the period	(210,407)	454,114	10,496	(1,476)	252,727
<b>Segment assets</b>	31,747,831	13,303,799	25,132,059	2,540	70,186,229
<b>Segment liabilities</b>	21,363,362	5,808,077	16,154,636	5,639	43,331,714



## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

##### 1. Revenue and cost analysis (Continued)

##### (1) Principal business by segments (Continued)

Synergies between each business segments

	2015		2014	
	<b>Sales volume</b>		<b>Sales volume</b>	
Coal operation	(million tonnes)	<b>Percentage</b>	(million tonnes)	<b>Percentage</b>
Sales to external customers	59.82	98.16%	66.03	98.54%
Sales to internal coal-related chemical operation	1.12	1.84%	0.98	1.46%
	<b>Transportation volume</b>		<b>Transportation volume</b>	
Railway operation	(million tonnes)	<b>Percentage</b>	(million tonnes)	<b>Percentage</b>
Internal transportation service	65.94	78.95%	72.39	80.16%
Transportation service to third parties	17.58	21.05%	17.92	19.84%
	<b>Purchase volume</b>		<b>Purchase volume</b>	
Coal-related chemical operation	(million tonnes)	<b>Percentage</b>	(million tonnes)	<b>Percentage</b>
Internal purchase	1.12	97.39%	0.98	98%
External purchase	0.03	2.61%	0.02	2%

##### (2) Analysis on production and sales

Principal products	production (million tonnes)	sales (million tonnes)	Inventory (million tonnes)	Increase/ decrease of production compared to last year	Increase/ decrease of sales compared to last year	Increase/ decrease of inventory compared to last year
				(%)	(%)	(%)
Thermal coal	34.34	59.82	3.43	-20.53%	-9.39%	-40.03%
Coal chemical products	0.2022	0.2047	0.0061	13.38%	18.35%	-29.08%

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

##### 2. Fees

Items of statements	Balance at the end of the period (RMB million) (or amount in the period)	Balance at the beginning of the period (RMB million) (or amount of last period)	Percentage change (%)	Reasons for change
Selling expenses	1,027.84	1,379.27	-25.48%	The reduction of the port fees due to the decrease on the sales in ports, the reformation of the salary and the reduction of the compensation expenses;
Financial costs	827.18	678.96	21.83%	Due to the increase in borrowings in the period

Note: The above financial information is based on PRC Accounting Standards.

##### 3. Expenses in research and development

Statement of the expenses in research and development

Unit: RMB million

Expenses in research and development in the period	103.15
Capitalized research and development in the period	0
Total expenses in research and development	103.15
Percentage of total contribution in research and development over operating income (%)	0.53

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

###### 4. Cash flow

As at 31 December 2015, the balance of cash and cash equivalents was RMB6,605.86 million, increased by RMB1,574.92 million as compared with cash and cash equivalents of RMB5,030.94 million as at 31 December 2014, up by 31.30%. This was mainly due to:

The net cash inflow from operating activities decreased by RMB2,987.14 million, amounting to RMB2,758.30 million, as compared with that of RMB5,745.44 million for the corresponding period last year, down by 51.99%. This was mainly due to the decrease of the cost of coal during the reporting period.

Net cash generated from the investing activities for the year corresponding period last year amounted to RMB6,250.61 million, representing a year-on-year decrease of RMB5,651.13 million in net outflow as compared with that of RMB11,901.74 million for the corresponding period last year, down by 47.48%. This was mainly due to decrease in investment for coal mine, railway and coal chemical projects.

Net cash from financing activities was a net inflow of RMB5,071.09 million, as compared with a net inflow of RMB7,382.54 million for the corresponding period last year, representing a decrease of RMB2,311.45 million in net cash inflow, down by 31.31%. This was mainly due to a year-on-year decrease of borrowings during the reporting period.

###### 5. Liquidity and capital resources

As at 31 December 2015, the Company's capital mainly came from capital generated from business operation, medium term note, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company is mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt, as well as the working capitals and normal recurring expenses.

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

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

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

As at 31 December 2015, the net book value of Company's property, plant and equipment amounted to RMB43,855.452 million, increased by RMB7,052.176 million or 19.16% as compared with RMB36,803.276 million as at 31 December 2014, mainly due to the addition in construction in process of RMB8,048.792 million which catered for the needs of the Company's production and operation.

The Company's property, plant and equipment (net book value) as at 31 December 2015 and at 31 December 2014 were as follows:

Unit: RMB'000

	As at 31 December 2015	Percentage (%)	As at 31 December 2014	Percentage (%)
Buildings	3,717,727	8	4,150,448	11
Mining structures	2,535,469	6	2,376,446	6
Plant and machinery	3,997,520	9	4,380,552	12
Motor vehicles	260,596	1	324,684	1
Railway	6,967,851	16	7,158,553	20
Road	496,671	1	544,513	1
Office equipment and others	328,365	1	365,621	1
Construction in progress	25,551,253	58	17,502,459	48
Total	43,855,452	100	36,803,276	100

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

As at 31 December 2015, the net value of the Company's trade and bills receivables amounted to RMB3,815.259 million, increased by RMB948.95 million as compared with RMB2,866.309 million as at 31 December 2014, the increase of 33.11% was mainly due to the increase of the credit amount of the coal during the reporting period.

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

##### (3) Borrowings

As at 31 December 2015, the balance of the Company's borrowings amounted to RMB26,318.566 million, increased by RMB7,614.921 million or 40.71% as compared with RMB18,703.645 million as at 31 December 2014, mainly due to the increase of new borrowings.

Analysis of assets and liabilities

Unit: RMB

The below financial information is based on PRC Accounting Standards.

Item	Closing balance for the period	Closing balance for the period over the total assets (%)	Closing period for the last period	Closing period for the last period over the total assets (%)	Percentage of change of closing balance for the period compared to the last period (%)	Explanation
Bill Receivables	1,369,573,105.33	2.01%	129,716,820.34	0.22%	955.82	Mainly due to the increase of receivables of bank acceptance for the end of the period;
Stock	1,085,494,225.17	1.59%	1,709,750,261.10	2.91%	-36.51	Mainly due to the decrease in of the production during the period;
Other Current Assets	1,091,201,255.90	1.60%			100	Mainly due to be reclassification of the pending deduct VAT on purchase, prepaid resource Tax and income tax;
Long-term equity investment	875,817,990.85	1.28%	434,625,583.88	0.74%	101.51	Due to the increase of the investment in new associates joint ventures;
Investment property	461,846,707.21	0.68%	137,856,316.67	0.23%	235.02	Due to the increase of construction to investment property;
Construction in progress	24,682,098,384.87	36.21%	17,378,150,606.64	29.58%	42.03	Mainly due to the investment and construction in coal chemical and railway projects;
Construction Equipment	869,152,786.39	1.28%	124,308,707.53	0.21%	599.19	Mainly due to the purchase of equipment not yet installed for the coal chemical projects;
Other Non-Current Assets	50,956,000.00	0.00%			100	Mainly due to the prepayment on the acquisition of equity funds;
Short-term borrowings	5,218,750,000.00	7.66%	1,218,282,000.00	1.79%	328.40	Due to the new short-term borrowings during the period;
Financial liabilities at fair value through profit or loss	65,600.00	0.00%			100	Due to the deficit book value of closing futures;
Bill Payables	325,150,396.75	0.48%	40,000,000.00	0.07%	712.88	Due to the increase of the bill payments;

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

##### (3) Borrowings (Continued)

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

Item	Closing balance for the period	Closing balance for the period over the total assets (%)	Closing period for the last period	Closing period for the last period over the total assets (%)	Percentage of change of closing balance for the period compared to the last period (%)	Explanation
Advance payments	184,400,489.03	0.27%	126,053,271.30	0.21%	46.29	Mainly due to the increase of the advanced payment on the equity transfer;
Taxes payable	1,166,358,147.83	1.71%	444,935,127.73	0.76%	162.14	Mainly due to be reclassification of the pending deduct VAT on purchase, prepaid resource Tax and income tax
Dividends payable	710,430.00	0.00%	9,810,940.00	0.02%	-92.76	Due to the dividends paid by subsidiaries;
Non-current liabilities due within one year	3,417,885,060.58	5.01%	948,282,160.03	1.61%	260.43	Mainly due to the increased long-term loans repayable within one year;
Long-term payables	312,656,342.40	0.46%	58,000,000.00	0.10%	439.06	Mainly due to the accrued financial lease outlay from the sale-leaseback;
Deferred income	72,878,027.00	0.11%	17,440,000.00	0.03%	317.88	Mainly due to the increase of the government subsidies received on the relevant assets;
Deferred tax liabilities	5,018,735.10	0.01%	41,450,664.93	0.07%	-87.89	Mainly due to the transfer of the temporary differences in tax payable on the disposal of the available-for-sale financial assets;
Other comprehensive income	3,558,937.95	0.01%	98,558,485.10	0.17%	-96.39	Mainly due to the investment income transferred from the change of fair value on the disposal of the available-for-sale financial assets during the period;

As at 31 December 2014, the gearing ratio of the Company was 53.19%. As at 31 December 2015, the gearing ratio of the Company was 60.73%, a 7.54 percentage points up as compared with last year.

The gearing ratio is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, long-term bonds, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash and short-term deposits. Capital represents equity attributable to owners of the Company.

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

##### (iii) Analysis on operational information in the coal industry

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

Yitai	From January to December 2015		From January to December 2014	
	Volume (million tonnes)	Unit price (RMB/tonne) (Excluding tax)	Volume (million tonnes)	Unit price (RMB/tonne) (Excluding tax)
Local sales at mines	8.75	140	18.29	184
Local sales at loading facilities	6.68	155	2.12	201
Sales via direct rail access	9.83	314	7.37	393
Sales at ports	34.56	339	38.24	409
Total	59.82	285	66.03	339

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

Yitai	From January to December 2015 (million tonnes)	From January to December 2014 (million tonnes)
Self-produced coal	34.55	39.92
Coal purchased externally	25.27	26.11

Company-owned railways	From January to December 2015		From January to December 2014	
	Total throughput (million tonnes)	Freight volume for the company (million tonnes)	Total throughput (million tonnes)	Freight volume for the Company (million tonnes)
Zhundong Railway Line	55.19	49.51	53.69	48.31
Huzhun Railway Line	28.33	16.43	36.61	24.07

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

##### (iii) Analysis on operational information in the coal industry (Continued)

###### (3) Reserves of the Company's mines

Major mining areas	Resource reserve (million tonnes)	Mineable reserve (million tonnes)
Suancigou	1,314.26	715.38
Nalinmiao No. 2 mine	134.69	68.10
Hongjingta No. 1 mine	115.51	47.66
Nalinmiao No. 1 mine	23.96	4.16
Yangwangou	13.89	6.32
Fuhua	5.21	2.42
Kaida	191.71	110.87
Dadijing	85.98	51.95
Baoshan	41.44	24.27
Dingjiaqu	45.10	24.19
Chengyi	15.33	4.53
Baijiali	4.50	0
Under construction		
Talahao	867.38	589.91
Total reserves	2,858.96	1,649.76

#### Calculation criteria:

Quantity of resources and reserves of the Company estimated as at 31 December 2015 is obtained from the resources recorded by the Ministry of Land and Resources less the used resources year by year. There had been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in the Annual Report are pursuant to the currently prevailing code standard of China: reserves corresponding grade are calculated according to Measures Management of Reserves of Production Mines (《生產礦井儲量管理辦法》), and Specifications for Coal and Peat Exploration. The reserves sheet shall be examined and verified by internal geological experts of the Company.



## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

##### (iii) Analysis on operational information in the coal industry (Continued)

###### (4) Other explanation

###### (1) Mine explorations by the Company during the reporting period

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

###### (2) Coal mine expenditure

Unit: RMB million

Name	Plan for 2015	Amount in the period	Ration of Completion of the plan for the year
Suancigou	252.22	244.88	97%
Nalinmiao No. 2 Mine	73.50	24.68	34%
Hongjingta No. 1 Mine	79.82	98.76	124%
Kaida	38.89	29.77	77%
Dadijing	51.10	59.50	116%
Baoshan	33.17	40.93	123%
Tongda	31.30	35.24	113%
Chengyi Mine	0.62	0.68	108%
<b>Total</b>	<b>560.62</b>	<b>534.44</b>	<b>95%</b>

###### (3) Construction of mines

As of 31 December 2015, the cumulative investment on Talahao Mining Project amounted to RMB1.575 billion, 74.03% of the investment plan has been completed.

Total length of the construction tunnels in Talahao Mine is 39,441m, and 11,036m have been excavated in the expansion of Talahao during the reporting period, which accumulated to 19,039.2m, indicating completing 48.30% of the total work.

During the period, building construction of Talahao has basically completed, installation works have been completed and put into use, the procurement of the equipment is also carried out as planned.

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

##### (iii) Analysis on operational information in the coal industry (Continued)

##### (4) Other explanation (Continued)

##### (4) Construction contracts for coal mine

Unit: RMB

Unit	Details of contract	Name of provider	Amount of contract
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)	Project of sticking wear-resisting plate to buffer coal warehouse under well	Henan Changxing Construction Group Co., Ltd. (河南長興建設集團有限公司)	2,000,000
Inner Mongolia Yitai Coal Co., Ltd. (Talahao Mine)	Installation of dust pelletizing system in coal preparation plant	Chongqing MAS Sci&Tech Co., Ltd.	1,352,660
Inner Mongolia Yitai Coal Co., Ltd. (Baoshan Mine)	Loading system	Yulin Jujitai Construction Engineering Co., Ltd. (榆林市宏泰建設工程有限公司)	747,704
Inner Mongolia Yitai Coal Co., Ltd. (Baoshan Mine)	Annual overhaul in Baoshan Mine in 2015	Yulin Jujida Infrastructure Construction LLC (榆林市宏達基建工程有限責任公司)	550,577

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

##### (iii) Analysis on operational information in the coal industry (Continued)

###### (4) Other explanation (Continued)

###### (5) Procurement contracts of facilities for coal mine

Unit: RMB

Unit	Details of contract	Name of provider	Amount of contract
Inner Mongolia Yitai Coal Co., Ltd. (Baoshan Mine)	Flameproof contra-rotating axial flow fan for mine	Shanxi Anrui Fan Electric Co., Ltd. (山西省安瑞風機電氣有限公司)	1,562,000
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.	Heavy scraper conveyer	Qinhuangdao Huake Mine Machinery LLC. (秦皇島市華科煤礦機械有限責任公司)	9,092,000
Inner Mongolia Yitai Coal Co., Ltd. (Dadijing Mine)	Middle trough purchasing plan	Shijiazhuang Zhongmei Coal Mine Equipment Manufacture Co., Ltd.	12,500,000
Inner Mongolia Yitai Coal Co., Ltd. (Baoshan Mine)	Roll screen	Shanghai Yu Yuan Machinery Co., Ltd. (上海宇源機械有限公司)	398,000
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.	Scraper conveyer	Qinhuangdao Huake Mine Machinery LLC. (秦皇島市華科煤礦機械有限責任公司)	489,000
Inner Mongolia Yitai Coal Co., Ltd. (Talahao Mine)	6 power cables/solid aluminum cable	Qingdao Hanhe Cable Co., Ltd.	320,651

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

##### (iii) Analysis on operational information in the coal industry (Continued)

(4) Other explanation (Continued)

(6) Coal mining of the Company

Unit: million tonnes

Mine of the Company	Output of Coal	
	January to December 2015	January to December 2014
Suancigou	11.61	11.73
Nalinmiao No. 2 mine	5.53	4.99
Hongjingta No. 1 mine	6.73	7.66
Nalinmiao No. 1 mine	0.12	2.99
Kaida	0.25	1.38
Dadijing	5.89	6.01
Baoshan	3.13	3.54
Tongola	0.14	3.04
Chengyi	0.93	1.87
Total	34.34	43.21

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

##### (iii) Analysis on operational information in the coal industry (Continued)

###### (4) Other explanation (Continued)

###### (7) Cost of Coal

Unit: RMB/tonne

Project	Category	January to December 2015	January to December 2014
Production cost per unit of self-produced coal	Labor cost	15.91	18.36
	Raw material, fuel and power	8.49	9.94
	Depreciation and amortisation	7.94	6.87
	Other production costs	32.28	51.56
	Total production cost for coal	64.62	86.72
Cost per unit of coal purchased domestically	133.74	200.18	

##### (iv) Major relations with its employees, customers, suppliers and other entities that have significant influence on the Company

###### (1) Information on major customers

During the Reporting Period, the total sales made to the top five customers was RMB4,085,735,185.05, accounting for 20.88% of the Company's sales revenue in 2015. The sales made to the largest customer were included in the abovementioned amount, accounting for 5.31% of the Company's sales revenue in 2015.

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

The total purchase amount from the top five suppliers was RMB1,150,592,332.40, accounting for 33.66% of the Group's total purchase amount in 2015. The purchase amount from the largest supplier accounted for 11.80% of the total purchase amount in 2015.

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

#### (iv) Major relations with its employees, customers, suppliers and other entities that have significant influence on the Company (Continued)

##### (3) Employees

Details see the section under DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES.

#### (V) Analysis on Investment

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

##### (1) Investment in securities

No.	Type of securities	Stock code	Stock Abbreviation	Initial investment (million)	Shareholdings (share)	Closing book value (million)	Percentage of total investment at the end of the period (%)	Profit and loss during the reporting period (million)
1	share	03369	QHD PORT	79.24	19,013,000.00	58.30	100.00	24.44
2	share	601225	SHAANXI Coal					79.52
Total				79.24	19,013,000.00	58.30	100.00	103.96

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

Name of the investee	Initial investment (in million)	Closing book value (in million)	Profit and loss during the reporting period (in million)	Accounting item	Source of shareholding
Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)	100	100	10.63	Available-for-sale financial assets	Capital contribution
Total	100	100	10.63	/	/

## REPORT OF DIRECTORS *(Continued)*

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW *(CONTINUED)*

#### Financial Performance *(Continued)*

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

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

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

Explanations on shareholding in non-listed financial entities:

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

##### **(vi) Disposal and Purchase of Major Assets and Equity**

The Company entered into an equity transfer agreement with holding shareholder Yitai Group on 18 March 2015. Pursuant to the Consulting Report for Value of Mining Rights in Hongqinghe Mine of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司紅慶河煤礦採礦權價值諮詢報告) (Consulting Report for Value of Mining Rights by Zhongxin Zhonghe [2015] No.008) issued by Beijing Zhongxin Zhonghe Mining Valuation Advisory Limited on 8 March 2015, the Company acquired 5% of equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. held by Yitai Group at a consideration of RMB1.912 billion. In 2015, The Company has paid partial payments for the equity transfer.

At present, Yitai Guanglian is carrying out the mine construction of 15 Mtpa of coal in Hongqinghe Mine, and has obtained an approval from National Development and Reform Commission of commencing operation of mines in February 2013. Mining right owned by Hongqinghe Mine is the main asset of Yitai Guanglian, and the resource reserves recorded in the mining areas designated to Hongqinghe Mine reached 3,219.42 million tonnes and the minable reserves with mining right totalled 2,124.27 million tonnes.

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

##### (vi) Disposal and Purchase of Major Assets and Equity (Continued)

At present, there is hardly any growth in the reserve of quality coal in Ordos owned by the Company, and to supplement the coal resources is essential to the future development of the Company. Meanwhile, given the current downturn of the coal industry and sharp decrease of coal purchase as compared with the peak, to purchase coal resources at the time being will reduce costs of the Company and is beneficial to profit growth once the industry enters the next prosperity.

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

Unit: RMB million

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net profit
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Railway transport operations	Railway transportation	1,554.000	6,572.90	368.12
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古呼准鐵路有限公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	2,074.598	6,667.04	90.47
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Coal chemical products	Production and sale of coal chemical products (including liquefied gas, gasoline, naphtha, kerosene, diesel and tar) and the subsidiary products	2,352.900	4,022.13	10.87
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Processing and sale of minerals	1,080.000	3,906.47	321.51

Note: The above financial information is based on PRC Accounting Standards.



## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

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

Inner Mongolia Yitai Zhundong Railway Co., Ltd. (“Zhundong Railway Company”), principally engaged in railway transport business, has a registered capital of RMB1,554 million and is owned as to 96.27% by the Company. Zhundong Railway Line has a total operating length of 191.8 kilometers (Including 59.4 kilometers for Phase I (double line) of Zhundong Railway Line), stretching from Zhoujiawan Station in the Jungar Coalfield westward to Jungar zhao in the Dongsheng Coalfield, providing a railway transportation route from the Company’s mines in the Dongsheng Coalfield to Dazhun Railway Line and Huzhun Railway Line, which further connect to Tianjin port, Qinhuangdao port and Caofeidian Port through the Daqin Railway Line and the Jingbao Railway Line.

During the reporting period, Zhundong Railway Company optimized its organization structure and strengthened cost control while ensuring steady safety. Its concept of sales was gradually transferred to modern logistics, which built a solid foundation for the strategic planning of breaking through 100 million tonnes in respect of railway transportation. In 2015, Zhundong Railway Company dispatched an aggregate of 55.19 million tonnes of coal, representing an increase of 2.79% as compared with the same period last year. Its operating revenue amounted to RMB1,277 million, representing a decrease of 19.26% as compared with the same period last year. Its net profit amounted to RMB368 million, representing a decrease of 52.91% as compared with the same period last year. As at 31 December 2015, Zhundong Railway Line had maintained production safety for 5,494 consecutive days without casualty accidents, major transportation accidents or fire accidents.

During the reporting period, Zhundong-Taungoo Communication Line (准東-東烏聯絡線) and South-Taungoo Communication Line (南部-東烏聯絡線) completed all the supportive documents for projects reporting. The project has been passed by the Project Accreditation Council of the Development and Reform Commission of the Autonomous Region (自治區發改委項目評審會) and is waiting for approval.

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

Inner Mongolia Yitai Huzhun Railway Co., Ltd. (“Huzhun Railway Company”), which was jointly established by the Company, Inner Mongolia Mengtai Buliangou Coal Co., Ltd., Datang Electric Power Fuel Co., Ltd. and Hohhot Railway Bureau, is principally engaged in transportation of railway cargo. It has a registered capital of RMB2,074.598 million and is owned as to 76.9917% by the Company. Huzhun Railway has an operating length of 179.65 kilometers, stretching from Zhoujiawan Station in Jungar Banner northward to Hohhot Station of the Jingbao Railway Line. Huzhun Railway is an important channel for transporting the coal produced by the Company to the markets in eastern and northern China.

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

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

During the reporting period, Huzhun Railway Company optimized the transportation environment by establishing safety awareness and launching comprehensive, multi-channel and various measures, through which, each work of the Company showed a good development momentum. During the reporting period, Huzhun Railway had dispatched an aggregate of 28.33 million tonnes of coal throughout the year, representing a decrease of 22.62% as compared with the same period of last year. It recorded operating revenue of RMB483 million, representing a decrease of 26.39% as compared with the same period of last year. The net profit for the year amounted to RMB90 million, representing a decrease of 55.88% as compared with the same period of last year.

In the project of adding a second Huzhun line, a down line from Wangqi to Hunan was successfully opened on 17 August 2015, and the up line has been approved and is under construction now.

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

Inner Mongolia Yitai Coal-to-oil Co., Ltd. (“Coal-to-oil Company”) was principally engaged in the production and sale of coal chemical products and relevant subsidiary products. It was jointly established by the Company and Inner Mongolia Yitai Group Co., Ltd. and Inner Mongolia Mining Industry Group Co., Ltd., with a registered capital of RMB2,352.9 million, and is owned as to 51%, 9.5% and 39.5% by the Company, Inner Mongolia Yitai Group Co., Ltd. and Inner Mongolia Mining Industry Group Co., Ltd. Yitai Group respectively.

In 2015, coal-to-oil companies have dramatically increased the sales revenue by means of improving production technique, solving technical bottleneck, adding liquid normal wax and stable normal light hydrocarbon and improving quality of the coal-based synthesis wax on the basis of continuously promoting safety management level. Meanwhile, the Company actively carried out technology research and patent application. As at the end of the reporting period, the Company owned 10 utility model patents and 4 invention patents in total, which were authorized by SIPO. As at end of the reporting period, coal-to-oil companies owned 39 utility models and 6 invention patents. In addition, after over three years of unremitting efforts, the national standard of Coal-based Fischer-Tropsch Synthesis-Liquid Wax (GB/T32066-2015) led in October 2015 and mainly established by coal-to-oil companies was approved by AQSIQ and SAC and to be implemented since 1 January 2016.

In 2015, Coal-to-oil Company realized a long-period and stable running. No slight injury or other more serious safety accidents have happened during the whole year, and the companies’ production in various oil products and chemicals amounted to 0.2022 Mtpa, revenue and net profit for the year reached RMB911 million and RMB10.88 million, respectively.

## REPORT OF DIRECTORS (Continued)

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

#### Financial Performance (Continued)

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

###### 4. Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.

Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. ("Suancigou Mine") was jointly established by the Company, Beijing Jingneng Thermal Power Co., Limited (北京京能電力股份有限公司) and Shanxi Yudean Energy Co., Ltd (山西粵電能源有限公司) on 18 September 2007. It has a registered capital of RMB1,080 million and is owned as to 52% by the Company. Suancigou Mine has a designed production capacity of 12 million tonnes per annum and is equipped with appropriately-sized coal washing plants and a special railway line of 26.85 miles for Suancigou.

During the reporting period, Suancigou Mine dealt with the pressure from downturn of the coal market in full sail, accelerated management reformation carefully, actively conducted the streamline project, kept improving quality and efficiency in safety, production, operation and environmental protection, having offered powerful support to smooth transition and development of the coal production sector.

During the reporting period, production volume of raw coal in Suancigou Mine amounted to 16.61 million tonnes, and the total sales revenue and net profit for the year amounted to RMB1,513.15 million and RMB321.51 million, respectively. On the other hand, no slight injury or other more serious safety accidents or occupational disease cases have happened, and the safe production work maintains a good development trend. The Mine was awarded as the Class-A Mine of National Safety Quality Standardization (全國安全質量標準化一級礦井).

###### 5. Subsidiaries not being controlled by the Company

Inner Mongolia Jingtai Power Generation Co., Ltd (Jingtai Power Generation Company) was co-invested and founded by the Company, Beijing Jingneng Power Co., Ltd. and Shanxi Yuedian Energy Co., Ltd., which is owned as to 29% by the Company, and the main business scope covers coal gangue power generation, sales and heat supply.

During the reporting period, Jingtai Power Generation Company maintained 365-day safe production and has reached a generating capacity of 3.064 billion kWh, resulting in a total profit of RMB133.73 million.

Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司) was founded by the Company and Yitai Group via joint contribution. It is owned as to 40% by the Company, and the business scope covers: financial work handling, financing consulting, credit assurance and relevant consulting and agent services for the member units; assisting member units for payment and reception from transactions; insurance agent business approved; guarantee providing to the member units; entrusted loans processing among member units; bill acceptance and discounting for member units; internal transfer settlement and corresponding clearing among member units; liquidation plan designing; deposit taking from the member units; loans application and processing, finance lease to member units; and inter-bank borrowing.

## REPORT OF DIRECTORS *(Continued)*

### II. OVERALL SITUATION AND MAJOR RESULTS REVIEW *(CONTINUED)*

#### Financial Performance *(Continued)*

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

##### 5. *Subsidiaries not being controlled by the Company (Continued)*

The finance company was opened for business in July 2015 and carried out the first inter-bank deposit, the first deposit taking and issued the first working capital loan on 10 September, 25 September and 23 October, respectively.

By establishing and running the finance company, the Company expanded the cash sweep scope, promoted use efficiency of capital thus being able to satisfy the capital needs of the Company.

### III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

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

Under the co-effect of slowdown of economic growth, optimization of economic structure, change of energy structure and restriction from the ecological environment, increase of the coal demand was slacken since 2012. The coal overcapacity is very stern as compared with the demand. Meanwhile, volume of coal imported still remains high with a competitive price. The problem that hindered the healthy development of the coal industry is serious, which was reflected by the unreasonable industrial structure, technical structure and product structure, problems of low production concentration, low work efficiency per capita and single product structure haven't been changed completely. There are still numerous troubles lying in safe coal development, clean coal production and deep processing. Management in the industry and enterprises is weak and rough; enterprises engaged in the industry bear a very heavy tax. It is difficult to separate the social functions and the exit mechanism still lacks for improvement.

During the period of the "Thirteenth Five Year Plan" and under the new normal of economic development, the domestic economic and social development presented a new trend. Under the new requirements made by the energy revolution, the coal industry now faces both opportunities and challenges. Safe, efficient and intelligent coal exploration and clean, efficient and intensive use will play a main role in the development, and the industry will transfer from the extensive type in production quantity and speed into a high-quality, efficient and intensive production mode. The coal enterprises shall adjust the industrial distribution combining with the practice, actively implement the relevant national policies and measures to overcoming poverty, strive for technical innovation, explore transformation and upgrading, optimize the product structure so as to improve the capability of sustainable development and seize the new development opportunities.

## REPORT OF DIRECTORS *(Continued)*

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

#### **(ii) Development strategies of the company**

2016 is the year when the Thirteenth Five-Year Plan steps into the opening stage. Based on the overall domestic economic trend and the development direction of coal industry in the context of new normal, the Company strived to maintain the coordinated and stable development of the production, transportation and sales of coal and facilitate the industrial upgrading to improve the Company's overall strength.

First, we will take advantage of the government's move to accelerate consolidation of coal resources and close obsolete capacity to integrate internal and external resources, to enrich the strategic resource reserve of the Company.

Secondly, we will boost opening of the transportation market actively, introduce railway partners in good time, and give a full play to the self-operating railways in terms of the cost and transport capacity advantages to explore new transport channels and optimize the transport organization, thus further reducing the outside transportation cost of the Company.

Third, we will develop clean coal technology, improve added value of products and extend the coal industry chain. Dedicated to becoming a leader of the coal industry, the Company aims to improve the overall conversion efficiency through technological innovation and extend its industrial chain by gradually expounding strategy and overall planning new coal chemical projects, so as to accelerate the industrial upgrading.

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

Fifthly, we will deepen the management reform and strengthen cost control, focusing on production operation to optimize institutional framework and streamlining the management and control procedures. The employment system will be optimized while the competitive selection mechanism will be improved to enhance employees' efficiency and fully vitalize the enterprise and motivate employees' initiative and creativity.

## REPORT OF DIRECTORS (Continued)

### III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

#### (iii) Possible development of the Company's business in the future

##### 1. Capital expenditure plan of the Company in 2016

Project	Plan for 2016 (RMB million)
1.2 Mtpa refined chemical project of Inner Mongolia Yitai Chemical Co., Ltd.	4,320.61
2 Mtpa coal-based polygeneration comprehensive Project of Yitai Xinjiang Energy Co., Ltd.	1,178.41
1 Mtpa Coal-to-oil Project of Yitai Yili Energy Co., Ltd.	1,194.90
2 Mtpa indirect coal to liquids conversion pilot project of Inner Mongolia Yitai Coal-to-oil Co., Ltd.	100.01
Construction of petrochemical gas station	4.28
The second track of Huzhun Railway	544.46
Dama railway project	26
Southern Railway – Dongwu rail connecting line	335.74
Zhundong Railway – Dongwu Railway connecting line	168.06
Expansion and Renovation of Hushi station	6.16
Nuanshui loading station	49.25
Expansion and Renovation of Jungar Zhao	17.68
Talahao Mine/auxiliary processing plant	748.71
Construction of Aermale of Yili Mining	124.58
Production and operation investment	499.84
Total	<u>9,318.69</u>

##### 2. Financing plan

The Company's existing capital expenditure plan for 2016 may vary to the development of business plan (including potential acquisition), progress of capital projects, market condition, outlook on conditions of future business and the acquisition of necessary permits and regulatory approval. Saved as those required by laws, the Company shall not be responsible for any updating of the figures contained in the capital expenditure plan. By centralizing funds allocation, optimizing assets structure and strictly controlling various expenditures, the Company will speed up capital turnover and reasonably arrange for capital use plans so as to support its healthy development. The Company will sustain the capital demands for day-to-day business operation by collectively drawing on the operating revenue, equity financing and debt financing as well as other financing means to meet the Company's capital needs.

## REPORT OF DIRECTORS (Continued)

### III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

#### (iii) Possible development of the Company's business in the future (Continued)

##### 3. Business Plan

	Expected in 2016	Increase/decrease	Basis
Production Volume (million tonnes)	35.10	Increased by 2.2% compared with the volume in 2015	Determined on the internal production capacity and plan of the Company
Sales Volume (million tonnes)	57.81	Decreased by 3.4% compared with the volume in 2015	Determined on the market demand
Unit cost of sales(yuan per tonne)	198	Decreased by 13.6% compared with the unit cost of sales in 2015	Determined on the internal estimate of the Company

*Note:* The operation target and estimation may expose to risks, uncertainties and assumptions. The actual outcome may differ materially from the these statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.

By focusing on the operation objectives for 2016, the Company will further enhance safety management and deepen the reform. All the work will be done concretely while great efforts will be made to achieve its targets, so as to fulfill its development objective to make progress steadily.

*First, consolidate the foundation for safety, quality and environmental protection and development through multiple measures*

In 2016, we will continue to combine with the national and industrial standards to further promote safety and quality standardization construction in each sector, standardize running of the occupational health and safety management system, raise the safety and quality standardization level and risk prevention and control ability of the Company; we will keep improve the safe production objective accountability, strictly implement the safe production responsibilities at all levels, devote greater effort in examination and verification and specify the system of rewards and penalties; we will keep standardizing the safe operation system, ensure the expenses for safety management drawn and used in full amount, and further improve the safe production conditions; we will enhance safety awareness to all employees and continue to hold various safe production inspection activities while strengthening the construction of emergency rescue system, intensify the hidden danger identification and prevention, practically solve the problems exposed to safe production and prevent occurrence of accidents effectively; by enhancing the safety supervision and quality management in the projects under construction, we will nip all hidden dangers in the bud and ensure the high construction quality of such projects. Sixthly, we will keep strengthening the coal product sampling and test work at each link to maintain a stable coal quality.

## REPORT OF DIRECTORS *(Continued)*

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

#### (iii) Possible development of the Company's business in the future *(Continued)*

##### 3. Business Plan *(Continued)*

*First, consolidate the foundation for safety, quality and environmental protection and development through multiple measures (Continued)*

Confronted with the new environmental protection situation and according to the requirements of the latest environmental protection policies and rules, we should keep improving the environmental management measures and relevant policies of the Company to maintain effective running of the environment/energy management system; the Company will conscientiously comply with the "Three-simultaneous System" (「三同时」) of water and soil conservation, intensify the environment supervision, carry forward deep prevention and examination to avoid occurrence of environmental pollution accidents. In addition, we will safeguard the achievement made in ecological construction in the mining areas, enhance later maintenance, supervision and management of the greening projects, formulate the hazards recovery project and push forward the supervision and control on ecological restoration in the mining depression areas. The employees should be impressed with the idea of environmental protection and energy saving via constant enhancement on the propaganda work.

*Second, scientifically arrange coal production and reasonably formulate coal selling, creating profit by connecting coal production, transportation and selling*

In respect of coal production, in 2016, we will give full play of our advantageous position in coal mines, accelerate the disaster governance project with a steady pace to realize the goal of stable coal output; we will actively popularize the experience of delicacy management in Suancigou Mine to improve the management level in mines; we will keep strengthening the awareness of reducing cost and increasing quality, boost the marketization progress, make full use of the idle equipment to achieve high-efficiency running of the equipment; we will intensify on-site management, optimize the ground gangue picking and screening system to higher coal sheet productivity, reduce gangue content, add types of coal and keep promoting the product quality; we will innovate the examination mode, increase weight of assessment on the economic value added so as to facilitate establishment of the profit sharing mechanism. Sixthly, we will make greater effort in technical research to drive independent innovation and promote achievement transformation, popularization and application of new technologies.

In respect of coal selling, the Company will strive to maintain the market currently possessed, have a full understanding of the clients' demand, and continue to promoting the product and service quality to guarantee the main distribution channels open and clear; new clients and new distribution regions will be explored in good time, and the market with direct access to railways will be expanded too; we will enhance the on-site sales, cultivation and direct-selling clients development at the dispatching stations, increase direct sales and supply to the local power plants, thus improving the market share and brand influence; we will optimize the product structure and sales structure in a market-oriented manner, make full use of coal blending and dressing by washing to bring out various kinds of coal applicable to different demands. Further, we will take selling of the coal with high economic benefit as the core and try to realize an optimal structure of coal for external selling with the precondition of maintaining our current market occupancy.



## REPORT OF DIRECTORS *(Continued)*

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

#### (iii) Possible development of the Company's business in the future *(Continued)*

##### 3. Business Plan *(Continued)*

*Second, scientifically arrange coal production and reasonably formulate coal selling, creating profit by connecting coal production, transportation and selling (Continued)*

In respect of railway transportation, the Company will actively digest the market needs and continue to enhance the cooperation with the units engaged in coal production and selling and the railway bureaus, formulate applicable transportation routes according to market demand and transport expenses in time, reduce the operation cost to maximize profit made from railway transport; we will reasonably arrange the transportation tasks, scientifically adjust and allocate the traffic flow, constantly optimize the transportation organization and improve the cargo transportation efficiency; we will inspect, repair and maintain the equipment in time to reduce the failure rate and provide powerful support to transport safety; we will actively study the implementation plans for the linkage with national railways and Shenhua locomotives to realize locomotive share, create income and promote the efficiency; we will conduct comprehensive market analysis, improve the operation strategies, make overall arrangements reasonably to raise the benefit from transportation. Sixthly, we will keep adhering to logistics marketing among all employees, arouse selling enthusiasm and realize total involvement in operation and profit making.

*Third, enhance technology research and development and market exploration, consolidating the foundation for transformation and upgrading*

First, the Company will continue to maintain safe and steady operation of coal-to-oil demonstration project in 2016. The Company will continue to follow the top priority of maintaining safe and steady operation of the equipment, improve the equipment management level, optimize the production technology process and strive to make technological breakthrough;, by means of optimizing the product structure, saving energy, cutting down on consumption, repairing and making full use of old equipment and wining policy support to realize cost reduction and efficiency increase; the Company will keep deepening the demonstration effect of such projects, intensify construction of talent group so as to support development of the coal-to-chemical industry of the Company in an all-around way.

Second, build and improve oil product sales system. Confronted with the adverse factors such as continuous decline of international oil price, in 2016, we will confirm the strategic layout of retail terminal and boost establishment of the quality management system; continue to strengthen popularization of clean oil products, carrying out all-round promoting activities in major cities in China.

## REPORT OF DIRECTORS (Continued)

### III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

#### (iv) Major risks and uncertainties of the Company

##### 1. Policy risks

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

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

##### 2. Risks of macro-economic fluctuations

The coal industry which the Company belongs to as well as its downstream industries are basic industries of national economy and closely connected with the macro-economy. Therefore, it is very vulnerable to macroeconomic fluctuations. The changes in the structure, the development pattern and the system in the domestic macro economy will have certain impact on production operation of the Company, thereby affect the operating results of the Company.

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

##### 3. Risks of industrial competition

Currently the domestic coal market presents a situation with weak demand and over-capacity. The situation of supply over demand will lead to fiercer competition among coal industry.

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

## REPORT OF DIRECTORS *(Continued)*

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

#### (iv) Major risks and uncertainties of the Company

##### 4. Safety risks

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

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

##### 5. Risks of rising of costs

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

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

## REPORT OF DIRECTORS (Continued)

### IV. FULFILLMENT OF SOCIAL RESPONSIBILITY

#### (i) Work on social responsibility

Please refer to appendix I for details.

#### (ii) Environmental policies and performance of the Company

Please refer to appendix I for details.

#### (iii) Environmental protection work of listed company and subsidiaries regulated to belong to heavy pollution industry by the national environmental protection departments

The Company is under supervision by all levels of environmental protection departments and administration. It has established a special environmental protection supervision department and formulated the internal management system, assessment mechanism and contingency plans for environmental accidents. Powerful supervision and instruction enabled the pollution preventing facilities of all units of the Company to run effectively and stably and realized up-to-standard discharge of pollutants. At the same time, the Company carried forward ecological construction with steady steps and has made remarkable progress.

### V. OTHER DISCLOSURES

#### (i) Material events after the balance sheet date

The Group's material events after the balance sheet date is detailed in "Other Significant Events" under section VI – Significant Events.

#### (ii) Pledge of Assets

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

#### (iii) Contingent liabilities

The Group has the following unprovided contingent liabilities:

	2015 RMB'000	2014 RMB'000
Guarantees given to banks in connection with loans granted to associates	<u>11,200</u>	<u>11,200</u>

## REPORT OF DIRECTORS *(Continued)*

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

#### **(iv) Issue and repurchase of share**

The Group did not issue or repurchase of any share during the reporting period.

#### **(v) Issue of warranty**

The Group did not issue any warranty during the reporting period.

#### **(vi) Donation**

The Group made an aggregate donation of RMB16.50 million during the reporting period.

#### **(vii) Share-linked agreement**

The Group did not enter into any share-linked agreement during the reporting period.

#### **(viii) Directors' insurance**

The Group purchased valid directors' insurance for directors (holding office or resigned) during the reporting period.

#### **(ix) Directors' interests**

There does not exist any arrangement that the Company procured its directors to obtain shares or warranties from listed companies or other companies during the reporting period.

#### **(x) Financial, business, family relationship with members of the Board**

Zhang Dongsheng, the director of the Group is the nephew of the father of the Chairman Zhang Donghai of the Group during the reporting period. There was no financial, business or family relationship between other members of the Board of the Company.

#### **(xi) Share option incentive granted to directors, supervisors and senior management**

The Company did not have any share incentive policies during the reporting period.

## REPORT OF DIRECTORS *(Continued)*

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

#### **(xii) Diversification policies of the Board**

The Group believed that a diversified Board will be beneficial to enhance the Company's performance. In setting the composition of the Board, the Company will consider the diversification of members of the Board from various aspects, including but not limited to age, cultural and educational background, race, professional experience, skills and knowledge. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates. Selection of candidate to the Board will be based on a series of diversified scope, including but not limited to age, culture and education background, professional experience, skills and knowledge.

The nomination committee will annually disclose the composition of the Board in the Corporate Governance Report, and supervise the implementation of the policy. The nomination committee will review the policy in due time to ensure its effectiveness in performance. The nomination committee will discuss any possible amendments needed, and offer the advice on amendments to the Board for its consideration and approval.

#### **(xiii) Articles of association**

The Group amended the articles of association as a result of change of operating scope and adding authorities to the Board as at 15 December 2015. The existing articles of association came into effect on 15 December 2015.

#### **(xiv) Proposed dividend**

The directors of the Group proposed to pay the final dividend of RMB0.085 (including tax) per 10 shares in 2015. Details refer to "Plans for Profit Distribution or Transfer of Capital Reserve to Ordinary Share" in Significant Events under section VI.

#### **(xv) Resignation of directors**

Details see the section under DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES.

#### **(xvi) Comply with relevant laws and rules that have significant impact on the Company**

The Group is in strictly compliance with each laws and rules in the Mainland China and Hong Kong.

#### **(xvii) Directors' and supervisors' material interest in significant transactions, arrangement or contract**

No director, supervisors and entities associated with them have interest of significant in the transactions, arrangement or contract of material in the Company or subsidiaries of the Company.

## REPORT OF DIRECTORS *(Continued)*

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

#### (xviii) Property

For the property, plant and equipment changes in 2015 of the Company and the Group, please refer to Notes 14 to the audited consolidated financial statements.

#### (xix) Taxation

For the taxation of 2015 of the Company and the Group, please refer to Note 11 to the audited consolidated financial statements.

#### (xx) Remuneration of Directors and Supervisors

For more details on the remuneration of the Company's directors and supervisors, please refer to Note 10 to the audited consolidated financial statements.

#### (xxi) Remuneration of five highest paid persons

For more details on the Company's five highest paid persons (excluding directors and supervisors), please refer to Note 10 to the audited consolidated financial statements.

#### (xxii) Management Contracts

In 2015, the Company did not sign or have any contract on the management or administrative work of its overall business or any major business.

#### (xxiii) Pre-emptive Right and Stock Option Arrangement

In 2015, the Company had no arrangement on pre-emptive right and stock option; both Chinese laws and the Articles of Association of the Company have no clear provisions on the pre-emptive right.

#### (xxiv) Permitted Indemnity Provisions

As of the year ended on 31 December 2015, the Company didn't have any permitted indemnity provisions once in effect or in effect for the benefit of directors of the Company (whether entered into by the Company or not) or any directors of associated companies of the Company (if entered into by the Company).

The Company has insured against liability for relevant legal proceedings filed for directors, supervisors and senior management personnel.

#### (xxv) Public Float

In accordance with the publicly-available information of the Company or the knowledge of the directors of the Company, the Company's public float was sufficient on the issuing date of this Report.

## REPORT OF DIRECTORS (Continued)

### V. OTHER DISCLOSURES (CONTINUED)

#### (xxvi) Major Legal Proceedings

As of 31 December 2015, the Company did not involve any major legal proceeding or arbitration and, to the knowledge of our directors, there was also no major legal proceeding or claim that hadn't been learnt or may be by faced by the Company.

#### (xxvii) Compliance procedure of the agreement on avoidance of non-Horizontal competition and its Implementation

- (1) The Group has entered into the Agreement on Avoidance of Non Horizontal Competition on 29 May 2012 with holding shareholders. To implement the strategy of expanding the coal business of the Company, and minimize the potential competition in the business of the Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company acquires the target assets of Yitai Group under the agreement at the consideration RMB8,446.54 million, including most production, sales and transportation business of Yitai Group. The Company confirmed:
  - ① all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;
  - ② the Company purchased all coal produced by Sujiahao Mine after entered into the Coal Framework Agreement on 27 August 2013, during the period from the listing date to the acquisition date of Sujiahao Mine by the Company;
  - ③ all coal products were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;
  - ④ save as retained business and target business group, during the effective period of the Agreement on Avoidance of Non Horizontal Competition, the controlling shareholder and its subsidiaries (excluding the Group) did not or did not spur its respective associates on not to engagement of direct or indirect competition activities with core business of the Company in any manner through itself or other entity union, or holding any interests or rights in any such competition business through a third party;
  - ⑤ the controlling shareholder did not engage or participate in any activities, by leveraging on their respective identity of shareholders or relationship with the Company's shareholders, resulting a damage to legal interests of the Company and the Company's shareholders;
  - ⑥ upon completion of the acquisition, (i) the Ministry of Railways granted the Company to use all transportation quotas of Yitai Group at no cost; (ii) Yitai Group did not use transportation quotas or grant a third party any transportation quotas before satisfied the Company's demands; and (iii) Yitai Group applied to the Ministry of the Group for changing its account holder to the Company;
  - 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



## REPORT OF DIRECTORS (Continued)

### V. OTHER DISCLOSURES (CONTINUED)

#### (xxvii) Compliance procedure of the agreement on avoidance of non-Horizontal competition and its Implementation (Continued)

(1) (Continued)

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.

Supplement explanation of the undertaking:

① Analysis of ability to perform contracts

Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. ("Yitai Guanglian"), a subsidiary of Yitai Group, obtained approval from National Development and Reform Commission to commence operation of mines on 18 February 2013, and other resources licenses were in the process of the proactive application. Under preliminary estimation, Hongqinghe mine will obtain all resources licenses or satisfied the production condition required by 2017.

The Company will exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe mine owned by Yitai Guanglian obtained the legitimate mining right qualification and was in accordance with reasonable and fair terms and conditions, the actual situation, capital arrangement and the Agreement on Avoidance of Non-Horizontal Competition signed with Yitai Group through ways of financing.

② Analysis on risks in respect of performance to contracts

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

## REPORT OF DIRECTORS *(Continued)*

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

#### (xxvii) Compliance procedure of the agreement on avoidance of non-horizontal competition and its Implementation *(Continued)*

##### (2) *(Continued)*

##### ③ Preventive measures and control measures under default

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

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

##### Fulfillment of undertakings

The Company entered into a stock right transfer agreement with Yitai Group on 25 March 2014 in Ordos, and acquired 5% of equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. therefrom at a consideration of RMB1.912 billion. The stock right transfer was considered and approved at the thirty-second meeting of the fifth session of Board of Directors of the Company convened on 25 March 2014, and the 2013 annual general meeting held on 30 May 2014, at which the independent Directors presented independent opinions. Payment for the stock right transfer and change of industrial and commercial registration have been completed.

The Company entered into a stock right transfer agreement with Yitai Group on 18 March 2015 in Ordos, and acquired 5% of equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. therefrom at a consideration of RMB1.912 billion. The stock right transfer was considered and approved at the seventh meeting of the sixth session of the Board of Directors convened on 18 March 2015 and the 2014 annual general meeting held on 9 June 2015, at which the independent Directors presented independent opinions. Related issues are now being intensively processed.

## REPORT OF THE SUPERVISORY COMMITTEE

In 2015, pursuant to the relevant requirements set out in the Company Law, the Articles of Association and Rules of Procedure of the Supervisory Committee, the Supervisory Committee of the Company adhered to the spirit of being responsible to all shareholders, conscientiously implemented the function of supervision for effective supervision on the material operating activities as well as execution of duty of all Directors and senior management of the Company, thus safeguarding the legal interests of the Company and shareholders and legal rights of all employees satisfactorily, and accelerating standardization operation of the Company. The specific work of the Supervisory Committee in the past year is as follows:

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

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

The fourth meeting of the sixth session of the Supervisory Committee was convened on 18 March 2015, at which the proposal in relation to the 2014 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2014 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2014 Internal Control Audit Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2014 Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to profit distribution plan of the Company for 2014; the proposal in relation to the 2014 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal of re-electing supervisors of the Company; consideration on the proposal of the Company's entrance into the daily connected transaction framework agreement and continuing connected transaction framework agreement; proposal relating to confirmation of the actual amount of daily connected transactions (B share) of the Company for 2014 and the estimation for maximum of daily connected transactions (B share) for 2015-2017; proposal relating to the estimation for maximum of continuing connected transactions (H share) for 2015-2017; the proposal in relation to guarantee provided by the Company to its subsidiaries and joint stock subsidiaries; the proposal relating to change in the accounting policy of the Company.

The fifth meeting of the sixth session of the Supervisory Committee was convened on 23 April 2015, at which the proposal of the First Quarterly Report for the Year 2015 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The sixth meeting of the sixth session of the Supervisory Committee was convened on 11 May 2015, at which the proposal in relation to the appointment of internal audit institution of the Company for 2015.

The seventh meeting of the sixth session of the Supervisory Committee was convened on 25 August 2015, at which the proposal in relation to the 2015 Interim Report of Inner Mongolia Yitai Coal Co., Ltd.

The eighth meeting of the sixth session of the Supervisory Committee was convened on 28 October 2015, at which the proposal in relation to the Third Quarterly Report for the Year 2015 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The ninth meeting of the sixth session of the Supervisory Committee was convened on 15 December 2015, at which the proposal in relation to short-term entrusted wealth management or short-term time deposit by use of working capital of the Company and its controlling subsidiaries, and the proposal relating to guarantee provided by the Company to Tailai Coal (Shanghai) Co., Ltd. (泰來煤炭(上海)有限公司) were considered and approved.

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

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

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

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

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

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

During the reporting period, the Supervisory Committee inspected and supervised the financial activities of the Company by debrief the special report from the financial officers of the Company, reviewing the regular report of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company is in compliance with the related provisions under the laws and regulations including the Accounting Law and the Accounting Standards for Business Enterprises. The 2015 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flow and shareholders' equity of the Company, etc. The audit opinions issued by the auditor are objective and fair, and the auditor issued standard unqualified auditor's report for the Company.

## REPORT OF THE SUPERVISORY COMMITTEE (Continued)

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

As at the end of 2015, the actual use of proceeds was in compliance with the commitments under the Prospectus and the project for the change or adjustment of resolutions in the Board and shareholder meetings of the Company.

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

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

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

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

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

Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) and Deloitte Touche Tohmatsu had issued a standard auditor's report on the Company's 2015 financial statements respectively and the auditor's reports give a true, objective and accurate view of the Company's financial position.

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

The Supervisory Committee reviewed the 2015 Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that the report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2015, no material or significant defects were found in the design or execution of the Company's internal control.

## SIGNIFICANT EVENTS

This section forms part of the Report of Directors and Corporate Governance.

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

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

The net profit attributable to shareholders of the Company amount to RMB90.5 million under the PRC Accounting Standards for Business Enterprises in 2015 and basic earnings per share amounted to RMB0.03. The Board proposed to distribute a cash dividend of RMB0.085 per 10 shares (inclusive of tax) to the shareholders, based on the total number of shares, 3,254,007,000. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working days after the general meeting (namely the 2015 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average of middle rate of RMB against HKD as published by the People's Bank of China on the first working days after the date of the general meeting (namely the 2015 annual general meeting) at which the resolution on distribution of dividend is approved.

The Company will convene the 2015 annual general meeting at Room 1, Floor 2, Conference Center of the Company on Tuesday, 28 June 2016 for consideration and approval of relevant proposals, including the above proposal regarding final dividends for 2015. The Company will distribute the final dividend for 2015 to shareholders of the Company no later than 28 August 2016.

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

*Unit: RMB*

Year	Number of bonus shares issued for every 10 existing shares (share)	Dividends paid for every 10 existing shares (yuan) (tax inclusive)	Number of shares transferred to share capital for every 10 existing shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to shareholders of the company in the consolidated statements of the year with dividend payment (yuan)	Percentage relative to the net profit attributable to shareholders of the Company in the consolidated statements (%)
2015	0	0.085	0	27,659,060	90,500,986	30.56
2014	0	2.08	0	676,833,456	2,252,636,707	30.05
2013	0	3.2	0	1,041,282,240	3,444,628,337	30.23

## SIGNIFICANT EVENTS *(Continued)*

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

#### (iii) Closure of register of members

##### 1. Record date and dividend distribution for B shares

Given that the Company will convene the 2015 annual general meeting on Tuesday, 28 June 2016, and under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares after the 2015 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B Shares.

##### 2. Closure of the register of members of H Shares

The Company will convene the 2015 general meeting on Tuesday, 28 June 2016. The shares register of members of the Company will be closed from 28 May 2016 to 28 June 2016 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares of the Company should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at no later than 4:30 p.m. on 27 May 2016.

The share register of members of the Company will be closed from 16 July 2016 to 20 July 2016 (both days inclusive). In order to qualify for receiving dividend, holders of H shares of the Company should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. 15 July 2016.

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

#### (iv) Taxation

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

## SIGNIFICANT EVENTS *(Continued)*

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

#### (iv) Taxation

1. *(Continued)*

Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agent or custodian organisation for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 20 July 2016.

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



## SIGNIFICANT EVENTS (Continued)

### II. APPOINTMENT OR TERMINATION OF ENGAGEMENT OF AUDITORS

Unit: RMB'000,000

	Previous appointee	Current appointee
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1.5	1.5
Term of audit of the domestic accounting firm	4	5
Name of the overseas accounting firm	Ernst & Young Certified Public Accountant	Deloitte Touche Tohmatsu
Remuneration of the overseas accounting firm	3.5	3.5
Term of audit of the overseas accounting firm	4	1

	Name	Remuneration
Accounting firm as internal control auditors	Da Hua Certified Public Accountants (Special General Partnership)	0.85

#### Appointment or Termination of Engagement of Auditors

The ninth meeting of the sixth session of the Board of Director was convened on 11 May 2015, at which the proposal in relation to appointment of audit institution of the Company for 2015 was considered and approved: namely re-appointment of Da Hua Certified Public Accountants (special general partnership) as domestic audit institution of the Company for 2015, appointment of Deloitte Touche Tohmatsu as overseas audit institution of the Company for 2015, and re-appointment of Da Hua Certified Public Accountants (special general partnership) as internal control audit institution of the Company for 2015. The proposals relating to appointment of audit institution of the Company for 2015 were considered and approved at the 2014 annual general meeting.

#### Change of accounting firm during the reporting period

During the reporting period, Deloitte Touche Tohmatsu was appointed as overseas account institution of the Company instead of Ernst & Young Certified Public Accountant.

## SIGNIFICANT EVENTS *(Continued)*

### III. EXPLANATION OF INTEGRITY OF THE COMPANY, CONTROLLING SHAREHOLDERS AND THE DEFACTO CONTROLLER

Within the reporting period, there had been no refusal to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the controlling shareholders or de factor controller of the Company.

### IV. MATERIAL CONNECTED TRANSACTIONS

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

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

(1) *Actual amount of the following continuing connected transactions in 2015 as disclosed in the announcement of the Company dated 18 March 2015*

Category of transaction	Nature of transaction	For the year ended 31 December 2015 RMB'000
Products provided by the Company	Supply of coal by the Company to Beijing Jingneng Thermal Power Co., Ltd. and its subsidiary Inner Mongolia Jingtai Electric Power Generation Co., Ltd.	106,545
	Supply of equipment, materials or coal by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	11,470
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd	303,350
	Supply of coal by the Company to China Huadian Corporation and its subsidiaries	189,950
	Supply of materials, equipment and diesel oil by the Company to Inner Mongolia Yitai Coal-to-oil Co., Ltd.	24,870
Products provided to the Company	Purchase of catalyst, filter stick of synthesis reactor and coal, etc. by the Company from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	93,470

Note: For the details of related relationship and purpose of the transactions between connected parties, please refer to the announcement of continuing connected transactions of the Company dated 18 March 2015.

## SIGNIFICANT EVENTS *(Continued)*

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

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

##### 1. Non-exempt continuing connected transactions *(Continued)*

(1) *Actual amount of the following continuing connected transactions in 2015 as disclosed in the announcement of the Company dated 18 March 2015 (Continued)*

Category of transaction	Nature of transaction	For the year ended 31 December 2015 RMB'000
Services provided by the Company	Supply of rail transport, maintenance and logistics services by the Company to Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	159,600
Services provided to the Company	Supply of bidding agent and supervision services from Inner Mongolia Autonomous Region Machine Equipments Complete Co., Ltd. to the Company	4,010
	Supply of property services from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries to the Company	10,640
Financial services	Supply of deposit, loans, settlement and issuance of financial bonds from Yitai Finance Company to the Company	1,160

The actual highest amount of the Group's daily deposit balance (exclusive of accrued interests) and daily loan balances (inclusive of interests) were amounted to RMB2,047,730,000 and RMB1,082,000,000, with caps of RMB4,000,000,000 and RMB4,500,000,000 respectively.

## SIGNIFICANT EVENTS *(Continued)*

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

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

##### 1. Non-exempt continuing connected transactions *(Continued)*

- (2) The annual caps of the following continuing connected transactions in 2015 disclosed in the prospectus on 18 March 2015 are as follows:

Category of transaction	For the year ended 31 December 2015 RMB'000
Supply of equipment, materials or coal by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	12,000
Supply of materials, equipment and diesel oil by the Company to Inner Mongolia Yitai Coal-to-oil Co., Ltd.	200,000
Supply of coal by the Company to Beijing Jingneng Thermal Power Co., Ltd. and its subsidiaries	211,000
Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd	1,500,000
Supply of coal by the Company to China Huadian Corporation and its subsidiaries	910,000
Supply of chemical materials from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries to the Company	285,000
Supply of rail transport, maintenance and logistics services by the Company to China Huadian Corporation and its subsidiaries	220,000
Supply of electric-line-related services by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	8,700
Supply of bidding agent and supervision services from Inner Mongolia Autonomous Region Machine Equipments Complete Co., Ltd. to the Company	30,000
Supply of property services from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries to the Company	15,000
Supply of deposit service from Yitai Finance Company to the Company	4,000,000
Supply of loan service from Yitai Finance Company to the Company	4,500,000
Supply of interest arising from the deposit service from Yitai Finance Company to the Company	4,000

Note:

For connected relationship with connected party and purpose of transaction, please refer to the "Announcement on Continued Connected Transactions" dated on 18 March 2015.

## SIGNIFICANT EVENTS *(Continued)*

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

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

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

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

- each continuing connected transaction were conducted pursuant to relevant agreement, terms of which were fair and reasonable and in the interests of the shareholders of the Company as a whole;
- the continuing connected transactions were entered into in the ordinary and usual course of business of the Group; and
- the continuing connected transactions were conducted on normal or better commercial terms (as defined under the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange (the "Listing Rules")).

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

- the continuing connected transactions were approved by the Board;
- the prices of the continuing connected transactions were in line with the pricing policy of the Company;
- each of the continuing connected transactions for which relevant written agreement were entered into, was carried out in accordance with such agreement. There is no collateral agreement entered into in relation to any transaction; and
- the annual trading amount of such continuing connected transactions did not exceed the maximum annual trading amount in the maximum annual trading amounts of continuing connecting transactions in the announcement of Continuing Connecting Transactions related to Yitai Coal published on the website of Hong Kong Stock Exchange on 18 March 2015.

## SIGNIFICANT EVENTS *(Continued)*

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

#### (II) Connected transaction arising from asset or equity acquisition and disposal

1. In order to replenish coal resources, the Company entered into the Equity Transfer Agreement with Inner Mongolia Yitai Coal, Co., Ltd. (hereinafter referred to "Yitai Group") on 18 March 2015 to transfer its 5% equity interest in Yitai Guanglian Coal Chemical Co., Ltd in Erdos for a consideration of RMB1.912 billion. Please refer to "Yitai Coal Announcement: Discloseable and Connected Transaction" published at Hong Kong Stock on 18 March 2015.
2. To meet the Company's business development and ensure daily operation needs, the Company intends to expand office space. On 30 November 2015, the Company purchased two commercial properties from Yitai Real Estate for a consideration of 35,237,900. For details please refer to the "Announcement on Connected Transaction of Inner Mongolia Yitai Coal Co., Ltd" published at Hong Kong Stock Exchange on 30 November 2015.

#### III Other connected transactions

In order to reasonably utilize financing channels of assets and optimize asset structure of the Company. In 2015, Inner Mongolia Yitai Zhundong Railway Co., Ltd., Yitai Xinjiang Energy Co., Ltd., Inner Mongolia Yitai Chemical Co., Ltd., subsidiaries of the Company entered into the Finance Lease Agreement with Guangbo Huitong Finance Leasing (Shenzhen) Company Limited and Guangbo Huitong Finance Leasing Company Limited on 26 June 2015 to handle business related to finance leasing business of not exceeding 850 millions. Please refer to the "Yitai Coal Overseas Regulatory Announcement: Announcement on Conducting Financial Leasing and Related Business by Controlling Subsidiaries of the Company with Guangbo Huitong Finance Leasing (Shenzhen) Company Limited and Guangbo Huitong Finance Leasing Company Limited" published at the Hong Kong Stock Exchange on 26 June 2015.

In order to broaden financing channels and raise low-cost funds, Zhundong Railway Company, a subsidiary of the Company, entered into the Finance Lease Agreement with Guangbo Huitong Finance Leasing (Shenzhen) Company Limited on 30 June 2015, pursuant to which, Guangbo Huitong will purchase a group of assets with a value of RMB150 million from Zhundong Railway Company and lease such assets back to Zhundong Railway Company by way of sale and leaseback in 2015 and 2016. For details, please refer to the ANNOUNCEMENT-CONNECTED TRANSACTION of the Company dated 30 June 2015 published on the Hong Kong Stock Exchange.

In order to integrate internal and external financial resources as well as accelerate turnover of capital to increase capital usage efficiency, the Company and Yitai Group entered into the JV Agreement on 13 July 2015 for joint establishment of Yitai Finance Company. The registered capital of the Yitai Finance Company was temporarily to be RMB1 billion, of which 40% was attributed to the Company and 60% was attributed to Yitai Group. For details, please refer to the ANNOUNCEMENT-CONNECTED TRANSACTION of the Company dated 13 July 2015 published on the Hong Kong Stock Exchange.

## SIGNIFICANT EVENTS (Continued)

### V. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

#### (i) Guarantee

Unit: Yuan Currency: RMB

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

Guarantor	Relations between the guarantor and the Company	The guaranteed	Amount of guarantee	Date of commencement (the date of the agreement)	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.	Company headquarters	Ordos Tiandi Huarun Mine Equipment Co., Ltd.	11,200,000	30 November 2009	30 November 2009	29 November 2017	Joint liability	No	No	No	Yes	Equity affiliates
Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)												0
Total balance of guarantees at the end of the reporting period (excluding those for subsidiaries) (A)												11,200,000
<b>Guarantees of the Company and its subsidiaries for subsidiaries</b>												
Total amount of guarantees for subsidiaries occurring during the reporting period												1,471,140,000.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)												15,252,430,667.74
<b>Total guarantee amount (including those for subsidiaries)</b>												
Total guarantee (A+B)												15,263,630,667.74
Percentage of total guarantee in the Company's net assets (%)												68.91%
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)												10,241,873,588.01
Amount of total guarantees in excess of 50% of net assets (E)												4,187,919,267.04
Amount of total guarantees above (C+D+E)												14,429,792,855.05

## SIGNIFICANT EVENTS (Continued)

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

#### 2. Entrusted cash assets management

##### (1) Entrusted wealth management

Unit: RMB'000'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Connected Transaction or not	Involved in a litigation or not
Bank of China	Principal guaranteed with floating returns	400	2015.1.9	2015.2.9	400	1.43	Yes	No	No
ICBC	Principal guaranteed with guaranteed returns	400	2015.1.9	2015.2.11	400	1.59	Yes	No	No
Agricultural Bank of China	Principal guaranteed with guaranteed returns	300	2015.1.12	2015.2.9	300	0.97	Yes	No	No
Bank of China	Principal guaranteed with floating returns	300	2015.1.9	2015.2.9	300	1.07	Yes	No	No
Bank of China	Principal guaranteed with floating returns	300	2015.1.9	2015.2.6	300	0.97	Yes	No	No
Agricultural Bank of China	Principal guaranteed with guaranteed returns	300	2015.2.4	2015.3.10	300	1.17	Yes	No	No
Bank of China	Principal guaranteed with guaranteed returns	400	2015.2.5	2015.3.5	400	1.35	Yes	No	No
Bank of China	Principal guaranteed with floating returns	100	2015.2.5	2015.2.26	100	0.25	Yes	No	No
Bank of China	Principal guaranteed with guaranteed returns	300	2015.2.16	2015.3.23	300	1.24	Yes	No	No
Bank of Communications	Principal guaranteed with floating returns	100	2015.2.16	2015.3.26	100	0.49	Yes	No	No
China Construction Bank	Principal guaranteed with floating returns	100	2015.2.16	2015.4.1	100	0.52	Yes	No	No
Bank of China	Principal guaranteed with guaranteed returns	150	2015.2.16	2015.3.16	150	0.49	Yes	No	No
China Construction Bank	Principal guaranteed with floating returns	200	2015.4.22	2015.5.26	200	0.72	Yes	No	No
Bank of China	Principal guaranteed with floating returns	200	2015.4.3	2015.4.29	200	0.62	Yes	No	No
Bank of Communications	Principal guaranteed with floating returns	100	2015.4.7	2015.5.20	100	0.54	Yes	No	No
Bank of China	Principal guaranteed with floating returns	100	2015.4.16	2015.5.15	100	0.28	Yes	No	No
China Construction Bank	Principal guaranteed with floating returns	250	2015.4.28	2015.6.2	250	0.91	Yes	No	No
Bank of Communications	Principal guaranteed with floating returns	15	2015.3.26	2015.4.29	15	0.05	Yes	No	No
Bank of China	Principal guaranteed with floating returns	100	2015.5.20	2015.6.17	100	0.25	Yes	No	No
Bank of Communications	Returns guaranteed	100	2015.5.22	2015.6.29	100	0.46	Yes	No	No



## SIGNIFICANT EVENTS (Continued)

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

#### 2. Entrusted cash assets management (Continued)

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

Unit: RMB'000'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Connected Transaction or not	Involved in a litigation or not
Bank of Communications	Returns guaranteed	100	2015.5.15	2015.6.25	100	0.52	Yes	No	No
China Construction Bank	Principal guaranteed with financial product	150	2015.7.17	2015.8.25	150	0.35	Yes	No	No
Bank of China	Principal guaranteed with floating returns	100	2015.7.13	2015.8.11	100	0.20	Yes	No	No
Bank of Communications	Returns guaranteed	100	2015.7.13	2015.8.13	100	0.30	Yes	No	No
China Construction Bank	Principal guaranteed with floating returns	150	2015.7.17	2015.8.25	150	0.35	Yes	No	No
Bank of China	Principal guaranteed with floating returns	100	2015.8.3	2015.9.30	100	0.49	Yes	No	No
Total	/	4,915	/	/	4,915	17.56	/	/	/

##### 2. Entrusted loans

Unit: RMB'000,000 Currency: RMB

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
Inner Mongolia Yitai Chemical Co., Ltd.	180.40	1 year	8%	Operating capital	nil	No	No	No	No
Inner Mongolia Yitai Chemical Co., Ltd.	251.00	1 year	8%	Operating capital	nil	No	No	No	No
Inner Mongolia Yitai Chemical Co., Ltd.	200.00	1 year	8%	Operating capital	nil	No	No	No	No
Inner Mongolia Yitai Chemical Co., Ltd.	270.60	1 year	8%	Operating capital	nil	No	No	No	No
Inner Mongolia Yitai Chemical Co., Ltd.	270.00	1 year	8%	Operating capital	nil	No	No	No	No
Inner Mongolia Yitai Chemical Co., Ltd.	230.00	1 year	8%	Operating capital	nil	No	No	No	No
Inner Mongolia Yitai Chemical Co., Ltd.	260.00	1 year	8%	Operating capital	nil	No	No	No	No
Inner Mongolia Yitai Chemical Co., Ltd.	240.00	1 year	8%	Operating capital	nil	No	No	No	No
Yitai Xinjiang Energy Co., Ltd.	440.00	1 year	8%	Operating capital	nil	No	No	No	No



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

### **VI. MAIN BUSINESS**

Please refer to page 14 to page 17 of this Report.

### **VII. BUSINESS REVIEW**

For the business conditions, main risks and uncertainties faced in 2015 and the outlook for 2016 of the Company and the Group, please refer to page 14 to page 49 of this Report.

In 2015, the Company and the Group strictly complied with relevant laws, regulations and China's environmental policies, and established corresponding mechanisms for operation compliance and made preliminary preparations for the Environmental, Social and Governance Reporting Guide promulgated by the Hong Kong Stock Exchange.

### **VIII. PERFORMANCE**

For the performance of 2015 and financial conditions dated 31 December 2015 of the Company and the Group, please refer to the audited consolidated financial statements on page 121 to page 127 of this Report.

## SIGNIFICANT EVENTS (Continued)

### IX. OTHER SIGNIFICANT EVENTS

1. Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華遠酒業有限公司) (hereinafter referred to Huayuan Liquor) was established in December, 2013 by Inner Mongolia Xingguang Coal Group Co., Ltd. with a registered capital of RMB6 million. Huayuan Liquor will increase the registered capital to RMB100 million after consultation. Upon the above change in registered capital, the original shareholding was changed into: Inner Mongolia Xingguang Coal Group Co., Ltd., Inner Mongolia Erdos Cashmere Group Corp., Inner Mongolia Yitai Coal Co., Ltd. and Inner Mongolia Shuangxin Resources Group Co., Ltd. (內蒙古雙欣資源控股有限公司) contributed RMB55 million, RMB15 million, RMB15 million and RMB15 million, representing 55%, 15%, 15% and 15% of registered capital, respectively.
2. Tailai Coal (Shanghai) Co., Ltd. was established on 30 April 2015 by Inner Mongolia Yitai Coal Co., Ltd. and NOBLE RESOURCES INTERNATIONAL PTE. LTD with a registered capital of USD10 million. Both parties hold 50% of the company's stock rights respectively. The registration address is Room 604-A01, East Floor of Building 1, No.29, Jiatai Road, Shanghai Pilot Free Trade Zone, China.
3. Inner Mongolia Yitai Zhundong Railway Co., Ltd. ("Zhundong Railway Company") is a subsidiary of Inner Mongolia Yitai Coal Co., Ltd. with a registered capital of RMB1,496 million. The Company holds 100% of the shares. At the meeting of shareholders of Zhundong Railway Company, the increasing the registered capital to RMB1,554 million from RMB1,496 million and contributing RMB58 million of government capital transferred from Inner Mongolia Finance Department in 2000 to Zhundong Railway Company were approved, thus Inner Mongolia Finance Department joined Zhundong Railway Company as a new shareholder. Given that the State-owned Assets Supervision and Administration Commission ("SASAC") of the People's Government of Inner Mongolia Autonomous Region gradually authorized transfer of nation-owned stock rights in mid-small-sized enterprises and partial large-scale enterprises supervised by SASAC to Inner Mongolia State-owned Capital Management Co., Ltd., (內蒙古國有資產運營有限公司) Inner Mongolia State-owned Capital Management Co., Ltd. has become a new shareholder of Zhundong Railway Company. Upon the above increase in registered capital and change in equity ratio, registered capital of Zhundong Railway Company amounted to RMB1,554 million, out of which RMB1,496 million was contributed by the Company, representing 96.27% of the registered capital. Inner Mongolia State-owned Capital Management Co., Ltd. contributed RMB58 million and took up a ratio of 3.73% of the registered capital.

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### 1. CHANGES IN ORDINARY SHARE CAPITAL

#### (I) Changes in Ordinary shares

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

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

*Unit: share*

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

### 2. ISSUE AND LISTING OF SECURITIES

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

*Unit: RMB Currency: RMB*

Types of shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved to be listed	Transaction Termination Date
Convertible corporate bonds, warrant bonds and corporate bonds						
Corporate bonds in 2014 (First tranche)	9 October 2014	6.99%	4,500,000,000	22 October 2014	4,500,000,000	9 October 2019

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

#### (I) Number of Shareholders:

Total number of shareholders of ordinary shares as at the end of the reporting period (in the number of accounts)	81,500
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
Total number of holders of preference shares with voting rights restored as at the end of the last month prior to the disclosure of annual report (in the number of accounts)	N/A

#### (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

##### Shareholdings of the Top Ten Shareholders

Unit: Share

Name of shareholder (in full name)	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion  (%)	The number of shares held subject to selling restrictions	Pledged or frozen shares  status of the shares	Class of Shareholder  No. of shares
Inner Mongolia Yitai Group Co., Ltd.	0	1,600,000,000	49.17	1,600,000,000	Nil	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	-8,700	325,911,700	10.01	0	Unknown	Foreign legal person
Yitai (Group) HK Co., Ltd.	0	312,000,000	9.59	0	Nil	Foreign legal person
FTIF TEMPLETON ASIAN GROWTH FUND 5496	0	74,061,448	2.28	0	Unknown	Foreign legal person
China Merchants Securities (HK) Co., Limited	5,682,815	22,108,500	0.68	0	Unknown	Foreign legal person
JPMCB/STICHTING PENSINENFONDS ABP	2,800,800	18,078,093	0.56	0	Unknown	Foreign legal person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	-1,756,800	17,353,698	0.53	0	Unknown	Foreign legal person
TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC	11,326,693	17,230,037	0.53	0	Unknown	Foreign legal person
CITIBANK NA H.K. S/A GOLDMAN SACHS INTERNATIONAL	9,180,663	11,103,563	0.34	0	Unknown	Foreign legal person
EMPLOYEES PROVIDENT FUND BOARD	10,030,359	10,030,359	0.31	0	Unknown	Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	3,130,000	9,883,894	0.30	0	Unknown	Foreign legal person

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

#### (II) Shareholdings of the top ten Shareholders and top ten Holders of tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the reporting period (Continued)

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

Unit: Share

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	325,911,700	Overseas listed foreign shares	325,911,700
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
China Merchants Securities (HK) Co., Limited	22,108,500	Domestic listed foreign shares	22,108,500
JPMCB/STICHTING PENSINENFONDS ABP	18,078,093	Domestic listed foreign shares	18,078,093
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,353,698	Domestic listed foreign shares	17,353,698
TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC	17,230,037	Domestic listed foreign shares	17,230,037
CITIBANK NA H.K. S/A GOLDMAN SACHS INTERNATIONAL	11,103,563	Domestic listed foreign shares	11,103,563
EMPLOYEES PROVIDENT FUND BOARD	10,030,359	Domestic listed foreign shares	10,030,359
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	9,883,894	Domestic listed foreign shares	9,883,894
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 ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

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

#### (II) Shareholdings of the top ten Shareholders and top ten Holders of tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the reporting period *(Continued)*

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

*Unit: Share*

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Reason for selling restrictions
1	Inner Mongolia Yitai Group 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 ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

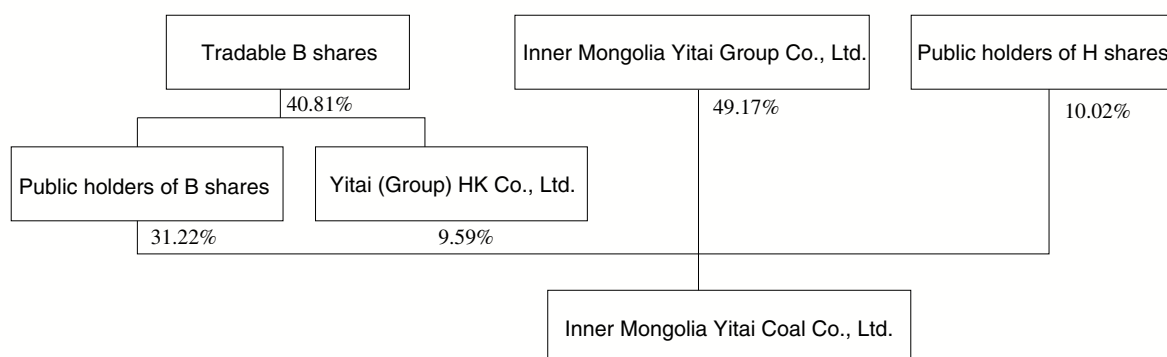
### IV. INFORMATION ON CHANGES IN THE CONTROLLING SHAREHOLDER AND THE DEFACTO CONTROLLER

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

##### 1. Legal person

Name	Inner Mongolia Yitai Group Co., Ltd.
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of Incorporation	27 October 1999
Principal business	The production of raw coal; the processing, transportation and selling of raw coal; the railway construction and the railway transportation of passengers and goods; the import of equipments, accessories and technology for mines; the construction and operation of highways; the coal – related chemical operation and selling of coal-related chemical products; selling of pre-packaged and unpackaged food, dairy products (excluding infant formula milk powder); retail of vegetables, fruits and raw meat. (for project subject to the approval of the law, business activities shall be only carried out after approval from relevant departments are obtained) .
Holdings or joint stock in other domestic and overseas listed companies	None

##### 2. chart concerning the property rights and controlling relationship between the Company and the controlling shareholders





## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

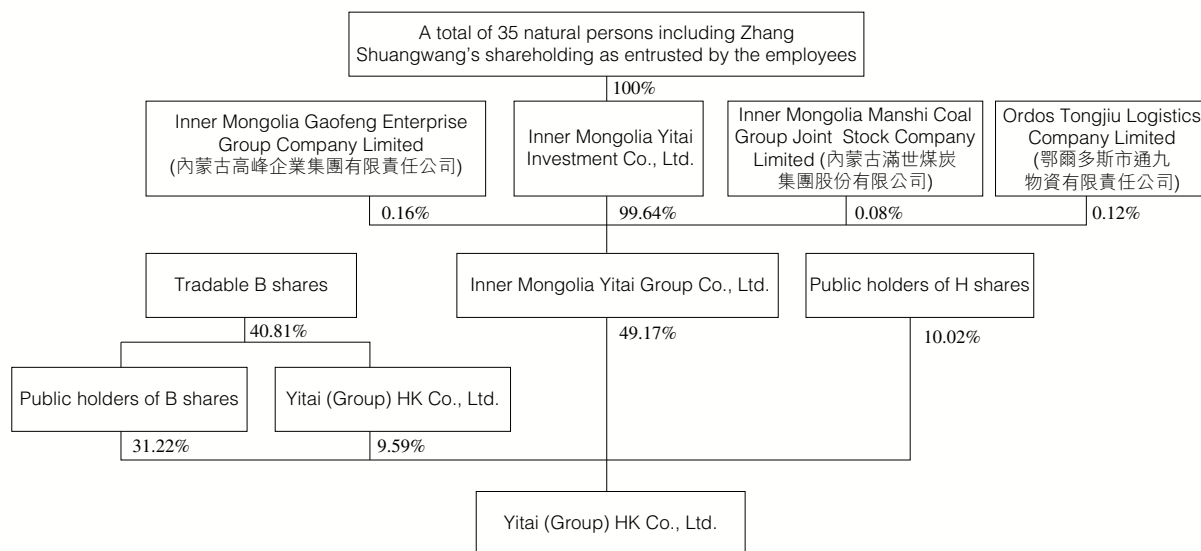
### IV. INFORMATION ON CHANGES IN THE CONTROLLING SHAREHOLDER AND THE DEFACTO CONTROLLER (CONTINUED)

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

##### 1. Legal person

Name	Inner Mongolia Yitai Investment Co., Ltd.
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of incorporation	2 December 2005
Principal business	The investment in the energy industry and the railway construction.
Holdings or joint stock in other domestic and overseas listed companies	None

##### 2. Chart concerning the property rights and controlling relationship between the company and the Controlling Shareholders



##### 3 The de facto controller controls the company by trust or other types of asset management

N/A

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

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

#### (iii) Other information on the controlling shareholder and the defacto controller

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

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

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

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

### VI. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 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 (%) <sup>6,7</sup>	Percentage of the total issued shares (%) <sup>6,7</sup>
Billion Giant Development Limited <sup>1</sup>	H share	Interest of controlled corporation	Long	10,008,500	6.14	0.30
BOS Trust Company (Jersey) Limited as Trustee <sup>1</sup>	H share	Trustee	Long	10,008,500	6.14	0.30
Chen Yihong <sup>1</sup>	H share	Interest of controlled corporation	Long	10,008,500	6.14	0.30
China Datang Corporation <sup>2</sup>	H share	Interest of controlled corporation	Long	18,031,100	11.08	0.55
CITIC Mezzanine (Shanghai) Investment Centre (Limited Liability Partnership)	H share	Beneficial owner	Long	17,543,200	5.38	0.53
Credit Suisse AG <sup>3</sup>	H share	Interest of controlled corporation	Long Short	24,400,000 24,400,000	15.00 15.00	0.74 0.74
Credit Suisse (Hong Kong) Limited <sup>3</sup>	H share	Interests held jointly with another person	Long Short	24,400,000 24,400,000	15.00 15.00	0.74 0.74
Datang International (Hong Kong) Limited <sup>2</sup>	H share	Beneficial owner	Long	18,031,100	11.08	0.55
Datang International Power Generation Co., Ltd. <sup>2</sup>	H share	Interest of controlled corporation	Long	18,031,100	11.08	0.55
Great Huazhong Energy Co. Ltd	H share	Beneficial owner	Long	27,168,000	8.33	0.83
Harvest Luck Development Limited <sup>1</sup>	H share	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Inner Mongolia Man Shi Investment Group Limited	H share	Beneficial owner	Long	28,321,000	8.68	0.87

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

### VI. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	No. of shares	Percentage of	Percentage of
					the underlying shares in issue (%) <sup>6,7</sup>	the total issued shares (%) <sup>6,7</sup>
Inner Mongolia Ordos Investment Holding Group Co., Ltd	H shares	Beneficial owner	Long	55,443,600	17.00	1.70
Inner Mongolia Yitai Group Co., Ltd. <sup>4</sup>	Non-overseas listed foreign shares	Beneficial owner/Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Inner Mongolia Yitai Investment Co., Ltd. <sup>5</sup>	Non-overseas listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Ordos Hongrui Trade Company Limited	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Poseidon Sports Limited <sup>1</sup>	H shares	Beneficial owner	Long	10,008,500	6.14	0.30
Talent Rainbow Far East Limited <sup>1</sup>	H shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Templeton Asset Management Ltd.	Non-overseas listed foreign shares	Investment manager	Long	146,532,638	5.00	4.50
Yitai Group (Hong Kong) Co., Ltd. <sup>4</sup>	Non-overseas listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

### VI. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES (CONTINUED)

*Note:*

1. According to the Disclosure of Interests form submitted to the Hong Kong Stock Exchange, Poseidon Sports Limited holds 10,008,500 shares (long position) of the Company, while Talent Rainbow Far East Limited, Harvest Luck Development Limited and Smart Stage Holdings Limited hold 50%, 42.43% and 7.57% of interests in Poseidon Sports Limited, respectively. Talent Rainbow Far East Limited is wholly owned by Billion Giant Development Limited which is wholly owned by BOS Trust Company (Jersey) Limited as Trustee. Harvest Luck Development Limited is wholly owned by Chen Yihong. Smart Stage Holdings Limited is wholly owned by Wise Bonus Group Limited which is wholly owned by BOS Trust Company (Jersey) Limited as Trustee. Pursuant to the SFO, Billion Giant Development Limited, BOS Trust Company (Jersey) Limited as Trustee, 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; which equals to 6.14% of H shares in issue on 12 July 2013. As at 31 December 2015, the above 10,008,500 share equals to 3.07% of H shares in issue.
2. According to the Disclosure of Interests form submitted to the Hong Kong Stock Exchange, Datang International (Hong Kong) Limited holds 18,031,100 shares (long position) of the Company. Datang International (Hong Kong) Limited is wholly owned by Datang International Power Generation Co., Ltd. while China Datang Corporation holds 34.71% of interests in Datang International Power Generation Co., Ltd.. Pursuant to the SFO, Datang International Power Generation Co., Ltd. and China Datang Corporation are deemed to be interested in the 18,031,100 shares (long position) held by Datang International (Hong Kong) Limited, equivalent to 11.08% of the H shares issued on 12 July 2012. The 18,031,100 H shares is equivalent to 5.53% of issued H Shares as of 31 December 2015.
3. According to the Disclosure of Interests form submitted to the Hong Kong Stock Exchange, 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, equivalent to 15.00% of the H shares issued on 12 July 2012. The 24,400,000 H shares is equivalent to 7.48% of issued H Shares as of 31 December 2015.
4. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (Hongkong) Co., Ltd. and is thus deemed to be interested in the 312,000,000 shares held by Yitai Group (Hongkong) Co., Ltd.. Inner Mongolia Yitai Group Co., Ltd. directly holds 1,600,000,000 domestic shares.
5. Inner Mongolia Yitai Investment Co., Ltd. holds 99.54% of the registered capital of Yitai Group and is thus deemed to be interested in all of the 1,912,000,000 shares directly or indirectly held by Inner Mongolia Yitai Group Co., Ltd..
6. According to the Articles of Association, the Company has two classes of shares, namely (i) "non-overseas-listed foreign shares" which include Domestic Shares and B Shares; and (ii) H Shares.
7. The percentage of the shareholdings is rounded down to the two decimal places.

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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period

Unit: Share

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Number of shares held		Increase/decrease of shares during the year	Reason for the increase/decrease	Total remuneration Before tax received from the Company for the period (RMB'000)	Remuneration from related parties of the Company
						at the beginning of the year	at the end of the year				
Zhang Donghai	Chairman	male	46	30 May 2014	29 May 2017					1,387.4	Yes
Liu Chunlin	Executive Director	male	49	30 May 2014	29 May 2017					949.4	Yes
Zhang Dongsheng	Executive Director	male	45	30 May 2014	29 May 2017					12	Yes
Zhang Jingquan	Executive Director	male	46	15 December 2015	29 May 2017						
	General Manager			14 September 2015	29 May 2017					200	No
Ge Yaoyong	Executive Director	male	46	30 May 2014	29 May 2017					12	Yes
Zhang Xinrong	Executive Director	male	52	30 May 2014	15 December 2015					627.5	Yes
	General Manager			25 March 2014	14 September 2015						
Lv Guiliang	Executive Director and Chief Finance Officer	male	50	30 May 2014	29 May 2017					754.5	No
Song Zhanyou	Executive Director	male	51	30 May 2014	29 May 2017					718	No
Yu Youguang	Independent Director	male	61	30 May 2014	29 May 2017					100	No
Qi Yongxing	Independent Director	male	45	30 May 2014	29 May 2017					100	No
Song Jianzhong	Independent Director	female	62	30 May 2014	9 June 2015					41.7	No
Tam Kwok Ming, Benny	Independent Director	male	53	30 May 2014	29 May 2017					200	No
Zhang Zhiming	Independent Director	male	54	9 June 2015	29 May 2017					58.3	No
Li Wenshan	Chairman of the Board of Supervisors	male	54	30 May 2014	29 May 2017					705	Yes
Zhang Guisheng	Supervisor	male	53	30 May 2014	9 June 2015						
	Chief Engineer			25 August 2015	29 May 2017					516.8	No
Han Zhanchun	Supervisor	male	52	30 May 2014	29 May 2017					217.2	No
Wang Xiaodong	Supervisor	male	45	30 May 2014	29 May 2017					870.4	No
Ji Zhifu	Supervisor	male	32	30 May 2014	29 May 2017					122.8	Yes
Wang Yongliang	Independent Supervisor	male	53	30 May 2014	29 May 2017					60	No
Wu Qu	Independent Supervisor	male	51	30 May 2014	29 May 2017					60	No
Jia Xiaolan	Supervisor	female	43	9 June 2015	29 May 2017					123	No
Liu Jian	Deputy Manager	male	49	30 May 2014	29 May 2017					665.9	No
Zhang Liming	Deputy Manager	male	48	26 August 2014	25 March 2015					226	No
Zhang Mingliang	Chief Engineer	male	47	30 May 2014	25 August 2015					401.7	No
Lian Tao	Deputy Manager and Secretary to the Board	male	39	30 May 2014	23 March 2015					319.7	No
Zhaoxin	Secretary to the Board and Joint Company Secretary	female	35	23 April 2015	29 May 2017					221	No
Total	/	/	/	/	/					9,670.5	/

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Donghai	<p>Gender: Male. Nationality: Chinese. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and joined CCP in June, 1993. He possesses a master's degree, a title of senior economist and was awarded as the national model worker and he has not held any right of overseas permanent residence. Mr. Zhang served in Ikochao League Coal Company, a predecessor of Yimei Group, from April 1990 to July 1999 as the vice chief and the chief of the Beijing branch office of Inner Mongolia Ikochao League Coal Group Company and the deputy head of the Operation Department and the deputy manager of the business operating company under the same company. He had been our vice president from July 1999 to February 2001 and has been acting as an executive director of our Company since March 2001. Mr. Zhang was appointed as the vice general manager of Yitai Group from April 2003 to June 2004 and now serves as the chairman of our company since April 2003, and the general manager of the Group since 2004.</p>
Liu Chunlin	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1967 and possesses a master's degree and a title of senior accountant. He worked in Ikochao League Coal Company from June 1989 to February 1993 and was appointed as the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997 and as the director of the Finance Department of our Company from August 1997 to July 1999. Mr. Liu served as the financial director of our Company from July 1999 to October 2002, the deputy chief accountant of Yitai Group from October 2002 to May 2004, the vice president of our Company from May 2004 to October 2004 and has been the executive Director of our Company since May 2004 and the director and the chief accountant of Yitai Group since June 2004.</p>
Zhang Dongsheng	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1971 and possesses a master's degree and titles of senior economist and business manager. He worked in Ikochao League Coal Company from October 1989 to January 2002, served as the director of the Operation Department of our Company from January 2002 to July 2005. Mr. Zhang was the general manager and deputy general manager of Zhundong Railway Company from August 2005 to January 2007, and acted as the chairman of Zhundong Railway Company since November 2008 to August 2014, and served as the general manager of Huzhun Railway Company from January 2007 to August 2014. Mr. Zhang was entitled as the chairman of the same company from July 2009 to August 2014. He has been the vice general manager of Yitai Group since March 2014 as well as the executive director of the Group since May 2009.</p>

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Jingquan	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and graduated with a master degree in business administration major of China Europe International Business School. Mr. Zhang worked in Yihua United Wool Manufacturing Factory (伊華聯合毛紡織工廠) from January 1994 to January 1998; he served as the cashier in Tianjin Branch of the Company from March 1998 to August 2000, the manager of Guangzhou Sales Branch of the Operation Department under the same company from August 2000 to April 2001, the manager of the sales branch in South China of the Operation Department under the same company from April 2001 to August 2005, and the deputy manager of the Operation Department and manager of the sales company in South China from February 2002 to March 2003. Mr. Zhang acted as the director of the Operation Department of Yitai Group from August 2005 to 5 March 2006, the manager of coal transportation and sales business department of the same group from 5 March 2006 to 27 March 2006; the deputy general manager of Synfuels China under the same group from March 2006 to November 2010 and the deputy general manager of Yitai Energy Co., Ltd. of Yitai Group from November 2010 to January 2012. He worked as the general manager of Yitai Xinjiang Energy Co., Ltd. since January 2012. Mr. Zhang was appointed and now still serves as the chairman and general manager of Yitai Xinjiang Energy Co., Ltd. since December 2012. He also serves as the president of Xinjiang Yitai Co., Ltd. since October 2014, the chairman and general manager of Inner Mongolia Yitai Chemical Co., Ltd. since 9 September 2015, the general manager of the Company since 14 September 2015 and the executive director since December 2015.</p>
Ge Yaoyong	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Ge was born in 1970 and possesses a master's degree and a title of senior engineer. He served as the as the deputy manager and the manager of E'qian League Coking Factory from November 1996 to March 2001, and was promoted as the deputy general manager of the Company from March 2001 to August 2005. Mr. Ge was appointed as the deputy chief engineer of Yitai Group from August 2005 to November 2008, and from November 2008 to March 2014, the general manager of the Company. He was appointed and now still serves as the deputy general manager of Inner Mongolia Yitai Group Co., Ltd. since March 2014, and from July 2014, the chairman and general manager of Inner Mongolia Yitai Property Co., Ltd. since July 2014 and the executive director of the Company since December 2008.</p>



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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Xinrong	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1964 and possessed a doctoral degree and a title of senior engineer. He had been working in Ikochao League Coal Company from February 1991 to March 1998 and joined our company in March 1998. From July 1999 to October 2002, Mr. Zhang headed our Quality Inspection Department, the Quality Management Department and the Corporate Governance Department consecutively, and served as the assistant to general manager and executive deputy general manager of Inner Mongolia Yitai Biology & High-Tech Co., Ltd. from October 2002 to October 2004. He was appointed as the deputy general manager of the Company from October 2004 to March 2014, the head of Coal Production Business Department of our Company from November 2006 to October 2014, the general manager of the Company from March 2014 to September 2015 and the executive director of the Company from February 2011 to December 2015.
Lv Guiliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1966 and possessed a master's degree of Business Administration and a title of semi-senior accountant. He served in Ikochao League Coal Company from August 1994 to August 1997 and joined our company in August 1997, acting as the vice director of our Finance Department from July 1999 to November 2002, the director of the same department from March 2004 to February 2009. Since April 2008 and February 2011, Mr. Lv has been serving as the chief finance officer and the executive director of our company, respectively.
Song Zhanyou	Gender: Male. Ethnicity: Han ethnicity. Mr. Song was born in 1965 and graduated from Shanxi Mining Institute (山西礦務學院) majoring in mining engineering and has the qualification of senior engineer. Mr. Song was appointed as the technician and deputy director in the mining and stripping division of Houbulian Open Mine owned by Dongsheng Coalfield Development and Operation Company (東勝煤田開發經營公司) from July 1988 to September 1990, from October 1990 to September 1994, the chief of Engineering Division of Zhanpanliang Mine belonging to Ikochao League Coal Company. Mr. Song acted as the chief of the Production Technology Division of Yitai Group Co., Ltd. (predecessor: Ikochao League Coal Company) from October 1994 to February 1999, director of Erdaomao Mine of Yitai Group Co., Ltd. from March 1999 to December 2000, and the deputy manager of the Industry Company of Yitai Group Co., Ltd. (伊泰集團有限公司產業公司) from January 2001 to March 2001, the head of Safety Supervision Department of Inner Mongolia Yitai Group Co., Ltd. from April 2001 to July 2003; the head of Corporate Management Department of Inner Mongolia Yitai Group Co., Ltd. from August 2003 to April 2007.

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
	<p>Served as the director the engineering department and deputy general manager of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. from May 2007 to November 2010. He was also the deputy general manager of Yitai Yili Energy Co., Ltd. from December 2010 to February 2012; the general manager of Yitai Yili Energy Co., Ltd. from March 2012 to December 2012; and the chairman and general manager of Yitai Yili Energy Co., Ltd. from January 2013 to March 2014. Mr. Song was appointed as the deputy manager of the Company in March 2014 and appointed as the executive director of the Company in May 2014.</p>
Yu Youguang	<p>Male, Han Nationality, born in 1955, holds an associate degree and is a certified accountant and senior auditor. Mr. Yu is the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm and the executive councilor of Certified Public Accountant Association of Inner Mongolia Autonomous Region. He has 27 years of financial and accounting experience. He taught in Inner Mongolia Light Industry School from July 1981 to November 1985. He worked in the Audit Bureau of Baotou from November 1985 to September 1999. He has been serving as the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm since September 1999. He was appointed as independent director of the Company since June 2013.</p>
Qi Yongxing	<p>Male, Han Nationality, born in 1971, holds a master degree of management. Mr. Qi serves in the capacities of associate dean and associate professor in the MBA Institute of Education in Inner Mongolia Finance &amp; Economics College. Mr. Qi has 19 years of experience in the education and practices of management. Mr. Qi taught in the department of industrial economics in Cadre Institute of Inner Mongolia Economic Management from July 1994 to December 1999. He has worked in the Inner Mongolia Finance &amp; Economics College since January 2000 and was the deputy director in the department of human resource management in 2002, the head of department of property management in 2007 and the associate dean of MBA Institute of Education in 2011. He obtained his bachelor degree in engineering from the department of management engineering in Inner Mongolia University of Technology in 1994, master degree in management from Dongbei University of Finance and Economics in 2006, He was appointed as independent director of the Company since December 2013.</p>

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Song Jianzhong	Female, Han Nationality, born in 1953, has been an independent non-executive director of the Board from August 2009 to June 2015. Ms. Song is currently the chief partner of Inner Mongolia Jianzhong Law Firm (previously served as a member of Party Group and vice chairman of National People's Congress Law Committee as well as the chairman of the Female Lawyers Association), vice president of the Institute of Legal System Studies of Southwest University of Political Science & Law (西南政法大學法律制度研究院) as well as a part-time law professor at Renmin University of China (中國人民大學), Tianjin University (天津大學) and Inner Mongolia University of Science and Technology (內蒙古科技大學). Ms. Song is currently an independent non-executive director of Beijing Sanyuan Food Joint Stock Co., Ltd. (Stock Code: 600429), Tianjin Quanyechang (Group) Co., Ltd. (Stock Code: 600821) and Inner Mongolia Jinyu Group Co., Ltd. (Stock Code: 600201).
Tam Kwok Ming, Banny	Male, Han Nationality, born in 1963, Hong Kong resident, Mr. Tam obtained a certification of accountancy from the Hong Kong Polytechnic University (香港理工大學) in 1993. He holds the qualification of Certified Public Accountant and a fellow member of Hong Kong Institute of Certified Public Accountants (formerly known as the "Hong Kong Society of Accountants"). Mr. Tam is currently a partner of a Hong Kong accounting firm. He was appointed as independent director of the Company since February 2011.
Zhang Zhiming	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1962 and possessed a doctoral degree of laws and now serves as the professor and doctoral supervisor of Renmin University of China. Mr. Zhang finished his undergraduate courses in law from Peking University in 1983 and the graduate courses in law from the same university in 1986. He obtained a doctoral degree of law from Graduate School of Chinese Academy of Social Sciences in 1998 and worked in Social Sciences in China Press of Chinese Academy of Social Sciences as the editor and associate senior editor from 1986 to 1994. From 1994 to 2004, Mr. Zhang was appointed as the associate researcher and researcher in Institute of Law of Chinese Academy of Social Sciences, and the professor and doctoral supervisor in Graduate School of Chinese Academy of Social Sciences from 1998 to 2004. From June 2004 to July 2005, Mr. Zhang served as the vice president, member of the Party Committee and the professor of National Prosecutors College of P.R.C, and now serves as the professor and doctoral supervisor in Institute of Law of Renmin University of China since September 2005, while holding the post of the independent director of Shanxi Top Energy Co., Ltd., Shanxi Taigang Stainless Steel co., Ltd., Zhejiang China Commodities City Group Co., LTD. and Wolong Real Estate Group Co., Ltd.. Mr. Zhang has been serving as the independent director of our company since June 2015.

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Li Wenshan	Gender: Male. Ethnicity: Han ethnicity. Mr. Li was born in 1962 and possessed a bachelor's degree and a title of semi-senior economist. He worked in Ikochao League Coal Company from September 1992 to July 1997 and joined our company in August 1997 as the director of the Company from July 1997 to December 2008. From August 2005 to November 2008 and from January 2002 to March 2004, Mr. Li was appointed as the deputy general manager of the Company, and then the deputy general manager and general manager of Inner Mongolia Zhundong Railway Co., Ltd. from March 2004 to August 2005. Mr. Li has been acting as the chairman of the board of supervisors of our Company since December 2008.
Zhang Guisheng	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1963 and possessed a title of semi-senior engineer. He acted as the supervisor of the Company from 15 October 2012 to June 2015 and has extensive experience in the production, operation and management of coal enterprises. Mr. Zhang served as the deputy head of the sales division of the Industrial Development Company from February 1997 to April 1999, the deputy head of the safety technology division of the Industrial Development Company from April 1999 to September 1999, the head of Chuanlong Coal Mine from September 1999 to February 2002, the head of Nalinmiao Coal Mine of the production technology department from February 2002 to March 2006 and the head of Dadijing Coal Mine from March 2006 to August 2013. From August 2013 to March 2014, Mr. Zhang was appointed as the vice chairman and deputy general manager of Yitai Yili Energy Co., Ltd., the chairman and general manager of the same company from 15 March 2014 to August 2015 and has been serving as the chief engineer of our company since August 2015.
Han Zhanchun	Gender: Male. Ethnicity: Han ethnicity. Mr. Han was born in 1964 and possessed an associate degree. Mr. Han was the accountant of the Tanggongta Mine of Ikochao League Coal Company from May 1992 to January 1995, the accountant, deputy director, deputy head and the head of finance department of the Fengzhen Office of Ikochao League Coal Company from January 1995 to November 1999, the head of Finance Department of our Qinhuangdao office from November 1999 to August 2005, the principal accountant of the office of Suancigou Mine from August 2005 to April 2007, the head of the finance department of Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. from April 2007 to March 2010. He was the deputy head of the Finance Department of our Company from March 2010 to December 2010, the director of Operating Office of the Department of Coal Production of our Company from December 2010 to 14 July 2013, and an engineer at the level of deputy head of Cost-fixing Division of General Office of Department of Coal Production 15 July 2013 to April 2015. Mr. Han has been acting as the secretary of Board of Directors of Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. since April 2015, and the supervisor of the Company from February 2011.

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Xiaodong	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1971 and possessed a master's degree. He joined Ikocho League Coal Company in September 1993 and served in the planning division and transportation office of Baotou Branch. Mr. Wang joined our company in February 1997 and was successively appointed as the deputy office director of the transportation company, director of Planning Division for Wanshuiquan Project, and director of Baohuan Transportation and Dispatching Division. Mr. Wang was the deputy head of Loading Facility in Baoshen Line from April 2001 to February 2002, and deputy manager of the Transportation Department from February 2002 to February 2004. From February 2004 to July 2004, Mr. Wang was the head of the Office of Huhhot. He was the head of Tianjin Office of the Operation Department from July 2004 to August 2005. From August 2005 to March 2006, Mr. Wang was the chief of the Qinhuangdao Office of the Operation Department. From March 2006 to April 2007, he was the chief of the Qinhuangdao Office of the Coal Transportation and Sales Department. Mr. Wang was the head of the Supplies Purchase and Supply Department of the Company from April 2007 to November 2010. He was the deputy general manager of Inner Mongolia Yitai Coal-to-oil Co., Ltd. from November 2010 to July 2012. From July 2012 to March 2013, Mr. Wang was the general manager of the Yitai Oil Product Selling Co., Ltd. (伊泰油品銷售有限公司), and from March 2013 to the present, Mr. Wang is the general manager of Yitai Petroleum &amp; Chemical Co., Ltd.(伊泰石油化工有限公司). He was appointed as the chairman of Inner Mongolia Yitai Petroleum &amp; Chemical Co., Ltd. from January 2014 to February 2016 and was appointed as the supervisor of the Company since April 2013.</p>
Ji Zhifu	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Ji was born in 1984 and possessed a bachelor's degree. He worked in Yitai Zhundong Railway LLC from July 2005 to October 2006 and served in the Finance department of our Company from October 2006 to February 2009. He was the deputy head of the Finance Department of our Company from March 2008 to February 2009, the director of General Affair Office of Coal Transportation and Sales Business Department of our Company from February 2009 to September 2011 and to March 2013. Mr. Ji was appointed as the head of our Corporate Management Department from March 2013 to March 2015 and now serves as the deputy general manager in Inner Mongolia Yitai Property Co., Ltd. since March 2015 and the supervisor of our company since February 2011.</p>

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Yongliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1963 and possessed a master's degree and was granted the qualification of Level 2 Lawyer. He was a member of Ikochao League correctional division from August 1985 to December 1986, a teacher in Ikochao League Politics & Law School from December 1986 to March 1990, the deputy head of the correctional division and office of the judicial department of Ikochao League from March 1990 to April 1996, the head of business department of Ikochao League Law Firm from April 1996 to March 2001. Mr. Wang has been acting as the director of Inner Mongolia Ikochao League Law Firm since March 2001, and a supervisor of our Company since February 2011.
Wu Qu	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1965 and possessed a bachelor's degree. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company from July 1986 to October 1994, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. from October 1994 to December 1998, the finance manager of Ordos Rongze Food Co., Ltd. from December 1998 to October 2000. Mr. Wu has been serving as the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd since July 2001 and a supervisor of the Company since February 2011.
Jia Xialan	Gender: Female. Ethnicity: Han ethnicity. Ms. Jia was born in November 1973 and possessed a bachelor's degree and was granted with qualifications of engineer and registered cost engineer. She worked in Ikochao League First Construction Engineering Company (伊盟一建) (now renamed Erdos Da Hua Construction Group LLC)(鄂爾多斯大華建築集團有限責任公司) from July 1993 to July 2000, and served in Erdos Defeng Project Management LLC. (鄂爾多斯市得豐工程項目管理有限責任公司) from July 2000 to July 2005 as the deputy director of Installation Budgeting Division (安裝預結算). In August 2005, Ms. Jia transferred to Yitai Group as the installation budgeting engineer in Construction Cost Center of the Group from August 2005 to October 2006 and served as the deputy chief and chief of the same division from October 2006 to March 2010, and from March 2010 to April 2011, respectively. She was the vice director of Internal Control and Audit Department of the Group from April 2011 to July 2013 and was promoted as the director for a working period from July 2013 to January 2014. Ms. Jia has been acting as the director of Internal Control and Audit Department of the Company from January 2014, and a supervisor of the Company from June 2015.

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Liu Jian	Male, Han Nationality, born in 1967, holds a doctoral degree. He graduated from the Universitat Duisburg- Essen in July 2004 with a Doctor's degree in cardiology. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from August 2005 to February 2007, Mr. Liu was granted the qualification of fellow senior chief pharmacist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古人事廳) in July 2006. He was the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012. He was appointed as the deputy manager of the Company since December 2012.
Zhang Liming	Male, Han Nationality, born in 1968, graduated from Huazhong University of Science and Technology (華中科技大學) with a master degree in EMBA is a senior economist. He was the deputy general manager of Inner Mongolia Yitai Huzhun Railway Co., Ltd. from August 2005 to April 2009; the deputy general manager of Inner Mongolia Yitai Coal-to-oil Co., Ltd. from April 2009 to September 2009; and the chairman and the general manager of Inner Mongolia Yitai Chemical Co., Ltd. from October 2009 to March 2010. He served as the chairman of Inner Mongolia Yitai Real Estate Co., Ltd. from March 2010 to July 2014. He served as the deputy manager of the Company from August 2014 to March 2015.
Zhang Mingliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1969 with a master's degree. He was granted with a qualification of semi-senior engineer and held various positions in our Company as the deputy spot chief of Nalinmiao Mine No. 1 mine, the spot chief of Nalinmiao Mine No. 4 mine, the deputy head and the head of Nalinmiao Mine and the deputy head of Nalinmiao Mine No. 2 mine from November 1997 to June 2009. Mr. Zhang was appointed as the head of Sujiahao Mine of Yitai Group from June 2009 to March 2011, the director of Jungar Temple dispatching station of our Coal Transportation Department from March 2011 to February 2012, the deputy general manager of our Production Department from February 2012 to September 2012, the supervisor of our Company from April 2002 to October 2012 and the chief engineer of the Company from October 2012 to August 2015.

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

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

#### (i) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Lian Tao	Male, Han Nationality, born in 1977, Mr. Lian joined North China Power Corporation and served as an accountant in August 1998. From December 2001 to November 2003, Mr. Lian acted as the head of legal affairs of CapitalBio Corporation (博奧生物芯片有限公司) of Tsinghua University Enterprise Group, the general manager of group legal department of Sunco China Holdings Limited (順馳中國控股有限公司) from November 2003 to October 2006, the general legal counsel and company secretary of Vtion Wireless Technology AG at Frankfurt, Germany from July 2008 to October 2011, the deputy chief accountant of Yitai Group from January 2012 to August 2012 and served as the deputy general manager and secretary to the Board (joint company secretary) of the Company from September 2012 to March 2015.
Zhao Xin	Female, born in October 1981, is the Board secretary/joint company secretary and director of the Investor Relation and Management Department of the Company. Ms. Zhao graduated from Inner Mongolia University of Finance and Economics with a bachelor's degree in management in July 2003 and graduated from Capital University of Economics and Business with a master's degree in management in July 2008. In July 2012, Ms. Zhao graduated from Chinese Academy of Social Sciences with a doctoral degree in management. Ms. Zhao joined the Securities Department of the Company in August 2008. She served as the head of the Information Disclosure Sector under the Securities Department of the Company from December 2010 to June 2013. She served as the vice director of the Securities Department of the Company from July 2013 to March 2015. Ms. Zhao has been the director of Investor Relation and Management Department of the Company since March 2015 and served as the securities affairs representative of the Company from August 2013 to March 2015. She was appointed as secretary to the Board/joint secretary of the Company since April 2015.

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

Applicable N/A



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

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

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

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

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

Name of incumbent	Name of other entity	Position held in other entity	Starting date of term	Ending date of term
Yu Youguang	Inner Mongolia Zhongtian Huazheng	Deputy president	28 June 2013	
Qi Yongxing	MBA Institute of Education in Inner Mongolia Finance & Economics College	Deputy dean	11 December 2013	
Song Jianzhong	Inner Mongolia Jianzhong Law Firm	Director	15 July 1986	
Tam Kwok Ming, Banny	YATA Certified Public Accountants	Partner	1 July 2011	
Zhang Zhiming	School of Laws of Remin University	Professor, Doctoral supervisor	September 2005	
Wang Yongliang	Inner Mongolia Ikochoo League Law Firm	Director	1 March 2001	
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of Auditing Department	1 July 2001	

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

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

Decision-making procedure for the remuneration of the directors, supervisors and senior management	Considered and approved in general meetings
Basis for determination on the remuneration of the directors, supervisors and senior management	<p>“Measures Management of the Remuneration of Senior Management of the Company” 《公司高級管理人員薪酬管理辦法》</p> <p>Specific calculation method: annual remuneration return comprises of basic annual salary and performance-based annual salary. Basic annual salary = Service grade coefficient x Scale coefficient of total assets of the Company x (1 + Growth rate of net assets) x10000. Performance-based annual salary = Service grade coefficient x Coefficient of return rate of net assets x (1 + Growth rate of profits during the reporting period) x 10000. All basic annual salaries shall be released on monthly basis, while performance-based annual salaries shall initially be released by 50 percent, the remaining of which shall be released at the end of the year after assessment.</p>
Particulars about remuneration payable to directors, supervisors and senior management	Allowances and remuneration for the directors, supervisors and senior management, which is calculated based on the allowance amount of independent directors determined in general meeting, and the remuneration for the directors, supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company after deducting individual income tax.
Total remuneration actually obtained by the directors, supervisors and senior management as a whole at the end of the reporting period	RMB9.6705 million

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

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

Name	Position	Change	Reason for change
Zhang Xinrong	Director, General Manager	Resigned	Work adjustment
Zhang Jingquan	Director, General Manager	Elected	Work adjustment
Song Jianzhong	Independent Director	Resigned	End of term of office
Zhang Zhiming	Independent Director	Elected	Additional Independent Director
Zhang Guisheng	Supervisor	Resigned	Work adjustment
Jia Xiaolan	Supervisor	Elected	Work adjustment
Zhang Liming	Deputy General Manager	Resigned	Work adjustment
Zhang Mingliang	Chief Engineer	Resigned	Work adjustment
Zhang Guisheng	Chief Engineer	Appointed	Work adjustment
Lian Tao	Deputy Manager, Board Secretary	Resigned	Work adjustment
Zhao Xin	Board Secretary	Appointed	Take over the position of Lian Tao

### V. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

Applicable  N/A

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

As at 31 December 2015, the interests of the directors, supervisors and chief executives of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

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

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

Long positions in the shares of associated corporation of the Company

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
<b>Directors:</b>				
Mr Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	10,903,593	1.51
		Interest of spouse	500,000	0.06
		Interests held as a trustee	15,831,123 <sup>1</sup>	2.20
Mr Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,000,000	0.83
		Interests held as a trustee	8,986,299 <sup>1</sup>	1.25
Mr Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	51,250	0.01
		Interests held as a trustee	7,413,316 <sup>1</sup>	1.03
Mr Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	148,947	0.02
		Interests held as a trustee	7,315,619 <sup>1</sup>	1.02
Mr 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
Mr Zhang Jingquan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
<b>Supervisors:</b>				
Mr Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.55
		Interests held as a trustee	6,014,883 <sup>1</sup>	0.83
Mr 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 are of the opinion that the trust arrangement is valid and binding under the PRC laws.

Save as disclosed above, as at 31 December 2015, none of the directors, supervisors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

### VII. OTHER SIGNIFICANT MATTERS IN RELATION TO DIRECTORS, SUPERVISORS

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

As of 31 December 2015, the Company had not granted any rights to any directors, supervisors of the Company or their spouses or children under 18 years old to acquire shares or debentures of the Company or its associated corporations.

Save for their service agreements with the Company, none of the directors and supervisors of the Company has any material interests, directly or indirectly, in material contracts entered into by the Company or any of its subsidiaries in 2015 and subsisting during or at the end of the year.

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

#### (I) Information on employees

Number of in-service employees in the parent company	2,862
Number of in-service employees in major subsidiaries	3,818
Total number of in-service employees	6,680
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	267

Specialty composition	
Category	Headcount
Production	2,897
Sales	1,809
Technician	907
Finance	265
Administration	802
Total	6,680

Education level	
Category	Headcount
Postgraduate	269
Undergraduate	2,664
College graduate and secondary technical school	2,507
Below secondary technical school	1,240
Total	6,680

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

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

#### **(II) Remuneration Policy**

The Company made great efforts in motivating employees' working enthusiasm and creativity and promoting the internal fairness and external competitiveness of the remuneration incentive system. On the basis of equal pay for equal work, the Company established a dynamic distribution mechanism in terms of taking position value as the core and performance assessment as the support, thus reflecting the employees' work ability and work achievement. At the same time, the Company raised salary to the employees who are talented with great contribution to the Company but not included in the management. During the reporting period, the total staff remuneration of the Company was RMB760 million.

#### **(III) Training program**

The Company has established a comprehensive system of staff training to continuously improve staff knowledge and skills and create a workforce adaptable to the development of our Company, so as to create a learning-oriented enterprise. Our training management adheres to the "people-oriented, demand-driven; unified system, layered implementation; goal management, process-driven; resource sharing, internal-oriented" principles and have the training implemented all over the world. Our training is a combination of internal and external training. According to the quality of personnel and capacity requirements set by the "Twelfth Five Year Plan" of Yitai Group, we, importing knowledge and skills in line with the strategic needs, set for different groups with corresponding training courses designed to cultivate talents living up to the development strategies of Yitai Group, with the total training costs of around RMB3.75 million.

#### **(IV) Subcontracting information**

Total working hours for subcontracting	691,889 hours
Total remuneration paid for subcontracting	RMB13 million

#### **(V) Employee Motivation**

The Group has established a comprehensive performance evaluation system to link the annual business objectives with the performance of different departments and staff. The comprehensive performance evaluation system is established across the Company and its departments, branches and individuals to ensure overall coverage of key indicators and level-by-level management and to ensure effective implementation and achievement of goals. Through multiple measures and approaches, the Company's business and individual motivation are connected, thereby stimulating the creative capability of the organization and the individuals. With the notion of pursuing shareholder value and corporate social responsibility, we hope to contribute to the sustainable development of the Company.

#### **(VI) Pension Scheme**

The Company has established a pension system to provide the qualified and voluntary employees with the supplementary pension plan with certain guarantee on retirement income. The Company and the employees participating in the plan shall make relevant payment by a certain proportion. A third party trustee is entrusted to act as account manager, custodian and investment manager to carry out fund management and investment activities. In accordance with the provisions of the pension system, such payment shall be payable at the time of employee retirement.



## CORPORATE GOVERNANCE

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

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

The Company continued to strengthen information disclosure and relationship with investors. During the reporting period, the Company disclosed all material information promptly, accurately, truly and completely to ensure that all shareholders could enjoy the right to be informed fairly. From 15 to 16 October 2015, the Company organized a large-scale reverse roadshow for investors, effectively enhancing communications and interactions with investors and promoting the reputation and influence of the Company in the capital market.

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

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

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

## CORPORATE GOVERNANCE (Continued)

### II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals	
Annual general meeting for 2014 (the "2014 AGM") (Note 1)	9 June 2015	1. To consider and approve the report of the Board for the year 2014;	All passed	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	9 June 2015	
		2. To consider and approve the report of the Supervisory Committee for the year 2014;			10 June 2015	
		3. To consider and approve the report of the Independent Non-executive Directors for the year 2014;				
		4. To consider and approve the profit distribution plan for the year 2014;				
		5. To consider and approve the annual report of the Company for the year 2014;				
		6. To consider and approve the confirmation of the actual amount of connected party transactions in the ordinary course of business in 2014 and the estimates for the annual caps of connected party transactions in the ordinary course of business for 2015-2017;				
		7. To consider and approve adjustment on the investment evaluation of the 1.2 million tonnes/year refined chemical project of Yitai Chemical;				
		8. To consider and approve the 2 million tonnes/year indirect coal to liquids conversion pilot project plan and investment of Yitai Coal-to-oil;				
		9. To consider and approve the 1 million tonnes/year coal-to-oil pilot project plan and investment of Yitai Yili;				
		10. To consider and approve the 2 million tonnes/year coal-based polygeneration comprehensive project plan and investment of Yitai Xinjiang;				
		11. To consider and approve project capital expenditure of Yitai Coal for the year 2015;				
		12. To consider and approve replacement of a supervisor;				
		13. To consider and approve acquisition of 5% equity of Yitai Guanglian;				
		14. To consider and approve renewal of continuing connected transactions;				
		15. To consider and approve the amendments to the Rules of Procedures of General Meetings;				
		16. To consider and approve preliminary plan of non-public issuance of preference Shares of the Company;				
		17. To consider and approve qualification satisfaction of the non-public issuance conditions of preference Shares of the Company;				
		18. To consider and approve feasibility report of the use of proceeds of non-public issuance of preference Shares of the Company;				
		19. To consider and approve dilution of current returns and remedial measures upon the issuance of preference Shares of the Company;				
		20. To consider and approve authorisation to the Board to handle non-public issuance of preference Shares related matters;				
		21. To consider and approve the guarantee to be provided to subsidiaries and joint stock companies;				
		22. To consider and approve the amendments to the Articles of Association;				
		23. To consider and approve general mandate to the Board to issue H Shares and preference Shares of the Company;				



## CORPORATE GOVERNANCE (Continued)

### II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD (CONTINUED)

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals
		<p>24. To consider and approve non-public issuance plan of preference Share of the Company</p> <p>24.1 Type and size of preference shares to be issued;</p> <p>24.2 Method of issuance;</p> <p>24.3 Target investors and placing arrangement for existing shareholders;</p> <p>24.4 Par value and issuance price;</p> <p>24.5 Principles for determination of the dividend rate;</p> <p>24.6 Method of profit distribution for the preference shareholders;</p> <p>24.7 Redemption Terms;</p> <p>24.8 Voting right restriction;</p> <p>24.9 Voting right restoration;</p> <p>24.10 Sequence of settlement and method of liquidation;</p> <p>24.11 Rating arrangement;</p> <p>24.12 Guarantee arrangement;</p> <p>24.13 Listing and transfer arrangement upon issuance of the preference shares;</p> <p>24.14 Uses of Proceeds;</p> <p>24.15 Validity period of the resolution in respect of the issuance of preference Shares;</p> <p>25. To consider and approve re-appointment of Da Hua Certified Public Accountants (special general partnership) as the Company's PRC auditor and appointment of Deloitte Touche Tohmatsu as the Company's international auditor;</p> <p>26. To consider and approve re-appointment of Da Hua Certified Public Accountants (special general partnership) as the Company's internal control auditor;</p> <p>27. To consider and approve replacement of an independent non-executive director and member of the board committees.</p>			
The First Extraordinary General meeting in 2015 (the "first EGM in 2015") (Note 2)	15 December 2015	<p>1. To consider and approve the appointment of an executive director;</p> <p>2. To consider and approve the proposed adjustments to the business scope of the Company and amendments to the Articles of Association.</p>	All passed	<p><a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a></p> <p><a href="http://www.sse.com.cn">http://www.sse.com.cn</a></p>	<p>15 December 2015</p> <p>16 December 2015</p>

**Notes:**

- For details of the resolutions passed in the meeting, please refer to the circular and the supplementary circular of the Company dated 8 May 2015 and 15 May 2015 respectively.
- For details of the resolutions passed in the meeting, please refer to the circular of the Company dated 30 October 2015.

## CORPORATE GOVERNANCE (Continued)

### III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

#### (I) Particulars of Directors' Attendance in Board Meetings and General Meetings during the reporting period

Name of directors	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Attendance of Board meeting(s)				Whether or not he or she has been absent in person for two consecutive times	Attendance in general meeting(s) Times/Number of attendance in general meetings
			Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence		
Zhang Donghai	No	8	8	5	0	0	No	2/2
Liu Chuntin	No	8	8	5	0	0	No	2/2
Ge Yaoyong	No	8	8	5	0	0	No	2/2
Zhang Dongsheng	No	8	8	5	0	0	No	2/2
Zhang Jingquan (Note A)	No	1	1	0	0	0	No	1/1
Lv Guiliang	No	8	8	5	0	0	No	2/2
Song Zhanyou	No	8	8	5	0	0	No	1/2
Zhang Xinrong (Note B)	No	7	7	5	0	0	No	1/1
Yu Youguang	Yes	8	8	5	0	0	No	2/2
Qi Yongxing	Yes	8	8	5	0	0	No	1/2
Zhang Zhiming (Note C)	Yes	5	5	3	0	0	No	2/2
Tam Kwok Ming, Banny	Yes	8	8	5	0	0	No	2/2
Song Jianzhong (Note D)	Yes	3	3	2	0	0	No	0/0

Note A: Zhang Jingquan was appointed as an executive director of the Company on 15 December 2015.

Note B: Zhang Xinrong resigned as an executive director of the Company on 15 December 2015.

Note C: Zhang Zhiming was appointed as an independent non-executive director of the Company on 9 June 2015.

Note D: Song Jianzhong resigned as an independent non-executive director of the Company on 9 June 2015.

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

Number of Board meetings convened during the year	8
Of which: number of meetings on-site	3
Number of meetings held by teleconference	5
Number of meetings held both on-site and via teleconferencing	0



## CORPORATE GOVERNANCE *(Continued)*

### III. DIRECTORS' PERFORMANCE OF THEIR DUTIES *(CONTINUED)*

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

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

#### **(III) Others**

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

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

Nil

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

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



## CORPORATE GOVERNANCE (Continued)

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

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

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

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

## CORPORATE GOVERNANCE *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES

#### Corporate Governance Practices

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

The Company’s corporate governance practices are based on the principles and code provisions (the “**Code Provision(s)**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules.

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

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

The Board is of the view that throughout the year ended 31 December 2015, the Company has complied with all the Code Provisions as set out in the CG Code.

#### Directors’ and Supervisors’ Securities Transactions

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

Specific enquiry has been made of all the directors and supervisors and all directors and supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

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

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

## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Board of Directors

During the year ended 31 December 2015 and up to the date of this report, the Board of the Company comprises the following directors:

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

Zhang Donghai (*Chairman*)

Liu Chunlin

Ge Yaoyong

Zhang Dongsheng

Zhang Jingquan (*Appointed as general manager on 14 September 2015 and director on 15 December 2015*)

Lv Guiliang

Song Zhanyou

Zhang Xinrong (*Resigned as director on 15 December 2015*)

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

Yu Youguang

Qi Yongxing

Zhang Zhiming (*Appointed as director on 9 June 2015*)

Tam Kwok Ming, Banny

Song Jianzhong (*Resigned as director on 9 June 2015*)

The biographical information of the directors are set out in the section headed “Directors, Supervisors, Senior Management and Employees” on pages 77 to 86 of this report.

Save as disclosed in the section headed “Directors, Supervisors, Senior Management and Employees” in this report, none of the members of the Board is related to one another, including financial, business, family or other material/relevant relationships, except that Zhang Dongsheng, the executive director, is the nephew of the father of Zhang Donghai, the Chairman.

#### Chairman and General Manager

The positions of Chairman and General Manager are held by Zhang Donghai and Zhang Jinquang (appointed on 14 September 2015) respectively. The Chairman is responsible for the effective functioning and leadership of the Board. The General Manager focuses on the Company’s business development and daily management and operations generally.

## CORPORATE GOVERNANCE *(Continued)*

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

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

During the year ended 31 December 2015, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

Each of the directors of the Company, including independent non-executive directors, is appointed for a specific term of 3 years and is subject to retirement by rotation once every three years.

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

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

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

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

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

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

## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2015, the following directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Event/Topic <sup>note</sup>
<b>Executive Directors</b>	
Zhang Donghai	1,2,3
Liu Chunlin	1,2,3
Ge Yaoyong	1,2,3
Zhang Dongsheng	1,2,3
Zhang Jingquan ( <i>Appointed on 15 December 2015</i> )	2,3
Lv Guiliang	1,2,3
Song Zhanyou	1,2,3
Zhang Xinrong ( <i>Resigned on 15 December 2015</i> )	1
<b>Independent non-executive Directors</b>	
Yu Youguang	1,2,3
Qi Yongxing	1
Zhang Zhiming ( <i>Appointed on 9 June 2015</i> )	1,2,3
Tam Kwok Ming, Banny	1,2,3
Song Jianzhong ( <i>Resigned on 9 June 2015</i> )	1

*Notes:*

1. Training for directors, supervisors and senior management of listed companies in 2015 organized by China Securities Regulatory Commission, Inner Mongolia Branch
2. Introduction to Capital Markets and Analysis on Operation of Company's Capital organized by Shanghai Xiao Duo Finance Co., Ltd.
3. A Guide on Directors' Duties issued by the Companies Registry in Hong Kong



## CORPORATE GOVERNANCE *(Continued)*

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

#### Continuous Professional Development of Directors *(Continued)*

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

#### Board Committees

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

#### Strategic Planning Committee

The Strategic Planning Committee currently comprises a total of 11 members, being 7 Executive Directors, namely Zhang Donghai (Chairman), Liu Chunlin, Ge Yaoyong, Zhang Dongsheng, Zhang Jingquan (appointed on 15 December 2015), Lv Guiliang and Song Zhanyou, and 4 Independent non-executive Directors, namely Yu Youguang, Qi Yongxing, Zhang Zhiming (appointed on 9 June 2015) and Tam Kwok Ming, Banny.

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

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

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

## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Audit Committee

The Audit Committee currently comprises a total of 4 members, all being independent non-executive directors, namely Yu Youguang (Chairman), Qi Yongxing, Zhang Zhiming (appointed on 9 June 2015) and Tam Kwok Ming, Banny.

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

The Audit Committee held 6 meetings to review the Group's annual financial results and reports, interim results, quarterly results and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, internal audit function, scope of work and appointment of external auditors, related party transactions and arrangements for employees to raise concerns about possible improprieties.

On 15 December 2015, the Board has approved to amend the "Rules of Procedures of the Audit Committee under the Board of Directors of Inner Mongolia Yitai Coal Co., Ltd." (the "Rules of Procedures of the Audit Committee") as per the latest amendments to the CG Code in respect of risk management and internal control. The updated Rules of Procedures of the Audit Committee has been uploaded on the websites of the Hong Kong Stock Exchange and the Company on the same date.

The Audit Committee also met the external auditors twice without the presence of the executive directors.

#### Remuneration and Assessment Committee

The Remuneration and Assessment Committee currently comprises a total of 7 members, being 3 executive directors, namely Zhang Donghai, Liu Chunlin and Zhang Jingquan (appointed on 15 December 2015), and 4 independent non-executive directors, namely Yu Youguang, Qi Yongxing (Chairman), Zhang Zhiming (appointed on 9 June 2015) and Tam Kwok Ming, Banny.

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

The Remuneration and Assessment Committee met once to consider the resolution on remuneration of Zhang Jingquan, the newly appointed general manager.

## CORPORATE GOVERNANCE *(Continued)*

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

#### **Nomination Committee**

The Nomination Committee currently comprises a total of 7 members, being 3 executive directors, namely Zhang Donghai, Liu Chunlin and Zhang Jingquan (appointed on 15 December 2015), and 4 independent non-executive directors, namely Yu Youguang, Qi Yongxing, Zhang Zhiming (Chairman) (appointed on 9 June 2015) and Tam Kwok Ming, Banny.

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

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. For summary of the Board diversity, please refer to the content in page 44 of Section V Other Disclosures under “REPORT OF DIRECTORS” of this report.

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

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

The Nomination Committee met 4 times to review the structure, size and composition of the Board and the independence of the Independent non-executive directors, to consider and recommend to the Board on the appointment of Zhang Jingquan as executive director and general manager and Zhang Zhiming as independent non-executive director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

## CORPORATE GOVERNANCE *(Continued)*

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

#### Production Committee

The Production Committee currently comprises a total of 5 members, being 3 executive directors, namely Zhang Donghai (chairman), Ge Yaoyong and Zhang Jingquan (appointed on 15 December 2015), and 2 independent non-executive directors, namely Yu Youguang and Qi Yongxing.

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

The responsibilities of the Production Committee include, among others:

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

#### Corporate Governance Functions

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

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

## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2015 is set out in the table below:

Name of Director	Attendance/Number of meetings					Other general meetings (if any)
	Board	Nomination committee	Remuneration and assessment committee	Audit committee	Annual general meeting	
Zhang Donghai	8/8	2/4	1/1	N/A	1/1	1/1
Liu Chunlin	8/8	2/4	1/1	N/A	1/1	1/1
Ge Yaoyong	8/8	N/A	N/A	N/A	1/1	1/1
Zhang Dongsheng	8/8	N/A	N/A	N/A	1/1	1/1
Zhang Jingquan <sup>(Note A)</sup>	1/1	0/0	0/0	N/A	0/0	1/1
Lv Guiliang	8/8	N/A	N/A	N/A	1/1	1/1
Song Zhanyou	8/8	N/A	N/A	N/A	0/1	1/1
Zhang Xinrong <sup>(Note B)</sup>	7/7	2/4	1/1	N/A	1/1	0/0
Yu Youguang	8/8	4/4	1/1	5/5	1/1	1/1
Qi Yongxing	8/8	4/4	1/1	5/5	1/1	0/1
Zhang Zhiming <sup>(Note C)</sup>	5/5	2/2	1/1	2/2	1/1	1/1
Tam Kwok Ming, Banny	8/8	4/4	1/1	5/5	1/1	1/1
Song Jianzhong <sup>(Note D)</sup>	3/3	2/2	0/0	3/3	0/0	0/0

*Note A:* Zhang Jingquan was appointed as an executive director of the Company on 15 December 2015.

*Note B:* Zhang Xinrong resigned as an executive director of the Company on 15 December 2015.

*Note C:* Zhang Zhiming was appointed as an independent non-executive director of the Company on 9 June 2015.

*Note D:* Song Jianzhong resigned as an independent non-executive director of the Company on 9 June 2015.

Apart from regular Board meetings, the chairman also held meetings with the independent non-executive directors without the presence of executive directors during the year.

## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

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

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 118 to 210.

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

#### Senior management's remunerations

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of 6 senior management (excluding directors and supervisors) by bands for the year ended 31 December 2015 is set out below:

Remuneration bands	Number of individuals
RMB0.3 million and below	2
RMB0.3 million to RMB0.8 million	4

#### Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2015 is set out below:

Service category	Fees paid/payable
Audit Services	RMB3.5 million
Non-audit Services – Others	0

## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Risk Management and Internal Controls

During the year under review, the Board conducted one review of the effectiveness of the risk management and internal control systems of the Group, covering all material aspects of internal control, including internal control, operational control and compliance control for the year ended 31 December 2015. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is responsible for the risk management and internal control system, and reviewed the effectiveness on such system. Details as follows:

1. The Company established a sound internal control system, (i) Audit Committee was set up under the Board to be responsible for the communication, inspection and supervision on external audit, reviewing and monitoring the financial control, internal control and risk management systems; and to ensure the establishment of an effective internal control system by which the management fulfils their duty; and to study the substantive investigation results for internal control and responses to such results from the management, on a voluntary basis or based on the appointment of the Board; (ii) the in-house audit department of the Company is in charge of the organization and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; (iii) the internal control and assessment group is in charge of the organization and assessment of the detailed internal control and is accountable to the Board.
2. In order to further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardized and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.
3. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the 2015 Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司2015年內部控制評價方案》). Please refer to Appendix II 2015 Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2015年內部控制評價報告》) for the details of internal control.
4. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the Guidelines on Disclosure of Inside Information published by the Securities and Future Commission in June 2012, and established special agency and appointed special personnel being responsible for registration and management of insiders, also set up internal management files for insiders management which subject to regular updating. Meanwhile, regular trainings have been conducted by the Group engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

The Group has established the Insider Management System in respect of senior management and employee who are familiar with insider information and other information unpublished by the Group in accordance with the Guidelines on Disclosure of Inside Information, which provides that confidential and inside information shall not be used without authorization, and only executive directors and joint secretary are authorized to communicate with external persons for inquiry and responding procedure of the Group's affairs.

## CORPORATE GOVERNANCE *(Continued)*

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

#### Risk Management and Internal Controls *(Continued)*

There were no major breaches in the risk management and internal control systems that may have had an impact to the shareholders' interests, and the risk management and internal control systems were deemed to be effective and sufficient.

In 2015, centering on five internal control elements of financial monitoring, risk assessment, compliance monitoring and communication and regulation, the Group implemented comprehensive inspection of the effectiveness of the Company's internal control system in 2015, including mechanisms for communication with and feedback from auditors on statutory audit work. Through the assessment of the Group's internal control system by the audit committee and the internal control department, the board of directors held that within the reporting period, the Group had a complete internal control system covering company governance, operation, investment, finance, administration and human resources, and the internal control system could play its effective role.

#### Joint Company Secretaries

Wong Wai Ling of SW Corporate Services Group Limited has been engaged by the Company on 30 September 2015 as the joint company secretary. Her primary contact person at the Company is Zhao Xin, who was appointed as another joint company secretary on 23 April 2015. Both of them have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Lian Tao and Lee Mei Yi have resigned as the joint company secretaries on 24 March 2015 and 30 September 2015 respectively. For details of the above changes of the joint company secretaries, please refer to the announcements of the Company dated 24 March 2015, 23 April 2015 and 30 September 2015.

#### Shareholders' Rights

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

#### Convening an Extraordinary General Meeting by Shareholders

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

#### Putting Forward Proposals at General Meetings

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



## CORPORATE GOVERNANCE *(Continued)*

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

#### Putting Forward Proposals at General Meetings

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

#### Putting Forward Enquiries to the Board

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

#### Contact Details

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

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

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

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

#### Communication With Shareholders and Investors

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

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



## CORPORATE GOVERNANCE *(Continued)*

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

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

During the year under review, the Company has amended its Articles of Association which have been approved by the shareholders of the Company at the 2014 AGM and the first EGM in 2015. Details of the amendments are set in the circulars dated 8 May 2015 and 30 October 2015 and the supplementary circular dated 15 May 2015 to the shareholders. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website.

## RELEVANT INFORMATION ON CORPORATE BOND

### I. OVERVIEW OF CORPORATE BONDS

Unit: RMB

Bonds Name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate	Method of capital repayment with interest	Place of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2014 (first tranche)	14 Yitai 01	122329	9 October 2014	9 October 2019	4,500,000,000	6.99%	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange

### II. CONTACT PERSONS AND METHODS OF BONDS TRUSTEE MANAGER, CONTACT METHODS OF CREDIT RATING AGENCY

Bonds trustee manager	Name	China International Capital Corporation Limited
	Address	Floor 27-28, Tower 2, World Trade Building, No.1, Jianguomen Outer Street, Chaoyang District, Beijing
	Contact persons	Zhai Ying, Du Yi, Xu Xian
	Tel	01065051166
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Address	Floor A29, Pengrun Mansion, No.26, Xiaoyun Road, Chaoyang District, Beijing

### III. USE OF PROCEEDS RAISED FROM PUBLIC ISSUANCE OF THE COMPANY BONDS

The proceeds raised from public issuance of the Company bonds of this tranche were used for disclosing the bonds of this tranche. As at 31 December 2015, proceeds were utilized in full.

## RELEVANT INFORMATION ON CORPORATE BOND (Continued)

### IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a follow-up credit rating on bonds 14 Yitai 01 of the Company, and the bonds credit rating and long-term credit rating of the Company respectively maintained at AA+. The rating outlook is steady.

In line with the schedule of follow-up rating, Dagong Global Credit Rating Co., Ltd. will carry out a periodical follow-up rating on the bonds of this tranche within 2 months after release of the announcement of annual report by the bonds issuer and during the period of existence of the bonds of this tranche, and further conduct unscheduled follow-up rating according to the relevant situations within the period of existence of the bonds of this tranche. Should the Company release the annual report on 31 March 2016, Dagong Global Credit Rating Co., Ltd. shall provide the follow-up rating report prior to 31 May and the rating result will be disclosed on the website of Shanghai Stock Exchange where the bonds of this tranche are transacted.

### V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, SOLVENCY PLAN AND OTHERS DURING THE REPORTING PERIOD

During the reporting period, said corporate bonds were not implemented with credit enhancement mechanism and there had been no change in the solvency plan. The Company strictly complied with the schedule of capital repayment with interest as set out in the prospectus and paid interest arising from the bonds and returned capital of the bonds to the investors.

### VI. MEETING OF CORPORATE BONDHOLDERS

As at end of the reporting period, no meeting of corporate bondholders had been convened.

### VII. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGER

Within the period of existence of the bonds of this tranche aforementioned, China International Capital Corporation Limited, the bonds trustee manager conscientiously complied with the agreement to the Bonds Trustee Management Agreement (《債券受托管理協議》) and conducted a continuous follow-up to the Company's rating, management and use of proceeds raised from the bonds, and condition of capital repayment with interest of the Company. China International Capital Corporation Limited. also supervised the Company to perform the obligations set out in the prospectus and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders.

Report of Trustee Management Affairs (受托管理事務報告) is scheduled to be disclosed by the trustee manager within 3 months after disclosure of the Company's annual report. See the details on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

## RELEVANT INFORMATION ON CORPORATE BOND (Continued)

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY IN THE LATEST TWO YEARS AS AT END OF REPORTING PERIOD

Major indicator	2015 RMB'000	2014 RMB'000	Increase or decrease as compared with the same period of last year (%)	Reasons of change
EBITDA	2,576,709	5,652,039	-54.41	Mainly due to decrease in profits during the period;
Net cash generated from investing activities	(6,250,607)	(11,901,744)	-47.48	Mainly due to decrease in investment projects of coal mine, railway and coal chemical projects during the reporting period;
Net cash generated from financing activities	(5,071,094)	7,382,537	-31.31	Mainly due to decrease in borrowings during the reporting period
Cash and cash equivalents at end of the reporting period	6,605,859	5,030,944	31.30	
Liquidity ratio	1.16	2.32	-1.16	Mainly due to newly added borrowings and decrease in coal inventory during the period;

## RELEVANT INFORMATION ON CORPORATE BOND (Continued)

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY IN THE LATEST TWO YEARS AS AT END OF REPORTING PERIOD (CONTINUED)

Major indicator	2015 RMB'000	2014 RMB'000	Increase or decrease as compared with the same period of last year (%)	Reasons of change
Quick ratio	1.06	2.01	-0.95	Mainly due to the newly added borrowings during the period;
Gearing ratio	60.73%	53.19%	7.54	
EBITDA ratio	0.06	0.18	-0.12	Mainly due to decrease in profits during the period;
Times interest earned	0.60	2.79	-2.19	Mainly due to decrease in profits during the period;
Times interest earned	2.16	5.04	-2.89	Mainly due to decrease in net cash flows arising from operating activities
EBITDA times interest earned	1.33	3.80	-2.47	Mainly due to the decrease in profits during the period;
Loan repayment rate	100%	100%		
Interest payment rate	100%	100%		

### IX. COMPANY'S ASSETS AS AT END OF REPORTING PERIOD

As at end of the reporting period, no assets had been mortgaged, pledged, closed down or frozen, realized with certain conditions or failed to be realized or used for debt payment. There had been no other rights under restriction or debts needing preferential payments against the third party.

## RELEVANT INFORMATION ON CORPORATE BOND (Continued)

### X. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Name of medium-term notes	Issuing amount (ten thousand yuan)	Starting date	Date of expiry	Nominal interest rate
12 Yitai MTN1	100,000	2012-12-25	2017-12-25	5.5300%
13 Yitai MTN1	250,000	2013-4-16	2018-4-16	4.9500%

During the reporting period, the Company paid interests of other bonds and debt financing instruments on time and in a full amount.

### XI. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totalled RMB51,480,050,000 and the credit limit was RMB24,231,778,000. The credit available was RMB27,248,272,000.

### XII. FULFILLMENT OF COMMITMENT IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

The Company strictly complied with and fulfilled the relevant commitments in the prospectus within the reporting period.

### XIII. IMPACT OF MAJOR EVENTS TO OPERATING STATUS AND SOLVENCY OF THE COMPANY

Not applicable.

## INDEPENDENT AUDITORS' REPORT



**To the shareholders of Inner Mongolia Yitai Coal Co., Ltd.**

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

We have audited the consolidated financial statements of Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司, the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 120 to 210, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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

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





## INDEPENDENT AUDITORS' REPORT *(Continued)*

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 18 March 2015.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
30 March 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	6	19,116,172	24,806,104
Cost of sales		<u>(15,442,988)</u>	<u>(18,004,758)</u>
Gross profit		3,673,184	6,801,346
Other income	6	308,767	386,348
Other gains and losses	6	(108,819)	(69,496)
Selling and distribution expenses		(1,017,994)	(1,355,153)
General and administrative expenses		(1,572,629)	(1,610,984)
Other expenses		(205,324)	(147,703)
Finance income	7	80,120	98,478
Finance costs	8	(867,812)	(742,909)
Exchange gains/(losses), net		(21,676)	483
Share of profits of associates		24,934	39,665
Share of profits of joint ventures		<u>1,572</u>	<u>—</u>
PROFIT BEFORE TAX	9	294,323	3,400,075
Income tax expense	11	<u>(41,597)</u>	<u>(638,758)</u>
PROFIT FOR THE YEAR		<u>252,726</u>	<u>2,761,317</u>
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gains/(losses) on available-for-sale investments		(48,720)	107,106
Income tax effect		12,180	(26,777)
Exchange differences on translation of foreign operations		1,181	70
<i>Reclassification adjustments to profit or loss:</i>			
Disposal of available-for-sale investments		(79,521)	—
Income tax effect		19,880	—
Impairment losses, net of tax		—	48,372
Income tax effect		<u>—</u>	<u>(9,795)</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX		<u>(95,000)</u>	<u>118,976</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>157,726</u>	<u>2,880,293</u>

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

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Profit for the year attributable to:			
Owners of the Company	13	<b>90,501</b>	2,252,637
Non-controlling interests		<b>162,225</b>	508,680
		<b>252,726</b>	2,761,317
Total comprehensive income attributable to:			
Owners of the Company		<b>(4,499)</b>	2,371,613
Non-controlling interests		<b>162,225</b>	508,680
		<b>157,726</b>	2,880,293
Earnings per share – basic <i>(RMB)</i>	13	<b>RMB0.03</b>	RMB0.69

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

		31 December 2015 RMB'000	31 December 2014 RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	<b>43,855,452</b>	36,803,276
Investment properties	15	<b>461,847</b>	137,856
Prepaid land lease payments	16	<b>856,620</b>	1,003,718
Mining rights	17	<b>369,057</b>	409,169
Other intangible assets	18	<b>56,657</b>	78,837
Investment in joint ventures	21	<b>81,289</b>	49,000
Investments in associates	22	<b>794,529</b>	385,626
Available-for-sale investments	23	<b>6,567,704</b>	5,618,404
Deferred tax assets	24	<b>1,286,812</b>	1,177,511
Other non-current assets	19	<b>50,956</b>	24,702
		<hr/>	<hr/>
Total non-current assets		<b>54,380,923</b>	45,688,099
<b>CURRENT ASSETS</b>			
Inventories	25	<b>1,085,494</b>	1,709,750
Trade and bills receivables	26	<b>3,815,259</b>	2,866,309
Prepayments, deposits and other financial assets	27	<b>2,138,967</b>	1,477,498
Restricted cash	28	<b>142,264</b>	42,476
Cash and cash equivalents	28	<b>6,605,859</b>	5,030,944
Time deposits	28	<b>–</b>	1,929,002
		<hr/>	<hr/>
Total current assets		<b>13,787,843</b>	13,055,979
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	29	<b>1,516,156</b>	1,050,638
Financial liabilities at fair value through profit or loss		<b>66</b>	–
Other payables and accruals	30	<b>5,113,982</b>	3,349,042
Interest-bearing bank borrowings	31	<b>5,218,750</b>	1,218,282
Income tax payable		<b>36,866</b>	8,678
		<hr/>	<hr/>
Total current liabilities		<b>11,885,820</b>	5,626,640
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>1,902,023</b>	7,429,339
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>56,282,946</b>	53,117,438

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2015

		31 December 2015 RMB'000	31 December 2014 RMB'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>56,282,946</b>	53,117,438
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	<b>21,099,816</b>	17,485,363
Long-term bonds	32	<b>7,976,053</b>	7,971,831
Deferred tax liabilities	33	<b>5,019</b>	41,451
Other borrowings	34	<b>286,656</b>	–
Deferred income		<b>72,878</b>	17,440
Other non-current liabilities		<b>74,177</b>	104,700
Total non-current liabilities		<b>29,514,599</b>	25,620,785
Net assets		<b>26,768,347</b>	27,496,653
EQUITY			
<b>Equity attributable to owners of the Company</b>			
Share capital	35	<b>3,254,007</b>	3,254,007
Reserves		<b>18,869,757</b>	19,000,900
Proposed final dividend	12	<b>27,659</b>	676,833
Non-controlling interests		<b>22,151,423</b>	22,931,740
		<b>4,616,924</b>	4,564,913
Total equity		<b>26,768,347</b>	27,496,653

The financial statements on pages 120 to 210 were approved by the board of directors on 30 March 2016 and are signed on its behalf by:

**Zhang Donghai**  
(Director)

**Lu Guilang**  
(Director)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share Capital RMB'000 (Note 35)	Capital reserve RMB'000	Statutory reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000 (Note 12)	Exchange fluctuation reserve 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	16,501,074	676,833	(816)	22,931,740	4,564,913	27,496,653
Profit for the year	-	-	-	-	90,501	-	-	90,501	162,225	252,726
Other comprehensive income/ (expense) for the year	-	-	-	(96,181)	-	-	1,181	(95,000)	-	(95,000)
Total comprehensive income/ (expense) for the year	-	-	-	(96,181)	90,501	-	1,181	(4,499)	162,225	157,726
Appropriation of statutory reserve	-	-	12,636	-	(12,636)	-	-	-	-	-
Deemed disposal of interest in a subsidiary (Note 20)	-	(98,785)	-	-	-	-	-	(98,785)	156,785	58,000
Additional non-controlling interests arising on the capital injection	-	-	-	-	-	-	-	-	65,101	65,101
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(332,100)	(332,100)
Final 2014 dividend declared and paid	-	-	-	-	-	(676,833)	-	(676,833)	-	(676,833)
Proposed final 2015 dividend	-	-	-	-	(27,659)	27,659	-	-	-	-
Others	-	(200)	-	-	-	-	-	(200)	-	(200)
At 31 December 2015	<u>3,254,007</u>	<u>(510,862)</u>	<u>2,825,780</u>	<u>3,194</u>	<u>16,551,280</u>	<u>27,659</u>	<u>365</u>	<u>22,151,423</u>	<u>4,616,924</u>	<u>26,768,347</u>
At 1 January 2014	3,254,007	(863,465)	2,693,671	(19,531)	15,044,743	1,041,282	(886)	21,149,821	3,864,588	25,014,409
Profit for the year	-	-	-	-	2,252,637	-	-	2,252,637	508,680	2,761,317
Other comprehensive income for the year	-	-	-	118,906	-	-	70	118,976	-	118,976
Total comprehensive income for the year	-	-	-	118,906	2,252,637	-	70	2,371,613	508,680	2,880,293
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	210,711	210,711
Effect on opening deferred tax of increase in rate relating to the Target Business Group	-	451,588	-	-	-	-	-	451,588	-	451,588
Appropriation of statutory reserve	-	-	119,473	-	(119,473)	-	-	-	-	-
Capital contributions from non- controlling interests	-	-	-	-	-	-	-	-	139,428	139,428
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(158,494)	(158,494)
Final 2013 dividend declared and paid	-	-	-	-	-	(1,041,282)	-	(1,041,282)	-	(1,041,282)
Proposed final 2014 dividend	-	-	-	-	(676,833)	676,833	-	-	-	-
At 31 December 2014	<u>3,254,007</u>	<u>(411,877)</u>	<u>2,813,144</u>	<u>99,375</u>	<u>16,501,074</u>	<u>676,833</u>	<u>(816)</u>	<u>22,931,740</u>	<u>4,564,913</u>	<u>27,496,653</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>294,323</b>	3,400,075
<b>Adjustments for:</b>			
Finance costs	8	<b>867,812</b>	742,909
Exchange (gains)/losses, net		<b>22,996</b>	(483)
Finance income	7	<b>(80,120)</b>	(98,478)
Share of profits of associates and jointly controlled entities		<b>(26,506)</b>	(39,665)
Dividend income from available-for-sale investments	6	<b>(35,069)</b>	(78,317)
Gain on disposal of available-for-sale investments	6	<b>(79,521)</b>	–
(Gain)/loss on disposal of items of property, plant and equipment, prepaid land lease payments and other intangible assets, net		<b>40,138</b>	(12,770)
Fair value (gains)/losses on futures contracts	9	<b>(9,693)</b>	581
Depreciation of property, plant and equipment	9	<b>1,608,127</b>	1,590,242
Depreciation of investment properties	9	<b>18,611</b>	9,310
Amortisation of prepaid land lease payments	9	<b>53,534</b>	36,923
Amortisation of mining rights	9	<b>25,575</b>	31,933
Amortisation of other intangible assets	9	<b>33,379</b>	28,810
Amortisation of other non-current assets	9	<b>12,390</b>	3,470
Reversal of impairment of other receivables, net		<b>(300)</b>	(4,248)
Impairment of trade and bills receivable	9	<b>25</b>	–
Impairment of inventories	9	<b>4,486</b>	–
Impairment of intangible assets	9	<b>354</b>	–
Impairment of property, plant and equipment	9	<b>124,097</b>	33,921
Impairment of mining rights	9	<b>14,537</b>	–
Impairment of available-for-sale investments		<b>(23,175)</b>	48,372
Impairment of prepaid land lease payments	9	<b>5,003</b>	4,221
		<b>2,871,003</b>	5,696,806
Decrease/(increase) in inventories		<b>619,770</b>	(288,264)
(Increase)/decrease in trade and bills receivables		<b>(948,975)</b>	246,586
(Increase)/decrease in prepayments, deposits and other financial assets		<b>(868,489)</b>	261,243
Increase/(decrease) in trade and bills payables		<b>465,518</b>	(34,028)
Increase in other payables and accruals		<b>561,582</b>	271,182
Increase in other non-current liabilities		<b>310,097</b>	–
Others		<b>(200)</b>	–
Cash generated from operations		<b>3,010,306</b>	6,153,525
Income tax paid		<b>(252,009)</b>	(408,090)
Net cash flows from operating activities		<b>2,758,297</b>	5,745,435

## CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		64,149	65,420
Interest received on entrusted loans		–	40,234
Interest received from financial products		15,971	38,321
Dividends received from associates		21,289	16,104
Dividend income from available-for-sale investments	6	35,069	78,317
Proceeds from disposal of available-for-sale investments		352,400	–
Purchases of property, plant and equipment		(7,144,056)	(8,591,480)
Additions to prepaid land lease payments		–	(56,709)
Additions to other intangible assets		(11,553)	(33,125)
Additions to other non-current assets		(39,389)	(15,844)
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments		207,568	27,025
Acquisition of a subsidiary		–	12,705
Investments in an joint venture		(30,717)	(49,000)
Investments in an associates		(405,259)	(144,180)
Investments in an available-for-sale investment		(1,327,245)	(1,504,800)
Entrusted loans lent out to third parties		–	(382,900)
Repayment of entrusted loans from third parties		382,900	530,900
Payment for settlement of future contracts		(948)	(6,587)
Purchase of financial products		(4,915,000)	(11,085,000)
Proceeds from redemption of financial products		4,715,000	11,085,000
Placement of restricted cash		(101,001)	(6,322)
Withdrawal of restricted cash		1,213	3,593
Placement of time deposits		–	(1,929,002)
Withdrawal of time deposits		1,929,002	5,586
Net cash flows used in investing activities		(6,250,607)	(11,901,744)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term bonds	32	–	4,500,000
Payments of transaction costs on issue of bonds		(10,500)	(34,440)
Proceeds from bank borrowings		11,046,056	9,655,250
Repayment of bank borrowings		(3,450,261)	(4,276,504)
Interest paid		(1,619,268)	(1,411,232)
Deemed disposal of partial interest in a subsidiary		58,000	–
Capital injection by non-controlling interests		65,101	139,428
Dividends paid		(676,833)	(1,041,282)
Dividends paid to non-controlling interests		(341,201)	(148,683)
Net cash flows from financing activities		5,071,094	7,382,537
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Effect of foreign exchange rate changes, net		(3,869)	(4,230)
Cash and cash equivalents at beginning of year	28	5,030,944	3,808,946
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	6,605,859	5,030,944



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 1. GENERAL INFORMATION

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

On 12 July 2012, the Company consummated its global offering of 162,667,000 H shares with HK\$43 per share and listed on the Main Board of The Stock Exchange of Hong Kong Limited. After the global offering, the issued capital increased to RMB1,626,667,000. On 8 August 2012, the over-allotment of 336,500 H shares was exercised, the issued capital further increased to RMB1,627,003,500, of which 49.17% shares are held by Yitai Group. Yitai (Group) Hong Kong Co, Ltd. (“Yitai Group HK”), a wholly-owned subsidiary of Yitai Group, held 9.59% of shares of the Company. The direct and indirect shareholding of the Company by Yitai Group was 58.76% as at 31 December 2015.

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

In the opinion of the directors, the parent of the Company is Yitai Group and the ultimate holding company is Yitai Investment Co., Ltd., an enterprise incorporated in Inner Mongolia, the PRC, whose equity interests are held via a trust agreement by 35 individuals, comprising the senior management members and key technicians of Yitai Group, on behalf of a group of employees of Yitai Group.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 1. GENERAL INFORMATION (CONTINUED)

#### Particulars of principal subsidiaries, associates and joint ventures

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

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Proportion ownership interest held by the Company		Principal activities
			2015 %	2014 %	
<b>Subsidiaries</b>					
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC	1,554,000	96.3	100.0	Railway transportation
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Inner Mongolia, the PRC	2,352,900	51.0	51.0	Coal-to-oil production
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	Inner Mongolia, the PRC	1,080,000	52.0	52.0	Coal mining
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC	2,074,598	77.0	77.0	Railway transportation
Inner Mongolia Yitai Transport Co., Ltd. (內蒙古伊泰汽車運輸有限責任公司)	Inner Mongolia, the PRC	5,000	100.0	100.0	Motor transportation
Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司)	Inner Mongolia, the PRC	196,500	51.0	51.0	Storage and transportation
Huhhot Yitai Coal Sales Co., Ltd. (呼和浩特市伊泰煤炭銷售有限公司)	Inner Mongolia, the PRC	50,000	100.0	100.0	Coal wholesale
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Xinjiang, the PRC	1,570,000	90.2	90.2	Coal technology development and consulting
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Inner Mongolia, the PRC	770,000	90.2	90.2	Chemical production and sale
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	Hong Kong, the PRC	19,136	100.0	100.0	Coal imports and international trade
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Xinjiang, the PRC	1,360,000	90.2	90.2	Chemical production and sale
Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Xinjiang, the PRC	650,000	90.2	90.2	Investment in coal mining
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技股份有限公司)	Beijing, the PRC	10,000	100.0	100.0	Biotechnology
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Shanghai, the PRC	50,000	100.0	100.0	Coal trading
Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Inner Mongolia, the PRC	30,000	73.0	73.0	Coal mining

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 1. GENERAL INFORMATION (CONTINUED)

#### Particulars of principal subsidiaries, associates and joint ventures (Continued)

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Proportion ownership interest held by the Company		Principal activities
			2015 %	2014 %	
<b>Subsidiaries (Continued)</b>					
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	Inner Mongolia, the PRC	70,000	73.0	73.0	Coal mining
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	Inner Mongolia, the PRC	300,000	80.0	80.0	Chemical production and sale
Yitai Yanqi (Beijing) International trade Co., Ltd. (伊泰雁棲(北京)國際貿易有限公司)	Beijing, the PRC	50,000	100.0	100.0	International trade
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd. (內蒙古伊泰准格爾煤炭運銷有限責任公司)	Inner Mongolia, the PRC	10,000	100.0	100.0	Coal wholesale
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Inner Mongolia, the PRC	50,000	100.0	100.0	Coal wholesale
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Shenzhen, the PRC	50,000	100.0	100.0	Finance service
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	Shanghai, the PRC	50,000	100.0	100.0	Finance service investment and consulting

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 1. GENERAL INFORMATION (CONTINUED)

#### Particulars of principal subsidiaries, associates and joint ventures (Continued)

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Proportion ownership interest held by the Company		Principal activities
			2015 %	2014 %	
<b>Associates</b>					
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯天地華潤煤礦裝備有限責任公司)	Inner Mongolia, the PRC	100,000	31.5	31.5	Mining equipment production and sale
Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Inner Mongolia, the PRC	570,000	29.0	29.0	Gangue Power Plant construction
Zhonghang Liming Jinhuiji Petro Equipment (中航黎明錦化機石化裝備(內蒙古)有限公司)	Inner Mongolia, the PRC	218,300	39.0	39.0	Chemical equipment production and sale
Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊政煤田滅火工程有限責任公司)	Inner Mongolia, the PRC	50,000	30.0	30.0	Coal mine fire-proof project, land restoration, and ecological treatment
Yitai (Beijing) Pharmatech Co., Ltd. (伊泰(北京)合成技術有限公司)	Inner Mongolia, the PRC	24,750	49.0	49.0	Pharmatech
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)	Inner Mongolia, the PRC	100,000	15.0 <sup>1</sup>	–	Liquor production and sale
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	Inner Mongolia, the PRC	100,000	40.0	–	Internal financial service and consulting
<b>Joint ventures</b>					
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Inner Mongolia, the PRC	100,000	49.0	49.0	Industrial water provision
Tailai Coal (Shanghai) Co., Ltd. (泰來煤炭(上海)有限公司)	Shanghai, the PRC	(USD'000) 10,000	50.0	–	Coal trading, imports and exports

<sup>1</sup> The Group is able to exercise significant influence over Chifeng Hua Yuan Wine & Spirits Co., Ltd., because it has the right to appoint one out of the five directors of that company under the Articles of Association of that company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at December 2015. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All the above subsidiaries are directly held by the Company.

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### 2.1 AMENDMENTS TO IFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has adopted the following amendments for the first time for the current year’s financial statements.

Amendments to IAS 19	<i>Defined Benefit plans: Employee Contributions</i>
Amendments to IFRSs	<i>Annual improvements to IFRSs 2010-2012 Cycle</i>
Amendments to IFRSs	<i>Annual improvements to IFRSs 2011-2013 Cycle</i>

The adoption of the above amendments has had no significant financial effect on these financial statements.

#### 2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised IFRSs, which have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments<sup>1</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
IFRS 16	<i>Leases<sup>2</sup></i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations<sup>3</sup></i>
Amendments to IAS 1	<i>Disclosure Initiative<sup>3</sup></i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>3</sup></i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants<sup>3</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception<sup>3</sup></i>
Amendments to IAS 7	<i>Disclosure Initiative<sup>5</sup></i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses<sup>5</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017

Except as described below, the directors do not expect the application of the other new standards and amendments to standards will have a material impact.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### 2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

##### **IFRS 9 Financial Instruments**

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introduction a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Which are relevant to the Group are:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost of fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets and may result in early recognition of impairment losses based on the expected credit loss model in relation to the Group’s financial assets measured at amortised costs, but no impact on the classification and measurement of the Group’s financial liabilities.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

As disclosed in the financial statements for the year ended 31 December 2014, the Group recorded the effect of RMB451,588,000 of increase in tax rate on deferred tax asset arising from the business combination under common control in 2012 in capital reserve. The directors of the Company re-assessed the accounting treatment and considered it more appropriate to record the above effect in the profit or loss. The directors of the Company considered the overall impact to the 2014 financial statements is not significant, accordingly, no restatement has been made in these financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.1 BASIS OF PREPARATION *(Continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use and by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### 3.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as "the Group"). The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 BASIS OF CONSOLIDATION (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as is the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Investments in associates and joint ventures**

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of the profit or loss of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Business combinations and goodwill**

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Business combinations and goodwill** *(Continued)*

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

##### **Merger accounting for business combinations under common control**

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

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

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

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

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

##### **Impairment of non-financial assets**

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Impairment of non-financial assets (Continued)**

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises and included in other gains and losses.

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

##### **Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Buildings	5 to 45 years
Plant and machinery	1 to 45 years
Motor vehicles	2 to 16 years
Railway	10 to 45 years
Road	10 to 45 years
Office equipment and others	1 to 30 years

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

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, the cost and the accumulated depreciation of that item at the date of transfer is transferred to investment properties correspondingly.

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

##### **Investment properties**

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Mining rights**

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

##### **Other intangible assets (other than goodwill)**

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

##### *Research and development costs*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally – generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally – generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally – generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally – generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Other intangible assets (other than goodwill)** *(Continued)*

###### *Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

###### **Leasing**

A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement.

An arrangement that involves a legal form of a lease is not, in substance, accounted for as a lease if:

- (i) the Group retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;
- (ii) the primary reason for the arrangement is not to convey the right to use an asset; and
- (iii) an option is included on terms that make its exercise almost certain.

###### **Operating leases**

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

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



## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Investments and other financial assets**

###### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held to maturity financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include available-for-sale investments, trade and bills receivables, financial assets included in prepayments, deposits and other financial assets, restricted cash, cash and cash equivalents and time deposits.

###### *Subsequent measurement*

###### *Loans and receivables*

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Investments and other financial assets** *(Continued)*

###### *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit or loss, or until the investment is determined to be impaired, at which time the cumulative loss is reclassified from the available-for-sale investment revaluation reserve to the profit or loss in other gains and losses. Dividends earned whilst holding the available-for-sale financial investments are reported as dividend income, and are recognised in the profit or loss as other income in accordance with the policies set out for “Income recognition” below.

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

##### **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the assets' carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Impairment of financial assets**

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

##### *Financial assets carried at amortised cost*

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Impairment of financial assets *(Continued)***

###### *Assets carried at cost*

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

###### *Available-for-sale financial investments*

For available-for-sale financial investments carried at fair value, the Group assess at the end of each reporting period whether there is objective evidence that the investment is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the profit or loss, is removed from other comprehensive income and recognised in the profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through the profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

##### **Financial liabilities**

###### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Financial liabilities** *(Continued)*

###### *Initial recognition and measurement (Continued)*

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

###### *Subsequent measurement*

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

###### *Trade and bills payables, financial liabilities included in other payables and accruals*

Trade and bills payables and financial liabilities included in other payables and accruals are subsequently measured at amortised cost.

###### *Loans and borrowings*

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

###### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Financial liabilities** *(Continued)*

###### *Derecognition of financial liabilities*

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

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

###### **Offsetting of financial instruments**

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

###### **Inventories**

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

###### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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

###### **Provisions**

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Provisions (Continued)**

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

##### **Rehabilitation provision**

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

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related coals. The Group applies IAS 2 *Inventories* to the costs of obligations for dismantling, removing and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss.

##### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Income tax** *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the amount of grant is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

##### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the respective goods have been delivered to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the Group;

##### **Income recognition**

Income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following bases:

- (a) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (b) dividend income, when the shareholders' right to receive payment has been established.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Employee benefits**

###### *Pension obligations*

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC.

Contributions to these plans are expensed as incurred, which is when employees have rendered services entitling them to the contributions. Details of the contributions are set out in Note 9 to the consolidated financial statements.

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the loan costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

##### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

##### **Foreign currencies**

These consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Foreign currencies** *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of an overseas subsidiary is the United States dollar. As at the end of the reporting period, the assets and liabilities of this foreign operation are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and the income and expense of the entity is translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows.

##### **Stripping costs**

Stripping costs incurred in the development of a mine before the production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a unit of production basis. Stripping costs mainly comprising costs on blasting, haulage, excavation, etc. incurred during the development and production stage of a mine, to the extent that the benefit from these activities is realised in the form of improved access coal, is recognised as a non-current assets when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 inventories.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered that are considered to be relevant. Actual result may differ from these estimates.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. The total amount of transfers to investment properties for the year 2015 was RMB342,602,000. Details of these transfers are set out on Note 14 below.

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for its non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the relevant asset or the cash-generating unit in which the asset is attached to exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The total amount of impairment of non-financial assets for the year ended 31 December 2015 was RMB143,991,000 (2014: RMB38,142,000), including RMB124,097,000 of property, plant and equipment, RMB14,537,000 of mining rights, RMB5,003,000 of prepaid land lease payments and RMB354,000 of other intangible assets. The details of the impairment is set out in Note 9 below.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### Key sources of estimation uncertainty (Continued)

##### Contingencies

By their nature, contingencies, including those for mine rehabilitation, will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant estimates of the outcome of future events.

As disclosed in prior years' financial statements, the Company enjoyed a preferential CIT rate of 15% during the years ended 31 December 2011, 2012 and 2013 based on the Guidance Catalogue for Adjustment of Industrial Structure (產業結構調整指導目錄). In August 2014, the Catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄, "CEIWC") was promulgated. The Company no longer met the condition of CEIWC, and therefore re-declared its income tax to the statutory tax rate of 25% for the year ended 31 December 2014 and for the period from 10 June 2013 (the effective date of one of the catalogues in CEIWC) to 31 December 2013. The tax adjustment for the period from 10 June 2013 to 31 December 2013 of RMB83 million was recorded in the profit or loss for the year ended 31 December 2014.

In March 2015, the State Administration of Taxation issued the Announcement No. 14 of 2015 (關於執行《西部地區鼓勵類產業目錄》有關企業所得稅問題的公告) and an interpretation (關於《國家稅務總局關於執行〈西部地區鼓勵類產業目錄〉有關企業所得稅問題的公告》的解讀) to state the tax policy regarding the implementation of CEIWC. In October 2015, the relevant tax authority notified the Company to pay additional CIT based on the statutory tax rate of 25% for the two years ended 31 December 2012 and the period from 1 January 2013 to 9 June 2013 ("Transition Period"). Communication and clarification with the tax authority has been continuing since then and the process has not been completed at the date of approval of these financial statements.

The Company's CIT expenses under the preferential CIT rate of 15% for the years ended 31 December 2011, 2012 and 2013 amounted to RMB879 million, RMB705 million, and RMB327 million, respectively. If the CIT expenses were derived based on the statutory tax rate of 25%, the Company's additional CIT expenses for the years ended 31 December 2011, 2012 and 2013 would be approximately RMB586 million, RMB470 million and RMB135 million (after considering the aforementioned tax payment of RMB83 million), respectively. Based on the notices issued by the tax authority to support the Company's entitlement to the preferential tax rate during the Transition Period and the aforesaid communications with the tax authority, the directors consider that it is not probable that the Company would have to pay additional CIT for the Transition Period.

##### Current income tax

The Group is subject to income taxes in numerous jurisdictions in the PRC. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which such differences arise. Details of the differences are set out in Note 11 below.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### **Key sources of estimation uncertainty (Continued)**

##### *Deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Significant estimates from the management is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 24 to the consolidated financial statements.

##### *Useful lives and residual values of items of property, plant and equipment*

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of items of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is based on historical experience of the Group with similar assets that are used in a similar way. Details of the useful lives and residual values of items of property, plant and equipment are set out in Note 3.3 above.

##### *Coal reserve and resource estimates*

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its coal reserves and mineral resources based on reserve reports compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and this requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

##### *Units-of-production depreciation for mine specific assets*

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Details of the depreciation and amortisation of mine specific assets are set out in Note 14 and Note 17 below.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 5. OPERATING SEGMENT INFORMATION

Information reported to the executive directors of the Company, being chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The CODM reviews operating results and financial information for each operating company separately. Accordingly, each operating company, including associates and joint ventures held by the relevant operating company, is identified as an operating segment. Those operating companies are aggregated into coal segment, transportation segment and coal-related chemical segment respectively for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar products and services and similar methods used to distribute their products and under the same regulatory environment.

Specifically, the Group’s reportable segments under IFRS 8 *Operating Segments* are as follows:

- (a) the coal segment is engaged in the mining and sale of coal products;
- (b) the transportation segment provides road and railway transportation services to coal companies;
- (c) the coal-related chemical segment produces and sells coal-based synthetic fuel.

The “others” comprises a number of immaterial businesses and none of these units has ever individually met the quantitative thresholds for determining a reportable segment.

All income and expenses are attributed to the respective segments. Accordingly, the aggregated segment results is the same as the consolidated profit of the Group.

#### Revenue from major products/services

The following is an analysis of the Group’s revenue from its major products and services:

	2015 RMB'000	2014 RMB'000
Coal	16,847,610	22,028,760
Coal-related chemical products	1,844,963	2,388,696
Transportation services	416,387	379,757
Others	7,212	8,891
	<u>19,116,172</u>	<u>24,806,104</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 5. OPERATING SEGMENT INFORMATION (CONTINUED)

#### Revenue from major products (Continued)

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.

Year ended 31 December 2015	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Segment Total RMB'000	Others RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>						
Sales to external customers	16,847,610	416,387	1,844,963	19,108,960	7,212	19,116,172
Intersegment sales	<u>226,270</u>	<u>1,294,538</u>	<u>12,801</u>	<u>1,533,609</u>	<u>-</u>	<u>1,533,609</u>
	17,073,880	1,710,925	1,857,764	20,642,569	7,212	20,649,781
<i>Reconciliation</i>						
Elimination of intersegment sales						<u>(1,533,609)</u>
Revenue						<u>19,116,172</u>
<b>Segment results:</b>						
Profit/(loss) before tax	(240,338)	521,286	14,852	295,800	(1,477)	294,323
Income tax expense	<u>29,931</u>	<u>(67,172)</u>	<u>(4,356)</u>	<u>(41,597)</u>	<u>-</u>	<u>(41,597)</u>
	<u>(210,407)</u>	<u>454,114</u>	<u>10,496</u>	<u>254,203</u>	<u>(1,477)</u>	<u>252,726</u>
Profit for the year						<u>252,726</u>
<b>Segment assets</b>	31,747,831	13,303,799	25,132,059	70,183,689	2,540	70,186,229
<i>Reconciliation</i>						
Elimination of intersegment receivables						<u>(1,931,295)</u>
Elimination of capitalised intersegment finance costs						<u>(86,168)</u>
Total assets						<u>68,168,766</u>
<b>Segment liabilities</b>	21,363,362	5,808,077	16,154,636	43,326,075	5,639	43,331,714
<i>Reconciliation</i>						
Elimination of intersegment payables						<u>(1,931,295)</u>
Total liabilities						<u>41,400,419</u>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 5. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2015	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Segment Total RMB'000	others RMB'000	Consolidated RMB'000
<b>Other segment information</b>						
<b>Amounts included in the measure of segment results or segment assets:</b>						
Share of profits of associates	13,765	–	11,169	24,934	–	24,934
Share of profits of joint ventures	1,572	–	–	1,572	–	1,572
Finance income	80,120	–	–	80,120	–	80,120
Finance costs	(628,703)	(171,585)	(67,167)	(867,455)	(357)	(867,812)
Impairment losses	(148,502)	–	–	(148,502)	–	(148,502)
Reversal of impairment losses	300	–	–	300	–	300
Depreciation and amortisation	(1,215,760)	(337,234)	(197,505)	(1,750,499)	(1,117)	(1,751,616)
Investments in associates	716,874	–	77,655	794,529	–	794,529
Investments in joint ventures	32,289	–	49,000	81,289	–	81,289
Capital expenditure*	1,788,428	589,533	7,427,611	9,805,572	–	9,805,572

\* Capital expenditure consists of additions to investments in associates, investments in joint ventures, property, plant and equipment, prepaid land lease payments, other intangible assets, and other non-current assets.

Year ended 31 December 2014	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Segment Total RMB'000	Others RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>						
Sales to external customers	22,028,760	379,757	2,388,696	24,797,213	8,891	24,806,104
Intersegment sales	235,115	1,810,531	54,979	2,100,625	–	2,100,625
	22,263,875	2,190,288	2,443,675	26,897,838	8,891	26,906,729
<i>Reconciliation</i>						
Elimination of intersegment sales						(2,100,625)
Revenue						<u>24,806,104</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 5. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2014	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Segment Total RMB'000	Others RMB'000	Consolidated RMB'000
<b>Segment results:</b>						
Profit/(loss) before tax	2,098,928	1,111,027	192,904	3,402,859	(2,784)	3,400,075
Income tax expense	(477,873)	(129,667)	(31,218)	(638,758)	–	(638,758)
	<u>1,621,055</u>	<u>981,360</u>	<u>161,686</u>	<u>2,764,101</u>	<u>(2,784)</u>	<u>2,761,317</u>
Profit for the year						<u>2,761,317</u>
<b>Segment assets</b>	30,855,178	12,839,788	17,656,596	61,351,562	1,033,062	62,384,624
<i>Reconciliation</i>						
Elimination of intersegment receivables						(3,554,378)
Elimination of capitalised intersegment finance costs						<u>(86,168)</u>
Total assets						<u>58,744,078</u>
<b>Segment liabilities</b>	17,286,885	5,944,499	11,183,778	34,415,162	386,641	34,801,803
<i>Reconciliation</i>						
Elimination of intersegment payables						<u>(3,554,378)</u>
Total liabilities						<u>31,247,425</u>
<b>Other segment information</b>						
<b>Amounts included in the measure of segment results or segment assets:</b>						
Share of profits of associates	39,554	–	111	39,665	–	39,665
Finance income	78,380	1,677	18,421	98,478	–	98,478
Finance costs	(454,751)	(188,088)	(99,736)	(742,575)	(334)	(742,909)
Impairment losses	(86,514)	–	–	(86,514)	–	(86,514)
Reversal of impairment losses	4,248	–	–	4,248	–	4,248
Depreciation and amortisation	(1,206,329)	(315,683)	(170,228)	(1,692,240)	(8,448)	(1,700,688)
Investments in associates	296,808	–	88,818	385,626	–	385,626
Investments in joint ventures	–	–	49,000	49,000	–	49,000
Capital expenditure*	1,363,426	2,103,861	6,272,338	9,739,625	194,724	9,934,349

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 5. OPERATING SEGMENT INFORMATION (CONTINUED)

The Group's revenue from external customers is derived solely from its operation in Mainland China, and no non-current assets of the Group are located outside Mainland China.

During the year ended 31 December 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2014: Nil).

### 6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

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

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

	2015 RMB'000	2014 RMB'000
<b>Revenue</b>		
Sale of goods	18,699,785	24,426,347
Rendering of services	416,387	379,757
	<u>19,116,172</u>	<u>24,806,104</u>
<b>Other income</b>		
Income from the sale of materials	33,476	23,508
Income from the rendering of other services	192,020	234,784
Dividend income from available-for-sale investments	35,069	78,317
Tax refund	5,126	–
Government grants	30,901	19,340
Indemnities received	2,066	8,115
Others	10,109	22,284
	<u>308,767</u>	<u>386,348</u>
<b>Other gains and losses</b>		
Gain on disposal of available-for-sale investments	79,521	–
Gain/(loss) on disposal of items of property, plant and equipment and intangible assets	(40,138)	12,770
Loss on impairment of assets	(148,502)	(86,514)
Reversal of impairment losses (Note 27)	300	4,248
	<u>(108,819)</u>	<u>(69,496)</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 7. FINANCE INCOME

The Group's finance income is as follows:

	2015 RMB'000	2014 RMB'000
Bank interest income	64,149	65,420
Interest income from entrusted loans	–	5,894
Interest income from financial products	15,971	27,164
	<u>80,120</u>	<u>98,478</u>

### 8. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Interest on bank borrowings	1,135,998	1,222,910
Interest on long-term bonds	508,322	261,516
Total interest expense	1,644,320	1,484,426
Less: Interest capitalised	(776,508)	(741,517)
	<u>867,812</u>	<u>742,909</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.71% (2014: 6.04%) per annum to expenditure on qualifying assets.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 9. PROFIT BEFORE TAX

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

	Notes	Group	
		2015 RMB'000	2014 RMB'000
Cost of inventories sold		15,220,271	17,864,722
Cost of services provided		222,717	140,036
Depreciation of property, plant and equipment	14	1,608,127	1,590,242
Depreciation of investment properties	15	18,611	9,310
Amortisation of prepaid land lease payments	16	53,534	36,923
Amortisation of mining rights	17	25,575	31,933
Amortisation of other intangible assets	18	33,379	28,810
Amortisation of other non-current assets	19	12,390	3,470
Total depreciation and amortisation		1,751,616	1,700,688
Research and development costs (included in general and administrative expenses)		103,152	79,841
Auditors' remuneration		7,481	6,347
Employee benefit expense (excluding directors' and supervisors' remuneration (Note 10)):			
Wages, salaries and other employees' benefits		1,157,908	1,423,792
Pension scheme contributions (defined contribution plans)*		55,709	61,911
		1,213,617	1,485,703
Impairment losses included in other gains and losses			
Impairment of trade and bills receivables		25	–
Impairment of property, plant and equipment	14	124,097	33,921
Impairment of mining rights	17	14,537	–
Impairment of prepaid land lease payments	16	5,003	4,221
Impairment of other intangible assets	18	354	–
Impairment of available-for-sale investments		–	48,372
Others		4,486	–
		148,502	86,514
Fair value (gain)/loss on futures contracts		(9,693)	581

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 9. PROFIT BEFORE TAX (CONTINUED)

- \* The Group participate in both a defined contribution scheme and a state-managed retirement benefit scheme operated by the government. The Group is required to contribute 20% of payroll costs to the retirement benefits. The defined contribution scheme is funded from both employees (RMB50 per month) and the Group (RMB250 per month). The only obligation of the Group with respect to those schemes is to make the specified contributions.

### 10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES

#### (a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the year is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Salaries and allowances	6,542	9,579
Discretionary bonuses	1,093	978
Pension	456	497
Total	<u>8,091</u>	<u>11,054</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

#### (a) Directors' and supervisors' remuneration (Continued)

The remuneration of each of the directors and supervisors of the Group for the years ended 31 December 2015 and 2014 is as follows:

	Salaries, housing benefits, other allowances and benefits in kind RMB'000	Discretionary bonuses* RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2015</b>				
<b>Executive directors:</b>				
Zhang Donghai	1,260	126	57	1,443
Liu Chunlin	840	109	57	1,006
Lv Guiliang	658	96	57	811
Song Zhanyou	622	96	57	775
Zhang Xinrong <sup>1</sup>	552	76	37	665
Zhang Dongsheng	12	-	-	12
Ge Yaoyong	12	-	-	12
Zhang Jingquan <sup>2</sup>	-	-	-	-
	<u>3,956</u>	<u>503</u>	<u>265</u>	<u>4,724</u>
<b>Independent non-executive directors:</b>				
Tam Kwok Ming, Banny	-	200	-	200
Qi Yongxin	-	100	-	100
Yu Youguang	-	100	-	100
Zhang Zhiming <sup>3</sup>	-	58	-	58
Song Jianzhong <sup>4</sup>	-	42	-	42
	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
<b>Supervisors:</b>				
Wang Xiaodong	868	3	57	928
Li Wenshan	705	-	57	762
Zhang Guisheng <sup>5</sup>	479	37	57	573
Han Zhanchun	167	50	-	217
Jia Xiaolan <sup>6</sup>	124	-	20	143
Ji Zhifu	123	-	1	124
Wang Yongliang	60	-	-	60
Wu Qu	60	-	-	60
	<u>2,586</u>	<u>90</u>	<u>191</u>	<u>2,867</u>
	<u>6,542</u>	<u>1,093</u>	<u>456</u>	<u>8,091</u>

<sup>1</sup> Zhang Xinrong resigned as an executive directors in December 2015.

<sup>2</sup> Zhang Jingquan was appointed as an executive director and general manager in December 2015 and September 2015 respectively.

<sup>3</sup> Zhang Zhiming was appointed as an independent non-executive director in June 2015.

<sup>4</sup> Song Jianzhong resigned as an independent non-executive director in June 2015.

<sup>5</sup> Zhang Guisheng resigned as a supervisor in June 2015.

<sup>6</sup> Jia Xiaolan was appointed as a supervisor in June 2015.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

#### (a) Directors' and supervisors' remuneration (Continued)

	Salaries, housing benefits, other allowances and benefits in kind RMB'000	Discretionary bonuses* RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2014</b>				
<b>Executive directors:</b>				
Zhang Donghai	1,931	37	56	2,024
Liu Chunlin	1,259	37	56	1,352
Zhang Xinrong	991	61	56	1,108
Lv Guiliang	837	37	56	930
Ge Yaoyong	676	12	14	702
Zhang Dongsheng	642	12	14	668
Kang Zhi <sup>1</sup>	611	5	23	639
Song Zhanyou <sup>2</sup>	399	32	47	478
	<u>7,346</u>	<u>233</u>	<u>322</u>	<u>7,901</u>
<b>Independent non-executive directors:</b>				
Tam Kwok Ming, Banny	–	200	–	200
Song Jianzhong	–	100	–	100
Yu Youguang	–	100	–	100
Qi Yongxing	–	100	–	100
	<u>–</u>	<u>500</u>	<u>–</u>	<u>500</u>
<b>Supervisors:</b>				
Li Wenshan	1,020	7	56	1,083
Wang Xiaodong	600	12	56	668
Zhang Guisheng	266	7	9	282
Ji Zhifu	186	44	31	261
Han Zhanchun	161	55	23	239
Wang Yongliang	–	60	–	60
Wu Qu	–	60	–	60
	<u>2,233</u>	<u>245</u>	<u>175</u>	<u>2,653</u>
	<u>9,579</u>	<u>978</u>	<u>497</u>	<u>11,054</u>

<sup>1</sup> Kang Zhi resigned as a director in May 2014.

<sup>2</sup> Song Zhanyou was appointed as an executive director in May 2014.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

#### (a) Directors' and supervisors' remuneration (Continued)

The executive directors' and supervisors' remunerations shown above were mainly for their services in connection with the management of the affairs of the Company and Group.

The independent non-executive directors' remunerations shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

#### (b) Five highest paid employees

The five highest paid employees of the Group during the year include four executive directors and a supervisor (2014: four executive directors and a supervisor), details of whose remuneration are set out in Note 10(a) above.

Since all of the five highest paid employees' remuneration are listed in Note 10(a) above, it is not necessary to disclose how their remuneration fell into different bands.

\* Certain directors and supervisors of the Group are entitled to bonus payments which are determined based on both production safety and performance efficiency.

### 11. INCOME TAX EXPENSE

		Group	
		2015	2014
	Note	RMB'000	RMB'000
Group:			
Current tax – Mainland China		148,922	549,139
Under provision in prior years		6,348	83,175
Deferred tax	24, 33	(113,673)	6,444
Total tax charge for the year		<u>41,597</u>	<u>638,758</u>

PRC corporate income tax (the "CIT") was provided at a rate of 25% on the taxable income as reported in the statutory accounts of the companies comprising the Group, which were prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 11. INCOME TAX EXPENSE (CONTINUED)

Certain subsidiaries were entitled to a preferential CIT rate of 15% from 1 January 2011 to 31 December 2020 based on the revised version of the Guidance Catalogue for Adjustment of Industrial Structure (產業結構調整指導目錄(2011年本)修正) issued by the National Development and Reform Commission which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

Certain subsidiaries were entitled to be exempted from income tax in three years starting from the first profit-making year and allowed a 50 percent reduction in the following three years (三免三減半) from March 2014, based on the Catalogue of Income Tax Preference for Corporations Implementing Public Infrastructure Programs issued by the National Administration of Taxation (國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄—財稅[2008]46號).

In August 2014, the Catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄, the "CEIWC") was promulgated. The Company no longer meets the condition of CEIWC, and therefore re-declared its income tax to the statutory tax rate of 25%.

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from or earned in Hong Kong during the years ended 31 December 2015 and 2014.

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rate to the tax expense at the Group's effective income tax rate for each of the years ended 31 December 2015 and 2014 is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Profit before tax	<b>294,323</b>	3,400,075
Tax at the statutory tax rate of 25%	<b>73,581</b>	850,019
Effect of preferential tax rates	<b>(71,620)</b>	(246,259)
Tax concession	<b>(16,217)</b>	(52,976)
Effect on opening deferred tax of increase in rates	—	(23,361)
Adjustments in respect of current tax of previous periods	<b>6,348</b>	83,175
Entertainment expenses not deductible for tax purposes	<b>11,296</b>	9,183
Profits and losses attributable to associates and joint ventures	<b>(6,627)</b>	(9,906)
Effect of tax losses not recognised	<b>43,668</b>	24,345
Effect of impairment not recognised	<b>6,470</b>	—
Others	<b>(5,302)</b>	4,538
Tax charge at the Group's effective rate	<b>41,597</b>	638,758

The share of tax attributable to associates and joint ventures amounting to RMB6,422,088 and RMB547,235 (2014: RMB2,475,156 and nil) was included in "Share of profits of associates" and "Share of profits of joint ventures" in the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 12. DIVIDENDS

	Group	
	2015	2014
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2014 final – RMB2.08 (2013 final: RMB3.20) per 10 ordinary shares	<u>676,833</u>	<u>1,041,282</u>

The board of directors of the Company recommended on 30 March 2016 to propose a final cash dividend of RMB27,659,060 or RMB0.085 per 10 (2014: RMB676,833,000 or RMB2.08 per 10) ordinary shares. The above-mentioned proposed final cash dividend for the year ended 31 December 2015 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 13. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the years ended 31 December 2015 and 2014 attributable to owners of the Company and the number of ordinary shares in issue during the years ended 31 December 2015 and 2014.

The Company had no potential ordinary shares in issue for the years ended 31 December 2015 and 2014.

The calculations of basic earnings per share are based on:

	Group	
	2015	2014
	RMB'000	RMB'000
<b>Earnings</b>		
Profit for the year attributable to owners of the Company	<u>90,501</u>	<u>2,252,637</u>
<b>Shares</b>		
Number of ordinary shares in issue during the year ( <i>in thousand</i> )	<u>3,254,007</u>	<u>3,254,007</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 14. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>									
<b>At 1 January 2015:</b>									
Cost	5,046,374	4,096,487	7,457,854	704,469	8,103,414	818,826	712,896	17,504,298	44,444,618
Accumulated depreciation and impairment	(895,926)	(1,720,041)	(3,077,302)	(379,785)	(944,861)	(274,313)	(347,275)	(1,839)	(7,641,342)
Net carrying amount	<u>4,150,448</u>	<u>2,376,446</u>	<u>4,380,552</u>	<u>324,684</u>	<u>7,158,553</u>	<u>544,513</u>	<u>365,621</u>	<u>17,502,459</u>	<u>36,803,276</u>
At 1 January 2015, net of accumulated depreciation and impairment	4,150,448	2,376,446	4,380,552	324,684	7,158,553	544,513	365,621	17,502,459	36,803,276
Additions	90,379	575,127	124,554	27,965	1,791	-	83,011	8,406,087	9,308,914
Depreciation provided during the year	(237,476)	(402,000)	(516,534)	(82,791)	(194,260)	(42,451)	(132,615)	-	(1,608,127)
Transfers/Reclassifications	205,680	23,297	67,094	-	1,767	-	19,356	(317,194)	-
Disposals/written off	(108,197)	(311)	(56,919)	(9,262)	-	(215)	(7,008)	-	(181,912)
Transfers to investment properties (Note 15)	(342,602)	-	-	-	-	-	-	-	(342,602)
Impairment	(40,505)	(37,090)	(1,227)	-	-	(5,176)	-	(40,099)	(124,097)
At 31 December 2015, net of accumulated depreciation and impairment	<u>3,717,727</u>	<u>2,535,469</u>	<u>3,997,520</u>	<u>260,596</u>	<u>6,967,851</u>	<u>496,671</u>	<u>328,365</u>	<u>25,551,253</u>	<u>43,855,452</u>

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>									
<b>At 31 December 2015:</b>									
Cost	4,778,184	4,693,009	7,477,539	676,406	8,106,972	817,523	770,244	24,724,037	52,043,914
Accumulated depreciation and impairment	(1,060,457)	(2,157,540)	(3,480,019)	(415,810)	(1,139,121)	(320,852)	(441,879)	827,216	(8,188,462)
Net carrying amount	<u>3,717,727</u>	<u>2,535,469</u>	<u>3,997,520</u>	<u>260,596</u>	<u>6,967,851</u>	<u>496,671</u>	<u>328,365</u>	<u>25,551,253</u>	<u>43,855,452</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Group (Continued)

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>									
<b>At 1 January 2014:</b>									
Cost	4,536,778	3,509,621	6,589,421	644,392	8,546,154	654,093	1,009,134	9,191,090	34,680,683
Accumulated depreciation and impairment	(688,446)	(1,363,963)	(2,220,462)	(257,343)	(834,415)	(226,535)	(631,366)	–	(6,222,530)
Net carrying amount	<u>3,848,332</u>	<u>2,145,658</u>	<u>4,368,959</u>	<u>387,049</u>	<u>7,711,739</u>	<u>427,558</u>	<u>377,768</u>	<u>9,191,090</u>	<u>28,458,153</u>
At 1 January 2014, net of accumulated depreciation and impairment	3,848,332	2,145,658	4,368,959	387,049	7,711,739	427,558	377,768	9,191,090	28,458,153
Additions	44,638	420,446	230,660	22,235	27,495	2,096	54,478	9,026,623	9,828,671
Acquisition of a subsidiary	–	–	–	206	–	–	210	350,415	350,831
Depreciation provided during the year	(204,120)	(376,242)	(602,089)	(77,461)	(208,993)	(41,287)	(80,050)	–	(1,590,242)
Transfers/Reclassifications	601,100	186,584	385,936	(2,991)	(371,688)	157,020	15,404	(971,365)	–
Transfers to investment properties (Note 15)	(101,657)	–	–	–	–	–	–	–	(101,657)
Disposals/written off	(4,798)	–	(2,914)	(4,354)	–	–	(2,189)	(94,304)	(108,559)
Impairment	(33,047)	–	–	–	–	(874)	–	–	(33,921)
At 31 December 2014, net of accumulated depreciation and impairment	<u>4,150,448</u>	<u>2,376,446</u>	<u>4,380,552</u>	<u>324,684</u>	<u>7,158,553</u>	<u>544,513</u>	<u>365,621</u>	<u>17,502,459</u>	<u>36,803,276</u>

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>									
<b>At 31 December 2014:</b>									
Cost	5,046,374	4,096,487	7,457,854	704,469	8,103,414	818,826	712,896	17,504,298	44,444,618
Accumulated depreciation and impairment	(895,926)	(1,720,041)	(3,077,302)	(379,785)	(944,861)	(274,313)	(347,275)	(1,839)	(7,641,342)
Net carrying amount	<u>4,150,448</u>	<u>2,376,446</u>	<u>4,380,552</u>	<u>324,684</u>	<u>7,158,553</u>	<u>544,513</u>	<u>365,621</u>	<u>17,502,459</u>	<u>36,803,276</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Group (Continued)

As at the date of approval of these financial statements, the Group is in the process of applying for or changing the registration of the title certificates for certain of its buildings with an aggregate net carrying amount of approximately RMB537,681,000 (2014: RMB1,079,882,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2015.

Due to change in use of a clubhouse, there is a transfer of a building with carrying amount of RMB342,602,000 from property, plant and equipment to investment property, as evidenced by the end of owner-occupation.

#### Impairment losses recognised in the year

During the year, the Group carried out a review of the recoverable amount of cash-generating units which carried out mining activities and determines that a number of those assets relating to certain cash-generating units in the Group's coal segment were impaired, mainly due to the declined in coal price. Accordingly, impairment loss of RMB143,991,000 (2014: RMB38,142,000) has been recognised, allocated to property, plant and equipment, mining rights, prepaid land lease payments and other intangible assets of RMB124,097,000, RMB14,537,000, RMB5,003,000 and RMB354,000 (2014: property, plant and equipment RMB33,921,000 and prepaid land lease payments RMB4,221,000) respectively, based on the relative carrying amounts of these assets within the relevant cash-generating units. The total recoverable amount of the cash-generating units in which impairment losses have been recognised, determined on their value in use at mine(s) level, which amounted to RMB1,736,369,000 as at 31 December 2015 (2014: RMB27,011,000). The discount rate used in measuring value in use was 11% (2014: 11%) per annum.

The impairment losses have been included in profit or loss in the other gains and losses line item.

### 15. INVESTMENT PROPERTIES

		Group	
		2015	2014
	Note	RMB'000	RMB'000
Carrying amount at 1 January		<b>137,856</b>	45,509
Transfer from owner-occupied property	14	<b>342,602</b>	101,657
Depreciation for the year	9	<b>(18,611)</b>	(9,310)
Carrying amount at 31 December		<b>461,847</b>	137,856

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 15. INVESTMENT PROPERTIES (CONTINUED)

		Group	
		2015	2014
	Note	RMB'000	RMB'000
Cost:			
At 1 January		207,551	57,365
Transfer from owner-occupied property	14	365,385	101,657
At 31 December		572,936	159,022
Accumulated depreciation:			
At 1 January		(92,478)	(11,856)
Depreciation charge for the year	9	(18,611)	(9,310)
At 31 December		(111,089)	(21,166)
Net carrying amount at 31 December		461,847	137,856

The Group's investment properties are situated in Mainland China, and are leased to third parties under operating leases with lease terms of 1 to 10 years, further summary details of which are included in Note 37(a) to the consolidated financial statements.

### 16. PREPAID LAND LEASE PAYMENTS

		Group	
		2015	2014
	Note	RMB'000	RMB'000
Carrying amount at 1 January		1,033,740	1,018,175
Additions		–	56,709
Disposals		(65,049)	–
Impairment	9	(5,003)	(4,221)
Amortisation of the year	9	(53,534)	(36,923)
Carrying amount at 31 December		910,154	1,033,740
Current portion included in prepayments, deposits and other financial assets		(53,534)	(30,022)
Non-current portion		856,620	1,003,718

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 17. MINING RIGHTS

		Group	
	Note	2015 RMB'000	2014 RMB'000
Cost as at 1 January, net of accumulated amortisation		409,169	441,102
Impairment	9	(14,537)	–
Amortisation for the year	9	(25,575)	(31,933)
Cost as at 31 December, net of accumulated amortisation and impairment		<u>369,057</u>	<u>409,169</u>
As at 31 December:			
Cost		681,434	673,206
Accumulated amortisation and impairment		<u>(312,377)</u>	<u>(264,037)</u>
Net carrying amount		<u>369,057</u>	<u>409,169</u>

### 18. OTHER INTANGIBLE ASSETS

		Group	
	Note	2015 RMB'000	2014 RMB'000
Cost as at 1 January, net of accumulated amortization		78,837	74,522
Additions		11,553	33,125
Impairment	9	(354)	–
Amortisation provided during the year	9	(33,379)	(28,810)
Cost as at 31 December, net of accumulated amortisation		<u>56,657</u>	<u>78,837</u>
As at 31 December:			
Cost		147,900	148,328
Accumulated amortisation		<u>(91,243)</u>	<u>(69,491)</u>
Net carrying amount		<u>56,657</u>	<u>78,837</u>

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software	3-10 years
Patent	15-20 years



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 19. OTHER NON-CURRENT ASSETS

	Note	Group	
		2015 RMB'000	2014 RMB'000
Cost as at 1 January, net of accumulated amortisation		24,702	12,328
Additions		39,389	15,844
Disposal		(745)	–
Amortisation provided during the year	9	(12,390)	(3,470)
Cost as at 31 December, net of accumulated amortisation		<u>50,956</u>	<u>24,702</u>
As at 31 December:			
Cost		63,805	52,639
Accumulated amortisation		(12,849)	(27,937)
Net carrying amount		<u>50,956</u>	<u>24,702</u>

Analysed into:

	Group	
	2015 RMB'000	2014 RMB'000
Water use right	10,437	11,313
Deposits paid for proposed acquisition of an investment	30,000	–
Others	10,519	13,389
	<u>50,956</u>	<u>24,702</u>

Water use right was the payment to the local water resources bureau to obtain the use right of water. The amortisation period is a total of 20 years with a remaining amortisation period of 13 years at the year ended 31 December 2015.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 20. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 1.

During the year ended 31 December 2015, Inner Mongolia Zhundong Railway Co., Ltd (內蒙古伊泰准東鐵路有限公司), a then wholly-owned subsidiary of the Company, issued additional shares of capital to Inner Mongolia State-owned Assets Management Co., Ltd (內蒙古國有資產運營有限公司) at a proceed of RMB58,000,000. The Company's equity interest in this subsidiary was diluted from 100% to 96.3%. This deemed disposal of partial interest in subsidiary has resulted in a debit capital reserve of RMB98,785,000.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015/12/31	2014/12/31	2015/12/31	2014/12/31	2015/12/31	2014/12/31
				RMB'000	RMB'000	RMB'000	RMB'000
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Inner Mongolia, the PRC	49%	49%	5,328	85,360	1,332,602	1,327,274
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)	Inner Mongolia, the PRC	48%	48%	154,325	317,826	1,580,421	1,685,295
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC	23%	23%	20,808	47,289	677,777	656,969
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	Inner Mongolia, the PRC	48%	55%	–	(274)	209,165	210,437
				<u>180,461</u>	<u>450,201</u>	<u>3,799,965</u>	<u>3,879,975</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2015	Inner Mongolia Yitai Coal-to- Oil Co., Ltd. (內蒙古 伊泰煤製油 有限責任公司) RMB'000	Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰 京粵酸刺溝 礦業有限 責任公司) RMB'000	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰 呼准鐵路 有限公司) RMB'000	Ordos Dama Railway Co., Ltd. (鄂爾多斯 大馬鐵路 有限公司) RMB'000
Revenues, other income and other gains and losses	920,046	1,521,017	483,393	-
Total costs of sales and expenses	(909,171)	(1,199,507)	(392,924)	-
Profit for the year	10,875	321,510	90,469	-
Total comprehensive income for the year	<u>10,875</u>	<u>321,510</u>	<u>90,469</u>	<u>-</u>
Current assets	534,182	482,227	102,642	7,899
Non-current assets	3,487,950	3,424,247	6,564,399	468,695
Current liabilities	(304,636)	(587,824)	(608,467)	(40,833)
Non-current liabilities	<u>(997,850)</u>	<u>(26,107)</u>	<u>(3,111,715)</u>	<u>-</u>
Dividends paid to non-controlling interests	-	259,200	-	-
Net cash flows from/(used in) operating activities	203,699	486,665	191,887	10,894
Net cash flows from/(used in) investing activities	(98,463)	(86,878)	(189,918)	(66,284)
Net cash flows from/(used in) financing activities	<u>(230,364)</u>	<u>(519,952)</u>	<u>482</u>	<u>50,000</u>
Net increase/(decrease) in cash and cash equivalents	<u>(125,128)</u>	<u>(120,165)</u>	<u>2,451</u>	<u>(5,390)</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Inner Mongolia Yitai Coal-to- Oil Co., Ltd. (內蒙古 伊泰煤製油 有限責任公司) RMB'000	Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰 京粵酸刺溝 礦業有限 責任公司) RMB'000	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰 呼准鐵路 有限公司) RMB'000	Ordos Dama Railway Co., Ltd. (鄂爾多斯 大馬鐵路 有限公司) RMB'000
2014				
Revenues, other income and other gains and losses	1,155,605	2,201,724	657,202	–
Total costs of sales and expenses	(981,398)	(1,539,586)	(451,685)	(500)
Profit for the year	174,207	662,138	205,517	(500)
Total comprehensive income for the year	<u>174,207</u>	<u>662,138</u>	<u>205,517</u>	<u>(500)</u>
Current assets	670,389	950,504	82,549	16,205
Non-current assets	3,547,289	3,430,862	6,267,270	443,174
Current liabilities	(355,956)	(654,798)	(580,440)	(74,989)
Non-current liabilities	<u>(1,152,950)</u>	<u>(215,537)</u>	<u>(2,912,989)</u>	<u>–</u>
Dividends paid to non-controlling interests	–	–	12,559	–
Net cash flows from/(used in) operating activities	512,472	(37,551)	291,105	(2,244)
Net cash flows from/(used in) investing activities	(197,453)	640,592	(1,238,738)	(34,685)
Net cash flows from/(used in) financing activities	<u>(417,819)</u>	<u>(252,734)</u>	<u>917,498</u>	<u>–</u>
Net increase/(decrease) in cash and cash equivalents	<u>(102,800)</u>	<u>350,307</u>	<u>(30,135)</u>	<u>(36,929)</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 21. INVESTMENT IN JOINT VENTURES

	Group	
	2015	2014
	RMB'000	RMB'000
Cost of investments in joint ventures	<b>79,717</b>	49,000
Share of post-acquisition profits and other comprehensive income	<b>1,572</b>	–
Share of net assets	<b>81,289</b>	49,000

Particulars of joint ventures are set out in Note 1.

The Group's shareholdings in joint ventures listed in Note 1 above comprise equity shares held through a subsidiary of the Company.

The following table illustrates the financial information of the Group's joint ventures which are individually immaterial:

	Group	
	2015	2014
	RMB'000	RMB'000
Share of joint ventures' profit for the year:	<b>1,572</b>	–
Share of joint ventures' total comprehensive income	–	–
Aggregate carrying amount of the Group's investments in joint ventures	<b>81,289</b>	49,000

### 22. INVESTMENTS IN ASSOCIATES

	Group	
	2015	2014
	RMB'000	RMB'000
Cost of investments in associates	<b>722,329</b>	307,329
Share of post-acquisition profits less dividends	<b>72,200</b>	78,297
Share of net assets	<b>794,529</b>	385,626

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

Except for Zhonghang Liming Jinhuaaji Petro Equipment (Inner Mongolia) Co., Ltd. which is held through a subsidiary of the Company, the interests in associates were directly held by the Company.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 22. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group's trade receivable and payable balances with the associates are disclosed in Notes 26 and 29 to the financial statements, respectively.

The following table illustrates the summarised financial information in respect of material associates of the Group, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	Inner Mongolia Jingtai Electronic Power Generation Co., Ltd.		Inner Mongolia Yitai Finance Co., Ltd.	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Current assets	<b>150,183</b>	147,997	<b>2,931,745</b>	–
Non-current assets	<b>2,360,982</b>	2,402,635	–	–
Current liabilities	<b>(447,921)</b>	(425,326)	<b>(1,930,065)</b>	–
Non-current liabilities	<b>(1,128,348)</b>	(1,230,480)	–	–
Net assets	<b><u>934,896</u></b>	<u>894,826</u>	<b><u>1,001,680</u></b>	<u>–</u>
Reconciliation to the Group's interest:				
Proportion of the Group's interest	<b>29%</b>	29%	<b>40%</b>	–
Carrying amount of the Group's interest	<b><u>271,120</u></b>	<u>259,500</u>	<b><u>400,672</u></b>	<u>–</u>
Revenue				
Profit and total comprehensive income for the year	<b>111,905</b>	181,953	<b>1,681</b>	–
Dividend received	<b><u>21,289</u></b>	<u>13,553</u>	<u>-</u>	<u>-</u>

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

	Group	
	2015 RMB'000	2014 RMB'000
Share of loss and total comprehensive expenses for the year	<b>(8,191)</b>	(13,101)
Aggregate carrying amount of the Group's interest in these associates	<b><u>122,737</u></b>	<u>126,126</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2015	2014
	RMB'000	RMB'000
Listed equity investments, at fair value:		
Hong Kong	<b>58,299</b>	103,744
Mainland China	—	332,500
	<b>58,299</b>	436,244
Unlisted equity investments, at cost	<b>6,509,405</b>	5,182,160
	<b>6,567,704</b>	5,618,404

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be reliably measured.

During the year, the loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB48,720,000 (2014 gain: RMB107,106,000), with an income tax effect of RMB12,180,000 (2014: RMB26,777,000).

In the current year, the Group disposed of certain listed equity investments with carrying amount of RMB252,978,000. A gain on disposal of RMB79,521,000 has been recognised in profit or loss for the current year.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 23. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Particulars of the principal available-for-sale investments of the Group are set out as follows:

	Percentage of equity interest attributable to the Group	Group	
		2015 RMB'000	2014 RMB'000
Qinhuangdao Port Co., Ltd. (秦皇島港股份有限公司)	4%	58,299	103,744
Shanxi Coal Industry Co., Ltd. (陝西煤業股份有限公司)	0.5%	—	332,500
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9%	2,700,045	2,520,000
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	15%	532,800	532,800
Zhunshuo Railway Co., Ltd. (准朔鐵路有限公司)	19%	865,287	865,287
Nanbu Railway Co., Ltd. (南部鐵路有限責任公司)	10%	200,000	200,000
Mengxi-Huazhong Railway Co., Ltd. (蒙西華中鐵路股份有限公司)	10%	100,000	100,000
Inner Mongolia Conba Pharmaceutical Co., Ltd (內蒙古康恩貝藥業有限公司)	12%	27,273	27,273
Yitai Guanglian Coal Chemical Co., Ltd (內蒙古伊泰廣聯煤化有限責任公司)	5%	1,912,000	764,800
Others	—	172,000	172,000
		<b>6,567,704</b>	<b>5,618,404</b>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 24. DEFERRED TAX ASSETS

#### Group

The movements in deferred tax during the year are as follows:

	Note	Group 2015 RMB'000	2014 RMB'000
At 1 January, net		1,177,511	744,140
Effect on opening deferred tax of increase in rate relating to the Target Business Group		–	451,588
Deferred tax charged to other comprehensive income		(1,065)	(3,447)
Deferred tax credited/(charged) to profit or loss	11	110,366	(14,770)
At 31 December, net		1,286,812	1,177,511

The principal components of the Group's deferred income tax are as follows:

#### Deferred tax assets:

	Impairment RMB'000	Deferred income RMB'000	Fair value changes in available- for-sale investments RMB'000	Acquisition of the Target Business Group RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	5,156	1,987	3,447	677,384	–	56,166	744,140
(Charged)/credited to profit or loss during the year	23,997	(44)	–	(199,685)	–	160,962	(14,770)
(Charged)/credited to other comprehensive income during the year	–	–	(3,447)	–	–	–	(3,447)
(Charged)/credited to reserves during the year	–	–	–	451,588	–	–	451,588
At 31 December 2014	29,153	1,943	–	929,287	–	217,128	1,177,511
(Charged)/credited to profit or loss during the year	11,382	13,349	–	(172,864)	283,010	(24,511)	110,366
(Charged)/credited to other comprehensive income during the year	(1,065)	–	–	–	–	–	(1,065)
At 31 December 2015	39,470	15,292	–	756,423	283,010	192,617	1,286,812

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 24. DEFERRED TAX ASSETS (CONTINUED)

Deferred tax assets have not been recognised in respect of the following item:

	Group	
	2015	2014
	RMB'000	RMB'000
Impairments	79,500	—
Tax losses	323,904	97,380
	<u>403,404</u>	<u>97,380</u>

The above tax losses are available for a maximum of 5 years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

### 25. INVENTORIES

	Group	
	2015	2014
	RMB'000	RMB'000
Materials and supplies	556,432	668,842
Finished goods	529,062	1,040,908
	<u>1,085,494</u>	<u>1,709,750</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 26. TRADE AND BILLS RECEIVABLES

	Note	Group	
		2015 RMB'000	2014 RMB'000
Trade receivables		<b>2,419,873</b>	2,717,912
Amounts due from associates		<b>25,803</b>	18,679
Amounts due from Yitai Group		<b>10</b>	1
		<b>2,445,686</b>	2,736,592
Bills receivable		<b>1,369,573</b>	129,717
		<b>3,815,259</b>	2,866,309

The Group requires certain of its customers to pay in advance and makes provision for the doubtful trade receivable balance at the end of the 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 receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Within six months	<b>2,440,755</b>	2,734,545
Over six months but within one year	<b>3,306</b>	2,047
Over one year but within two years	<b>1,625</b>	–
	<b>2,445,686</b>	2,736,592

The trade receivables of the Group at the end of the reporting period are receivables that were not impaired, which relate to a large number of diversified customers for whom there was no recent history of default.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

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

At 31 December 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,458,387,000 (2014: RMB101,655,000). The Bills had a maturity of one to five months at the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Bills. Accordingly, it has derecognised the full carrying amounts of the Bills and the associated liabilities. The maximum exposure to loss from the Bills is equal to their carrying amounts. During the years ended 31 December 2015 and 2014, the Group has not recognised any loss in relation to the continuing investment, both during the year or cumulatively.

### 27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2015	2014
	RMB'000	RMB'000
Amounts due from related parties	–	20,054
Advances to suppliers	<b>747,583</b>	574,761
Prepayments of value added tax	<b>703,761</b>	–
Prepayments of corporate income tax	<b>124,927</b>	–
Other prepayments	<b>336,683</b>	462,373
Staff advances	<b>7,235</b>	19,061
Deposits	<b>22,866</b>	22,415
Investment in financial products	<b>200,000</b>	–
Other receivables	<b>10,669</b>	10,991
Entrusted loans	–	382,900
	<b>2,153,724</b>	1,492,555
Less: Provision for impairment	<b>(14,757)</b>	(15,057)
	<b>2,138,967</b>	1,477,498

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
At 1 January	15,057	19,305
Impairment losses reversed	(300)	(4,248)
At 31 December	<u>14,757</u>	<u>15,057</u>

The investment in financial products represents two investments measured at amortised cost and were operated by banks. The investments are principle protected with an annual return of 2.60% and 3.50% per annum. The maturity of the financial products is in January 2016.

### 28. CASH AND CASH EQUIVALENTS

		Group	
		2015	2014
	Note	RMB'000	RMB'000
Cash and bank balances		4,469,070	5,073,420
Deposits with financial institution		1,903,501	–
Time deposits with maturity within three months		375,552	–
Less: Restricted cash	(a)	<u>(142,264)</u>	<u>(42,476)</u>
Cash and cash equivalents		6,605,859	5,030,944
Time deposits		<u>–</u>	<u>1,929,002</u>
		<u>6,605,859</u>	<u>6,959,946</u>
Denominated in RMB	(b)	6,557,899	6,915,987
Denominated in other currencies		<u>47,960</u>	<u>43,959</u>
		<u>6,605,859</u>	<u>6,959,946</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 28. CASH AND CASH EQUIVALENTS (CONTINUED)

Notes:

- (a) As at 31 December 2015 and 2014, the Group's bank balances of approximately RMB142,264,000 and RMB42,476,000 were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government agencies. The directors of the Company anticipate that the obligations of environment protection mentioned above will be fulfilled in the near future.
- (b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

### 29. TRADE AND BILLS PAYABLES

	Group	
	2015	2014
	RMB'000	RMB'000
Trade payables to third parties	<b>1,180,632</b>	889,588
Trade payables to associates	<b>2,313</b>	6,066
Trade payables to Yitai Group	<b>8,000</b>	114,963
Trade payables to other related parties	<b>61</b>	21
	<b>1,191,006</b>	1,010,638
Bills payable	<b>325,150</b>	40,000
	<b>1,516,156</b>	1,050,638

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Within six months	920,024	908,027
Over six months but within one year	162,726	59,876
Over one year but within two years	74,581	42,735
Over two years but within three years	33,675	—
	<u>1,191,006</u>	<u>1,010,638</u>

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

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.

### 30. OTHER PAYABLES AND ACCRUALS

	Group	
	2015	2014
	RMB'000	RMB'000
Advances from customers	184,383	128,582
Accrued salaries, wages and benefits	209,836	257,559
Other tax payables	1,129,494	441,656
Accrued interest	233,083	230,429
Payables for property, plant and equipment	3,205,640	2,002,035
Accruals	20,910	43,890
Amounts due to Yitai Group	28,472	129,901
Amounts due to associates	666	1,330
Amounts due to other related parties	328	42
Other payables	100,460	103,807
Dividend payable to non-controlling interests	710	9,811
	<u>5,113,982</u>	<u>3,349,042</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 31. INTEREST-BEARING BANK BORROWINGS – UNSECURED

	Group	
	2015 RMB'000	2014 RMB'000
<b>Current - at amortised cost:</b>		
Bank loans - guaranteed	1,055,000	70,000
Bank loans - unguaranteed	745,865	200,000
Current portion of long-term bank loans - guaranteed	3,213,885	756,282
Current portion of long-term bank loans - unguaranteed	204,000	192,000
Total current bank loans	5,218,750	1,218,282
<b>Non-current - at amortised cost:</b>		
Bank loans - guaranteed	13,232,816	14,359,363
Bank loans - unguaranteed	7,867,000	3,126,000
Total non-current loans	21,099,816	17,485,363
Total loans	26,318,566	18,703,645
Denominated in RMB	25,725,350	18,538,250
Denominated in USD	593,216	165,395
	26,318,566	18,703,645
Fixed-rate loans	12,707,016	9,329,750
Floating-rate loans	13,611,550	9,373,895
	26,318,566	18,703,645

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

Group	2015	2014
	%	%
Fixed-rate loans	1.50-8.50	3.80-8.00
Floating-rate loans	4.35-6.88	5.90-6.88



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 31. INTEREST-BEARING BANK BORROWINGS – UNSECURED (CONTINUED)

The maturity profile of the loans is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within 1 year	5,218,750	1,218,282
1 – 2 years	4,028,596	5,519,301
2 – 5 years	12,056,586	6,150,812
> 5 years	5,014,634	5,815,250
	<u>26,318,566</u>	<u>18,703,645</u>

Included in the borrowings are borrowings from an associate amounting to RMB1,082,000,000, which are unsecured and unguaranteed with maturity of 3 years. The interest rate ranges from 4.35% to 8.05% per annum.

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

	Group	
	2015	2014
	RMB'000	RMB'000
Yitai Group	1,317,074	1,146,214
Independent third parties	135,347	146,101
Other related parties*	557,585	694,204
	<u>2,010,006</u>	<u>1,986,519</u>

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

\* Non-controlling shareholders of subsidiaries.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 32. LONG-TERM BONDS

	Group	
	2015 RMB'000	2014 RMB'000
Nominal value of corporate bond in issue during the year	<u>8,000,000</u>	<u>8,000,000</u>
Carrying amount at 1 January	7,971,831	3,494,833
Issuance of corporate bond during the year	–	4,500,000
Interest expense	508,322	261,516
Interest paid	(493,600)	(179,050)
Transaction costs	<u>(10,500)</u>	<u>(105,468)</u>
Corporate bonds at 31 December	<u>7,976,053</u>	<u>7,971,831</u>

On 9 October 2014, the Company issued 5-year corporate bonds, 6.99% coupon with a nominal value of RMB100.00 per bond, amounting to RMB4,500 million. The bonds were issued at discount, with an effective interest rate of 7.12%. Interest of the bonds is payable annually in arrears on 9 October, and the maturity date is 9 October 2019.

On 16 April 2013, the Company issued 5-year corporate bonds, 4.95% coupon with a nominal value of RMB100.00 per bond, amounting to RMB2,500 million. The bonds were issued at discount, with an effective interest rate of 5.27%. Interest of the bonds is payable annually in arrears on 16 April, and the maturity date is 16 April 2018.

On 25 December 2012, the Company issued 5-year corporate bonds, 5.53% coupon with a nominal value of RMB100.00 per bond, amounting to RMB1,000 million. The bonds were issued at discount, with an effective interest rate of 5.85%. Interest of the bonds is payable annually in arrears on 25 December, and the maturity date is 25 December 2017.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 33. DEFERRED TAX LIABILITIES

The movements in deferred tax during the year are as follows:

	Notes	Group	
		2015 RMB'000	2014 RMB'000
At 1 January		41,451	–
Deferred tax recognised in other comprehensive income		(33,125)	33,125
Deferred tax recognised in profit or loss	11	(3,307)	8,326
At 31 December		<b>5,019</b>	<b>41,451</b>

The principal components of the Group's deferred income tax are as follows:

Deferred tax liabilities:

	Fair value changes in available-for-sale investments RMB'000	Differences of depreciation between tax and accounting RMB'000	Total RMB'000
At 31 December 2014	33,125	8,326	41,451
Charged to profit or loss during the year	–	(3,307)	(3,307)
Charged to other comprehensive income during the year	(33,125)	–	(33,125)
As of 31 December 2015	<b>–</b>	<b>5,019</b>	<b>5,019</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 34. OTHER BORROWINGS

On 23 June 2015 and 25 September 2015, the Group had entered into agreements (the “Agreement”) with a PRC financial institution (the “Financial Institution”) whereby the Group drew down RMB279,000,000 from the Financial Institution (included in other borrowings) which is to be repayable in 2017 plus interest at 5.5% and 5% per annum.

As collaterals for the above financing,

- (i) The Group transferred the ownership title of certain machinery to the Financial Institution;
- (ii) The Group entered into a financial guarantee in favour of the Financial Institution for the due performance of the Group’s obligations under the Agreement.
- (iii) Upon discharging all the Group’s obligations under the Agreement, the Financial Institution will return the ownership title of those machinery to the Group for nil consideration. Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the actual substance of the Agreement.

### 35. ISSUED CAPITAL

	2015 RMB'000	2014 RMB'000
Issued and fully paid		
1,600,000,000 B shares owned by Yitai Group	<b>1,600,000</b>	1,600,000
1,328,000,000 B shares	<b>1,328,000</b>	1,328,000
326,007,000 H shares	<b>326,007</b>	326,007
	<b>3,254,007</b>	3,254,007
Ordinary shares	<b>3,254,007</b>	3,254,007

During the years ended 31 December 2015 and 2014, there were no movements in the Company’s share capital.

### 36. RESERVES

The amounts of the Group’s reserves and the movements therein for the years ended 31 December 2015 and 2014 are presented in the consolidated statement of changes in equity.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 37. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties (Note 15 to the consolidated financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2015, the Group had no significant future minimum lease commitment from the tenants under non-cancellable operating lease arrangements.

#### (b) As lessee

The Group had no significant future minimum lease commitment under non-cancellable operating lease arrangement.

### 38. COMMITMENTS

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

	Group	
	2015	2014
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	25,194,558	17,770,981
Capital injection into available-for-sale investments	48,000	48,000
	<u>25,242,558</u>	<u>17,818,981</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 39. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the years ended 31 December 2015 and 2014:

	Group	
	2015	2014
	RMB'000	RMB'000
Sales of goods to Yitai Group	11,470	5,400
Procurement of services to Yitai Group	–	240
Purchase of goods from Yitai Group	93,470	185,600
Purchase of services from Yitai Group	780,012	513,005
Sales of goods to associates	107,747	137,973
Purchase of services from associates	9,530	11,015
Procurement of services from other related parties*	4,010	11,100
Interest income received by the Group	1,160	–
Borrowings due from an associate	1,082,000	–

\* A company controlled by an immediate family member of the chairman of the board of the Company.

In the opinion of the directors of the Group, the transactions between the Group and the related parties were conducted in the ordinary and usual course of business and on normal commercial terms, the pricing terms were mutually agreed.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Trade and bills receivables	25,813	18,680
Prepayments, deposits and other financial assets	–	20,054
Trade payables	(10,374)	(121,050)
Other payables and accruals	(29,466)	(131,273)

The above balances are unsecured, non-interest-bearing and repayable on demand. Further information are disclosed in previous notes.

	Group	
	2015	2014
	RMB'000	RMB'000
Borrowings <sup>1</sup>	1,082,000	–
Deposits with financial institution <sup>2</sup>	1,903,501	–

<sup>1</sup> The borrowings from related party (an associate) amounting to RMB1,082,000,000, which are unsecured and unguaranteed with maturity of 3 years.

<sup>2</sup> The interest rate of deposits are subject to supervision of the China Banking Regulatory Commission.

#### (c) Guarantees received from related parties

As at 31 December 2015 and 31 December 2014, bank loans of RMB1,874,659,000 and RMB1,840,418,000, respectively, were guaranteed by related parties. Details are set out in Note 31.

#### (d) Guarantees given to banks for loans of related parties

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Short-term employee benefits	<b>6,495</b>	11,565
Post-employment benefits	<b>407</b>	518
Total compensation paid to key management personnel	<b>6,902</b>	12,083

Further details of directors' and supervisors' emoluments are included in Note 10 to financial statements.

The related party transactions in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### 40. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for:

	Group	
	2015	2014
	RMB'000	RMB'000
Guarantees given to banks in connection with loans granted to associates	<b>11,200</b>	11,200



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2015 and 2014 are as follows:

#### 2015

##### Financial assets

	Loans and receivables RMB'000	Group Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	6,567,704	6,567,704
Trade and bills receivables	3,815,259	–	3,815,259
Financial assets included in prepayments, deposits and other financial assets	217,904	–	217,904
Restricted cash	142,264	–	142,264
Cash and cash equivalents	6,605,859	–	6,605,859
	<u>10,781,286</u>	<u>6,567,704</u>	<u>17,348,990</u>

##### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Fair value through profit for loss held for trading RMB'000	Total RMB'000
Trade and bills payables	1,516,156	–	1,516,156
Financial liabilities at fair value through profit or loss	–	66	66
Financial liabilities included in other payables and accruals	3,590,269	–	3,590,269
Interest-bearing bank borrowings	26,318,566	–	26,318,566
Other borrowings	286,656	–	286,656
Long-term bonds	7,976,053	–	7,976,053
	<u>39,687,700</u>	<u>66</u>	<u>39,687,766</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2014

#### Financial assets

	Loans and receivables <i>RMB'000</i>	Group Available-for-sale investments <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale investments	–	5,618,404	5,618,404
Trade and bills receivables	2,866,309	–	2,866,309
Financial assets included in prepayments, deposits and other financial assets	433,006	–	433,006
Restricted cash	42,476	–	42,476
Cash and cash equivalents	6,959,946	–	6,959,946
	<u>10,301,737</u>	<u>5,618,404</u>	<u>15,920,141</u>

#### Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	1,050,638	1,050,638
Financial liabilities included in other payables and accruals	2,521,245	2,521,245
Interest-bearing bank borrowings	18,703,645	18,703,645
Long-term bonds	7,971,831	7,971,831
	<u>30,247,359</u>	<u>30,247,359</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

As at 31 December 2015	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	
Available-for-sale investments	<b>58,299</b>	–	–	<b>58,299</b>

As at 31 December 2014	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	
Available-for-sale investments	<b>436,244</b>	–	–	<b>436,244</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2015	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at fair value through profit or loss	—	66	—	66

During the year ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, commodity price risk, other price risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Interest rate risk

Interest rate risk is the risk of fluctuations of fair values on future cash flows of financial instruments which arise from changes in interest rates. Instruments carried floating interest rate, which is based on LIBOR, will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate loans) and the Group's equity (assuming no capitalisation effect).

	Group Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax <i>RMB'000</i>
<b>Year ended 31 December 2015</b>	<u>100</u>	<u>129,155</u>
	<u>(100)</u>	<u>(129,155)</u>
Year ended 31 December 2014	<u>100</u>	<u>(80,624)</u>
	<u>(100)</u>	<u>80,624</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 39(d).

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 26 to the financial statements.

#### Commodity price risk

The Group is exposed to commodity price risk through fluctuations of the price of coal sold by the Group. The Group is able to manage the commodity price risk and thus has not used forward contracts to eliminate the commodity price exposures on individual transactions.

The Group trades futures contracts on the Zhengzhou Commodity Exchange (the "ZCE"). As at 31 December 2015, the Group have recognised financial liabilities at fair value through profit or loss of RMB66,000 (31 December 2014: Nil).

#### Other price risk

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities classified as available-for-sale investments.

The Group's equity price risk is mainly concentrated on equity investments operating in railway industry.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and the Group has available funding through an adequate amount of committed credit facilities to meet its commitments.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

#### Group

	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2015</b>					
Interest-bearing bank borrowings	–	7,248,220	18,972,769	5,984,440	32,205,429
Long-term bonds	–	493,600	9,246,450	–	9,740,050
Trade and bills payables	1,516,156	–	–	–	1,516,156
Financial liabilities at fair value through profit or loss	–	66	–	–	66
Other payables and accruals	100,461	3,489,808	–	–	3,590,269
	<u>1,616,617</u>	<u>11,231,694</u>	<u>28,219,219</u>	<u>5,984,440</u>	<u>47,051,970</u>
<b>Year ended 31 December 2014</b>					
Interest-bearing bank borrowings	–	2,502,402	14,826,939	6,983,486	24,312,827
Long-term bonds	–	504,100	9,758,050	–	10,262,150
Trade and bills payables	1,050,638	–	–	–	1,050,638
Other payables and accruals	103,807	2,417,438	–	–	2,521,245
	<u>1,154,445</u>	<u>5,423,940</u>	<u>24,584,989</u>	<u>6,983,486</u>	<u>38,146,860</u>

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2015

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

#### **Liquidity risk** *(Continued)*

The amounts for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit loss.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

#### **Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, long-term bonds, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Capital management (Continued)

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Interest-bearing bank borrowings	<b>26,318,566</b>	18,703,645
Long-term bonds	<b>7,976,053</b>	7,971,831
Trade and bills payables	<b>1,516,156</b>	1,050,638
Financial liabilities at fair value through profit or loss	<b>66</b>	–
Financial liabilities included in other payables and accruals	<b>3,590,269</b>	2,521,245
Less: Cash and cash equivalents	<b>(6,605,859)</b>	(6,959,946)
Net debt	<b>32,795,251</b>	23,287,413
Equity attributable to owners of the Company	<b>22,151,423</b>	22,931,740
Capital and net debt	<b>54,946,674</b>	46,219,153
Gearing ratio	<b>60%</b>	50%

### 44. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of the directors on 30 March 2016.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 RMB'000	2014 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,190,863	6,776,388
Investment properties	461,847	137,856
Prepaid land lease payments	226,393	289,073
Mining rights	148,013	175,743
Other intangible assets	32,506	49,022
Investments in subsidiaries	11,735,883	11,489,902
Investments in associates	726,187	317,387
Investments in joint ventures	32,289	–
Available-for-sale investments	6,444,026	5,475,496
Deferred tax assets	1,185,552	1,061,440
Other non-current assets	30,626	9,151
Total non-current assets	<u>27,214,185</u>	<u>25,781,458</u>
<b>CURRENT ASSETS</b>		
Inventories	777,895	1,080,441
Trade and bills receivables	2,435,559	1,814,599
Prepayments, deposits and other financial assets	3,398,433	2,171,404
Restricted cash	28,088	28,347
Cash and cash equivalents	3,368,660	2,402,767
Time deposits	–	1,929,002
Total current assets	<u>10,008,635</u>	<u>9,426,560</u>
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	762,082	1,227,212
Financial liabilities at fair value through profit or loss	66	–
Other payables and accruals	1,931,701	2,536,841
Interest-bearing bank borrowings	204,000	192,000
Income tax payable	–	(72,776)
Total current liabilities	<u>2,897,849</u>	<u>3,883,277</u>
<b>NET CURRENT ASSETS</b>	<u>7,110,786</u>	<u>5,543,283</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>34,324,971</u>	<u>31,324,741</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	2015 RMB'000	2014 RMB'000
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	6,655,000	2,896,000
Long-term bonds	7,976,053	7,971,831
Financial guarantee contracts	371,207	451,618
Deferred tax liabilities	5,019	40,591
Other non-current liabilities	21,242	21,400
Total non-current liabilities	15,028,521	11,381,440
<b>NET ASSETS</b>	19,296,450	19,943,301
<b>EQUITY</b>		
Share capital	3,254,007	3,254,007
Other reserves	16,014,784	16,012,461
Proposed final dividend	27,659	676,833
Total equity	19,296,450	19,943,301

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2015

### 45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

#### Movement in the Company's reserves

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Available -for-sale investment revaluation reserve RMB'000	Retained earning RMB'000	Total RMB'000
As at 1 January 2015	1,365,255	2,709,723	99,375	11,838,108	16,012,461
Profit and total comprehensive income for the year	-	-	(96,181)	126,363	30,182
Appropriation of statutory reserve	-	12,636	-	(12,636)	-
Proposed final 2015 dividend	-	-	-	(27,659)	(27,659)
Others	(200)	-	-	-	(200)
As at 31 December 2015	<u>1,365,055</u>	<u>2,722,359</u>	<u>3,194</u>	<u>11,924,176</u>	<u>16,014,784</u>
As at 1 January 2014	913,667	2,590,250	(19,531)	11,439,680	14,924,066
Profit and total comprehensive income for the year	-	-	118,906	1,194,734	1,313,640
Appropriation of statutory reserve	-	119,473	-	(119,473)	-
Tax rate adjustment of deferred tax assets arising from acquisition of Target Business Group	451,588	-	-	-	451,588
Proposed final 2014 dividend	-	-	-	(676,833)	(676,833)
As at 31 December 2014	<u>1,365,255</u>	<u>2,709,723</u>	<u>99,375</u>	<u>11,838,108</u>	<u>16,012,461</u>

Pursuant to Article 16.05 of the Company's Articles of Association, where the financial statements prepared in accordance with the PRC accounting standards differ from those prepared under International Financial Reporting Standards, distributable net profit for the relevant accounting period shall be deemed to be the lesser of the amounts shown in the two different financial statements.

## APPENDIX I

### INNER MONGOLIA YITAI COAL CO., LTD.\* SOCIAL RESPONSIBILITY REPORT FOR 2015

#### DESCRIPTION FOR THE PREPARATION OF THE REPORT

"Social Responsibility Report for the year 2015 of Inner Mongolia Yitai Coal Co., Ltd." is prepared with objective, standardized, sincere and transparent principles to systemically look back the development opportunities and challenges Yitai faced in 2015 and disclose the Company's performance in safety, economy, environment, social responsibility and other aspects comprehensively. It aims to reflect the philosophy and performance of social responsibilities in 2015.

#### RANGE OF TIME

1 January 2015 to 31 December 2015, in view of the continuity and comparability of the information disclosed, the time of some information contents disclosed is clawed back earlier or extended later.

#### SCOPE OF REPORTING

Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries

#### BASIS OF PREPARATION

1. Notice in relation to Strengthening Social Responsibilities of Listed Companies and Issue of Environmental Information Disclosure Guidelines to Listed Companies by Shanghai Stock Exchange (《關於加強上市公司社會責任承擔工作暨發布〈上海證券交易所上市公司環境信息披露指引〉的通知》), Environmental Information Disclosure Guidelines of Listed Companies Issued by Shanghai Stock Exchange (《上海證券交易所上市公司環境信息披露指引》), and Preparation Guidelines for Report of Fulfilling Social Responsibility by the Company (《〈公司履行社會責任的報告〉編寫指引》) published by Shanghai Stock Exchange;
2. Guidelines on Environmental Protection, Social and Governance Report (《環境·社會及管治報告指引》) issued by The Hong Kong Stock Exchange;
3. Guidelines on Sustainable Development Report, third Edition (G3.1) published by Global Reporting Initiative (全球報告倡議組織) ("GRI").

#### DATA PROCESSING PRINCIPLES

The financial information in this report is from the audited annual report of Inner Mongolia Yitai Coal Co., Ltd. (PRC Accounting Standard). Other information is from internal and relevant statistics of the Company.



## DESCRIPTION OF REFERENCES

For easy reference and reading, Inner Mongolia Yitai Coal Co., Ltd. is also referred to as “Yitai”, “the Company” and “we” in this report.

## ACCESSIBILITY OF THE REPORT

This report is prepared in Chinese. The electronic version of this report may be downloaded at the website of Inner Mongolia Yitai Coal Co., Ltd., <http://www.yitaicoal.com/>.



## CORPORATE OVERVIEW

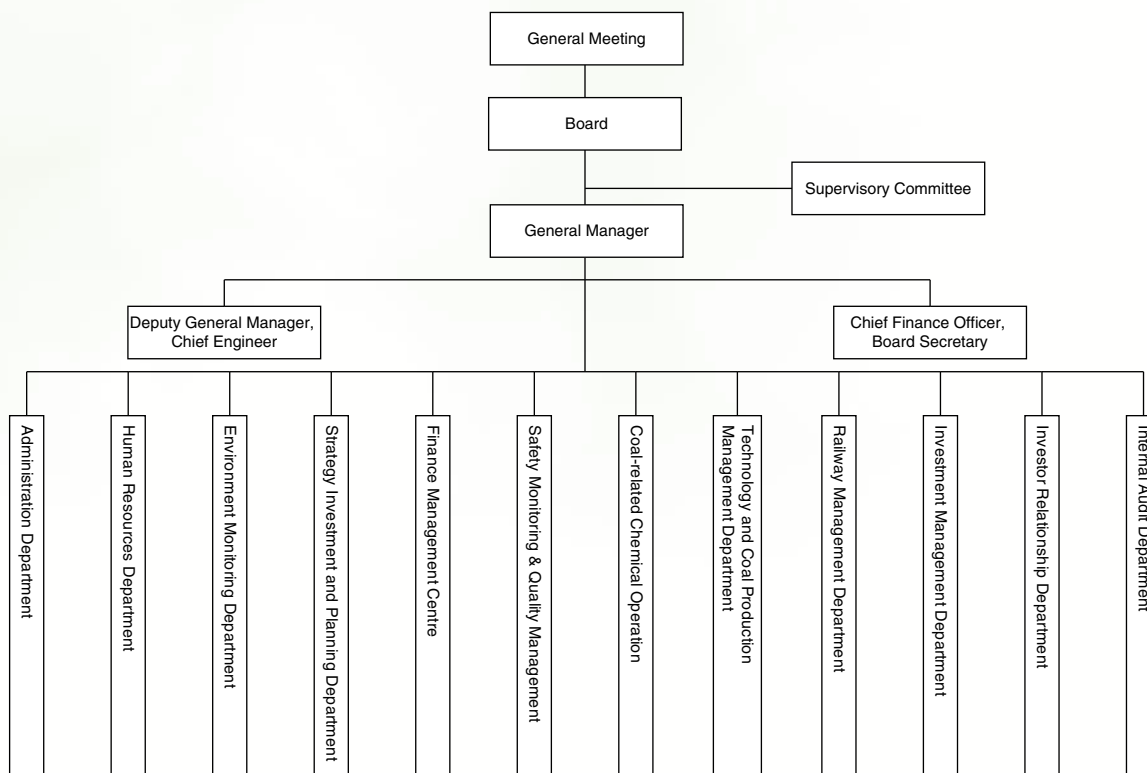
Inner Mongolia Yitai Coal Co., Ltd. (hereafter abbreviated as the “Company”) is a B-share and H-share listed company that was solely promoted by Inner Mongolia Yitai Group Co., Ltd.. The Company was established in August 1997 and listed in the Shanghai Stock Exchange in the same year under the stock abbreviation of “Yitai B Share” (stock code: 900948). The Company was listed in The Hong Kong Stock Exchange in July 2012 under the stock abbreviation of “Yitai Coal” (stock code: 3948). At present, the total share capital of the Company is 3,254.007 million shares, of which 1,600 million domestic legal person shares are held by Inner Mongolia Yitai Group Co., Ltd., representing 49.17% of the total share capital of the Company, a total of 1,328 million shares are tradable B shares, representing 40.81% of the Company’s total share capital, and a total of 326.007 million H shares were issued, representing 10.02% of the total share capital. The Company is a large enterprise with coal production as its principal business, railway transportation as its supplementary business and coal-related chemical business as extension of its business.

The Company is the largest coal enterprise in Inner Mongolia Autonomous Region and one of the largest coal enterprises in the PRC. Inner Mongolia Yitai Group Co., Ltd., to which the Company is a core member, has ranked 215th at the Top 500 Enterprises in China (中國500強企業), ranked 19th at the Top 100 Chinese Coal Enterprises (中國煤炭100強企業) and 1st at the Top 50 Coal Enterprises in Inner Mongolia Autonomous Region (內蒙古自治區煤炭企業50強). It is also selected as one of the 14 major large coal base enterprises in national planning and development by the State Council.

The Company owned rich coal reserves, high-quality coal and high modernization degree of coal mining. As of the end of 2015, the domestic remaining reserves were 2.859 billion tons and the domestic recoverable reserves were 1.605 billion tons. The Company directly owns and controls a total of 12 mechanized coal mines with production capacity of 50 Mtpa in operation. All the mines are equipped with imported or domestic fully mechanized coal mining equipment. The average recovery in coal mining area reached 80%. The mechanization rate of mining reaches 100%. One of those mines is under development, the design production capacity of which are 6 Mtpa. The production efficiency and safety production record of the Company’s coal mines are on leading position domestically. Coal produced and operated by the Company are low ash, ultra-low phosphorous, ultra-low sulfur, middle to high calorific value etc., which are high quality thermal coal that are natural and environmentally friendly.

As at the end of 2015, the Company recorded the net profit of RMB253 million and operating revenue of RMB19.1 billion and total assets of RMB68.2 billion. In 2015, the coal production of the Company maintained steady trend of development with production of commodity coal of 34.34 million tonnes and sales of coal of 59.82 million tonnes throughout the year. Zhundong Railway Line dispatched 55.19 million tonnes of coal and Huzhun Railway Line dispatched 28.33 million tonnes of coal. Demonstration projects of coal-to-oil with an annual output of 160,000 tonnes produced an aggregate of 202,000 tonnes of oil products and coal chemical products, which exceeded designed capacity, thus becoming the first project reaching its production target among the coal chemical demonstration projects during the Eleventh Five Year Plan in China.

## CORPORATE STRUCTURE



## CORPORATE CULTURE

- **The outlook of Yitai**

An international production group consolidating production, transportation and transaction of coal and chemical coal

- **The mission of Yitai**

The panel point of the national energy system, platform for cooperation of regional and relevant parties

- **The corporate spirit of Yitai**

Integrity, Fidelity, Innovation, Dedication (誠信、盡責、創新、奉獻)

- **The core value of Yitai**

Operate with integrity and sow for the future (誠行天下 播種未來)



## CORPORATE CULTURE (CONTINUED)

- **The development goal of Yitai**

Healthy organization, professional capability, international operation

Build Yitai brand, establish outstanding enterprise

- **The corporate principles of Yitai: the principle of “Four constants” (四個不變), that is,**

“the enhancement of the leadership of the Communist Party of China to the enterprise;

the Party Committee of the Company remains constant as the core leadership;

the insistence of legal operation and compliant tax payment and the constant coordinated development of two civilization;

the insistence of relying on all the employees and of fully respecting them as masters of the Company; the insistence of actively contributing to the local and national socialist development”.

In 2015, through the ways of WeChat platform, a large circle of friends, enterprise journals and theme competition, the Company actively spread the corporate values of “thinking ahead, bravely acting”, launched a new value orientation of “respecting the value creator”, the number of WeChat users reached 6200, over 100 pieces of information were released and the total amount of reading reached more than 700 thousand times; enterprise journals were released for 4 issues (including special issues) and over one thousand papers were cumulatively reviewed; columns like “Cover Story” “Letters From Readers” and others were newly added, the upgrading from the packaging to the content was completed, safeguarding the management reform of the Company.

## CORPORATE GOVERNANCE

The Company strictly complied with the requirements of the Company Law, Securities Law, the Corporate Governance Standards for Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Measures Management of the Information Disclosure of Listed Companies and national laws and regulations, has developed a series of rules and regulations such as the Articles of Association, the Rules of Procedures of General Meeting, the Rules of Procedures of the Board of Directors, the Working Rules of General Manager, and uploaded them on new websites of the Company, further establishing and improving the protection mechanism of shareholder’s equity, perfecting the Company’s internal control system, and efficiently ensuring that all shareholders can fairly and sufficiently enjoy various rights.



## CORPORATE GOVERNANCE (CONTINUED)

### Standardized operations

The Company built a relatively complete corporate governance structure and corporate governance norm and system to fairly treat equities of all shareholders and creditors. The Company convened and held the meetings of directors and supervisors and general meetings strictly in accordance with the requirements of relevant laws, regulations and rules and practically implemented various information disclosure obligations. The Company continuously disclosed Internal Control Evaluation Reports and Internal Control Audit Report.

In 2015, the Company convened 1 annual general meeting and 1 extraordinary general meetings, 8 meetings of the board and 6 meetings of Supervisory Committee. Concentrating on the convening of “three committee”, the Company disclosed information timely, correctly, entirely, with 93 B-Share announcements and 95 H- Share announcements disclosed in total to ensure that all shareholders can obtain various information of the Company timely, fairly, entirely.

### Seriously Implementing Information Disclosure Obligation

According to the rules of Information Disclosure Management System, Investor Relationship Management System, System of Management of Insider Registration, the Company’s investor relationship management department is specially responsible for information disclosure and investor relationship management. The Company assigns the Shanghai Securities News and Hong Kong Commercial Daily as its information disclosure media, and takes answering calls, reception of investor visits and external websites and various forms to strengthen communication with investors, answer investors’ inquires and listen to suggestions and advices of investors. During process of information disclosure obligations, no any case of different treatment, or selective disclosure, revealing and leakage of non-public information was happened, making majority of investors fairly enjoy the right to know.

### Remarkable Effect of Internal Control

The Company has established a relatively complete internal control system and a efficient operating mechanism. During the reporting period, the Company further deepened internal control risk management to build a tridimensional and dynamic supervisory system of internal check and external supervision, continuously improving the Company’s execution and risk prevention and control ability. For strengthening implementation of systems, the Company carried out self-inspection and self-appraisal of internal control system execution within its scope. The Company supervised to arrange and modify the problems found and implemented dead loop management of internal control system execution, making risks prevented effectively, realizing the management objectives of “grasping two ends, emphasizing the middle and taking hierarchical authorization”. On this basis, the Company prepared the 2015 Internal Control Self-assessment Report of the Company, and completed internal control auditing, continuously improving standardized operation of corporate governance.



## **SAFETY RESPONSIBILITY**

In 2015, the Company conscientiously implemented the safety production principle of “safety-foremost with prevention-oriented and comprehensive treatment” (安全第一、預防為主、綜合治理) and the safety concept of “two rathers” introduced by the Chairman of the Group. The Company insisted on the nine-character principle of “not becoming relaxed, not being rigid, not being self-contented”; and it continued to actively promote safety production, vigorously carry out the establishment of production safety guarantee system, and put emphasis on control of procedures to obtain better results of safety production.

### **Promoting Institutional Reform, Improving Working Performance**

In 2015, the Company organized competitive position, implemented institutional reform and changed the safety and quality management department into safety supervision and quality management department, highlighting supervisory and regulatory functions of the department. The number of staff of original safety and quality management department was downsized to 184 persons from 208 persons. Rational re-allocation of human resources by reform of the department institution optimized the institution, improving work efficiency of the staff.

### **Strengthening the Assessment on Safety Production Accountability Certificate**

To further implement the accountability for safety production of production and operation department, the general manager and the head of production and operation department signed a safety production accountability certificate respectively. The production and operation departments shall implement them in specific positions and staffs. Insisting on the requirements of “Managing industries must manage safety, managing businesses must manage safety and managing production and operation must manage safety”, through entering into the safety production accountability certificates and undergoing strict assessment across different hierarchies, safety production accountability was vigorously promoted.

### **Compiling Safety Management System**

The Company organizes all production and operation units to carry out combing work of safety systems of all subsidiaries and departments and prepare safe management system compilation of coal, coal-oil, coal chemical industry, railway, real estate and other industries, and specify 10 systems such as safety meetings, safety education training, and safe operation practice systems, providing reliable management basis for the Company’s safe production management.

### **Launching the Special Safety and Production Activity**

To solidly promote safety production, the Company organized and carried out a series of special safety production activities of “Major inspection of safety and production in spring”, “safety and production month”, “safety and production ten thousand journey”, “Three Major Preventions in Rainy Season”, “Major inspection of safety and production in autumn” and “Four Major Preventions in Winter” under the theme of “scrutiny and governance on hidden risks”. The Company made detailed arrangement and deployment of all activities, and implemented all-round supervision and inspection of the activity process. At the end of the activities, the Company carried out comprehensive acceptance, summary and appraisal of all activities, and gave commendation and reward to the advanced units.



## SAFETY RESPONSIBILITY (CONTINUED)

### Strengthening Management System of Emergency Plans

In 2015, the Company's coal mines, dispatched stations, Zhundong, coal-oil and other units organized 28 drills for fire, flood, gas leakage and other accidents. Through these drills, the Company examined feasibility of the Proposal for Emergency Plans of Production Safety Accidents of the Company, improved the response ability of production unit and rescue team to deal with disasters and emergencies and strengthened disaster prevention and self-rescue capacity of each production unit. The company continued to strengthen emergency system construction of production safety accident, strengthened the mine emergency rescue training. All through the year, 957 officers and men carried out preventive inspection at the mines, safely completing all rescue and release works and safe technology works with 96 teams and 619 persons dispatched for 28 inspections. Through emergency system construction, the Company improved the emergency rescue capacity of the Company's coal mines, providing strong guarantee for safe production of the coal mines.

## ECONOMIC RESPONSIBILITY

In 2015, the Company actively responded to the adverse effects of the downturn in coal market with agglomerate mental efforts and united strength. On the premise of ensuring safe production, the Company scientifically made overall plan and reasonably arranged coal production, shipment and sales, further consolidated coal-to-liquids demonstration results, and steadily pushed forward the project approval and construction, so that all undertakings achieved steady and orderly development.

### Production of coal

Firstly, for the purpose of cost reduction and efficiency improvement, the Company actively promoted and applied new technologies, new processes and new materials, which saved a total of RMB10.64 million. Secondly, in order to improve the quality and efficiency, the Company continuously enhanced the coal quality management during the underground production and coal preparation. Thirdly, carry out the coal mine refining management, consider SuanCigGu Coal Mine as the refining management demonstration unit, and make organic integration among comprehensive budget targets, internal accounting and process control to achieve the purpose of cost reduction and management improvement. Currently, remaining production mines has prepared the refining management implementation plan. Fourthly, enhance the operation cost control, strengthen the planning, budget and performance management, and formulate the improvement plan for storage refining management, as well as reduce the inventory backlog, and improve the warehouse management.

### Transportation and sales of coal

In 2015, on the basis of maintenance of the existing market, through increase of sales companies and business across sales areas, the Company constantly optimized and expanded the market at home and abroad, and has developed more than 50 customers, which further improved the market share. The Company also promoted through quantity and price linkage mechanism, increased the high-benefit coal sales to the maximum extent, and prepared special coal to meet individual needs of customers, and also timely adjusted the marketing strategy, and increased coal sales.



## ECONOMIC RESPONSIBILITY (CONTINUED)

### Transportation and sales of coal (Continued)

Regarding to cost reduction and efficiency improvement, the Company positively sought out the “golden line” to arrive at the Port, to save the logistics cost and form the mode of outward transport main in Taiyuan Bureau dispatching and minor in Hohhot Bureau dispatching. This year, Taiyuan Bureau completed 32.36 million tones of outward transport, which set a new historical high. The Company executed agreements with Hohhot Bureau and port companies to strive for preferential policies for logistics and cost reduction. The Company also created new mode of truck transport bidding, so that the coal truck freight per ton was saved RMB3.49, and greatly reduced the cost of truck transport.

To satisfy the needs of company sales and shipping, the Company increased the social ore procurement by all means. In the whole year, it accumulatively dispatched 23.73 million tones of social coal mine, applied Zhunger Temple Coal Washery to be coal blending center, and produced different kinds of coals through process adjustment and a variety of distribution forms.

### Railway

Firstly, actively compete for traffic volume, enhance the coordination with railway stations, and reasonably arrange traffic flow with an emphasis on strengthening the transportation organization, and ensure the smooth running of train. Meanwhile, enhance the storage and loading management through equipment modification, enhance informatization construction, and improve overall operating efficiency. Secondly, undertake all-personnel logistics marketing by all means, actively develop the potential demand of power plants in the area, improve retail incoming quantity of shipment, and have developed the northeastern market. Thirdly, keep the competitive advantage, timely focus on the market and form a dynamic database, and formulate the station charge and freight tiered price plan, and timely adjust the freight to attract customers. Fourthly, make internal marketization reform, try one machine accounting centering on plant cost accounting, and motivate the plant.

### Coal chemical industry

In 2015, coal-to-liquids industrialization demonstration project units kept safe and stable operation with annual output of 202,000 tons, which has made the highest record since its production.

Firstly, improve the equipment management, better the inspection method of special equipments through perfection of planed maintenance of equipment, and guarantee the long-term operation of device. Secondly, optimize the product structure, explore the new purpose of product, and diversify the products from improvement of quality of coal-based synthetic wax, increase of normal liquid paraffin and normal natural gasoline. Thirdly, actively strive for the national preferential policies. The Company had 10 pieces of patents for utilities model and 4 invention patents authorized by State Intellectual Property Office, and had been granted scientific subsidy of RMB7.48 million, tax preference of RMB5.74 million and power supply preference of RMB15.06 million by the national and local government. Fourthly, the national standard of Coal-based Fischer-tropsch Synthetic Liquid Wax was approved by AQSIQ and SAC, which has made strategic reservation for the market access of coil-to-liquids industry while promoting the position of coil-to-liquids company in the industry. Fifthly, strengthen the cultivation of professionals in coal chemical industry, and train and offer nearly 400 professionals in cola and chemical industry in and out of the Company.



## ENVIRONMENTAL LIABILITIES

In 2015, the Company continuously strengthened the internal environment supervision, practically carried out energy conservation and emissions reduction, and over-fulfilled the emission reduction mission in “twelfth five-year”. The Company was also evaluated as “Excellent Enterprise Seriously Engages in Energy Conservation in 2014” by Erdos Economy and Informatization Committee. This year, the Company had no environment pollution accident, and had achieved breakthrough in environmental protection of construction projects, water conservation and inspection acceptance.

### Strengthening system construction

Firstly, to further perfect the management system, the Company has prepared Environmental Protection Examination and Appraisal Rewards and Punishment Methods in 2015 and revised Daily Regulatory Rules for Environmental Monitoring, has further refined the regulatory requirements, and has defined the responsibility subject and environmental goals. Secondly, regulate the operation of environment/energy management system, prepare energy review report for water, electricity, coal and oil consumption of each unit, and further complete the basic management of system. Thirdly, strengthen the guidance of environmental administrator, enhance the environmental monitoring, and prepare the standard template based on the actual circumstance of the production and operation units, and continuously optimize the management way.

### Strengthening the supervision and management, and enhance environmental monitoring

The Company had zero tolerance for the environmental problems during the production and operation process, resolutely put an end to the occurrence of environmental violations, and enhanced supervision and examination in For disaster management project, field to strengthen the supervision and inspection in disaster management projects, coal mining subsidence areas and gangue fields, ensure the vegetation in the governed areas are managed and protected in place, and prevent against the occurrence of disasters, such as water and soil loss, spontaneous combustion, and etc. In 2015, the Company was granted the honor title of “Large-scale Production Construction Project Water and Soil Conservation Advanced Unit in the Yellow River Basin from 2011 to 2015” by Yellow River Water Conservancy Committee of Ministry of Water Resources.

### Reinforcing groundwork for environmental protection, and enhance ecological construction

Firstly, fully supervise virescence projects, continuously strengthen the subsequent maintenance and management of virescence projects, and ensure that the vegetation are managed and protected in place. Secondly, enhance supervision and examination in disaster management projects, coal mining subsidence areas and gangue fields, ensure the vegetation in the governed areas are managed and protected in place, and prevent against the occurrence of disasters, such as water and soil loss, spontaneous combustion, and etc. Thirdly, complete the millions acres of carbon sink forest project, with total forest area of 340,000 mu, and windbreak and sand-fixation control area of 770,000 mu.

## EMPLOYEES LIABILITY

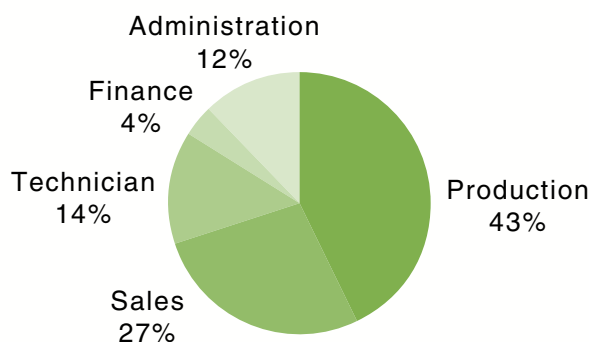
The Company integrated respect of human rights and labor practical principles into the Company's strategy and its usual operation activities to establish employment mechanism of cultivating talents, recruiting qualified talents, giving full scope to talents and making the best use of talents, providing a healthy and safe working environment for employees, building a transparent and open communication channel and good remuneration, creating an open, fair and impartial employment atmosphere, unblocking the channel for their growth, and building the platform for their development.

### Employees

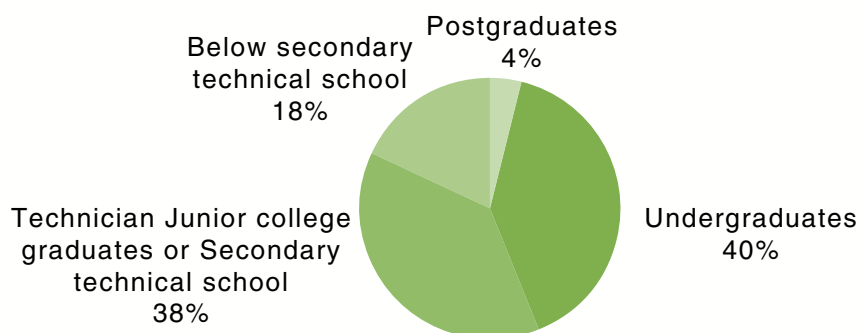
The Company adhered to people-oriented principle, actively promoted the strategy of building a strong enterprise by talents, and constantly motivate their enthusiasm, initiative and creativity, realizing common development of employees and the Company and own values of employees, maintaining all legal rights and interests of its employees, striving to share development results with its employees, possibly constructing harmony and stable labor relationship.

As of the end of 2015, the Company had a total of 6,680 employees, of which 44% possessed undergraduate degree or above, 43% belonged to the production team and 14% was technicians. The staff structure became more scientific and reasonable.

### Chart of Specialty Constitution



### Chart of education Level



## EMPLOYEES LIABILITY (CONTINUED)

### Employment Management

The Company strictly implemented laws and regulations, such as the Labor Law (《勞動法》) and Employment Contract Law (《勞動合同法》), insists on equal opportunities in employment and has established a selection and employment mechanism that is fair, democratic and competition-based for picking the best talents, in a bid to protecting the legitimate rights of laborers and promoting the harmonious and stable development of labor relations.

### Social Security

The Company cares for the personal interests of its employees and makes timely and full contributions to “five insurances and one fund” for its staff in strict compliance with relevant state regulations, realising total social insurance coverage for the entirety of its workforce. It arranged the pension insurance, basic medical insurance, large medical insurance, unemployment insurance, occupational injury insurance, maternity insurance and housing accumulation fund for the employees in full amounts. The Company actively pushes forward the establishment of supplementary medical insurance system, promotes the development of corporate annuity in a steady pace and encourages employees to take paid leave, including statutory holidays, annual leave, marriage leave, relative visiting leave, bereavement leave, maternity leave, sick leave and occupational injury leave, etc.. It cared about the work and life of its employees and gave aids and assistance to the employees in difficulties. Great efforts have been made by the Company to address the most pressing and practical concerns of employees, such as medical care, retirement plan and maternity leave.

### Democratic Management

The Company established labor union organization in accordance with the Labor Union Law. The labor union organization of different levels conscientiously performed their duties in protecting the legitimate rights and interests of the employees and continuously expanding the channel and scope of democratic participation for the employees, organizing the employees implementation of democratic election, democratic policy-making, democratic management and democratic supervision in accordance with the law.

Up to now, the Company has established 8 Councils of Labor Union, 11 branches of Labor Union, 107 teams of Labor Union, realizing overall coverage of the Labor Union Organization, and absorbed new employees to join the Labor Unions at the same time to make enrollment rate of all members reach 100%, further improving archives of the members of Labor Union.

### Occupational Health

The Company places high importance on occupational health as well as the prevention and control of occupational diseases. It strengthened occupational health management and proactively safeguarded workers' healthcare rights. The Company formulated and implemented the standards for protection equipment of the labor, regularly conducted health check for employees, improved the rest and rehabilitation system of staff, initiated the work for occupational health and rehabilitation, and carried out special health check for the employees in occupations disease hazard. In addition, the Company has also established an internal medical risk fund for serious illness, which covers the expenditure of stipulated 10 serious illnesses excluding the reimbursement from national medical insurance.



## EMPLOYEES LIABILITY (CONTINUED)

### Employee training

In 2015, there were a total of 55 new employees who participated in pre-job training organized by the company and the company made a detailed explanation to new employees in terms of corporate culture, safety and quality, and human resources. And the company arranged new employees into workshop team and carried out the training by focusing on training, learning from teachers, case discussion so that new employees were fully familiar with business content and processes.

In order to further integrate knowledge resources and develop internal lecturers, the company organized all departments to comb internal knowledge and invited professional teachers for the development and training of the internal micro curriculum, counseling more than 40 lecturers and developing more than 20 micro courses. The company organized two development training courses of internal curriculum for the eighth and ninth senior business management personnel, preliminary developed 116 courses, improved and optimized the developed courses. The internal curriculum development greatly reduced training costs.

In 2015 the company organized six seminars for deepening management reform in terms of such special topics as HR change, organizational change and control, corporate governance and equity incentive, investment and financing practices, budget management and cost control, combined with the actual company development. A total of 122 senior managers attended the seminars, which expanded the management ideas of the company leadership team and promoted the continued in-depth development of corporate governance reform.

## SOCIAL RESPONSIBILITY

Taking the initiative in performing social responsibilities is not only the corporate mission of the Company, but also a necessary choice for the achievement of sustainable development. The Company has actively promoted social responsibility and applied the concept of the management of social responsibility to the operational management of the enterprise. By way of reforming the management model, inspiring and promoting the potential of creating social value by interested parties involved. Based on such values, besides creating benefits, the Company has been actively contributing to the public welfare.

### Implement innovation drive, and promote the healthy and sustainable development of the industry

In 2015, the company realized various professional data sharing and information dissemination platform in the internal production sectors and made the mine management vertical, flat and fine, which not only ensured the production safety of coal mine but also increased the productivity of mine employees and reduced operating costs. Wherein, the dynamic building technology of geological model under coalmine underground mining conditions has reached the international advanced level.



## SOCIAL RESPONSIBILITY (CONTINUED)

### Implement innovation drive, and promote the healthy and sustainable development of the industry (Continued)

In November 22, 2015, according to Economic and Information Committee website of inner Mongolia autonomous region, 15 companies in the region were enterprise technology centers of 2015 (the fourteenth) identified by the autonomous region. Yitai Coal Oil Company, as the only company in Ordos City that was identified as the autonomous region-level enterprise technical center, played a positive role in promoting the company and even the area to form a complete and higher coal – coal chemical industry – oil chemical industry chain.

Meanwhile, the Company completed 154 technological innovations, 13 utility model patents, 4 invention patents, 3 software copyrights.

### Support local economic development

The Company attaches great importance to the area economic and social development, actively undertakes social responsibility. The company continues to take the sustainable development as the core, adapts to the new normal, supports regional economic development and creates wealth for the region with its own production and business. And it actively supports local project construction and comprehensively promotes the development of related industries in industrial chain of coal production, sales and comprehensive utilization. In 2015, the company paid taxes of RMB2.5 billion.

### Active Implementation of Work for Building Relationship between CPC and Public

The Company has always been insisting on the corporate principle of “Four Constants”. It enhanced the leadership of the Communist Party of China to the enterprise and the development of the Party’s work in the Company, insisted on the core leadership of the Company with the Party Committee and improved the structure of the Party’s organization and harmonious relationship between the Party and the public.

In 2015, the Company did a lot of work in the process to complete recheck of “National Civilized Unit” and application of “National Model Grass-roots Party Organization”, except for basic work including developing new party members, transferring relationship between the party organizations, ideological education and attitude construction of party members, checking and guiding grass-root party affairs and holding party affairs advanced experience exchange. At the same time, the Company organized many large-scale party building activities including Celebration of the 80th Birthday of the Communist Party of China and July 1st Commendation Conference, and Film Exhibition for Celebration of the Anti-Japanese War and 70th Anniversary of the Anti-fascist War, etc.



## SOCIAL RESPONSIBILITY (CONTINUED)

### Public-spirited to Benefit Society

In 2015, the company sponsored RMB10 million to the 10th Traditional Minority National Games that made it be partner of the Games. We sponsored various materials and services required by the Games, including clothing, mineral water, vegetables, rice, emblems and mascots, etc.

Since established, the Company devoted itself to be thankful and return to the society. The Company has contributed more than RMB700 million in total in various charity utilities, such as environmental protection, education, culture, medical treatment, earthquake relief, helping the poor and new rural construction, etc. Under current new normal economic environment, the Company still contributes itself to the Games as always, which further reflects the social responsibility and accountability spirit of one enterprise.

### Strengthen Volunteer Service Efforts

The “Young Volunteer Activity” takes “Help Others, Complete Oneself, Serve the Society, Promote New Trend” as principle and this is widely supported by the young people. In November 2009, the Company established the Young Volunteer Association, and 87 young staffs entered their names voluntarily. In these several years, the Company’s Youth League Committee has always carried out intense volunteer service activities matching with municipal and regional Youth League Committees. In the past year, the Company has successively carried out many activities, such as warmth projects including visiting empty-nest elderly and peasant-worker and other focus groups; social help volunteer activity including civilization etiquette knowledge generation; love of nature volunteer activity including eco-environment protection and tree planting; and popularizing environmental protection knowledge. In these activities, the Company truly cared for the masses’ production and life, solved livelihood issue, and promoted social harmonious development. Today, the young volunteer service philosophy of “I am a volunteer, I am happy, I will contribute” has been widely accepted by vast young volunteers of the Company.

### Response to Dividend Policy of the Supervision Department and Actively Return to the Shareholders

On January 7, 2013, the Shanghai Stock Exchange issued and implemented Shanghai Stock Exchange Guidelines on Cash Bonus for Listed Companies, which aims at guiding and promoting the listed companies to establish continuous, stable, scientific and transparent bonus mechanism, realizing benign interaction between long-term capital in the market and cash bonus, and protecting legal interests of the investors.

To provide better rewards to our shareholders as well as improve corporate values, taking into consideration of our cash dividends policy and the cash dividends distribution record for the last three years, the Board of the Company recommended a cash dividend of RMB0.085 (including tax) for every 10 shares, calculated by total share capital of 3,254,007,000 shares, will be paid to all shareholders of the Company. The total dividends to be distributed is RMB27,659,059.50, representing over 30% of the net profit attributable to the owners of the parent of RMB90,500,985.99 as set out in the consolidated statements of the year 2015 of the Company.

## PROSPECTS IN 2016

2016 is the outset of the 13th Five-Year Plan, and also is crucial to the Company's continuously intensive management and reform. As a result of influence of slow growth in national macroeconomic, adjustment of energy structure and environmental pollution control, there is great increase in coal demand, but the pressure of excess production capacity on price will remain. Thus it is of great significance in doing the best efforts in 2016 for actively dealing with the currently adverse market situation, and scientifically and reasonably scheduling the main missions during the period of the 13th Five-Year Plan.

### **(I) Consolidate the basis for safe management, and improve the safe management**

Firstly, with the combination of national and industry standards, intensively carry out safety quality standardization construction in different sectors, regulate the operation of the occupational health and safety management system, and enhance the Company's safety quality standardization level and safe risk protection and control ability. Secondly, continuously complete the safety production target responsibility system, strictly implement the safe production responsibility at all levels, enhance examination and appraisal, and strictly implement rewards and punishment system. Thirdly, continuously regulate the safe input mechanism, ensure the withdrawal and use of safety expense in full, and further improve the safe production conditions. Fourthly, draw lessons from coal mine accident incurred in 2015, strengthen all personnel's awareness of safety, and continuously undertake various safe production and special examination activities while strengthening the construction of emergency rescue security system, as well as enhance hidden governance, practically solve prominent problems that affect the safe production, and effectively prevent against the occurrence of accident. Fifthly, strengthen the monitoring of safety and quality management on construction in progress, take preventive measures, and ensure the project construction quality. Sixthly, continuously strengthen the coal product sampling and test at all steps, and ensure the stable quality of coal. Seventhly, complete the team safety management system, create new team management mode, and make all efforts to establish a group of study, skill and safety teams. Eighthly, enhance safety and quality training and improve all personnel's skills.

### **(II) Reduce cost, improve effect, and realize maximum profits**

According to the unified company deployment and requirement, strengthen the awareness of cost management and control, and achieve the goal of tapping the potentialities and increasing the profit from management, cash flow and strategic layout.

Firstly, establish and complete the standardized management system and release management system, and provide objective basis for cost control and management decisions. Secondly, strengthen the comprehensive budget management, and lay a foundation for establishing long-term mechanism of cost control. Thirdly, regulate the procurement management, further lower the purchase cost, and reduce material inventory, as well as continuously improve purchase efficiency and quality. Fourthly, enhance asset management, integrate internal and external resources and have market-oriented operation, Establish long-term mechanism to revitalize, unify and adjust idle assets and avoid repeated investment. Fifthly, taking the opportunity of implementation of the standardized management, continuously complete the labor outsourcing quota standard, regulate the labor outsourcing behavior, and reduce the outsourcing cost and risk.



## PROSPECTS IN 2016 (CONTINUED)

### **(III) Strengthen the awareness of environmental protection, and strictly observe the red line of environmental protection**

In the face of the new trend of environmental protection, according to the latest environmental protection policy and legal regulations, the Company should do as follows: Firstly, continuously improve the Company's environmental management methods and relevant systems, and ensure the effective operation of environmental/energy management system. Secondly, strengthen the environmental supervision and thoroughly check in strict accordance with “three-synchronization” systems of environmental protection and conservation of water and soil, to avoid the environmental pollution event. Thirdly, maintain ecological construction results achieved in mining area, strengthen subsequent maintenance of virescence project and supervision and management. Complete disaster control and ecological restoration monitoring in coal mining subsidence area. Fourthly, constantly strengthen the propaganda of environmental protection and energy conservation, so as to enable staffs to set up the concept of environmental protection and energy conservation.

### **(IV) Advocate all-personnel value creation and struggle, and enhance staff sense of belonging**

Firstly, continuously enhance the propaganda with the value creation-honorable and struggler-essential cultural orientation, and advocate all-personnel value creation. Intensively explore, extract and propagandize the core corporate value of “fried rice spirit”, and further enhance the cohesion and combat effectiveness in the Company.

Secondly, devote great efforts to training. According to the principle of “making the best use of talents and materials”, establish the concept that “training is the persistent input of the Company, the maximum aftereffect for development, and the biggest welfare for employees. Research reform of staff training system with first-class teachers for teaching and concept of study of strict discipline and rigorous style, effectively improve the training quality, and create an environment in which employees learn and improve skills actively, to strive to create Yitai to be a learning enterprise.

Thirdly, undertake diversified recreational and sports activity, create the positive spirituality, and guide employees to set up correct value and view of life. Perform important intermediate functions of workers, youth and women. Enrich employees' cultural life, and enhance the cohesion and combat effectiveness of staff team.

**Board of Directors of Inner Mongolia Yitai Coal Co., Ltd.**  
30 March 2016



## APPENDIX II

### INNER MONGOLIA YITAI GROUP CO., LTD. (內蒙古伊泰集團有限公司) 2015 INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

To the Shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制規範體系》) and the corresponding guidance and other regulatory requirements concerning the internal control (“Enterprise Internal Control Regulated Systems”), and considering internal control system and evaluation methods of the Company (the “Company”) and based on the day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2015 (the reference date of the Internal Control Assessment Report).

#### I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulated Systems, it is the responsibility of the Board of the Company to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Assessment Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control by the Board. The management shall be responsible for the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company's operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial report and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.



## II. RESULTS OF INTERNAL CONTROL ASSESSMENT

According to the identification of crucial deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no crucial deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulated Systems and relevant requirements.

According to the identification of crucial deficiencies in the internal control over non-financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no crucial deficiencies identified in the internal control over non-financial reporting.

From the reference date to the issuance date of the Internal Control Assessment Report, there is no occurrence of such factors that may affect the assessment results of the effectiveness of the internal control.

## III. DETAILS OF INTERNAL CONTROL ASSESSMENT

### (I) Scope of Internal Control Assessment

The Company determined the main enterprises, business and matters and high-risk fields covered in the assessment scope based on the risk-oriented principle. The major enterprises covered in the assessment scope include Company's headquarter, 7 controlled subsidiaries and 1 branch companies. The total assets of the enterprises covered in the assessment scope accounted for 86.96% of the total assets in the Company's consolidated financial statements, and the operating revenue of such enterprises accounted for 91.13% of the operating revenue in the Company's consolidated financial statements. Business and matters within the scope of this assessment include organizational structure, development strategy, human resources, social responsibility, corporate culture, capital management, procurement business, asset management, production management, transportation and sales of coal, engineering project, financial report, budget management, connected transaction, contract management and information system. The high risks of main concern involve capital flow, assets management, procurement, sales and money collection management, contract management and accounting information.

The above enterprises, business and matters and high-risk fields covered the major aspects of the Company's operation and management and there were no significant omissions.

### III. DETAILS OF INTERNAL CONTROL ASSESSMENT (*CONTINUED*)

#### (II) Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies

The Company conducted the internal control assessment based on the Enterprise Internal Control Regulated Systems.

According to the identification requirements for the crucial, important and ordinary deficiencies set by the Enterprise Internal Control Regulated Systems and with reference to the size of the Company, industry characteristics, risk appetite and risk tolerance, the Company has differentiated the internal controls over the financial reporting and non-financial reporting and determined the particular identification criteria applicable to the deficiencies in the internal control of the Company, basically the same with the previous year. The identification criteria set for the deficiencies in the internal control of the Company are as follows:

##### 1. Identification criteria for deficiencies in internal control over financial reporting

Quantitative criteria for identifying deficiencies in internal control over financial reporting:

In the case of quantitative criteria, if the misstated amount in a financial report as may be resulted from a deficiency alone or together with other deficiencies is less than 0.5% of the Company's total assets or 3% of the Company's pre-tax profit, such deficiency is identified as ordinary deficiency; if the misstated amount is more than 0.5% (including 0.5%) but less than 1% of the Company's total assets or more than 3% (including 3%) but less than 5% of the Company's pre-tax profit, such deficiency is identified as important deficiency; and if the misstated amount is more than 1% (including 1%) of the Company's total assets or 5% (including 5%) of the Company's pre-tax profit, such deficiency is identified as crucial deficiency.

Based on the quantitative standards, it's necessary to calculate once the deficiency occurs, if the potential faults surpass the ratio set for the impact on the total and assets and profit before tax of the Company so as to form a judgment. If the index under the influence of one deficiency or a group of deficiencies (which influence both the profit and asset) is more than one, the value of each index shall be calculated separately, and the index with the lower value shall be used to identify the deficiency.

Qualitative criteria for identifying deficiencies in internal control over financial reporting:

In the case of qualitative criteria, the following situations are at least usually identified as "crucial deficiencies": restating a previously published financial statement to reflect the correction of errors or misstatements resulting from fraud; the failure of the audit committee to supervise the Company's external financial reporting and internal control over financial reporting; discovery of any fraud involving senior management; the failure of the management to correct an important deficiency that has been reported to them within a reasonable period.



### III. DETAILS OF INTERNAL CONTROL ASSESSMENT *(CONTINUED)*

#### (II) Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies *(Continued)*

##### 1. Identification criteria for deficiencies in internal control over financial reporting *(Continued)*

The Company specifies that an internal control deficiency involving any of the following aspects shall be at least identified as an “important deficiency”: deficiencies in internal control over unconventional or non-systematic transactions; deficiencies in internal control over selection of generally accepted accounting principles and application of accounting policies; and deficiencies in internal control over connected transactions and material reorganization.

The Company specifies that an internal control without involving a crucial deficiency or important deficiency shall be identified as ordinary deficiency.

##### 2. Identification criteria for deficiencies in internal control over non-financial reporting

Quantitative criteria for identifying deficiencies in internal control over nonfinancial reporting:

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of less than RMB1 million (including 1 million), such deficiency is identified as ordinary deficiency.

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of more than RMB1 million but less than RMB10 million (including 10 million), such deficiency is identified as important deficiency.

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of more than RMB10 million, such deficiency is identified as crucial deficiency.

Qualitative criteria for identifying deficiencies in internal control over nonfinancial reporting:

If a deficiency alone or together with other deficiencies may result in a punishment from the authorities at the provincial level and below but do not have any negative impact on the disclosure of the Company’s regular reports, such deficiency is identified as ordinary deficiency.

If a deficiency alone or together with other deficiencies may result in a punishment from the relevant State authorities but do not have any negative impact on the disclosure of the Company’s regular reports, such deficiency is identified as important deficiency.

If a deficiency alone or together with other deficiencies may result in an official disclosure of the Company and has a negative impact on the disclosure of the Company’s regular reports, such deficiency is identified as crucial deficiency.



### III. DETAILS OF INTERNAL CONTROL ASSESSMENT (*CONTINUED*)

#### (III) Identification and Rectification of Internal Control Deficiencies

**1. Identification and rectification of deficiencies in internal control over financial reporting**

According to the above identification criteria for deficiencies in internal control over financial reporting, no crucial or important deficiencies in internal control over financial reporting were found during the reporting period of the Company.

**2. Identification and rectification of deficiencies in internal control over non-financial reporting**

According to the above identification criteria for deficiencies in internal control over nonfinancial reporting, no crucial or important deficiencies in internal control over nonfinancial reporting were found during the reporting period of the Company.

Chairman (authorized by the Board): Zhang Donghai  
**Inner Mongolia Yitai Coal Co., Ltd.**

30 March 2016