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

2018

INTERIM REPORT

*For identification purposes only

CONTENT

Section I	Important Notice and Definitions	2
Section II	Corporate Profile and Major Financial Indicators	4
Section III	Company Business Profile	9
Section IV	Report of Directors	11
Section V	Significant Events and Corporate Governance	36
Section VI	Changes in Ordinary Shares and Information on Shareholders	50
Section VII	Directors, Supervisors and Senior Management	55
Section VIII	Relevant Information on Corporate Bonds	58
Section IX	Financial Report	63

IMPORTANT NOTICE AND DEFINITIONS

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 is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this interim report, and severally and jointly accept full legal responsibility.

II. All of the Company's Directors attended the Board meeting.

III. The Interim Report has not been audited, but have been reviewed independently by the Company's external auditor Deloitte Touche Tohmatsu in accordance with the Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

IV. The Company's Chairman, Zhang Donghai, person in charge of accounting, Lv Guiliang, and Head of the Accounting Department (accounting chief), Lv Guiliang, warrant the truthfulness, accuracy and completeness of the financial report set out in this interim report.

V. Statement for the risks involved in the forward-looking statement

This report contains forward-looking statements including future plans and development strategies, which do not constitute actual commitments of the Company to investors because of the existing uncertainties. Investors are advised to pay attention to the investment risks involved.

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

No

VII. Did the Company provide third-party guarantees in violation of stipulated decision-making procedures?

No

VIII. Major Risk Notice

The major risks faced by the Company include policy risks, risks of fluctuation in macroeconomy and risks of industry competition, risks of increasing capital demands, security risks, and risks of rising of cost. Relevant risks and countermeasures have been described in details in Item II "Potential risks of the Company" under the Section IV "DISCUSSION AND ANALYSIS ON THE OPERATIONS" in this report for your review.

IX. Unless otherwise stated, the data is presented in Renminbi in this report.

IMPORTANT NOTICE AND DEFINITIONS *(Continued)*

DEFINITIONS

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

Definitions of frequently-used terms

Company or the Company	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai Group (Hongkong) Co., Ltd. (伊泰(集團)香港有限公司)
Yitai Chemical	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	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)
Talahao Mine	Inner Mongolia Yitai Coal Co., Ltd. Talahao Mine (內蒙古伊泰煤炭股份有限公司塔拉壕煤礦)
Guanglian Coal Chemical	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)

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	Executive Directors Zhang Donghai (Chairman) Liu Chunlin Ge Yaoyong Zhang Dongsheng Wang Sanmin Song Zhanyou Lv Guiliang Independent Non-executive Directors Yu Youguang Huang Sujian Zhang Zhiming Wong Hin Wing
Members of the Strategy Committee	Zhang Donghai (Chairman) Liu Chunlin Ge Yaoyong Zhang Dongsheng Song Zhanyou Wang Sanmin Lv Guiliang Zhang Zhiming Yu Youguang Huang Sujian Wong Hin Wing
Members of the Audit Committee	Yu Youguang (Chairman) Zhang Zhiming Huang Sujian Wong Hin Wing
Members of the Nomination Committee	Zhang Zhiming (Chairman) Zhang Donghai Liu Chunlin Wang Sanmin Yu Youguang Huang Sujian Wong Hin Wing

Members of the Remuneration and Appraisal Committee	Huang Sujian (Chairman) Zhang Donghai Liu Chunlin Wang Sanmin Zhang Zhiming Yu Youguang Wong Hin Wing
Members of the Production Committee	Zhang Donghai (Chairman) Ge Yaoyong Wang Sanmin Huang Sujian Yu Youguang
Members of the Supervisory Committee	Yuan Bing Liu Xianghua Jia Xiaolan Li Cailing He Peixun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternate Authorized Representative	Wong Wai Ling
Company Secretary	Zhao Xin

II. CONTACT PERSON AND CONTACT METHOD

	Board Secretary	**Securities Affairs Representative**
Name	Zhao Xin	Li Yuan
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565731	0477-8565733
Facsimile	0477-8565415	0477-8565415
E-mail	zhaoxin@ir-yitaicoal.com	liyuan@ir-yitaicoal.com

III. BASIC INFORMATION OF THE COMPANY

Registered address	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the registered address	017000
Office address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the office address	017000
Principal place of business in Hong Kong	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BASIC INFORMATION ON THE COMPANY'S SHARES

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

VI. OTHER RELEVANT INFORMATION

		B share/Domestic	H share/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	Global Law Office	Clifford Chance
	Address	15/F & 20/F, Tower 1, China Central Place, No. 81, Jianguo Road, Chaoyang District, 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	Shops 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 tons Currency: RMB

Major Accounting Data	From January to June 2018	From January to June 2017	Change(%)
Coal production	**20.00**	21.35	-6.35%
Coal sales volume	**39.71**	37.90	4.77%
Of which: Local sales at mines	**8.89**	6.34	40.23%
Local sales at loading facilities	**3.20**	6.62	-51.70%
Sales via direct rail access	**3.60**	3.07	17.36%
Sales at ports	**24.02**	21.88	9.83%
Railway transport volume:	**53.05**	46.68	13.65%
Huzhun Railway Line	**16.40**	12.81	28.10%
Zhundong Railway Line	**36.64**	33.87	8.18%
Coal-related chemical production	**0.0865**	0.0976	-11.41%

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

(2) Major Accounting Data

Unit: thousand yuan Currency: RMB

Major Accounting Data	During the reporting reriod (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Revenue	**17,740,280**	16,043,924	10.57%
Profit during the period	**2,728,664**	2,808,435	-2.84%
Profit attributable to owners of the Company during the period	**2,304,572**	2,361,036	-2.39%
Basic earnings per share (RMB)	**0.71**	0.73	-2.74%
Net cash flow from operating activities	**3,859,125**	4,060,774	-4.97%

	End of the reporting period	End of last year	Increase or decrease as compared with the end of last year (%)
Net assets attributable to owners of the Company	**31,386,163**	28,682,872	9.42%
Total assets	**91,390,205**	84,560,528	8.08%

(3) Major Financial Indicators

Unit: yuan Currency: RMB

Major Financial Indicators	During the reporting period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Basic earnings per share (RMB/share)	**0.71**	0.73	-1.39
Diluted earnings per share (RMB/share)	**0.71**	0.73	-1.39
Basic earnings per share after deduction of extraordinary gain and loss (RMB/share)	**0.70**	0.71	-1.41
Weighted average return on net assets (%)	**7.52**	9.35	decreased by 1.83 percentage points
Weighted average return on net assets after deduction of extraordinary gain and loss (%)	**7.45**	9.24	decreased by 1.83 percentage points

COMPANY BUSINESS PROFILE

I. PRINCIPAL ACTIVITIES, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION ON 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-to-chemicals business as extension of its business. The Company directly owns and controls a total of 9 mechanized coal mines. As a major product of the Company at present, environment-friendly and quality thermal coal mainly serves as fuel coal for various industries in the downstream of the coal industry including thermal power, construction materials and chemicals. At present, the Company controls three main railways in operation, namely Zhundong Railway Line, Huzhun Railway Line and special railway line for Suancigou Mine, participated in five railways, namely Xin Baoshen Railway, Zhunshuo Railway, Mengxi-Huazhong Railway, south Ordos railway line and Mengji Railway. In addition, the Company has built the mine roads of 150km covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area. 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 Inner Mongolia and Xinjiang applying such technique. During the reporting period, the coal economy was in a good state of operation. Although the price of coal was fluctuated due to the influence of national policies and regulations, the overall operation remained high and the revenues in the industry rebounded. The supply and demand in the domestic coal market were basically balanced. By virtue of the further promotion of de-capacity works and the layout optimization and adjustment of coal industry, the concentration of the coal industry has been further improved.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As the largest local coal enterprise in Inner Mongolia, the Company has comparative advantages over its peers by boosting its size, improving quality and efficiency, optimizing industrial structure and enhancing financial strength after 21 years of development. The Company's footprint covers East China, South China, North China, Northeast China, Central China and other areas, and 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, modern 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-to-chemicals, which will be beneficial to the long-run stable development for its own.

Firstly, as its coal products are typical environmental-protection 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, which is among the best in the domestic large scale coalfield, 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-to-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 harmonious development of the Company and the society.

REPORT OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

(I) Summary

In the first half of 2018, the macro economy in China maintained a stable and positive trend, and the coal production was normal and market demand was strong. The Company made scientific decisions, responded flexibly, expanded high-quality production capacity, properly promoted transformation and upgrading, and fully completed various operational indicators. As at the end of the reporting period, the Company recorded total assets of RMB91.4 billion, revenue of RMB17.7 billion in the first half of 2018 and net profit attributable to shareholders of the parent company of RMB2.305 billion.

(1) Coal sector

During the reporting period, the Company has realized production of commodity coal of 20 million tons and sales of coal of 39.71 million tons.

1. Coal production

During the reporting period, the Company completed the optimization and promotion of new processes and new technologies, improved the recovery rate and maximized economic benefits. The Company has established "Non-coal Pillar and Self-forming Tunnel Mining Technology Research and Promotion Academician Workstation of Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司無煤柱自主成巷技術研究與推廣院士工作站)" and "Coal Mine Mining and Rock Formation Control Technology and Application Academician Workstation of Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司煤礦開採與岩層控制技術及應用院士工作站)", became the first company of coal industry in Erdos which cooperated with academicians of the two academies, which is conducive to the industrialization of the Company's scientific and technological achievements.

2. Coal transportation and sales

In the first half of 2018, the Company continued to strive to adjust the volume of transportation through pit-mouth exclusive sale, quantity and price linkage, expanding transportation radius and increasing the type of coal to be transported. Based on the changes of market price, the Company timely adjusted the coal purchase price and transportation costs, minimizing procurement costs.

In terms of coal transportation, the Company continued to optimize the transportation channels. At the right time, we strived to obtain direct trains and other arrival routes, flexibly adjusted the shipping routes and arrivals, reducing shipping costs and ensuring maximum profitability.

In terms of coal sales, we have established medium- and long-term partnerships with quality customers, actively identified new customers, and sought for multiple trade models to maximize profitability.

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

(I) Summary *(Continued)*

(ii) Railway sector

In the first half of 2018, Zhundong Railway Company and Huzhun Railway Company focused on improving management and increasing traffic volume. By optimizing the transportation organization and releasing the transportation capacity, the transportation efficiency and turnover efficiency were effectively improved. Through the fine inspection and repair, the quality of the locomotive and equipment has been improved, and the operation safety of the on-line locomotive was further guaranteed. Through scientific storage, the coal inventory was effectively controlled and improved and the space utilization of the station has been improved.

During the reporting period, Zhundong Railway Company shipped 36.64 million tons of coal, and Huzhun Railway Company shipped 16.40 million tons of coal.

(iii) Coal-to-chemicals sector

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

   During the reporting period, Coal-to-oil Company rationally arranged maintenance time and achieved the goal of "zero injury, zero accident" safety management. On the basis of ensuring the safe and stable operation of the equipment, a total of 86,500 tons of various oils and chemicals were produced in the first half of the year.

   During the reporting period, the 0.05 Mtpa stable light hydrocarbons deep processing project of Coal-to-oil Company achieved a successful trial run at one time, and the qualified products were produced and reached full capacity, further extending the industrial chain and increased the added value of the products.

2. Project construction

   In July 2017, the 1.2 Mtpa of fine chemicals project of Yitai Chemical got through the production process across the board and entered the joint commissioning test phase. At present, the equipment is in good working condition and various process indicators have met the design requirements.

   The second phase of the 2 Mtpa indirect coal-to-liquids conversion pilot project of Coal-to-oil Company is currently focusing on product demonstration, major process technology and equipment research.

   During the reporting period, Yili Energy actively carried out financing works and coordinated with the competent governmental authorities to perfect and report the project materials.

   During the reporting period, the energy project approval work of Yitai Xinjiang was promoted in an orderly manner.

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

(I) Summary *(Continued)*

(iv) Safety and environmental protection

During the reporting period, the Company further promoted the safety and quality standardization work, improved the safety management level, and successfully completed various safety control objectives. Meanwhile, the Company continued to improve the environmental management system and adhered to the environmental protection bottom line; steadily promoted environmental protection, water protection approval, and acceptance work for construction projects. Besides, the Company paid the environmental tax as scheduled.

(v) Business outlook

In the second half of 2018, from the perspective of macroeconomic condition, China's economy tends to become stable and grows steady and improving in general. The electricity, metallurgy, chemical and construction material industries, the primary coal consumption industries, maintain steady and improving demands for coal. In the second half of the year, it is expected that the space for capacity expansion and release of productivity of coal mines is limited. The imported coal in the domestic market does not have any price advantages in general. The supply and demand of China's coal market will continue to maintain a tight balanced condition, and the prices of coal will increase slightly as a whole and will continue to have relatively significant fluctuation.

The Company will closely follow the trend of national policies, positively face market changes, and timely adjust operational strategies, and thus, creating larger values to shareholders at its best. As to the coal production, the Company will reasonably organize its production and expand the production capacity of advanced mines. The Company will continue to promote the strategic cooperation between the Company and coal research institutes, specializing institutions and large-scale high-tech coal enterprises to enhance the overall level and efficiency of mining technology for the coal mines. As to the coal transportation, the Company will speed up the progress of the construction of double-track and special-purpose lines of the railway sector. The Company will actively communicate with all railway bureaus, improve the linkage mechanism of railway freight adjustment, upgrade the service level and attract more customers with shipping needs. As to the coal chemical production, the Company will continue to improve the production and operation management level, increase the effective operating time of the plant to realize the goal of high yield and high efficiency and enhance the economic benefits, and at the same time, optimize the coal blending plan and process technology to reduce the production cost.

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

(II) Analysis on the principal business

1. Analysis on changes in items of the financial statements

Unit: thousand yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period last year	Change (%)
Operating Revenue	**17,740,280**	16,043,924	10.57%
Operating cost	**(12,664,126)**	(11,281,394)	12.26%
Cost of sales	**(682,425)**	(541,923)	25.93%
Administrative expenses	**(388,342)**	(482,937)	-19.59%
Finance costs	**(504,258)**	(429,202)	17.49%
Net cash flow from operating activities	**3,859,125**	4,060,774	-4.97%
Net cash flow from investing activities	**(1,768,333)**	(1,711,708)	3.31%
Net cash flow from financing activities	**140,895**	(880,242)	-116.01%
Research and development costs	**(318,215)**	(25,401)	1,152.77%

2. Others

Details on material changes in profit composition or profit source of the Company.

During the reporting period, there is no material change in profit composition and profit source of the Company.

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

(III) Analysis on the operations by segments, products or regions

1. Principal business by segments and by products

Unit: thousand yuan Currency: RMB

Six months ended 30 June 2018 (Unaudited)	Coal	Transportation	Coal-related chemical	Total	Others	Consolidated
Segment revenue:						
External customers	16,551,450	384,570	800,558	17,736,578	3,702	17,740,280
Intersegment sales	145,422	843,382	4,710	993,514	–	993,514
	16,696,872	1,227,952	805,268	18,730,092	3,702	18,733,794
Segment profit:						
Profit/(loss) before tax	2,876,567	516,857	(36,154)	3,357,270	4,261	3,361,531
Income tax expense						(632,867)
Net profit for the period						2,728,664
Segment assets	61,406,447	13,059,085	36,442,949	110,908,481	620,426	111,528,907
Inter segment elimination						(20,138,702)
Total assets						91,390,205
Segment liabilities	29,916,304	4,965,114	25,074,229	59,955,647	520,147	60,475,794
Inter segment elimination						(9,255,356)
Total liabilities						51,220,438

2. Principal business by regions

Unit: million yuan Currency: RMB

Regions	Operating revenue	Increase/decrease of operating revenue compared to last year (%)
North China	6,493.78	13.44%
East China	7,357.87	1.92%
South China	3,616.93	27.16%
Northeast China	185.24	-14.89%
Central China	295.41	51.10%
Northwest China	22.11	91.10%
Southwest China	0.50	-55.75%
Total	17,971.83	10.84%

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

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

(IV) Analysis on assets and liabilities

1. Assets and liabilities

Unit: yuan Currency: RMB

Item	As at 30 June 2018	Closing balance for the period over the total assets (%)	As at 31 December 2017	Closing balance for the last period over the total assets (%)	Percentage of change of closing balance for the period compared to the last period (%)	Explanation
Dividends receivable	0.00	0.00	100,000,000.00	0.12	-100.00	Mainly due to the recovery of dividends due from Guanglian Coal Chemical in the reporting period;
Other receivables	401,749,530.88	0.44	1,323,814,580.39	1.57	-69.65	Mainly due to the payment for equity transfer due to Zhundong;
Inventory	1,008,179,485.88	1.10	1,527,340,375.69	1.81	-33.99	Mainly due to the decrease in coal stocks;
Long-term equity investment	8,737,456,399.49	9.56	938,780,533.51	1.11	830.72	Mainly due to the significant impact of the equity investment in Guanglian Coal Chemical in the current period, which will be accounted for according to the equity method;
Financial liabilities measured at fair value through profit or loss	1,243,060.00	0.00	3,600.00	0.00	34,429.44	Mainly due to the floating profit of the carrying value of futures;
Payroll payable	93,722,180.77	0.10	363,700,287.31	0.43	-74.23	Mainly due to the payment of year-end bonus for the previous year in the reporting period;
Taxes payable	600,552,758.26	0.66	1,038,570,156.14	1.23	-42.18	Mainly due to the decrease of non-payment taxes in the reporting period;
Dividends payables	1,608,408,585.00	1.76	710,430.00	0.00	226,299.31	Mainly due to the non-payment of cash dividends for the year 2017 in the reporting period;
Other payables	6,250,668,855.80	6.84	3,597,858,957.69	4.25	73.73	Mainly due to the payment of acquisition of Guanglian equity has not been fully paid;
Other current liabilities	16,675,008.88	0.02	4,731,689.92	0.01	252.41	Mainly due to the increase of taxation to be written off;
Bonds payable	5,983,572,836.44	6.55	4,490,584,828.99	5.31	33.25	Mainly due to the issue of new bonds in the reporting period;

The above financial information is based on PRC Accounting Standards for Business Enterprises

2. Company's major assets under restriction as at the end of the reporting period

Unit: thousand yuan Currency: RMB

Item	Balance	Reasons for restriction
Cash at bank and on hand	657,204	Bank acceptance bill guarantee and environment protection guarantee deposited at banks
Total	657,204	

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

(V) Analysis on investment

1. Overall analysis on external equity investment

(1) Material equity investment

There was no material equity investment of the Company during the reporting period.

(2) Significant non-equity investment

Currency: RMB

No.	Type of securities	Stock code	Stock Abbreviation	Initial investment *(in ten thousand yuan)*	Shareholdings *(share)*	Book Value as at 30 June 2018 *(in ten thousand yuan)*	Percentage of total securities investment at the end of the period *(%)*
1	Share	3369	QHD PORT	7,923.79	19,013,000.00	2,965.52	100
Total				7,923.79	19,013,000.00	2,965.52	100

Shareholding in non-listed financial entities:

Currency: RMB

Name of the investee	Initial investment *(in ten thousand yuan)*	Book value as at 30 June 2018 *(in ten thousand yuan)*	Profit and loss during the reporting period *(in ten thousand yuan)*	Accounting item	Source of shareholding
Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)	10,000.00	3,419.89	625.02	Financial assets at fair value through profit or loss	Capital contribution
Total	10,000.00	3,419.89	625.02	/	/

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

(V) Analysis on investment *(Continued)*

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

(3) Financial assets measured at fair value:

1) *Equity instrument at fair value through other comprehensive income*

Unit: yuan Currency: RMB

Item	Carrying amount as at 30 June 2018
Zhunshuo Railway Co., Ltd. (准朔鐵路有限公司)	1,764,000,000.00
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	1,684,000,000.00
Nanbu Railway Co., Ltd. (鄂爾多斯市南部鐵路有限責任公司)	256,000,000.00
Mengxi-Huazhong Railway Co., Ltd. (蒙西華中鐵路股份有限公司)	700,000,000.00
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	2,866,000,000.00
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	72,000,000.00
Total	7,342,000,000.00

2) *Financial assets at fair value through profit or loss*

Item	Carrying amount as at 30 June 2018	Amounts that affect the profit for the period
Futures	357,580.00	357,580.00
Mianyang Technology property investment Fund	34,198,892.00	6,250,164.00

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

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

Unit: yuan Currency: RMB

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net profit
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Railway transport operations	Railway transportation	1,554,000,000.00	6,959,481,214.60	503,303,033.28
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Railway transport operations	Railway transportation	2,074,598,000.00	6,428,896,057.11	-44,540,168.61
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Coal-related chemical	Production and sales of coal-related chemical products	2,352,900,000.00	3,814,857,382.71	-38,774,203.24
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-related chemical	Processing and sales of coal	1,080,000,000.00	5,922,804,902.07	713,327,281.16

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

During the reporting period, Zhundong Railway Company shipped a total of 36.64 million tons of coal, representing an increase of 8.18% over the same period of last year, and realized a net profit of RMB503.30 million, representing an increase of 42.76% over the same period of last year. As of 30 June 2018, Zhundong Railway Company achieved driving safety of 6,402 days.

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

During the reporting period, Huzhun Railway Company shipped a total of 16.40 million tons of coal and recorded a net loss of RMB44.54 million. As of the end of the reporting period, Huzhun Railway Company achieved driving safety of 4,242 days. During the reporting period, the work of the second-line project of Huzhun Railway Company is being promoted in an orderly manner. The loss was primarily due to that since the environmental protection renovation of the container stations around the Huzhun Line and the construction of the dedicated transportation line connecting the surrounding coal-using companies and the Huzhun Line have not yet been completed, the actual dispatching volume of the Huzhun Railway Company has not yet reached the designed dispatching volume. In the future, with the completion of the construction of surrounding projects, the dispatching volume of Huzhun Railway Company will increase year by year and realize profit.

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

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

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

During the reporting period, the production unit of Coal-to-oil Company had been operated stably for 155.02 days, accumulatively produced 0.09 million tons of various oil products and chemical products. In the first half of the year, it realized operating income of RMB355 million and recorded a net loss of RMB38.77 million. The main reasons were major overhaul in the first half of the year reduced production, and the increase in unit production cost.

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

During the reporting period, Suancigou Mine continued to improve the safety management level, revised and improved various safety management systems, implemented safety production responsibility system at various levels, eliminated minor injuries or more serious accidents, and passed the national first-class standardized mine acceptance and publicity. Meanwhile, the results of standardization of the first-class mines have been continuously consolidated, so that the safety production standardization have been maintained and various works have been continued in an orderly manner. During the reporting period, based on the State's production capacity control policy and combined with the geographical conditions of the coal mine and mining equipment and other actual situation, production was organized reasonably, the management of production technology, mechanical and electrical equipment, washing, scheduling and ground production ancillary systems were enhanced and the adjustment and optimization of plan for continuous production were continuously conducted, with mine advanced production capacity increasing significantly. During the reporting period, Suancigou Mine, achieved a total operating income of RMB1.529 billion and a net profit of RMB0.713 billion.

II. OTHER DISCLOSURES

(I) Potential risks 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 of environmental protection and ecological issues generated from energy development will gradually grow, thus the requirements regarding threshold to entry coal mining and coal chemical projects, energy conservation and environmental protection, production safety and others will be more stringent.

In response to the above risks, the Company will track and understand the national regulation and control policies on the coal industry and policy changes on mineral resources management in a timely manner. The Company will continuously enhance corporate management, accelerate industry 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, energy saving and environmental protection.

2. Risks of fluctuation in macroeconomy

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. Along with changes in the structure, the development pattern and the system in the domestic macro economy, it will have certain impact on production and operation of the Company, thereby affecting 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 changes and will strengthen ability in analyzing the coal market. The Company will make the business segments, such as coal production, railways and coal-to chemical, bigger and stronger, positively improve its capability and enhance capabilities in diversified and integrative operation to better address macro-economic fluctuations.

II. OTHER DISCLOSURES *(CONTINUED)*

(I) Potential risks of the Company *(Continued)*

3. Risks of industry competition

The Company faces competitions from other coal mining companies and coal traders in China. These competitors may have more financial resources, higher degree of integration, better operational efficiency, more advanced technology or longer operation history. Several domestic coal mining companies compete for the right to acquire and mine coal reserves. As competing companies may have advantages like higher coal production capacity, lower transportation costs, more financial, marketing, distribution and other resources, our growth opportunities may be limited and our revenue and profitability may be adversely affected. Intensified competition in the future may have a significant adverse impact on the business, operating results and financial position of the Company.

In response to the above risks, the Company will improve product quality and price competitiveness, maintain operational efficiency and control the costs related to expansion, raw materials and energy use. Meanwhile, through the adjustment of product structure and sales structure, the Company intends to expand the market through multiple channels and strengthen strategic cooperation with key customers, improve our industry competitiveness and market share. In addition, the Company will adjust the product structure to adapt to market changes, while strengthening our efforts in technological innovation and downstream product development in order to achieve product refinement, high-end extension and improve efficiency.

4. Risks of increasing capital demands

Coal-to-chemical industry is a capital-intensive industry. The Company is currently conducting a layout of three large-scale coal-to-oil projects in Inner Mongolia and Xinjiang. The previous funds invested into these three projects were mainly used for the preliminary work such as feasibility study, design and land requisition. After formal construction of those projects, more funds will be needed. In this regard, the Company will, based on the approval progress of projects, the international crude oil market situation and the Company's overall fund arrangements, gradually promote the process of project construction in an ordered way, timely follow up and implement project loans, and further promote the equity financing, debt financing to expand the Company's financing channels; Meanwhile, the Company will spread project risks and ease the fund pressure by subdividing the industrial chain and actively looking for strategic and business cooperation opportunities.

II. OTHER DISCLOSURES *(CONTINUED)*

(I) Potential risks of the Company *(Continued)*

5. Security risks

As coal production involves underground mining operation, even though the Company maintains a high-level of mechanization and safety management level, 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-chemical industry from coal industry, further increasing 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 technique training as well as safety culture cultivation to comprehensively improve employees' professional competence and increase their awareness of safety and strengthen safety regulation to ensure production safety.

6. 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 impacts of fixed cost on the Company.

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures

1. Mining Exploration, Development and Mining

(1) Reserves of the Company's mines

Unit: million tons

Mine of the Company	Remaining reserve in the PRC at the end of June 2018	Mineable reserve in the PRC at the end of June 2018
Suancigou	1,273.01	674.13
Nalinmiao Mine No. 2	115.84	85.83
Hongjingta Mine No. 1	99.23	31.38
Nalinmiao Mine No. 1	23.96	26.61
Kaida	190.51	109.67
Dadijing	75.47	41.44
Baoshan	36.81	19.64
Baijialiang	4.50	4.05
Talahao	855.42	521.70
Total	2,674.75	1,514.45

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

1. Mining Exploration, Development and Mining *(Continued)*

(2) Mine explorations by the Company during the reporting period

During the reporting period, the Company did not carry out exploration in any coal mine.

(3) Capital expenditure incurred from coal mines

Unit: million yuan Currency: RMB

Mines of the Company	Capital expenditure during January to June 2018
Suancigou	78.27
Nalinmiao Mine No. 2	0.74
Hongjingta Mine No. 1	1.47
Kaida	0.74
Dadijing	0.2
Baoshan	2.05
Talahao	128.00
Total	211.49

(4) Construction of mines

The Company currently has no mines under construction.

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

1. Mining Exploration, Development and Mining *(Continued)*

(5) Construction contracts for coal mines

Unit: yuan Currency: RMB

Using 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)	Scattered projects of Suancigou Mining Co., Ltd. (酸刺溝礦業有限責任公司)	Inner Mongolia Yintai Building and Installation Co., Ltd. (內蒙古胤泰建築安裝有限責任公司)	6,096,290
Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)	The procurement and system integration of digital sand table equipment in dispatching hall	Inner Mongolia Yitai Information Technology Co., Ltd. (內蒙古伊泰信息技術有限公司)	8,242,000

(6) Procurement contracts of facilities for coal mine

Unit: yuan Currency: RMB

Using unit	Details of contract	Name of provider	Amount of contract
Kaida Mine	Integrated mine No.3 equipment in Kaida Mine	Ningxia Tiandi Hardware Technology Co., Ltd. (寧夏天地重型裝備科技有限公司)	8,001,800
Kaida Mine	Kaida Mine MG400/890-WD1 coal mining machine	Tiandi Science and Technology Co., Ltd. Shanghai Branch (天地科技股份有限公司上海分公司)	4,342,600
Talahao Mine	Mining explosion-proof mobile substation in Talahao Mine	Jiangsu Zhonglian Electric Co., Ltd. (江蘇中聯電氣股份有限公司)	1,834,200

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

1. Mining Exploration, Development and Mining *(Continued)*

(7) Coal mining and operating status

During the reporting period, reforms were adopted to the coal production service organization, which enhanced the level of specialization and lowered the cost; plans like optimizing coal mine washing and screening technology reform and improving the quality of coal were implemented, increasing lump coal rate and economic efficiency; the popularization and application of new technologies and new materials were reinforced and the intelligent mining of coal mines was promoted, effectively ensuring the safety and improving the production efficiency.

During the reporting period, the Company has realized production of commodity coal of 20 million tons, representing a decrease of 6.32% year-on-year; completed the total drivage of 52,600 meters, representing an increase of 0.17% year-on-year. During the reporting period, the Company did not carry out exploration in its mines.

During the reporting period, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB212 million which was mainly related to the development expenditures of coal mines and related expenditures such as fixed assets.

(8) Cost of coal

Unit: yuan Currency: RMB

Project	Type	January to June 2018	January to June 2017
Production cost per unit of self-produced coal	Labor cost	**19.86**	16.18
	Raw material, fuel and power	**9.15**	9.50
	Depreciation and amortisation	**7.93**	7.72
	Other production costs	**39.58**	36.95
	Total production cost for coal	**76.52**	70.35
Cost per unit of coal purchased domestically		**360**	290

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

2. Compliance Procedure of the Agreement on Avoidance of Horizontal Competition and its Implementation

(1) The Company has entered into the Agreement on Avoidance of Horizontal Competition on 29 May 2012 with the controlling shareholder. To implement the strategy of expanding the coal business of the Company, and minimise the potential competition in the business of Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which, the Company acquires the target assets of Yitai Group under the agreement at the consideration of RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group. The Company confirmed that:

① all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;

② all coal products mined from the target mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;

③ save as the retained business and target business group, during the effective period of the Agreement on Avoidance of Horizontal Competition, the controlling shareholder and its subsidiaries (excluding the Group) did not or did not cause their respective associates/associated companies not to engage in activities that directly or indirectly compete with the core business of the Company in any manner through itself or in conjunction with other entities, or hold any interests or rights in any such competition business through a third party;

④ the controlling shareholder did not engage or participate in any activities, by leveraging on their respective identity of shareholders or relationship with the Company's shareholders, resulting in damages to the legal interests of the Company or the Company's shareholders;

⑤ upon completion of the proposed acquisition, (i) all transportation quotas of Yital Group granted by the Ministry of Railways can be used by the Company at nil consideration; (ii) Yitai Group did not use transportation quotas or grant a third party any transportation quotas before satisfying the requirements of Company; and (iii) Yitai Group applied to the Ministry of Railways for changing its account holder to the Company;

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

2. Compliance Procedure of the Agreement on Avoidance of Horizontal Competition and its Implementation *(Continued)*

(1) *(Continued)*

⑥ 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;

⑦ 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 were 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 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 and resources licenses in compliance with production condition required, was in accordance with reasonable and fair terms and conditions. The Company had options and preemptive rights.

Supplemental explanations of undertakings:

① Analysis of ability to perform contracts

Guanglian Coal Chemical, a subsidiary of Yitai Group, obtained approval from National Development and Reform Commission to commence operation of mines on 18 February 2013, and obtained the mining exploitation permit from the Ministry of Land and Resources on 6 July 2017. It is primarily expected that Hongqinghe Mine will complete all inspections and acceptances and reach the required production condition in 2018.

When Hongqinghe Mine owned by Yitai Guanglian obtains the legitimate mining right qualification and reaches the production condition required, and with reference to the actual situation of the Company, the capital arrangement and the Non-horizontal competition Agreement entered into with Yitai Group, the Company will exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell Hongqinghe Mine to the Company or its subsidiaries on reasonable and fair terms and conditions through ways of financing.

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

2. Compliance Procedure of the Agreement on Avoidance of Horizontal Competition and its Implementation *(Continued)*

(2) *(Continued)*

② Analysis on risks in respect of performance to contracts

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

③ Preventive measures and control measures under default

Yitai Guanglian had not obtained the approval of coal mining for Hongqinghe Mine and was not qualified for the Company's acquisition when the Company issued H shares and listed on the Main Board of the Hong Kong Stock Exchange in 2012. Yitai Group undertook in the Non-horizontal competition Agreement to grant the Company options and pre-emptive rights, so that the Company or its subsidiaries may enjoy privilege to acquire Hongqinghe Mine on reasonable and fair terms and conditions when Hongqinghe Mine obtained the legitimate mining right qualification or resources licenses and reached the required production condition, in order to solve the horizontal competition in the industry arising from the aforesaid situation.

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

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

2. Compliance Procedure of the Agreement on Avoidance of Horizontal Competition and its Implementation *(Continued)*

(2) *(Continued)*

Fulfillment of undertakings:

The Company entered into an equity transfer agreement with Yitai Group on 25 March 2014 in Ordos, and transferred 5% equity interest in Guanglian Coal Chemical at a consideration of RMB1.912 billion. The equity 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 non-executive Directors presented independent opinions. Payment for the equity transfer and change of industrial and commercial registration have been completed.

The Company entered into an "equity transfer agreement" with Yitai Group on 18 March 2015, and proposed to acquire 5% of equity interest in Guanglian Coal Chemical, a subsidiary of Yital Group, from Yital Group at a consideration of RMB1.912 billion. The transaction has been 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 convened on 9 June 2015 respectively, at which the independent non-executive Directors presented independent opinions. As at 31 December 2016, the Company has paid all the equity transfer consideration pursuant to the payment term of the equity transfer agreement, and the procedures of changes in business registration were completed on 14 February 2017.

In order to solve the horizontal competition problem between the Company and Yitai Group, the controlling shareholder, and to fulfill the commitments made by Yitai Group when the Company was listed on H shares, the Company signed with Yitai Group the Equity Transfer Agreement on 23 August 2017, with an intention to acquire 10% equity held by Yitai Group in Guanglian Coal Chemical with RMB3.824 billion. Such transaction was passed respectively by the fifth meeting of the seventh session of Board of Directors on 25 August 2017 and the first extraordinary general meeting in 2017. To date, the Company is paying the equity transfer consideration pursuant to the payment term of the "equity transfer agreement".

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

3. Liquidity and Capital Resources

As at 30 June 2018, 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 was 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 operating activities 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.

(1) Capital structure

Unit: '000 yuan Currency: RMB

	30 June 2018	30 June 2017
Interest-bearing borrowings	**31,531,076**	24,569,600
Long-term bonds	**5,983,573**	7,981,302
Trade and bills payables	**3,075,064**	2,538,415
Financial liabilities at fair values through profit or loss	**1,243**	–
Financial liabilities included in other payables and accruals	**7,990,477**	4,496,669
Other borrowings	**851,000**	806,263
Less: Cash and cash equivalents	**(15,965,502)**	(5,898,592)
Net debt	**33,466,931**	34,493,655
Equity attributable to equity holders of parent company	**31,386,163**	25,785,798
Gearing ratio*	**52%**	57%

* 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.

(2) Major capital expenditure plans and financing plans of the Group in 2018

Please refer to the section "Discussion and Analysis on the Company's Future Development" in the Report of Directors in the 2017 Annual Report of the Company.

(3) Exchange rate movement risk and relevant hedging

The Company was not affected by exchange rate movement.

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

4. Employees

(1) 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 at general meetings
Basis for determination on the remuneration of the directors, supervisors and senior management	"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) 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%, the remaining of which shall be released at the end of the year after assessment.
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	RMB5.33 million

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

4. Employees *(Continued)*

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

Number of in-service employees in the parent company	2,464
Number of in-service employees in major subsidiaries	3,496
Total number of in-service employees	5,960
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	285

Specialty composition

Category of specialty composition	Headcount
Production	2,793
Sales	1,936
Technician	305
Finance	205
Administration	721
Total	5,960

Education level

Category of education level	Headcount
Postgraduate	233
Undergraduate	2,681
College graduate and secondary technical school	2,049
Below secondary technical school	997
Total	5,960

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

4. Employees *(Continued)*

(3) 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 RMB160.3 million.

(4) Training program

The Company's human resources and strategic planning department implemented a vertical management of training work of each department of the Company and performed an effective integration of the training projects, training contents, organization methods and etc. The Company gave a proper authorization to its branches and subsidiaries, for an implementation of a planned management and control, in order to realize the goal of management finally. Secondly, as to the Company's training at all levels, the Company combined the internal training and external training, with an intention to give internal training mainly, which would help to reduce training costs and improve the training effect. At the same time, the Company cultivated a large number of internal lecturers, laying a foundation for promoting internal course development in the future.

(5) 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 interest and corporate social responsibility, we hope to contribute to the sustainable development of the Company.

(6) 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.

SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

I. PARTICULARS OF GENERAL MEETINGS

Session of the meeting	Convening date	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 2017	28 June 2018	http://www.sse.com.cn http://www.hkexnews.hk	28 June 2018

Information on the general meeting

During the reporting period, the Company convened one general meeting, which was the annual general meeting. There was no objection against a proposed resolution on the general meeting.

II. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2018.

III. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

Information of appointment or termination of appointment of auditors

The Company convened the eleventh meeting of the seventh session of the Board on 21 March 2018 and the Proposal relating to the Appointment of Audit Institution of the Company for 2018 was considered and approved. The Board of the Company agreed to re-appoint Da Hua Certified Public Accountants (Special General Partnership) as the domestic audit institution of the Company for 2018, and agreed to appoint Deloitte Touche Tohmatsu as the overseas audit institution of the Company for 2018. The Board of the Company agreed to reappoint Da Hua Certified Public Accountants (Special General Partnership) as the internal control audit institution of the Company for 2018. The above-mentioned proposals relating to the Appointment of Audit Institution for 2018 were considered and passed at the 2017 annual general meeting.

IV. GROUP ASSETS

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.

V. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring during the reporting period.

VI. CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no contingent liabilities.

VII. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the reporting period.

VIII. PUNISHMENT ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND PURCHASER AND RELEVANT RECTIFICATIONS

During the reporting period, there had been no punishment on the Company and its directors, supervisors, senior management, controlling shareholders, de facto controllers and purchasers and relevant rectifications.

IX. EXPLANATION OF INTEGRITY OF THE COMPANY, CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

During 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 facto controller of the Company.

X. SHARE INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER INCENTIVE MEASURES FOR EMPLOYEES AND THEIR IMPACTS

During the reporting period, no share option incentives were granted by the Company.

XI. MAJOR RELATED PARTIES TRANSACTIONS

(1) Material related parties transactions

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods to Yitai Group	**25,730**	44,541
Provision of services to Yitai Group	**4,264**	13,399
Purchase of goods from Yitai Group	**1,509,680**	1,537,058
Procurement of services from Yitai Group	**52,354**	8,254
Construction and other services from Yitai Group	**40,690**	5,128
Sales of goods to associates	**141,771**	113,580
Provision of services to associates	**12,975**	–
Sales of goods to other related parties [Note a]	**38,221**	–
Provision of services to an other related party [Note a]	**59,818**	39,135
Procurement of services from an other related party [Note b]	**4,060**	3,831
Procurement of goods from an other related party	**21,885**	–
Interest income from an associate	**12,969**	17,163
Interest expense to an associate	**40,690**	21,932
Purchase of equity interest	**3,824,000**	–

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 on normal commercial terms.

Notes:

(a) The non-controlling interest of a subsidiary of the Company.

(b) A company controlled by an immediate family member of the chairman of the board of directors of the Company.

XI. MAJOR RELATED PARTIES TRANSACTIONS *(CONTINUED)*

(2) Material related parties transactions relating to common external investments

1. Events disclosed in the temporary announcement but with subsequent developments or changes

On 22 March 2018, the Company entered into relevant agreements with Beijing Jingneng Power Co., Ltd. (北京京能電力股份有限公司) and Shanxi Yudean Energy Co., Ltd. (山西粵電能源有限公司), to increase the registered capital of Inner Mongolia Jingtai Power Generation Co., Ltd. to RMB1.008 billion in proportion to their shareholding according to the project process of Jingtai Phase II. Of which, the Company additionally increased investment of RMB292.32 million by cash. After the increase, the shareholding ratio of the Company in Jingtai Power Generation remained unchanged. To date, the Company has invested first round of capital of RMB113.68 million according to the agreement, and the industrial and commercial registration of changes was completed.

(3) Related creditors' rights and debts transactions

The Company entered into the Mutual Guarantee Agreement with Yitai Group, and agreed to provide guarantees to financial institutions for the borrowing or financing of the other party and its holding subsidiaries for no more than RMB 2 billion in the three fiscal years of 2017, 2018 and 2019. During the reporting period, the amount of guarantee provided by the Yitai Group for the Company and its subsidiaries during the reporting period amounted to RMB1,488.12 million and the balance was RMB3,538,538,600. The amount of guarantee provided by listed company for Yitai Group and its subsidiaries was RMB0 and the balance was RMB0. Yitai Group has less new business during the reporting period, and bank loans are made in form of credit loans, therefore, the Company did not provide guarantee for Yitai Group and its subsidiaries.

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Trusteeship, Contracting and Leasing

During the reporting period, the Company had no material trusteeship, contracting or leasing.

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

2. Guarantee

Unit: yuan Currency: RMB

Guarantees of the Company for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the Reporting Period	2,318,784,000
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)	16,368,481,700.8
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	16,368,481,700.8
Percentage of total guarantee in the Company's net assets (%)	61.98%
Including:	
Amount of guarantees for shareholders, de facto controllers and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	1,740,860,000
Amount of total guarantees in excess of 50% of net assets (E)	3,163,229,147.04
Amount of total three guarantees above (C+D+E)	4,904,089,147.04
Statement on the contingent joint liability in connection with unexpired guarantees	N/A
Statement on guarantee	

3. Material Acquisition and Disposal

During the reporting period, the Company did not have any material acquisition or disposal.

4. Other Material Contracts

During the reporting period, the Company did not enter into other material contracts or transactions.

XIII. EXPLANATION ON ENVIRONMENTAL PROTECTION WORK OF THE COMPANY AND KEY SUBSIDIARIES BELONGING TO KEY POLLUTION EMITTED UNIT ANNOUNCED BY THE NATIONAL ENVIRONMENTAL PROTECTION DEPARTMENTS

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments

1. Sewage

The Company's subsidiaries and branches, including Coal-to-oil Company and Yitai Chemical, are key pollution emitted units. Coal-to-oil Company has 22 exhaust gas discharge ports and 1 wastewater discharge port, and its sewage is discharged in an organized way. The annual total emissions of flue gas, sulfur dioxide and nitrogen oxides are 72 tons, 480 tons and 480 tons, respectively. The actual total emissions of soot, sulfur dioxide and nitrogen oxides from January to June 2018 are 9.24 tons, 29.25 tons and 53.20 tons, respectively. Yitai Chemical has a total of 33 exhaust gas discharge ports, nil wastewater discharge ports, and its sewage is discharged in an organized way. The total annual pollutants are 946.06 tons of sulfur dioxide and 1,067.72 tons of nitrogen oxides. The actual total emissions of sulfur dioxide and nitrogen oxides from January to June 2018 are 144.38 tons and 309.79 tons, respectively.

2. Construction and operation of pollution prevention facilities

2.1 Waste gas pollution prevention and control

(1) For the transportation of raw coal, fuel coal, coal dust generated during the storage process, and dusty waste gas from the storage and transportation process of solid materials, the Company installs a dust collector in the coal conveyor belt and broken building and the coal crusher room and each transfer station is equipped with ventilation and dust removal equipment; the vehicle for transporting coal is covered with crepe, and the loading and unloading process is carried out in the fully enclosed coal yard and coal will then be transported to the pot by the belt conveyor. Coal dust generated by furnace and coal storage and gasifier is effectively reduced by adopting cyclone dust removal + bag dust removal and equipping the coal yard with spray facilities, to ensure the dust emission complies with the Class II emission standard of the "Integrated Emission Standard of Air Pollutants" (GB16297-1996).

XIII. EXPLANATION ON ENVIRONMENTAL PROTECTION WORK OF THE COMPANY AND KEY SUBSIDIARIES BELONGING TO KEY POLLUTION EMITTED UNIT ANNOUNCED BY THE NATIONAL ENVIRONMENTAL PROTECTION DEPARTMENTS *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

2. Construction and operation of pollution prevention facilities *(Continued)*

2.1 Waste gas pollution prevention and control *(Continued)*

(2) Boiler flue gas: the Company adopts two 200t/h circulating fluidized bed boilers with one open and one ready, and newly built a set of semi-dry desulfurization process outside the furnace on the basis of calcium desulfurization in the original furnace. The desulfurization efficiency reached over 90%; in 2016, the Company carried out technical transformation of flue gas denitration by adopting the SNCR denitration process. The denitration efficiency reached over 70%, and the concentration of each type of pollutant in the flue gas complied with the "Emission Standard of Air Pollutants for Coal-fired Power Plants" (GB13223-2011). The Company applies ammonia desulfurization technology to boiler flue gas desulfurization of our chemical project by adopting selective SNCR denitration process for flue gas denitration and bag dust removal process for flue gas dedusting. After such measures, all the indicators of flue gas discharge can meet the air pollution emission standards of newly built coal-fired boilers under the "Emission Standard of Air Pollutants for Coal-fired Power Plants" (GB13223-2011).

(3) Sulfur recovery tail gas: The sulfur recovery device treats hydrogen sulfide in the acid gas by using a complex iron desulfurization process and recovers sulfur and sends some of the tail gas to the torch for combustion. In 2016, the Company carried out technical transformation of sulfur recovery tail gas so that the tail gas originally sent to the torch can be sent to the boiler for incineration, and then to the desulfurization, denitration and bag dust removal device together with the flue gas before discharging through the 120m chimney. The concentration of sulfur dioxide accorded with the Emission Standard of Air Pollutants for Coal-fired Power Plants (GB13223-2011) and sulfur dioxide emission has effectively reduced.

XIII. EXPLANATION ON ENVIRONMENTAL PROTECTION WORK OF THE COMPANY AND KEY SUBSIDIARIES BELONGING TO KEY POLLUTION EMITTED UNIT ANNOUNCED BY THE NATIONAL ENVIRONMENTAL PROTECTION DEPARTMENTS *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

2. Construction and operation of pollution prevention facilities *(Continued)*

2.1 Waste gas pollution prevention and control *(Continued)*

(4) Acid gas: The acid gas gathered from sulfur recovery device produced by the chemical project is treated by the second-stage Claus treatment and ammonia desulfurization process, and the sulfur recovery tail gas is purified again by the ammonia desulfurization process before being discharged into the atmosphere. The SO2 emission concentration meets the requirements of Table 3 under the "Emission Standard of Pollutants for Petroleum Refining Industry" (GB 31570-2015).

(5) Exhaust gas from the loading system: In 2016, the Company carried out oil and gas recovery technology transformation on the stabilizing light hydrocarbon system of the loading trestle, and the oil and gas recovery efficiency reached over 98%, effectively reducing the emission of volatile organic compounds.

2.2 Wastewater pollution prevention and control

(6) Process wastewater: The process wastewater and domestic sewage of about $80m^3/h$ and $5m^3/h$ in the plant are sent to the sewage treatment system. The designed treatment capacity is $100m^3/h$. It adopts A/O process + secondary settling tank + mixed reaction tank + coagulation sedimentation tank + activated carbon filter treatment. Such wastewater is used as replenish water of circulating water after the sewage treatment. The Company built a new water treatment system in 2014, the processing capacity of which is $300m^3/h$. The coagulation sedimentation + reverse osmosis process is used to treat the effluent of concentrated brine, circulating water discharge sewage and sewage treatment system, and most of them are reused. A small amount of high-concentration brine of about $40m^3/h$ is discharged into the evaporation pond of Dalu New District, and then centrally sent by the park for treatment by the sewage treatment plant. The efflux high-concentration brine TDS $\geq$ 10,000mg/L is in line with the standard of concentrated brine in the Dalu Park.

XIII. EXPLANATION ON ENVIRONMENTAL PROTECTION WORK OF THE COMPANY AND KEY SUBSIDIARIES BELONGING TO KEY POLLUTION EMITTED UNIT ANNOUNCED BY THE NATIONAL ENVIRONMENTAL PROTECTION DEPARTMENTS *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

2. Construction and operation of pollution prevention facilities *(Continued)*

2.2 Wastewater pollution prevention and control *(Continued)*

(7) Drainage system: The wastewater discharge system of the chemical project is designed according to the principle of clearing and sewage separation to realize the quality treatment of clean sewage and production wastewater, oily sewage and acidic wastewater, low-salt sewage and high-salt sewage, ensuring that the wastewater quality of the wastewater treatment equipment is qualified, and the operation of the treatment equipment is continuous, stable, and conducive to the effluent to meet the design and relevant discharge standards. Temporary storage outside the factory can accommodate 270,000 m^3 of drainage, of which 30,000 m^3 is a fire accident pool; 240,000 m^3 is an emergency storage pool, and 11 pools are used for storage sewage when there are production systems (such as sewage treatment, concentrated brine evaporation, and synthetic water handling, etc.) problems.

(8) Sewage treatment site: The process wastewater generated by the project, domestic sewage and initial rainwater are all treated in a sewage treatment plant with designed scale of 1,200m^3/h. The effluent quality of the sewage treatment plant meets the first level requirement (GB8978-2002) of the "Integrated Sewage Discharge Standards".

(9) Wastewater treatment and reuse: the qualified effluent from the sewage treatment plant enters the reused water treatment process 1. The clean wastewater such as discharge sewage of chemical water and circulating water enters the reuse water treatment process 2, and is treated differently according to the water quality characteristics. Effluents are used as replenished water of chemical water and circulating water systems.

(10) High-content brine evaporation crystallization: The concentrated brine discharged from the wastewater reuse system is sent to the evaporation crystallization system, and the deep energy "multi-effect countercurrent evaporation + segmentation crystallization process" is adopted to realize the resource utilization of the crystalline salt. The high-content brine evaporation crystallization system mainly includes three major units: membrane concentration, evaporation pretreatment, and three-effect evaporation.

XIII. EXPLANATION ON ENVIRONMENTAL PROTECTION WORK OF THE COMPANY AND KEY SUBSIDIARIES BELONGING TO KEY POLLUTION EMITTED UNIT ANNOUNCED BY THE NATIONAL ENVIRONMENTAL PROTECTION DEPARTMENTS *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

2. Construction and operation of pollution prevention facilities *(Continued)*

2.2 Wastewater pollution prevention and control *(Continued)*

Through the above measures, the sewage of the project reached nearly "zero" discharge, which greatly saved water resources and lowered the water consumption index of the whole plant.

2.3 Solid waste pollution prevention and control

(11) Gasified crude slag, fine slag and boiler ash of about 220,000 square meters are all sent to the slag yard of Dalu Park; and mud cake 116 t/a is sent to the boiler blending;

(12) Waste catalysts and used lubricating oils are recycled by qualified manufacturers. General solid waste is send to the park slag yard undertaken by Hangjinqi Xinnuo Municipal Construction Investment Co., Ltd. (杭錦旗信諾市政建設投資有限責任公司) for safe dumping. For hazardous waste, usable waste catalyst is returned to the manufacturer, and wastes of no use is sent to the hazardous waste treatment center of the park undertaken by Keling Environmental Protection Co., Ltd. (科領環保股份有限公司) for disposal.

2.4 Noise pollution prevention and control

(13) Priority is given to low noise equipment in equipment selection;

For noise-generating equipment, such as venting valves, compressors, etc., silencers or soundproofing workshops are installed; in the case where noise-cancellation equipment cannot be installed or noise is still large after noise-preventing treatment, soundproof rooms are installed, and protective equipment such as earplugs, earmuffs are provided for employees.

XIII. EXPLANATION ON ENVIRONMENTAL PROTECTION WORK OF THE COMPANY AND KEY SUBSIDIARIES BELONGING TO KEY POLLUTION EMITTED UNIT ANNOUNCED BY THE NATIONAL ENVIRONMENTAL PROTECTION DEPARTMENTS *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

3. Environmental impact assessment and other environmental protection administrative licenses of construction projects

(1) The 160,000 tons/year project, i.e. the first phase of 480,000 tons/year coal-based synthetic oil project of Coal-to-oil Company, was reviewed and approved by the Autonomous Region Development and Reform Commission on December 8, 2005 in document Neifagaigongzi [2005] No. 1832;

(2) On October 24, 2010, the Environmental Protection Department of Inner Mongolia Autonomous Region organized relevant departments and experts to carry out environmental protection acceptance of our 160,000 tons/year project, i.e. the first phase of 480,000 tons/year coal-based synthetic oil project, which was replied in the document [2010] No. 102 on December 21, 2010.

(3) On September 30, 2017, we received from the Environmental Protection Bureau of Erdos City a "Notice on the Environmental Protection Acceptance of the 1.2 Million Tons per Year of Fine Chemicals Demonstration Project of Inner Mongolia Yitai Chemical Co., Ltd." (E Huanjian [2017] No. 190).

4. Emergency plan for emergency environmental incidents

The Company has formulated the "Emergency Plan for Environmental Emergencies of Inner Mongolia Yitai Coal-to-oil Co., Ltd" and "Emergency Plan for Environmental Emergencies of Inner Mongolia Yitai Chemical Co., Ltd".

5. Environmental self-monitoring program

The environmental monitoring program of Coal-to-oil Company comprises automatic monitoring and manual monitoring. The automatic monitoring of flue gas entrusts third-party operating agencies to carry out operation and maintenance. Qingdao Jiaming Measurement and Control Technology Co., Ltd. (青島佳明測控科技股份有限公司) is responsible for entrusted operation and maintenance. Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司) is entrusted for manual monitoring. Yitai Chemical has developed the "Environmental Self-Monitoring Program of Inner Mongolia Yitai Chemical Co., Ltd." to test the environment.

XIII. EXPLANATION ON ENVIRONMENTAL PROTECTION WORK OF THE COMPANY AND KEY SUBSIDIARIES BELONGING TO KEY POLLUTION EMITTED UNIT ANNOUNCED BY THE NATIONAL ENVIRONMENTAL PROTECTION DEPARTMENTS *(CONTINUED)*

(II) Description of the Environmental Protection of Companies Other than the Key Pollution Emitted Units

The coal mines, shipping stations and container stations affiliated to the Company are not key pollution emitted units.

The annual total sulfur dioxide, nitrogen oxides and smoke discharge of coal mines, dispatching stations and container stations is 563.04 tons, 222.24 tons and 180.07 tons, respectively. The actual sulfur dioxide, nitrogen oxides and smoke discharge of non-key pollution emitted units from January to June 2018 is 8.11 tons, 84.97 tons and 0.1 ton, respectively.

All units strictly implemented the environmental impact assessment system and the “three simultaneous” system of pollution prevention and control facilities during the construction process. The air pollution source is the boiler flue gas discharged from the heating boiler. The pollutants meet the “Emission Standard of Air Pollutants for Boilers” (GB13271-2014) after bag de-dusting, the sodium alkali method and the ammonia desulfurization treatment. The wastewater pollution source is the canteen and the domestic wastewater discharged from the apartment. The wastewater pollutants are used for sprinkling and greening of industrial squares and roads after meeting the Integrated Wastewater Discharge Standard (GB8978-1996) after the A/O, MBR, disinfection treatment; coal mining wastewater is all reused for underground production after coagulation and labyrinth sloping plate precipitation and meeting the “Pollutant Discharge Standard for Coal Industry” (GB20426-2006); the coal preparation plant is closed-loop designed, and the coal preparation wastewater is not discharged.

In order to ensure the stable operation of pollution prevention facilities and equipment, and to achieve standard discharge, the Company entrusts a third-party specialized operation team to operate and manage. At the same time, each unit sets up a laboratory to conduct daily inspection of conventional factors in wastewater, and timely understand the operation and entrust Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司), Inner Mongolia Rundi Environmental Technology Co., Ltd. (內蒙古潤地環境技術有限公司), Inner Mongolia Kangcheng Environmental Protection Co., Ltd. (內蒙古康城環保有限責任公司) manually monitored the pollution factors in wastewater and waste gas on a quarterly basis.

XIV. DESCRIPTION OF OTHER MAJOR EVENTS

1. On 31 March 2017, the Ministry of Finance announced the revised "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Amendment)", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (Amendment)", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting (Amendment)" and "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (Amendment)" (collectively referred to as " New Accounting Standards for Financial Instruments"); the amendments to the standards have been implemented as of 1 January 2018. According to New Accounting Standard for Financial Instrument, investments in structured entities and uncontrolled, jointly controlled and significant impacts that are included in other equity investment are measured at fair value through profit or loss and other comprehensive income. Except those financial assets available-for-sale have been reclassified as financial assets at fair value through other comprehensive income, the implementation of New Accounting Standard for Financial Instrument neither had material impact on the classification of other financial assets, nor had any material impact on provision of bad debts for trade and other receivables of the Company. Upon implementation of the new standard, the total equity of the Company attributable to the owners of parent company in the consolidated financial statements as at 1 January 2018 increased by RMB1.086 billion from RMB28.683 billion to RMB29.769 billion. Nevertheless, there is no impact on net profit.

XV. CORPORATE GOVERNANCE

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

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

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

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

XV. CORPORATE GOVERNANCE *(CONTINUED)*

2. Audit Committee

The Company has established the audit committee in accordance with the requirements of the Hong Kong Listing Rules, which consists of four independent non-executive Directors and is chaired by Mr. Yu Youguang. On 27 August 2018, the audit committee reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2018, the interim report for 2018, and the unaudited interim financial statements for the six months ended 30 June 2018.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct regarding securities transactions by all the Directors, supervisors and relevant employees (as defined in the CG Code) of the Company. Having made specific enquiries, the Company confirmed that all the Directors and supervisors of the Company had fully complied with the Model Code during the reporting period. Except for their own service contracts, none of the Directors and supervisors of the Company had any direct or indirect individual beneficial interest in any material contracts to which the Company or any of its subsidiaries is a party as at 30 June 2018.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I CHANGES IN SHARE CAPITAL

(1) Changes in Shares

During the reporting period, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities, and there was no change in the number of shares and share capital structure.

II. INFORMATION ON SHAREHOLDERS

(1) Total Number of Shareholders:

Total number of ordinary shareholders as at the end of the reporting period (in the number of accounts)	76,251
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

(2) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or Holders of Shares not Subject to Selling Restrictions) as at the End of the Reporting Period

Unit: Share

Shareholdings of the Top Ten Shareholders							
Name of Shareholder (in full name)	Increase/ Decrease during the reporting period	Number of Shares held as at the end of the reporting period	Proportions(%)	The number of shares held subject to selling restrictions	Pledged or frozen		Class of Shareholder
					Status of the shares	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	-3,200	325,950,400	10.02	0	Unknown		Foreign legal person
Yitai Group (Hongkong) Co. , Ltd.	0	312,000,000	9.59	0	Nil		Foreign legal person
China Merchants Securities (HK) Co. , Limited	57,700	22,033,300	0.68	0	Unknown		Foreign legal person
VANGUARD EMERGING MARKETS STOCK INDEX FUND	0	17,723,998	0.54	0	Unknown		Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,977,651	16,332,494	0.50	0	Unknown		Foreign legal person
Hu Jiaying	0	12,175,214	0.37	0	Unknown		Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	1,816,800	10,405,803	0.32	0	Unknown		Foreign legal person
Liu Jingyuan	7,028,502	8,277,050	0.25	0	Unknown		Domestic natural person
SCBHK A/C KG INVESTMENTS ASIA LIMITED	1,480,174	7,177,609	0.22	0	Unknown		Foreign legal person

II. INFORMATION ON SHAREHOLDERS *(CONTINUED)*

(2) 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)*

Unit: Share

Top Ten Holders of Shares Not Subject to Selling Restrictions			
Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Share
HKSCC NOMINEES LIMITED	325,950,400	Overseas listed foreign shares	325,950,400
Yitai Group (Hongkong) Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
China Merchants Securities (HK) Co. , Limited	22,033,300	Domestic listed foreign shares	22,033,300
VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,723,998	Domestic listed foreign shares	17,723,998
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	16,332,494	Domestic listed foreign shares	16,332,494
Hu Jiaying	12,175,214	Domestic listed foreign shares	12,175,214
ISHARES CORE MSCI EMERGING MARKETS ETF	10,405,803	Domestic listed foreign shares	10,405,803
Liu Jingyuan	8,277,050	Domestic listed foreign shares	8,277,050
SCBHK A/C KG INVESTMENTS ASIA LIMITED	7,177,609	Domestic listed foreign shares	7,177,609
BANK JULIUS BAER & CO.LTD	7,108,416	Domestic listed foreign shares	7,108,416
Details of the above shareholders who are connected to each other or acting in concert	Among the top ten shareholders of the Company, Yitai Group (Hongkong) Co., Ltd. is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares. 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		

Note: The H shares held by HKSCC Nominees Limited are held on behalf of its multiple clients.

II. INFORMATION ON SHAREHOLDERS *(CONTINUED)*

(2) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or Holders of Shares not Subject to Selling Restrictions) as at the End of the Reporting Period *(Continued)*

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

Unit: Share

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Listing status of shares which are subject to selling restrictions		Conditions for selling restrictions
			Eligible listing time	Number of new listed shares	
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

II. INFORMATION ON SHAREHOLDERS *(CONTINUED)*

(3) Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2018, 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 (Chapter 571 of the Laws of Hong Kong) ("SFO") or as otherwise notified to the Company were as follows:

Unit: Share

Name of substantial shareholder	Class of shares	Type of interest	Long/ Short position	No. of shares	Percentage of the underlying shares in issue(%)[6,7]	Percentage of the total issued shares (%)[6,7]
Billion Giant Development Limited[1]	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
BOS Trustee Limited as Trustee[1]	H shares	Trustee	Long	20,017,000	6.14	0.61
Chen Yihong[2]	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
China Datang Corporation[3]	H shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
CITIC Mezzanine (Shanghai) Investment Centre (Limited Partnership)	H shares	Beneficial owner	Long	17,543,200	5.38	0.53
Datang International (Hong Kong) Limited[3]	H shares	Beneficial owner	Long	18,031,100	11.08	0.55
Datang International Power Generation Co., Ltd.[3]	H shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
Great Huazhong Energy Co. Ltd	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Harvest Luck Development Limited[2]	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Inner Mongolia Manshi Investment Group Limited	H shares	Beneficial owner	Long	28,321,000	8.68	0.87
Inner Mongolia Ordos Investment Holding Group Co., Ltd.	H shares	Beneficial owner	Long	55,443,600	17.00	1.70
Inner Mongolia Yitai Group Co., Ltd.[4]	Non-overseas-listed foreign shares	Beneficial owner/Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Inner Mongolia Yitai Investment Co., Ltd.[5]	Non-overseas-listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Ordos Hongrui Trade Company Limited	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Poseidon Sports Limited[1]	H shares	Beneficial owner	Long	20,017,000	6.14	0.61
Talent Rainbow Far East Limited[1]	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Yitai Group (Hong Kong) Co., Ltd.[4]	Non-overseas-listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58

II. INFORMATION ON SHAREHOLDERS *(CONTINUED)*

(3) Substantial Shareholders' Interests in Shares and Underlying Shares *(Continued)*

Notes:

1. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Poseidon Sports Limited holds 20,017,000 shares (long position) of the Company. Talent Rainbow Far East Limited and Smart Stage Holdings Limited hold 50% 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 Trustee Limited as Trustee. Smart Stage Holdings Limited is wholly owned by Wise Bonus Group Limited which is wholly owned by BOS Trustee Limited as Trustee. Pursuant to the SFO, Billion Giant Development Limited, BOS Trustee Limited as Trustee and Talent Rainbow Far East Limited are deemed to be interested in the 20,017,000 shares (long position) held by Poseidon Sports Limited, representing 6.14% of the H shares in issue.

2. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Harvest Luck Development Limited holds 42.43% in Poseidon Sports Limited while Harvest Luck Development Limited is wholly owned by Chen Yihong. Pursuant to the SFO, Chen Yihong and Harvest Luck Development Limited are deemed to be interested in the 20,017,000 shares (long position) held by Poseidon Sports Limited.

3. According to the disclosure of interest 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 of Datang International Power Generation Co., Ltd.. Pursuant to the SFO, Datang International Power Generation Co., Ltd. and China Datang Corporation are deemed to be interested in the 18,031,100 shares (long position) held by Datang International (Hong Kong) Limited, representing 11.08% of the H shares in issue as at 12 July 2012. As at 30 June 2018, 18,031,100 shares represented 5.53% of the H shares in issue.

4. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (Hong Kong) Co., Ltd. and is thus deemed to be interested in the 312,000,000 B shares held by Yitai Group (Hong Kong) Co., Ltd.. Inner Mongolia Yitai Group Co., Ltd. directly holds 1,600,000,000 domestic shares.

5. Inner Mongolia Yitai Investment Co., Ltd. holds 99.64% of the registered capital of Inner Mongolia Yitai Group Co., Ltd. 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 shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 30 June 2018, no person, other than the Directors and supervisors of the Company whose interests are set out in the section headed "Directors, Supervisors' and Chief Executives' interests and short positions in shares and underlying shares" below, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDINGS

During the reporting period, there was no change in the holding of the Company's shares of directors, supervisors and senior management of the Company.

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

During the reporting period, no change occurred.

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

As at 30 June 2018, 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 or Securities Transactions by Directors of Listed Issuers as set out in the Model Code, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

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

Long positions in the shares of associated corporation of the Company

Unit: Share

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	11,232,943	1.56
		Interest of spouse	515,103	0.07
		Interest held as a trustee	15,486,670[1]	2.15
Mr Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,181,234	0.86
		Interest held as a trustee	8,805,065[1]	1.22
Mr Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	52,798	0.01
		Interest held as a trustee	7,260,740[1]	1.01
Mr Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	153,446	0.02
		Interest held as a trustee	7,160,092[1]	0.99
Mr Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr Song Zhanyou	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr Wang Sanmin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	515,103	0.07
Supervisors:				
Mr Yuan Bing	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	1,157,878	0.16
Mr Liu Xianghua	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	358,993	0.05
Ms Jia Xiaolan	Inner Mongolia Yitai Investment Co., Ltd.	Interest of spouse	257,551	0.04
Ms Li Cailing	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	257,551	0.04

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

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

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 30 June 2018, 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.

RELEVANT INFORMATION ON CORPORATE BONDS

I. OVERVIEW OF CORPORATE BONDS

Unit: RMB100 million

Bonds name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate(%)	Method of capital repayment with interest	Places of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2014 (first tranche)	14 Yitai 01	122329	9 October 2014	9 October 2019	45	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
Bonds of Inner Mongolia Yitai Coal Co. , Ltd. of 2018 (first tranche)	18 Yitai 01	143673	8 June 2018	8 June 2021	15	6.00%	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Overdue interest will be 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 of 14 Yitai 01	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	010-65051166
Bonds trustee manager of 18 Yitai 01	Name	Haitong Securities Co., Ltd.
	Address	Floor 15, Tianyuan Xiangtai Tower, No.5, Anding Road, Chaoyang District, Beijing
	Contact persons	Zhang Wei, Li Zhongming
	Tel	010-88027168
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 CORPORATE BONDS

The proceeds raised from public issuance of the corporate bonds of 14 Yitai 01 and 18 Yitai 01 were used for disclosing the bonds of the tranche. As at 30 June 2018, proceeds were utilized in full.

IV. BRIEF INTRODUCTION TO CORPORATE BONDS RATING

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 credit rating of this tranche of bonds was adjusted to AAA; the credit rating of the Company was AAA with stable outlook. 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 the publication of annual report and during the period of existence of the bonds of this tranche, and further conduct unscheduled follow-up rating according to the relevant situations during the period of existence of the bonds of this tranche. Dagong Global Credit Rating Co., Ltd. has presented the follow-up rating result on 22 May 2018.

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a credit rating on bonds 18 Yitai 01 of the Company, and the credit rating of this tranche of bonds was adjusted to AAA; the credit rating of the Company was AAA with stable outlook.

Dagong Global Credit Rating Co., Ltd. has presented the credit rating result on 29 May 2018. 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 the publication of annual report and during the period of existence of the bonds of this tranche, and further conduct unscheduled follow-up rating according to the relevant situations during the period of existence of the bonds of this tranche.

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 bondholders.

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

During the period of existence of the bonds of 14 Yitai 01, China International Capital Corporation Limited, the bonds trustee manager conscientiously complied with the "Bonds Trustee Management Agreement" 《債券受託管理協議》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 of 2014 Corporate Bonds (First Tranche) of Inner Mongolia Yitai Coal Co., Ltd."《內蒙古伊泰煤炭股份有限公司2014年公司債券(第一期)受託管理事務報告(2017)》has been disclosed by the trustee manager on 29 May 2018. See the details on the website of Shanghai Stock Exchange (http://www.sse.com.cn).

During the period of existence of the bonds of 18 Yitai 01, China International Capital Corporation Limited, the bonds trustee manager conscientiously complied with the "Bonds Trustee Management Agreement" 《債券受託管理協議》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.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT END OF REPORTING PERIOD AND END OF LAST YEAR (OR DURING THE REPORTING PERIOD AND THE SAME PERIOD OF LAST YEAR)

Unit: yuan Currency: RMB

Major indicator	As at 30 June 2018	As at 31 December 2017	Increase or decrease as compared with the end of last year (%)
Liquidity ratio	1.14	1.24	-0.10
Quick ratio	1.08	1.15	-0.07
Debt to assets ratio (%)	56.05	55.66	0.39
Loan repayment ratio (%)	100.00	100.00	0

	January to June 2018	January to July 2017	Increase or decrease as compared with the same period of last year (%)
EBITDA times interest earned	4.44	4.99	-0.55
Interest repayment ratio (%)	100.00	100.00	0

The financial information above was prepared in accordance with the PRC Accounting Standards for Business Enterprises.

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

Name of medium-term notes	Issuing amount (RMB million)	Starting date	Date of expiry	Nominal interest rate
13 Yitai MTN1	2,500	2013-4-16	2018-4-16	4.9500%

X. BANK CREDIT BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totalled RMB53,915,750,000 and the credit limit was RMB31,235,274,000. The credit available was RMB22,680,476,000.

XI. 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 during the reporting period.

XII. IMPACT OF MAJOR EVENTS ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

There were no major events that affect the operating status and solvency of the Company during the reporting period.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
INNER MONGOLIA YITAI COAL CO., LTD.
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Inner Mongolia Yitai Coal Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 100, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** **Unaudited** ***RMB'000***	 2017 Unaudited *RMB'000*
Revenue			
Goods and services	5	**17,740,280**	16,043,924
Cost of sales		**(12,664,126)**	(11,281,394)
Gross profit		**5,076,154**	4,762,530
Other gains and losses	5	**11,600**	32,585
Other income	5	**267,667**	188,667
Selling and distribution expenses		**(682,425)**	(541,923)
General and administrative expenses		**(388,342)**	(482,937)
Other expenses		**(199,065)**	(128,973)
Research and development expenses		**(318,215)**	(25,401)
Finance income		**53,255**	30,637
Finance costs	6	**(504,258)**	(429,202)
Exchange losses, net		**(403)**	(1,268)
Share of profit of a joint venture		**2,900**	–
Share of profit/(loss) of associates		**42,664**	(2,545)
Profit before tax	7	**3,361,532**	3,402,170
Income tax expense	8	**(632,868)**	(593,735)
Profit for the period		**2,728,664**	2,808,435
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Fair value gains on investments in equity instruments at fair value through other comprehensive income		**981,697**	–
Income tax effect		**(147,255)**	–
		834,442	–
Items that may be reclassified to profit or loss:			
Fair value gains on available-for-sale investments		**–**	11,012
Income tax effect		**–**	(2,753)
Exchange differences on translation of foreign operation		**331**	(540)
		331	7,719
		834,773	7,719
Other comprehensive income for the period, net of tax		**834,773**	7,719
Total comprehensive income for the period		**3,563,437**	2,816,154

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

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Profit for the period attributable to:			
Owners of the Company		**2,304,572**	2,361,036
Non-controlling interests		**424,092**	447,399
		2,728,664	2,808,435
Total comprehensive income attributable to:			
Owners of the Company		**3,139,345**	2,368,755
Non-controlling interests		**424,092**	447,399
		3,563,437	2,816,154
Earnings per share – basic and dilutive (RMB)	10	**0.71**	0.73

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**30 June 2018 Unaudited** ***RMB'000***	31 December 2017 Audited *RMB'000*
Non-current assets			
Property, plant and equipment	11	**48,772,613**	48,573,789
Investment properties		**509,979**	529,013
Prepaid land lease payments		**1,351,219**	1,353,636
Mining rights		**463,366**	473,890
Other intangible assets		**414,901**	243,757
Investment in a joint venture		**51,900**	49,000
Investments in associates	12	**8,685,556**	889,781
Available-for-sale investments		**–**	8,872,576
Financial assets at fair value through profit or loss ("FVTPL")		**34,199**	–
Equity instruments at fair value through other comprehensive income ("FVTOCI")		**7,371,655**	–
Deferred tax assets		**435,021**	752,480
Other non-current assets		**601,241**	486,728
Total non-current assets		**68,691,650**	62,224,650
Current assets			
Inventories		**1,008,179**	1,527,340
Prepayments of corporate income tax		**5,156**	5,073
Trade and bills receivables	13	**2,115,801**	2,287,069
Prepayments, deposits and other financial assets	14	**2,946,355**	3,938,038
Financial assets at FVTPL		**358**	–
Restricted cash	15	**657,204**	845,260
Cash and cash equivalents	15	**15,965,502**	13,733,098
Total current assets		**22,698,555**	22,335,878
Current liabilities			
Trade and bills payables	16	**3,075,064**	3,438,022
Financial liabilities at FVTPL		**1,243**	–
Other payables and accruals	17	**8,483,866**	5,342,522
Contract liabilities		**513,862**	–
Interest-bearing borrowings – unsecured	18	**7,628,383**	6,465,895
Income tax payable		**275,542**	299,175
Bonds payable		**–**	2,498,216
Total current liabilities		**19,977,960**	18,043,830
Net current assets		**2,720,595**	4,292,048
Total assets less current liabilities		**71,412,245**	66,516,698

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2018

	Notes	**30 June 2018 Unaudited *RMB'000***	31 December 2017 Audited *RMB'000*
Non-current liabilities			
Interest-bearing borrowings – unsecured	18	**23,902,693**	23,186,373
Bonds payable		**5,983,573**	4,490,585
Deferred tax liabilities		**342,235**	375,193
Other borrowings	18	**851,000**	851,000
Deferred income		**72,815**	73,680
Other non-current liabilities		**90,162**	49,754
Total non-current liabilities		**31,242,478**	29,026,585
Net assets		**40,169,767**	37,490,113
Equity			
Equity attributable to owners of the Company			
Share capital		**3,254,007**	3,254,007
Reserves		**28,132,156**	25,428,865
		31,386,163	28,682,872
Non-controlling interests		**8,783,604**	8,807,241
Total equity		**40,169,767**	37,490,113

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Available-for-sale investment/ FVTOCI reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2017 (Audited)	3,254,007	(269,646)	2,985,967	8,764	292	22,703,488	28,682,872	8,807,241	37,490,113
Adjustments *(see note 3)*	-	-	-	1,086,188	-	-	1,086,188	-	1,086,188
At 1 January 2018 (restated)	3,254,007	(269,646)	2,985,967	1,094,952	292	22,703,488	29,769,060	8,807,241	38,576,301
Profit for the period	-	-	-	-	-	2,304,572	2,304,572	424,092	2,728,664
Other comprehensive income for the period	-	-	-	834,442	331	-	834,773	-	834,773
Total comprehensive income for the period	-	-	-	834,442	331	2,304,572	3,139,345	424,092	3,563,437
Acquisition of non-controlling Interests	-	(15)	-	-	-	-	(15)	15	-
Capital contributions from non-controlling shareholders	-	-	-	-	-	-	-	49,000	49,000
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(496,744)	(496,744)
Change in tax rate	-	(41,654)	-	-	-	-	(41,654)	-	(41,654)
2017 final dividends declared	-	-	-	-	-	(1,480,573)	(1,480,573)	-	(1,480,573)
At 30 June 2018 (Unaudited)	3,254,007	(311,315)	2,985,967	1,929,394	623	23,527,487	31,386,163	8,783,604	40,169,767

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 June 2018

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Safety and maintenance fund *RMB'000*	Available-for-sale investment revaluation reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017	3,254,007	(602,790)	2,985,967	–	–	1,761	18,376,855	24,015,800	4,552,500	28,568,300
Profit for the period	–	–	–	–	–	–	2,361,036	2,361,036	447,399	2,808,435
Other comprehensive income/(expense) for the period	–	–	–	–	8,259	(540)	–	7,719	–	7,719
Total comprehensive income/(expense) for the period	–	–	–	–	8,259	(540)	2,361,036	2,368,755	447,399	2,816,154
Acquisition of non-controlling interests	–	(20)	–	–	–	–	–	(20)	20	–
Additional non-controlling interests arising on the capital injection	–	–	–	–	–	–	–	–	320,840	320,840
Appropriation to safety and maintenance fund	–	–	–	33,781	–	–	(33,781)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(5,595)	(5,595)
2016 final dividends declared	–	–	–	–	–	–	(598,737)	(598,737)	–	(598,737)
At 30 June 2017 (Unaudited)	3,254,007	(602,810)	2,985,967	33,781	8,259	1,221	20,105,373	25,785,798	5,315,164	31,100,962

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Net cash generated from operating activities	**3,859,125**	4,060,774
Payment on acquisition of property, plant and equipment	**(1,701,422)**	(1,642,084)
Investment in associates	**(1,127,312)**	-
Proceeds from disposals of part shares in subsidiaries	**971,250**	37,182
Other cash flows used in investing activities	**89,151**	(106,806)
Net cash used in investing activities	**(1,768,333)**	(1,711,708)
Proceeds from borrowings	**6,050,000**	3,337,000
Repayment of borrowings	**(4,172,312)**	(3,719,536)
Proceeds from bond	**1,490,248**	-
Repayment of bond	**(2,500,000)**	-
Other cash flows used in financing activities	**(727,041)**	(497,706)
Net cash used in financing activities	**140,895**	(880,242)
Net increase in cash and cash equivalents	**2,231,687**	1,468,824
Net foreign exchange difference	**717**	(2,992)
Cash and cash equivalents at 1 January	**13,733,098**	4,432,760
Cash and cash equivalents at 30 June	**15,965,502**	5,898,592

1. CORPORATE INFORMATION

Inner Mongolia Yitai Coal Co., Ltd. (the "Company") was incorporated as a joint stock company with limited liability on 23 September 1997. On 12 July 2012, the Company consummated its global offering of H shares and listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

These consolidated financial statements are presented in Renminbi ("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 exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the end of the reporting period. Differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2017.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 28	*As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

Except IFRS 9 and IFRS 15, the application of other amendments to IFRSs in the current interim period has had no material impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

IFRS 9 and IFRS 15 have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from mining and selling coal products, producing and selling coal-based synthetic fuel and rendering transportation services.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3.1.2 Summary of effects arising from initial application of IFRS 15

There is no impact of transition to IFRS 15 on the retained earnings at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Carrying amounts under IFRS 15 at 1 January 2018 (Note a) RMB'000
Current Liabilities				
Other payables and accruals	(b)	5,342,522	(390,277)	4,952,245
Contract liabilities	(b)	–	390,277	390,277

Note:

(a) The amounts in this column are before the adjustments from the application of IFRS 9.

(b) As at 1 January 2018, advances from customers of RMB390,277,000 in respect of coal, coal-related chemical products and transportation services contracts previously include in other payables and accruals were reclassified to contract liabilities.

There is no impact of applying IFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for six months ended 30 June 2018.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

3.1.2 Summary of effects arising from initial application of IFRS 15 *(Continued)*

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported *RMB'000*	Adjustments *RMB'000*	Amount without application of IFRS 15 *RMB'000*
Current Liabilities			
Other payables and accruals	8,483,866	513,862	8,997,728
Contract liabilities	513,862	(513,862)	–

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

In the current interim period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade and bills receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 including trade and bills receivables, deposits and other receivables, and cash and bank deposits. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model (Continued)

Significant increase in credit risk *(Continued)*

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables, deposits and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

3.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale *RMB'000*	Financial assets at FVTPL required by IAS 39/ IFRS 9 *RMB'000*	Equity instruments at FVTOCI *RMB'000*	Deferred tax liabilities *RMB'000*	Available-for-sale investments/ FVTOCI reserve *RMB'000*	Retained earnings *RMB'000*
Closing balance at 31 December 2017-IAS 39 (Audited)		8,872,576	–	–	(375,193)	(8,764)	(184,060)
Effect arising from initial application of IFRS 9:		–	–	–	–	–	–
Reclassification							
From available-for-sale	(a)	(8,872,576)	36,486	8,836,090	–	–	–
Remeasurement							
From amortised cost to fair value	(a)	–	–	1,277,868	(191,680)	(1,086,188)	–
Opening balance at 1 January 2018 (Restated)		–	36,486	10,113,958	(566,873)	(1,094,952)	(184,060)

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

3.2.2 Summary of effects arising from initial application of IFRS 9 *(Continued)*

(a) Available-for-sale investments

From Available-for-sale investments to equity instruments at FVTOCI

The Group elected to present in OCI for the fair value changes of its equity investment previously classified as available-for-sale, amounting to RMB8,836,090,000, of which RMB41,958,000 related to listed equity investment previously measured at fair value under IAS 39, and RMB8,794,132,000 related to unlisted equity investments previously measured at cost less impairment under IAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB8,836,090,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gains of RMB1,086,188,000 netting of tax relating to those unlisted equity investments previously carried at cost less impairment were adjusted to equity instruments at FTVOCI and FVTOCI reserve as at 1 January 2018. The fair value gains of RMB8,764,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve as at 1 January 2018.

From Available-for-sale investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's investment of RMB36,486,000 previously measured at cost less impairment was reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains relating to this investment was nil at the date of initial application.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables.

Loss allowances for other financial assets at amortised cost mainly comprised of bank deposits, bank balances, bills receivables and other receivables, which are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

No additional credit loss allowance is recognized against retained earnings as at 1 January 2018.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item affected.

	31 December 2017 *RMB'000* (Audited)	IFRS 15 *RMB'000* (Unaudited)	IFRS 9 *RMB'000* (Unaudited)	1 January 2018 (Restated) *RMB'000* (Unaudited)
Non-current assets				
Available-for-sale investments	8,872,576	–	(8,872,576)	–
Financial assets at fair value through profit or loss	–	–	36,486	36,486
Financial assets at fair value through other comprehensive income	–	–	10,113,958	10,113,958
Current Liabilities				
Other payables and accruals	5,342,522	(390,277)	–	4,952,245
Contract liabilities	–	390,277	–	390,277
Non-current liabilities				
Deferred tax liabilities	375,193	–	191,680	566,873
Equity				
Reserves	25,428,865	–	1,086,188	26,515,053

4. OPERATING SEGMENT

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 delivered or services 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 (other than income tax expense) are attributed to the respective segments. Accordingly, the aggregated segment result is the same as the consolidated profit before tax of the Group.

Inter-segment revenues are eliminated on consolidation. Inter-segment sales are transacted with reference to the selling prices used for sales made to third parties and at the prevailing market prices.

4. OPERATING SEGMENT *(CONTINUED)*

Six months ended 30 June 2018 (Unaudited)	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Reportable segment total RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	16,551,450	384,570	800,558	17,736,578	3,702	17,740,280
Inter-segment sales	145,422	843,382	4,710	993,514	–	993,514
	16,696,872	1,227,952	805,268	18,730,092	3,702	18,733,794
Reconciliation						
Elimination of inter-segment sales						(993,514)
Revenue						17,740,280
Segment result:						
Profit/(loss) before tax	2,876,567	516,857	(36,154)	3,357,270	4,261	3,361,531
Income tax expense						(632,867)
Profit for the period						2,728,664
Segment assets as at 30 June 2018 (Unaudited)	61,406,447	13,059,085	36,442,949	110,908,481	620,426	111,528,907
Reconciliation						
Elimination of investments costs						(10,728,089)
Elimination of inter-segment receivables						(9,255,356)
Elimination of capitalised inter-segment finance costs						(155,257)
Total assets						91,390,205
Segment liabilities as at 30 June 2018 (Unaudited)	29,916,304	4,965,114	25,074,229	59,955,647	520,147	60,475,794
Reconciliation						
Elimination of inter-segment payables						(9,255,356)
Total liabilities						51,220,438

4. OPERATING SEGMENT *(CONTINUED)*

Six months ended 30 June 2017 (Unaudited)	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Reportable segment total *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue:						
Sales to external customers	15,079,151	332,759	627,819	16,039,729	4,195	16,043,924
Inter-segment sales	235,134	755,839	4,170	995,143	–	995,143
	15,314,285	1,088,598	631,989	17,034,872	4,195	17,039,067
Reconciliation						
Elimination of inter-segment sales						(995,143)
Revenue						16,043,924
Segment result:						
Profit/(loss) before tax	3,097,602	303,935	1,165	3,402,702	(532)	3,402,170
Income tax expense						(593,735)
Profit for the period						2,808,435
Segment assets as at 31 December 2017 (Audited)	49,349,515	13,330,621	34,358,574	97,038,710	513,721	97,552,431
Reconciliation						
Elimination of investments costs						(10,627,089)
Elimination of inter-segment receivables						(2,067,002)
Elimination of capitalised inter-segment finance costs						(297,812)
Total assets						84,560,528
Segment liabilities as at 31 December 2017 (Audited)	27,425,622	5,259,264	15,928,956	48,613,842	523,575	49,137,417
Reconciliation						
Elimination of inter-segment payables						(2,067,002)
Total liabilities						47,070,415

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**17,355,710**	15,711,165
Coal	**16,551,450**	15,079,151
Coal-related chemical products	**800,558**	627,819
Others	**3,702**	4,195
Rendering of services	**384,570**	332,759
	17,740,280	16,043,924
Timing of revenue recognition		
A point in time	**17,740,280**	16,043,924
	17,740,280	16,043,924
Other income		
Income from the sale of materials	**69,112**	35,732
Income from the rendering of other services	**75,490**	48,257
Road toll collection	**59,480**	63,919
Rental income	**18,045**	18,413
Dividend income from available-for-sale investments	**–**	7,990
Dividend income from financial assets at FVTPL	**6,250**	–
Government grants	**33,471**	8,873
Indemnities received	**1,875**	1,893
Tax refund	**409**	2,231
Others	**3,535**	1,359
	267,667	188,667
Other gains and losses		
Gain on disposal/written off of items of property, plant and equipment and intangible assets, net	**920**	12,434
Loss on impairment of inventories	**332**	–
Loss on impairment of trade and bills receivables	**–**	(55)
Gain on disposal of a joint venture	**–**	6,141
Fair value gain on future contracts	**10,348**	14,252
Other	**–**	(187)
	11,600	32,585

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest on borrowings	**898,595**	742,938
Interest on bonds payable	**203,736**	246,934
Total interest expense	**1,102,331**	989,872
Less: Interest capitalised	**(598,073)**	(560,670)
	504,258	429,202

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold	**12,500,069**	11,090,489
Cost of services provided	**164,057**	190,905
Depreciation of property, plant and equipment	**963,937**	747,611
Depreciation of investment properties	**13,642**	10,608
Amortisation of prepaid land lease prepayments	**17,406**	27,302
Amortisation of mining rights	**21,368**	10,178
Amortisation of other intangible assets	**6,165**	10,688
Amortisation of other non-current assets	**8,820**	1,819
Total depreciation and amortisation	**1,031,338**	808,206

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Income tax		
Current tax – Mainland China	**505,295**	432,175
Deferred tax	**127,573**	161,560
	632,868	593,735

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.

The Company obtained of the Certificate for Hi-tech Enterprise (高新技術企業證書) in December 2017. Through communication with the local tax authorities, the Company will report a corporate income rate at 15%, which is the preferential tax rate for national hi-tech enterprises in 2018.

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.

A subsidiary was 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).

9. DIVIDENDS

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

The board of directors of the Company recommended on 21 March 2018 to propose a final cash dividend of RMB1,480,573,000 or RMB4.55 per 10 (2016: RMB598,737,000 or RMB1.84 per 10) ordinary shares. The above-mentioned proposed final dividends for the year ended 31 December 2017 were approved by the Company's shareholders at the annual general meeting held on 28 June 2018.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2018 and 2017 attributable to owners of the Company and the number of ordinary shares in issue during the periods ended 30 June 2018 and 2017.

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

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company	**2,304,572**	2,361,036
Number of shares		
Number of ordinary shares in issue during the period (in thousands)	**3,254,007**	3,254,007

No diluted earnings per share was calculated since the Group had no potential ordinary shares in issue for the six months ended 30 June 2018 and 2017.

11. PROPERTY, PLANT AND EQUIPMENT

During the current period, the additions of certain buildings, mining structures, machinery and equipment, motor vehicles and construction in progress were amounting to RMB1,305 million (unaudited) (six months ended 30 June 2017: RMB1,772 million (unaudited)).

Certain buildings, railway, motor vehicles, machinery and equipment, with carrying amount of RMB88 million (unaudited) (six months ended 30 June 2017: RMB26 million (unaudited)) were disposed, which resulted in a net gain on disposal of RMB0.92 million (unaudited) (six months ended 30 June 2017: a net gain on disposal of RMB12.43 million (unaudited)).

12. INVESTMENTS IN ASSOCIATES

During the current interim period, the additions of investment in associates amounted to RMB7,775,312,000, of which RMB7,648,000,000 relating to investment in Inner Mongolia Yitai Guang Lian Coal Chemical CO. Ltd, ("Yitai Guang Lian") classified from equity instruments at FVTOCI due to increase in equity interest.

The Company previously held 10% equity interest in Yitai Guang Lian and acquired additional 10% equity interest from the Yitai Group at the consideration of RMB3.824 billion in the current interim period. As a result, the Company holds 20% equity interest in Yitai Guang Lian and has power to appoint two out of the seven directors of Yitai Guang Lian under the revised Articles of Association of Yitai Guang Lian. The Group has significant influence over Yitai Guang Lian and therefore classified it as an associate of the Group.

13. TRADE AND BILLS RECEIVABLES

	30 June 2018 **Unaudited** ***RMB'000***	31 December 2017 Audited *RMB'000*
Trade receivables from Yitai Group	**704**	244
Trade receivables from associates	**56,117**	49,710
Trade receivables from third parties	**1,986,710**	2,132,749
	2,043,531	2,182,703
Less: Provision for impairment	**(7,508)**	(7,508)
	2,036,023	2,175,195
Bills receivables	**79,778**	111,874
	2,115,801	2,287,069

The Group requires certain of its customers to pay in advance. The carrying amounts of the trade and bills receivables approximate to their fair values.

At 30 June 2018, the Group endorsed certain bills receivables issued by banks in Mainland China (the "Bills") to certain of its suppliers with a carrying amount in aggregate of RMB545,261,000 (unaudited) (31 December 2017: RMB1,129,653,000). The Bills had a maturity of one to six months at the end of the reporting period. In the opinion of the directors of the Company, 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, if any, from the endorsed and derecognised Bills equals to their carrying amounts. During the six months period ended 30 June 2018 and 2017, the Group has not recognised any loss in relation to the continuing involvement, both during the period or cumulatively.

13. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

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

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Within six months	**1,996,321**	2,175,195
Over six months but within one year	**39,702**	–
	2,036,023	2,175,195

All the receivables were not past due and relate to a wide range of customers for whom there was no recent history of default.

14. PREPAYMENTS, DEPOSITS AND OTHER FINANCIAL ASSETS

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Amounts due from Yitai Group	**6,054**	–
Amounts due from an other related party*	**61,493**	29,489
Advances to suppliers	**938,652**	882,512
Prepayments of value added tax	**1,522,575**	1,536,829
Dividends receivables	**–**	100,000
Other prepayments	**210,712**	210,899
Staff advances	**15,878**	9,375
Deposits	**195,488**	171,463
Investment in financial products	**–**	30,000
Consideration of disposal of equity interests of a subsidiary	**–**	971,250
Other receivables	**169**	887
	2,951,021	3,942,704
Less: Provision for impairment	**(4,666)**	(4,666)
	2,946,355	3,938,038

* A company controlled by an immediate family member of the chairman of the board of directors of the Company.

15.. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	Notes	**30 June 2018 Unaudited *RMB'000***	31 December 2017 Audited *RMB'000*
Cash and bank balances		**9,073,539**	11,033,829
Deposits with other financial institution		**7,549,167**	3,544,529
Less: Restricted cash	(a)	**(657,204)**	(845,260)
Cash and cash equivalents		**15,965,502**	13,733,098
Denominated in RMB	(b)	**15,958,146**	13,579,608
Denominated in other currencies		**7,356**	153,490
		15,965,502	13,733,098

Notes:

(a) As at 30 June 2018, the Group's bank balances of approximately RMB25,831,000 (unaudited) (as at 31 December 2017: RMB33,605,000) 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 within twelve months from the end of the reporting period.

As at 30 June 2018, amounts of RMB631,373,000 (unaudited) (as at 31 December 2017: RMB787,233,000) were deposited at banks as guarantee fund for the bills issued by the Group.

(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.

16. TRADE AND BILLS PAYABLES

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Trade payables to Yitai Group	**249,022**	537,598
Trade payables to associates	**–**	34
Trade payables to an other related party*	**4**	11
Trade payables to third parties	**1,500,771**	1,648,737
	1,749,797	2,186,380
Bills payable to third parties	**1,325,267**	1,251,642
	3,075,064	3,438,022

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

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Within six months	**1,283,751**	698,508
Over six months but within one year	**320,946**	785,653
Over one year but within two years	**109,250**	602,278
Over two years but within three years	**26,350**	90,364
Over three years	**9,500**	9,577
	1,749,797	2,186,380

Bills payable are bills of exchange with maturity of less than twelve months.

The trade payables are non-interest-bearing and have a credit term ranging from 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.

* A company controlled by an immediate family member of the chairman of the board of directors of the Company.

17. OTHER PAYABLES AND ACCRUALS

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Amounts due to Yitai Group	**3,138,961**	309,755
Amounts due to associates	**3,526**	3,414
Amounts due to a jointly-controlled entity	**11,403**	8,856
Amounts due to other related parties*	**9,467**	980
Advances from customers	**–**	390,277
Accrued salaries, wages and benefits	**142,408**	413,506
Other tax payables	**343,075**	740,892
Accrued interest	**293,015**	235,588
Payables for property, plant and equipment	**2,518,847**	2,890,742
Accruals	**285,185**	107,684
Other payables	**129,570**	240,118
Dividend payable	**1,608,409**	710
	8,483,866	5,342,522

* A company controlled by an immediate family member of the chairman of the board of directors of the Company and the non-controlling interest of a subsidiary of directors of the Company.

18. INTEREST-BEARING BORROWINGS AND OTHER BORROWINGS

During the six months ended 30 June 2018, the Group repaid borrowings amounted to RMB3,922 million (unaudited) (six months ended 30 June 2017: RMB3,720 million (unaudited)), and obtained new loans amounting to RMB5,800 million (unaudited) (six months ended 30 June 2017: RMB3,337 million (unaudited)) which carry interest at variable market rates from 3.3% to 8.5%.

19. COMMITMENTS

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

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Contracted, but not provided for:		
– Property, plant and equipment	**12,336,491**	13,332,890

20. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2018 and 2017:

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Sales of goods to Yitai Group	**25,730**	44,541
Provision of services to Yitai Group	**4,264**	13,399
Purchase of goods from Yitai Group	**1,509,680**	1,537,058
Procurement of services from Yitai Group	**52,354**	8,254
Construction and other services from Yitai Group	**40,690**	5,128
Sales of goods to associates	**141,771**	113,580
Provision of services to associates	**12,975**	–
Sale of goods to other related parties[1]	**38,221**	–
Provision of services to an other related party[1]	**59,818**	39,135
Procurement of services from an other related party[2]	**4,060**	3,831
Purchase of goods from an other related parties	**21,885**	–
Interest income received from an associate	**12,969**	17,163
Interest expense to an associate	**40,690**	21,932
Purchase of equity interest	**3,824,000**	–

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, on normal commercial terms and the pricing terms were mutually agreed.

1 The non-controlling shareholders of subsidiaries of the Company.

2 A company controlled by an immediate family member of the chairman of the board of directors of the Company.

20. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Outstanding balances with related parties

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Trade and bills receivables	**57,731**	49,954
Prepayments, deposits and other financial assets	**67,547**	1,100,739
Trade payables	**(249,026)**	(537,643)
Other payables and accruals	**(3,163,357)**	(323,005)

The above balances are unsecured, non-interest-bearing and repayable on demand. Further information are disclosed in previous notes.

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Borrowings[3]	**2,500,000**	1,500,000
Deposits with a financial institution[4]	**7,549,167**	3,544,529

3 The borrowings from an associate are unsecured and unguaranteed with maturity of 3 years.

4 The deposits were with an associate of the Group. The interest rate of deposits are subject to supervision of the China Bank Insurance Regulatory Commission.

(c) Guarantees received from related parties

As at 30 June 2018, loans of RMB2,210,541,000 (unaudited) (as at 31 December 2017: RMB4,110,094,000) were guaranteed by related parties for free.

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

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Short-term employee benefits	**4,630**	2,575
Post-employment benefits	**135**	182
Total compensation paid to key management personnel	**4,765**	2,757

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

The fair values of cash and cash equivalents, 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, interest-bearing borrowings and bonds payable due within one year (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 other borrowings, interest-bearing borrowings and bonds payable which carried fixed interest rate and due more than one year (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.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about bow the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Assets/Liabilities	Fair value as at 30 June 2018 *RMB'000*	Fair value as at 31 December 2017 *RMB'000*	Fair value hierarchy	Valuation techniques and key inputs
Future contracts	**Assets – 358** **Liabilities – 1,243**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on commodity price (from observable commodity price at the end of the reporting period) and contracted rates.
Quoted equity investments	**Assets – 29,655**	Assets – 41,958	Level 1	Quoted bid prices in an active market.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial Assets	Fair value as at 30 June 2018 *RMB'000*	Fair value as at 31 December 2017 *RMB'000*	Fair value hierarchy	Valuation techniques and key inputs
Unquoted equity investments – FVTPL	**Assets – 34,199**	N/A	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees
Unquoted equity investments – FVTOCI	**Assets – 7,342,000**	N/A	Level 3	Market approach – in this approach, the fair value is based on the target companies' financial performance and the multiples of comparable companies. Investment cost

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities *RMB'000*
At 1 January 2018	6,284,486
Total gains(losses):	
– in profit or loss	6,250
– in other comprehensive income	994,000
Purchases/Additions	100,000
Issues	–
Settlements	(8,537)
At 30 June 2018	7,376,199

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2018 (Unaudited)	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Financial assets at FVTPL	**–**	**–**	**34,199**	**34,199**
Equity instruments at FVTOCI	**29,655**	**–**	**7,342,000**	**7,371,655**
Financial assets at FVTPL				
– future contracts	**–**	**358**	**–**	**358**
Financial liabilities at FVTPL				
– future contracts	**–**	**(1,243)**	**–**	**(1,243)**

As at 31 December 2017, the Group held the following classes of financial instruments measured at fair value:

As at 31 December 2017 (Audited)	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	41,958	–	–	41,958

During the period ended 30 June 2018, 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. (2017: Nil)

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Subsequent to 27 August 2018, there are no significant events occurred.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of the directors on 27 August 2018.