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

ANNUAL REPORT 2018

*For identification purposes only

IMPORTANT NOTICE

I. The Board of Directors, and the Supervisory Committee of the Company and its Directors, supervisors and senior management warrant that the information herein contained is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this annual report, and severally and jointly accept full legal responsibility.

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

III. Deloitte Touche Tohmatsu has issued its standard unmodified auditor's report for the Company.

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

V. Preliminary Plans for Profit Distribution or Transfer of Public Reserve into Share Capital for the reporting period as reviewed by the Board of Directors

For the year ended 31 December 2018, the net profit attributable to the owners of the parent company amounted to RMB4,136,726,558.79 and RMB4,193,813,804.32 as set out in the audited consolidated statements for the year 2018 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. To provide better return to our shareholders as well as improving corporate values, taking into consideration of our cash dividends policy and the cash dividends distribution records for the last three years, the Board of the Company recommended a cash dividend of RMB5 (tax inclusive) per 10 shares, calculated by the total share capital of 3,254,007,000 shares, to be paid to all shareholders of the Company. The total dividends to be distributed are RMB1,627,003,500, representing 38.80% of the net profit attributable to the owners of the parent company of RMB4,193,813,804.32 as set out in the consolidated statements for the year 2018 of the Company.

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

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

VII. During the reporting period, the Company did not have any non-operational funds appropriated by controlling shareholders and its related parties.

VIII. During the reporting period, the Company did not provide third-party guarantees in violation of stipulated decision-making procedures.

IX. Major Risk Notice

The major risks faced by the Company include policy risks, risks of fluctuation in macro economy 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 III "Discussion and Analysis on the Company's Future Development" under the section headed "REPORT OF DIRECTORS" under the Section IV in this report for your review.

X. Unless otherwise stated, the data is presented in Renminbi ("RMB" or "yuan") in this report.

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DEFINITIONS

I. DEFINITIONS

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

Definitions of frequently-used terms

Board of Directors or Board	the board of directors of the Company
Coal-to-oil Company	Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)
Company or the Company	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)
Director(s)	director(s) of the Company
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)
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)
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
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)
Yili Energy	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Yitai Chemical	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai Group (Hong Kong) Co., Ltd. (伊泰(集團)香港有限公司)
Yitai Xinjiang	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)
Zhundong Railway Company	Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)

CORPORATE PROFILE 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 Lv Guiliang Liu Jian *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 Wang Sanmin Lv Guiliang Zhang Zhiming Yu Youguang Huang Sujian Wong Hin Wing Liu Jian
Members of the Audit Committee	Yu Youguang *(Chairman)* Zhang Zhiming Huang Sujian Wong Hin Wing

I. CORPORATE INFORMATION *(Continued)*

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	Zhang Zhenjin *(Chairman)* Liu Xianghua Jia Xiaolan Li Cailing He Peixun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternative Authorized Representative	Wong Wai Ling
Company Secretary	Zhao Xin

II. CONTACT PERSONS AND CONTACT METHODS

	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	40/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong
Website	http://www.yitaicoal.com/
E-mail	ir@yitaicoal.com

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BASIC INFORMATION ON THE COMPANY'S SHARES

Basic information on the Company's shares				
Class of shares	**Stock exchange**	**Stock abbreviation**	**Stock code**	**Stock abbreviation before change**
B shares	Shanghai Stock Exchange	Yitai B Share	900948	Yi Coal B Share (伊煤B股)
H shares	Hong Kong Stock Exchange	Yitai Coal	03948	/

VI. 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

(I) Key Business Data

Unit: million tonnes

Key Business Data	2018	2017	Increase/ decrease (%)
Coal production	**47.69**	47.29	0.85
Coal sales volume	**85.99**	85.46	0.62
Of which: Local sales at mines	**19.75**	16.91	16.79
Local sales at dispatching station	**8.92**	13.39	-33.38
Sales at designated railway station	**9.00**	6.33	42.18
Sales at ports	**48.32**	48.83	-1.04
Railway transport volume:	**106.35**	96.86	9.80
Huzhun Railway Line (呼准鐵路)	**32.15**	27.26	17.94
Zhundong Railway Line (准東鐵路)	**74.20**	69.60	6.61
Coal-related chemical production	**0.46**	0.19	142.11

(II) Major Accounting Data

Unit: '000 yuan Currency: RMB

Major Accounting Data	2018	2017	Change (%)
Revenue	**38,017,486**	35,897,399	5.91
Profit for the year	**5,229,534**	5,713,957	-8.48
Profit for the year attributable to owners of the Company	**4,193,814**	4,925,370	-14.85
Net cash flow from operating activities	**9,513,083**	9,743,479	-2.36

Major Accounting Data	At the end of 2018	At the end of 2017	Change (%)
Net assets attributable to owners of the Company	**33,207,467**	28,682,872	15.77
Total assets	**94,551,394**	84,560,528	11.82

Ⅶ. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS *(Continued)*

(III) Major Financial Indicators

Major Financial Indicators	2018	2017	Increase or decrease year on year (%)
Basic earnings per share (yuan/share)	**1.29**	1.51	-14.57
Basic earnings per share after deduction of non-recurring profit or loss (yuan/share)	**1.23**	1.52	-19.08
Weighted average return on net assets (%)	**13.55**	18.80	decrease by 5.25 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	**12.90**	18.87	decrease by 5.97 percentage points

Ⅷ. DIFFERENCES ON FIGURES BY DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

Unit: yuan Currency: RMB

	Net Profits		Net assets attributable to shareholders of the listed companies	
	Amount for the current period	Amount for the previous period	**Amount by the end of period**	Amount at the beginning of period
Under the PRC accounting standards	**4,136,726,558.79**	4,925,369,613.37	**33,207,467,047.43**	28,682,872,440.48
Item and amount adjusted under foreign accounting standards:				
Principal business cost – production safety fee	**-57,087,245.53**	–	**–**	–
Under IAS	**4,193,813,804.32**	4,925,369,613.37	**33,207,467,047.43**	28,682,872,440.48

Explanation on the major differences between the PRC accounting standards and IAS: Pursuant to the relevant regulations of the relevant agencies of the Chinese government, the Group is required to make provision for production maintenance fee, work safety fee and other similar fees. The accrual expenses will be transferred to a special reserve account under equity attributable to the holders for the year. When the fixed asset is recognized and its cost is being measured, within the special use conditions, full amount of relevant incurred fund recorded as special reserve will be credited to the accumulated depreciation simultaneously. Pursuant to the IFRS, these expenditures should be recognised when incurred, relevant capital expenditures are recognized as property, plant and equipment when they are incurred and depreciated according to the respective depreciation policy.

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS *(Continued)*

IX. MAJOR FINANCIAL DATA IN 2018 BY QUARTERS

Unit: '000 yuan Currency: RMB

	First quarter (January-March)	Second quarter (April-June)	Third quarter (July-September)	Fourth quarter (October-December)
Revenue	8,177,578	10,016,379	9,556,013	11,434,652
Net profit attributable to shareholders of the listed company	998,389	1,306,182	1,594,119	238,036
Net profit after non-recurring profit or loss attributable to shareholders of the listed company	993,237	1,287,642	1,573,075	158,531
Net cash flow from operating activities	486,646	2,812,861	2,215,855	4,217,630

Note: The above financial information is prepared in accordance with the PRC Accounting Standards for Business Enterprises

X. ITEMS MEASURED AT FAIR VALUE

Unit: '000 yuan Currency: RMB

Items	Balance at the end of the period	Amounts that affect the profit for the period
Financial assets	8,552,852	27,248
Financial liabilities	3,721	-3,721

XI. FIVE-YEAR FINANCIAL SUMMARY

The following financial information is extracted from the regular reports of the Company prepared in accordance with IFRSs.

Unit: ’000 yuan   Currency: RMB

	2014	2015	2016	2017	2018
Revenue and profit					
Revenue	24,806,104	19,116,172	22,317,130	35,897,399	38,017,486
Cost of sales	(18,004,758)	(15,442,988)	(16,682,378)	(25,368,663)	(27,724,815)
Gross profit	6,801,346	3,673,184	5,634,752	10,528,736	10,292,671
Profit before tax	3,400,075	294,323	2,564,871	7,146,990	6,417,998
Profit for the year	2,761,317	252,726	2,125,361	5,713,957	5,229,534
Profit attributable to the owners of the Company	2,252,637	90,501	1,985,762	4,925,370	4,193,814
Earnings per share – basic (RMB)	0.69	0.03	0.61	1.51	1.29
Assets and liabilities					
Current assets	13,055,979	13,787,843	11,662,028	22,335,878	23,629,653
Non-current assets	45,688,099	54,380,923	59,279,576	62,224,650	70,921,741
Current liabilities	5,626,640	11,885,820	11,542,617	18,043,830	18,961,327
Non-current liabilities	25,620,785	29,514,599	30,830,687	29,026,585	33,037,685
Total equity	27,496,653	26,768,347	28,568,300	37,490,113	42,552,382

COMPANY BUSINESS PROFILE

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

The company is a large-scale clean energy enterprises integrating railway and coal-related chemical industry with coal production, transportation and sales as the basis. The Company directly owns and controls a total of nine mechanized coal mines in operation. At present, the Company controls three main railways in operation, namely the Zhundong Railway, Huzhun Railway and a special railway line for Suancigou Mine. At the same time, the Company also holds 15% equity interests in Xin Baoshen Railway, 18.96% equity interests in Zhunshuo Railway, 2% equity interests in Mengxi-Huazhong Railway, 3.9226% equity interests in the South Ordos Railway and 9% equity interests in Mengji Railway, respectively. 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. The Company has kept increasing technical and equipment input in railway management for years, thus realizing interconnection with national railways. Currently, the design delivery capacity of the self-operated railways and the coal transport capacity reached 220 Mtpa and over 100 Mtpa, respectively. A complete transport network covering all main mines of the Company has been established, thus creating a good condition for transporting the coal both owned by the Company and from the peripheral area. The Company possesses the world-leading indirect coal-to-liquid conversion technique and plans and constructs large-size coal-to-chemicals projects in Xinjiang and Inner Mongolia applying such technique. As a major product of the Company at present, environment-friendly and quality thermal coal mainly serves as fuel coal for various industries in the downstream of the coal industry including thermal power, construction materials and chemicals.

In 2018, the macro economy has basically maintained a stable and positive development trend, while the coal economy was in a good state of operation. The supply and demand in the domestic coal market were balanced overall. The supply-side reform further advanced the layout optimization of the coal industry, which in turn drove the improvement in the concentration of the coal industry, continual rise of coal price and better profitability of the industry.

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As the largest local coal enterprise in Inner Mongolia, the Company has an overall competitive advantage over its peers by boosting its scale, 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 indirect coal-to-oil liquefaction 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 dividend and tax paying record for a number of years, and actively participated in local environmental governance and ecological improvement, truly achieving harmonious development of the Company and the society.

REPORT OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2018, the macro economy basically maintained a stable and positive development trend, while the coal production and economy were in a good state of operation, industry concentration was further improved. The supply and demand in the domestic coal market were booming and balanced as well in general. The supply-side reform drove a continual rise of coal price and better profitability of the industry. Based on its existing strategic development goals, the Company was effectively responsive to market changes for the purpose of advancing its continuous high-quality development.

As of the end of the reporting period, the Company recorded a total asset of RMB94.551 billion, a revenue of RMB38.017 billion in 2018 and a net profit attributable to owners of the parent company of RMB4.194 billion.

(I) Coal sector

During the reporting period, the Company has realized production of commodity coal of 47.69 million tonnes and sales of coal of 85.99 million tonnes.

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. Meanwhile, the Company focused on deliberating on the coal refining plans for all coal mines and coal washing plants, assisted the reform of production system, diversified the type of commodity coal, and increased lump coal rate, thereby achieving coal refining, cost reduction and efficiency enhancement.

2. Coal transportation and sales

In 2018, the Company strengthened marketing for coal. On the basis of enhancing the key contracted users, the Company brought its sale pace under control through sub-division of coal type, combination of futures and spot, direct supply of orders, container distribution and other new trade modes, optimizing its client structure and gradually releasing new driving forces.

(II) Railway sector

In 2018, as driven by the strategy of transportation-sale integration, the Company seized the new opportunities brought by the reform of railway cargo settlement, strengthened the coordination of transportation with sales and storage & shipment management to improve the turnover rate; and established the Gonggou Shipment Station and increased supply. During the reporting period, Zhundong Railway Company and Huzhun Railway Company dispatched 74.20 million tonnes and 32.15 million tonnes of coal, respectively. The traffic volume through the Company's self-operated railways first exceeded 100 million tonnes with a profit of RMB667 million achieved.

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

(III) Coal-to-chemicals sector

The layout of coal-to-chemicals industry is an important strategic move for the Company to extend its industrial chain, achieve transformation and upgrading and enhance its core competitiveness. The "13th Five-Year Plan for Energy Development" clearly states that the pace of development should be rationally controlled, technological innovation and market risk assessment should be strengthened, the conditions for environmental protection accession should be strictly implemented, the deep processing of coal should be developed in order, the upgrading of coal-to-fuel, coal-to-olefin production and other demonstrations should be steadily promoted and the competitiveness and risk-resistance of the project should be enhanced according to the orientation of the National Energy Technology Reserve and Capacity Reserve Demonstration Project. A total of three projects of "Xinjiang Yili", "Xinjiang Ganquanpu" and "Inner Mongolia Yitai" were selected as key coal liquefaction projects in the "13th Five-Year Plan" for deep processing of coal. The Company has been unswervingly speeding up the approval and construction of coal chemical projects.

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

During the reporting period, on ensuring the safe and stable production, Coal-to-oil Company optimized its processes and procedures, and enhanced technical innovation so that a total of 0.1943 million tonnes of various types of oil and chemicals were produced during the year. In the meantime, the Company realized the target of inventory-cutting and cost reduction and efficiency improvement via reasonable allocation of inventory materials and enhancement of cost control, and recorded a revenue of RMB894 million and a net profit of RMB31.84 million.

The 0.05 Mtpa stable light hydrocarbons deep processing project of Coal-to-oil Company achieved a successful trial run, further extending the industry chain and increasing the added value of the products for the Company.

2. Project construction

The 1.2 Mtpa of fine chemicals project of Yitai Chemical completed the transfer from CIP to PPE at the end of September 2018. The Company is actively advancing the engineering settlement and budgeting of the project. During the year, Yitai Chemical recorded a production volume of 0.26 million tonnes of chemicals, and a revenue of RMB1.292 billion and net profit of RMB57.78 million.

In 2018, as to the second phase of the 2 Mtpa indirect coal-to-liquids conversion pilot project of Coal-to-oil Company, the Company adjusted the product scheme and some process plan for the second phase of the project by focusing on the design optimization and taking into account of the implementation of the project, upper-stream facilities cooperation and construction, investment and financing, product scheme adjustment and other factors.

During the reporting period, Yili Energy actively carried out project site management, supporting resource integration and product scheme optimization, continued to promote the financing works and introduction of strategic partners.

During the reporting period, Yitai Xinjiang continued to enhance project site management for its energy project, and advanced the approval work for the project in a planned and orderly manner.

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

(IV) Safety and environmental protection

During the reporting period, the Company further promoted the safety and quality standardization work, raised the safety management level, and successfully completed various safety control objectives. Hongjingta No. 1 mine, Dadijing Mine, Suancigou Mine and Talahao Mine passed the acceptance of first-class standardized mines in respect of production safety; meanwhile, the Company continued to improve the environmental management system, adhered to the environmental protection bottom line and integrated environmental protection into its routine management; steadily promoted environmental protection, water protection approval, and acceptance work for construction projects. Besides, the Company paid the environmental tax as scheduled.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD

(I) Analysis on the principal business

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

Unit: '000 yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period last year	Change (%)
Revenue	**38,017,486**	35,897,399	5.91
Cost of sales	**(27,724,815)**	(25,368,663)	9.29
Selling and distribution expenses	**(1,319,969)**	(1,269,996)	3.93
General and administrative expenses	**(1,135,927)**	(1,051,185)	8.06
Finance costs	**(1,216,692)**	(918,595)	32.45
Net increase in cash and cash equivalents	**3,261,242**	9,306,217	-64.96
Research and development costs	**863,396**	711,796	21.30

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(I) Analysis on the principal business *(Continued)*

1. Analysis on revenue and cost

(1) Principal business by segments

Unit: '000 yuan   Currency: RMB

As of 31 December 2018	Coal	Transportation	Coal-related chemical	Total	Others	Total
Segment revenue:	35,317,101	2,313,758	2,632,823	40,263,682	10,272	40,273,954
Sales to external customers	34,568,737	816,069	2,622,408	38,007,214	10,272	38,017,486
Intersegment sales	748,364	1,497,689	10,415	2,256,468	–	2,256,468
Segment profit:						
Profit/(loss) before tax	5,736,909	766,828	64,442	6,568,179	3,142	6,571,321
Intersegment profit						(153,323)
Income tax expense						(1,188,464)
Net profit for the period						5,229,534
Segment assets	57,231,705	13,273,220	36,655,239	107,160,164	1,343,588	108,503,752
Intersegment elimination						(13,952,358)
Total assets						94,551,394
Segment liabilities	30,490,774	4,778,442	18,501,003	53,770,219	506,430	54,276,649
Intersegment elimination						(2,277,637)
Total liabilities						51,999,012

Note: The above financial information is prepared in accordance with the IFRSs

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(I) Analysis on the principal business *(Continued)*

1. Analysis on revenue and cost *(Continued)*

(2) Principal business by regions

Unit: million yuan   Currency: RMB

Regions	Operating revenue	Increase/ decrease of operating revenue compared to last year *(%)*
North China	14,559.38	15.71
East China	15,478.85	-0.15
South China	7,286.43	9.36
Northeast China	83.76	-89.65
Central China	601.94	-15.73
Northwest China	508.62	489.00
Southwest China	3.20	115.18
Total	38,522.18	5.95

Note: The above financial information is prepared in accordance with the PRC Accounting Standards for Business Enterprises

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(I) Analysis on the principal business *(Continued)*

1. Analysis on revenue and cost *(Continued)*

(3) Synergies between each business segment

Unit: million tonnes Currency: RMB

	2018		2017	
Coal operation	**Sales volume (in ten thousand tonnes)**	**Percentage**	Sales volume (in ten thousand tonnes)	Percentage
Sales to external customers	**85.99**	**96.77%**	85.46	95.61%
Sales to internal coal-related chemical operation	**2.87**	**3.23%**	3.92	4.39%
Railway operation	**Transportation volume (in ten thousand tonnes)**	**Percentage**	Transportation volume (in ten thousand tonnes)	Percentage
Internal transportation service	**70.75**	**66.53%**	65.99	68%
Transportation service to third parties	**35.60**	**33.47%**	30.87	32%
Coal-related chemical operation	**Purchase volume (in ten thousand tonnes)**	**Percentage**	Purchase volume (in ten thousand tonnes)	Percentage
Internal purchase	**2.87**	**50.71%**	3.92	100%
External purchase	**2.79**	**49.29%**	0	0

(4) Analysis on production and sales

Unit: million tonnes Currency: RMB

Principal products	Production	Sales	Inventory	Increase/ decrease in production compared to last year *(%)*	Increase/ decrease in sales compared to last year *(%)*	Increase/ decrease in inventory compared to last year *(%)*
Thermal coal	47.69	85.99	2.10	0.84	0.61	-43.25
Coal chemical products	0.4553	0.5072	0.0313	140.64	90.18	301.28

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(I) Analysis on the principal business *(Continued)*

1. Analysis on revenue and cost *(Continued)*

(5) Analysis on factors causing changes in business revenue

Item	From January to December 2018 Quantity *(in million tonnes)*	From January to December 2018 Unit price *(yuan/tonne) (tax exclusive)*	From January to December 2017 Quantity *(in million tonnes)*	From January to December 2017 Unit price *(yuan/tonne) (tax exclusive)*
Local sales at mines	**19.75**	**239**	16.91	245
Local sales at loading facilities	**8.92**	**271**	13.39	274
Sales via direct rail access	**9.00**	**476**	6.33	461
Sales at ports	**48.32**	**489**	48.83	484
Total	**85.99**	**407**	85.46	402

(6) Analysis on factors influencing revenue from physical product sales

Unit: million tonnes

Item	From January to December 2018 Quantity	From January to December 2017 Quantity
Self-produced coal	**44.50**	43.66
Coal purchased externally	**41.49**	41.80

Company-owned railways	From January to December 2018 Total throughput	From January to December 2018 Freight volume for the Company	From January to December 2017 Total throughput	From January to December 2017 Freight volume for the Company
Zhundong Railway Line	**74.20**	**57.06**	69.60	54.05
Huzhun Railway Line	**32.15**	**13.69**	27.26	11.94

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(I) Analysis on the principal business *(Continued)*

1. Analysis on revenue and cost *(Continued)*

(7) Analysis on cost

Unit: million yuan

By segment	Amount in the period	Amount for the reporting period over the total costs *(%)*	Amount in the same period of last year	Amount in the same period of last year over the total costs *(%)*	Amount for the reporting period compared to the same period last year *(%)*
Coal operation	25,257,60	91.10	23,906.66	94.24	5.65
Transportation business	411.45	1.49	402.96	1.59	-2.11
Coal-related chemical operation	2,051.88	7.40	1,056.23	4.16	94.26
Other	3.89	0.01	2.81	0.01	-38.43
Total	27,724.82	100.00	25,368.66	100.00	9.29

2. Expenses

Items of statements	Amount in the period *('000 yuan)*	Amount of last period *('000 yuan)*	Percentage change *(%)*	Reason for change
Selling and distribution expenses	1,319,969	1,269,996	3.93	Mainly due to the increase of port expenses and loading fees in the period
Management expense	1,135,927	1,051,185	8.06	Mainly due to the increase of maintenance service fees in the period

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(I) Analysis on the principal business *(Continued)*

3. Research and development costs

Unit: yuan

Research and development costs in the period	863,396,413.73
Capitalized research and development in the period	0
Total research and development costs	863,396,413.73
Percentage of total contribution in research and development over operating income (%)	2.20

Explanation:

During the reporting period, the Company increased investment in scientific research and innovation of coal mining and washing, with which the Company mainly carried out the research and development of the processes and equipment in terms of coal mining, supporting, safety information system, washing, screening, coal refining and coal blending. Such investment has played a significant role in ensuring safe and efficient production, promoting environmental protection, energy conservation and consumption reduction, improving product quality and expanding the range of product applications and improving our profitability.

4. Cash flow

As at 31 December 2018, the balance of cash and cash equivalents was RMB16,994.17 million, increased by 23.75%, as compared with that of last year.

Net cash inflow from operating activities for the period was decreased by 2.36% as compared with that of last year, mainly due to the increase in income tax expense and decrease in credit purchase during the reporting period.

Net cash outflow from investing activities for the period was increased by 69.57% as compared with that of last year, mainly due to the increase in the equity investment in Guanglian Coal Chemical and Mengxi-Huazhong Railway and the fund investment in Hangzhou Xinyu.

Net cash inflow from financing activities for the period was decreased by 59.99% as compared with that of last year, mainly due to the decrease in cash received from investments by minority shareholders in the period.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(I) Analysis on the principal business *(Continued)*

5. Liquidity and capital resources

For the year ended 31 December 2018, the Company's capital mainly came from capital generated from business operation, corporate bonds, 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 of the Company.

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

The Company's Capital structure is set out as below:

Unit: '000 yuan Currency: RMB

	31 December 2018	31 December 2017
Interest-bearing borrowings	**33,582,111**	29,652,268
Long-term bonds	**7,937,090**	6,988,801
Trade and bills payables	**3,719,348**	3,438,022
Financial liabilities at fair values through profit or loss	**3,721**	–
Financial liabilities included in other payables and accruals	**2,229,630**	3,797,847
Other borrowings	**853,639**	851,000
Less: Cash and cash equivalents	**(16,994,167)**	13,733,098
Net debt	**31,277,372**	30,994,840
Equity attributable to equity holders of parent company	**33,207,467**	28,682,872
Gearing ratio*	**49%**	52%

* 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.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(II) Analysis on assets and liabilities

1. Property, plant and equipment

As at 31 December 2018, the net value of Company's property, plant and equipment amounted to RMB49,333,602 thousand, increased by RMB759,813 thousand or 1.56% as compared with RMB48,573,789 thousand as at 31 December 2017, mainly due to the increase in buildings of RMB168,835 thousand arising from the acquisition of Zhonghang Liming Jinhuaji Petro Equipment Co., Ltd. (中航黎明錦化機石化裝備(內蒙古)有限公司), the increase in mining structures of RMB320,446 thousand arising from the recognition of rehabilitation obligations of Talahao Mine, and the increase in the compensation for relocation of RMB350,502 thousand which included into mining structures.

The Company's property, plant and equipment (net value) as at 31 December 2018 and at 31 December 2017 are as follows:

Unit: '000 yuan

	As at 31 December 2018	**Percentage (%)**	As at 31 December 2017	Percentage (%)
Buildings	**7,698,925**	**16**	4,415,887	10
Mining structures	**3,621,284**	**7**	2,942,126	6
Plant and machinery	**13,472,618**	**27**	4,395,025	9
Motor vehicles	**159,757**	**0**	196,241	0
Railway	**9,537,395**	**19**	9,848,520	20
Road	**442,121**	**1**	477,020	1
Office equipment and others	**615,684**	**1**	651,192	1
Construction in progress	**13,785,818**	**29**	25,647,778	53
Total	**49,333,602**	**100**	48,573,789	100

2. Trade and bills receivables

As at 31 December 2018, the net value of the Company's trade and bills receivables amounted to RMB1,481,452 thousand, decreased by RMB805,617 thousand or 35.22% as compared with RMB2,287,069 thousand as at 31 December 2017, mainly due to the fact that the Company stepped up its efforts in collecting receivables and shortened collection cycles under the shortage in coal market at the end of the year.

3. Borrowings

As at 31 December 2018, the balance of the Company's borrowings amounted to RMB33,528,111 thousand, increased by RMB3,875,843 thousand or 13.07% as compared with RMB29,652,268 thousand as at 31 December 2017, mainly due to the increase of RMB2,193,750 thousand of the payment for coal, freight, or maintaining liquidity, and increase of RMB1,890,000 thousand in expenditures for equipment reform of 1.2 million tonnes fine chemicals project of Yitai Hangjinqi.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(II) Analysis on assets and liabilities *(Continued)*

4. Analysis on assets and liabilities

The following financial information is prepared in accordance with the IFRSs

Unit: ’000 yuan

Item	Closing balance for the period	Closing balance for the balance over the total assets (%)	Closing balance for the last period	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
Other intangible assets	752,627	0.80%	243,757	0.29%	208.76%	Mainly due to the purchase of production capacity and the inclusion of Yitai Chemical into fixed assets
Investments in associates	8,860,920	9.37%	889,781	1.05%	895.85%	Mainly due to the increase in the capital of Guanglian Coal Chemical in the period, which is caused by the conversion of fair value measurement to equity accounting in the period
Other non-current assets	232,573	0.25%	486,728	0.58%	-52.22%	Due to the fact that Yitai Chemical obtained the land title certificate through the paid land transfer fees which reclassified as prepaid land lease payment accounting
Accounts receivables/bills and accounts receivables	1,481,452	1.57%	2,287,069	2.70%	-35.22%	Mainly due to the collection of accounts receivable
Income tax payables	611,182	0.65%	299,175	0.35%	104.29%	Mainly due to the use of deductible losses in the previous year and the payment of large amount for price adjustment funds to offset income tax
Deferred income tax liabilities	695,613	0.74%	375,193	0.44%	85.40%	Due to the valuation appreciation in of financial assets measured at fair value through other comprehensive income
Other non-current liabilities	464,232	0.49%	49,754	0.06%	833.05%	Due to the recognition of rehabilitation obligations in the period

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(II) Analysis on assets and liabilities *(Continued)*

5. Restrictions on major assets as of the end of the reporting period

Unit: yuan Currency: RMB

Item	Balance *(yuan)*	Reason for restrictions
Cash at bank and on hand	625,178,469.45	Bank acceptance bills, letter of guarantee deposits and environmental deposits deposited with the bank
Total	625,178,469.45	

(III) Analysis on operational information in the industry

1. Coal mining and operating status

During the reporting period, the Company completed the optimization and promotion of new processes and new technologies, improved the mine recovery rate. At the same time, the company focuses on demonstrating the coal quality improvement measures of coal mines and coal washing plants, assisting in the transformation of the production system, increasing the variety of commodity coal, increasing the lump coal rate, and realizing the improvement of mime quality, the decrease in cost and the increasing efficiency.

During the reporting period, the company has realized production of commodity coal of 47.69 million tonnes, representing an increase of 0.85% year-on-year; completed the total drivage of 128,000 meters, representing an increase of 10.92% year-on-year.

During the reporting period, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB499.75 million which was mainly related to the medium- and long-term assets expenditures during the process of coal mining and other expenditures.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(III) Analysis on operational information in the industry *(Continued)*

2. Reserves of the Company's mines

Unit: million tonnes

Mine of the Company	Remaining reserve in the PRC at the end of December 2018	Mineable reserve in the PRC at the end of December 2017
Suancigou	**1,237.42**	830.78
Nalinmiao Mine No. 2	**112.27**	45.67
Hongjingta Mine No. 1	**95.22**	27.38
Nalinmiao Mine No. 1	**23.96**	24.58
Kaida	**190.80**	109.92
Dadijing	**73.41**	39.38
Baoshan	**35.64**	18.70
Baijialiang	**4.50**	4.05
Talahao	**850.71**	517.93
Total	**2,623.94**	1,618.39

Explanation:

Calculation criteria: Quantity of resources and reserves of the Company estimated as at 31 December 2018 is obtained from the resources latest recorded by the Ministry of Land and Resources less the used resources year by year. There have been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in this annual report are pursuant to the currently prevailing code standard of China: reserves of corresponding grade are calculated according to the Management Rule of Reserves of Operating Mines (《生產礦井儲量管理辦法》), and Coal and Peat Geology Exploration Regulation (《煤、泥炭地質勘查規範》). The reserves sheet shall be examined and verified by the internal geological experts of the Company. During the reporting period, the Company commissioned geological prospecting units to re-verify the reserve of resources of Suancigou Mine, passed through the reviewing by the Department of Land and Resources of Inner Mongolia Autonomous Region, obtained the Certificate of Records (Nei Guo Tu Zi Chu Bei Zi [2018] No.127), and re-verify the mineable reserve under this report.

The change of mineable reserve in Nalinmiao Mine No. 1 is due to the measurement of residual coal from the remaining plant mining into mineable reserve of open mining.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(III) Analysis on operational information in the industry *(Continued)*

3. Mine explorations by the Company during the reporting period

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

4. Construction of mines

The Company has no mines under construction currently.

5. Cost of coal

Unit: yuan Currency: RMB

Project	Category	January to December 2018	January to December 2017
Production cost per unit of self-produced coal	Labor cost	**19.15**	16.89
	Raw material, fuel and power	**9.04**	7.85
	Depreciation and amortization	**8.22**	6.77
	Other production costs	**56.21**	34.09
	Total production cost for coal	**92.62**	65.60
Cost per unit of coal purchased domestically		**302.47**	306.08

Explanation:

The increase in production cost per unit of self-produced coal was mainly due to the increase in other production costs. Among them, the increase in disaster management output led to an increase in the cost of earthwork stripping by RMB14.91/ton over the previous year, and an increase of RMB3.62/ton in forest vegetation restoration compensation.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(III) Analysis on operational information in the industry *(Continued)*

6. Information on major customers

Unit: million yuan Currency: RMB

Customer name	Sales revenue	Percentage of the total sales revenue *(%)*
First	4,007.79	10.23
Second	1,610.77	4.11
Third	1,501.70	3.83
Fourth	1,362.45	3.48
Fifth	1,252.77	3.20
Total	9,735.48	24.85

Sales to top five customers amounted to RMB9,735.48 million, accounting for 24.85% of the total annual sales; among which sales to related parties amounted to RMB1,252.77 million, accounting for 3.2% of the total annual sales.

7. Information on major suppliers

Unit: million yuan Currency: RMB

Supplier name	Purchase amount (tax exclusive)
First	2,658.68
Second	862.41
Third	619.42
Fourth	414.18
Fifth	384.26
Total:	4,938.94

Purchases from top five suppliers amounted to RMB4,938.94 million, accounting for 41.80% of the total annual purchases; among which purchases from related parties amounted to RMB2,658.68 million, accounting for 22.50% of the total annual purchases.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(IV) Analysis on investment

1. Material equity investment

On 3 July 2018, the Resolution on Participation in the Investment in and Establishment of Limited Partnership was approved at the thirteenth meeting of the seventh session of the Board of the Company, pursuant to which the Company was approved to establish Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信聿投資管理合夥企業(有限合夥)) jointly with Shanghai Rongyu Enterprise Management Co., Ltd. (上海鎔聿企業管理有限公司) by investment of RMB1.0 billion with its own funds on the premise of ensuring the funding needs for its day-to-day production and operation. In accordance with the Limited Partnership Agreement, the Company made capital contribution of RMB1.0 billion as a limited partner and Shanghai Rongyu Enterprise Management Co., Ltd. (上海鎔聿企業管理有限公司) made capital contribution of RMB1.0 million as a general partner. There was no relation between the Company and Shanghai Rongyu Enterprise Management Co., Ltd. (上海鎔聿企業管理有限公司).

On the premise of ensuring the funding needs for its production and operation, the investment made by the Company with its own funds can help increase its capital utilization efficiency and improve its overall earnings, with no material adverse impacts on the Company's production and operation and in the interests of all shareholders.

2. Significant non-equity investment

Securities investment

Currency: RMB

No.	Type of securities	Stock code	Stock abbreviation	Initial investment *(in million yuan)*	Shareholdings *(share)*	Closing book value *(in million yuan)*	Percentage of total securities investment at the end of the period *(%)*
1	Share	3369	QHD PORT	79.24	19,013,000.00	31.82	100
Total				79.24	19,013,000.00	31.82	100

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(IV) Analysis on investment *(Continued)*

2. Significant non-equity investment *(Continued)*

Shareholding in non-listed financial entities:

Currency: RMB

Name of the investee	Initial investment *(in ten thousand yuan)*	Closing book Value *(in ten thousand yuan)*	Profit or 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	3,296.46	831.61	Other non-current financial assets	Capital contribution
Panmao (Shanghai) Investment Center LP (磐茂(上海)投資中心(有限合夥))	27,500.00	28,860.17	1,360.18	Other non-current financial assets	Capital contribution
Zhuhai Rongyu Investment Center L.L.P (珠海鎔聿投資中心(有限合夥))	11,844.72	14,025.68	2,180.96	Other non-current financial assets	Capital contribution
Panfeng Value Fund C (磐灃價值C期)	10,155.00	9,338.68	-816.32	Other non-current financial assets	Capital contribution
Total	59,499.72	55,521.01	3,556.43		

Explanations on shareholding in non-listed financial entities:

Book value of Mianyang Technology Property Investment Fund during the period decreased by RMB3.5219 million due to offset against costs by revenue from fund investments. According to the partnership agreement and the profit distribution plan, investment income for the project obtained during the period of fund operation shall be allocated to the partners until the partners recover their in-paid capital contribution, and clarify the amounts of the offset against investment cost and investment revenue in the distribution of cash per month.

Gain/(Loss) of Panmao (Shanghai) Investment Center LP (磐茂(上海)投資中心(有限合夥)), Zhuhai Rongyu Investment Center L.L.P ((珠海鎔聿投資中心(有限合夥)), Panfeng Value Fund C (磐灃價值C期) is RMB27.2482 million due to the increase of Gain/(Loss) on changes in the fair value.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

(IV) Analysis on investment *(Continued)*

3. Financial assets measured at fair value

Please see Item "X. Items Measured at Fair Value" under Section II in this report for details.

(V) Disposal of major assets and equity

Nil

(VI) Analysis on major subsidiaries and investees

Unit: Yuan Currency: RMB

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net profit
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Mining and sales of coal	1,080,000,000.00	6,319,175,169.81	1,618,250,510.21
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	7,108,813,977.87	781,705,615.39
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	2,074,598,000.00	6,408,320,556.46	-115,203,296.83
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Coal chemical products	Construction and operation of the production projects of 1# low-aromatic solvents, 85# Fischer-Tropsch wax, light synthetic lubricants, propane, LPG and other chemical products	2,352,900,000.00	4,194,086,987.11	-31,836,586.82
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Coal chemical products	Construction of the production projects of 1# low-aromatic solvents, 3# low-aromatic solvents, light liquid wax, heavy liquid wax, 85# Fischer-Tropsch wax and other chemical products	5,900,000,000.00	19,420,274,902.13	57,780,873.13

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

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

The below financial information is prepared in accordance with the PRC Accounting Standards for Business Enterprises

1. Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.

Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. was jointly funded and established by the Company, 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) on 18 September 2007. It has a registered capital of RMB1.08 billion and is owned as to 52% by the Company.

During the reporting period, Suancigou Mine continued to advance the safety management level, revised and improved various safety management systems, and implemented safety production responsibility system at various levels to eliminate minor injuries or more serious accidents. Furthermore, it passed the first-class standardized mine acceptance in respect of production safety and was accredited as a "National Safe Mine of High Production Volume and High Production Efficiency", maintaining a sound record in production safety overall. Suancigou Mine carried out scientific production, optimized the continuity of production, and made timely and accurate adjustment to ensure a normal and orderly production, and accelerated the establishment of ground production ancillary system, fully releasing its production capacity. Capacity replacement is conducted by means of purchasing capacity replacement quotas, and realized capacity replacement quotas 6 Mtpa, increasing from 12 Mtpa to 18 Mtpa during the reporting period. Meanwhile, Suancigou Mine enhanced mechanical and electrical management and washing & scheduling management, and improved the operating capacity of equipment, and optimized its efficiency. During the year, the total operating revenue and net profit amounted to RMB3.530 billion and RMB1.618 billion, respectively.

2. Inner Mongolia Yitai Zhundong Railway Co., Ltd.

Inner Mongolia Yitai Zhundong Railway Co., Ltd., principally engaged in railway transport business, has a registered capital of RMB1.554 billion and is owned as to 71.27% by the Company. Zhundong Railway Line has a total length of 191.41 kilometers, stretching from Zhoujiawan Railway Station in the Jungar Coalfield westward to Jungar Zhao in the Dongsheng Coalfield, providing a railway transportation route from the Company's mines in the Dongsheng Coalfield to Dazhun Railway and Huzhun Railway, which further connects to Tianjin Port, Qinhuangdao Port and Caofeidian Port through the Daqin Railway and the Jingbao Railway.

During the reporting period, Zhundong Railway Company focused on improving management and increasing traffic volume. By coordinating with the transportation organization, releasing the transportation capacity, and enhancing storage & shipment management, the goods allocation was optimized and the coal inventory was effectively controlled, thereby improving the turnover rate and space utilization of the station. During the year, Zhundong Railway Company dispatched an aggregate of 74.20 million tonnes of coal, and recorded an operating revenue and net profit of RMB1,917 million and RMB782 million, respectively. As at 31 December 2018, Zhundong Railway Company maintained a safety production record of 6,590 days in a row with no railway accidents of general Class B and above or personal minor injuries during the whole year.

As to project construction, Gonggou Container Station project completed the heavy-loaded joint debugging and commissioning on 30 October 2018; Xiyingzi, Jungar Zhao Shipment Station environmental renovation engineering has completed the feasibility study and design tendering.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

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

3. Inner Mongolia Yitai Huzhun Railway Co., Ltd.

Inner Mongolia Yitai Huzhun Railway Co., Ltd., which was jointly funded and established by the Company, Inner Mongolia Mengtai Buliangou Coal Co., Ltd., Datang Electric Power Fuel Co., Ltd. and Hohhot Railway Bureau, is principally engaged in transportation of railway cargo. It has a registered capital of RMB2,074,598,000 and is owned as to 76.9917% by the Company. Huzhun Railway Line has a length of 237.98 kilometers, stretching from Zhoujiawan Railway Station in Jungar Banner northward to Hohhot Station of the Jingbao Railway. Huzhun Railway is an important channel for transporting the coal produced by the Company to the markets in eastern and northern China.

In 2018, Huzhun Railway Company focused on loading quality and warehouse enlargement, effectively improving the transport efficiency and turnover efficiency; increased efforts on equipment upgrading and transformation and improved the quality of locomotive and equipment, further ensuring the operation safety of the online locomotive. As at 31 December 2018, Huzhun Railway Company maintained a safety production record of 4,426 days in a row with no railway accidents of general Class B and above or personal minor injuries during the whole year. During the reporting period, Huzhun Railway Company has dispatched an aggregate of 32.15 million tonnes of coal. It recorded an operating revenue of RMB495 million and loss of RMB101 million. Due to the fact that the actual dispatching volume of the Huzhun Railway has not reached the designed dispatching volume, coupled with the relatively high finance cost and the depreciation, therefore, no profit recorded in 2018.

As to project construction, the Company has completed the settlement for Tuozhou section and Jiatuo section of the second track of Huzhun Railway Line, and the submission of the upline project for approval; and environmental appraisal approval has been obtained for Guanniuju Container Station.

4. Inner Mongolia Yitai Coal-to-oil Co., Ltd.

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

During the reporting period, Coal-to-oil Company realized a production of a total of 0.1943 million tonnes of various types of oil and chemicals, with an operating revenue and net profit of RMB894 million and RMB31.84 million, respectively. In the meantime, through building up safety management capability, making breakthroughs in process management, and enhancing equipment management, impressive results were achieved in cost reduction and efficiency improvement and inventory-cutting.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

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

5. Inner Mongolia Yitai Chemical Co., Ltd.

Inner Mongolia Yitai Chemical Co., Ltd. was incorporated on 29 October 2009 with a registered capital of RMB5.9 billion, and was owned as to 61.15% by the Company.

The 1.2 Mtpa of fine chemicals project of Yitai Chemical completed the transfer from CIP to PPE at the end of September 2018. In 2018, Yitai Chemical Company achieved a stable operation of 343.46 days, and recorded a production volume of 0.261 million tonnes of various chemicals, with a sales revenue of RMB1.292 billion and net profit of RMB57.78 million.

In order to further extend the industry chain and increase the added value of products, Yitai Chemical established Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司), among which 51% shares owned as to Inner Mongolia Yitai Chemical Co., Ltd. and 49% shares owned as to Nanjing Ningneng Chemical Industry Investment Co., Ltd (南京寧能化工產業投資有限公司). 0.50 Mtpa Fischer-Tropsch alkane fine separation project is of Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司) located in the Jintai Fine Chemical Park, Duguitala Industrial Park of Hangjin Qi, Ordos, Inner Mongolia in the fine chemical industry park in the area of industrial park in Inner Mongolia Ordos Hangjinqi, Duguitala, covering an area of about 200 Mu, with an estimated investment of about RMB719 million. The project uses the Fischer-Tropsch alkane from Yitai Chemical's 1.20 Mtpa fine chemicals project as raw materials and converts them into high-value-added fine chemistry such as light liquid wax, heavy wax, n-hexane and n-heptane by fine separation, in a view to achieve differentiated development of petroleum refining products, for the purpose of improving project economic efficiency. The project was filed on 18 January 2018 in the Development and Reform Bureau of Hangjinqi. The project is under smooth construction and is expected to commence operation in 2019.

6. Subsidiaries not being controlled by the Company

(1) Inner Mongolia Yitai Finance Company Limited

Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司) (the "**Finance Company**") was established in July 2015, jointly funded by the Company and Yitai Group. The Company held 40% of its shares. In 2018, the Finance Company accumulatively handled a total of 51,300 deals of settlement business with a total settlement amount of RMB339.084 billion.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(Continued)*

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

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

(2) Inner Mongolia Jingtai Power Generation Co., Ltd.

Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司) was co-invested and founded by the Company, Beijing Jingneng Power Co., Ltd. and Shanxi Yudean Energy Co., Ltd., which is owned as to 29% by the Company, and its main business scope covers coal gangue power generation, sales and heat supply. During the reporting period, Jingtai Power Generation Company completed 3.097 billion kWh of power generation and recorded a net loss of RMB13.94 million. To meet the construction need for Jingtai Phase II project, all shareholders intended to make capital contributions of RMB1.008 billion in total to Jingtai Power Generation in tranches based on their respective shareholding percentage, of which the Company intended to inject RMB0.29232 billion by cash and has injected RMB0.174 billion during the reporting period.

(3) Railway companies not being controlled by the Company

During the reporting period, the total operating revenue of Mengji Railway was RMB8,105.97 million and the net profit was RMB1,287.04 million in 2018 (unaudited). In 2018, the operating revenue of Xinb Baoshen Railway for the year was RMB5,314.92 million and the net profit was RMB1,903.83 million (unaudited). As at the disclosure date of this report, the Zhunshuo Line of the Zhunshuo Railway has commenced its operation.

In 2018, South Ordos Railway Co., Ltd. (鄂爾多斯南部鐵路有限責任公司) merged with Erdos River Railway Co., Ltd. (鄂爾多斯沿河鐵路有限責任公司), and company's value and the equity of each directors are calculated in accordance with the assessment results by valuation agency, after which the Company's shareholding was changed to 3.9226% from 10%. During the reporting period, a total operating revenue of RMB2,474.92 million and a loss of RMB185.61 million (unaudited) for the current year are recorded.

On 22 August 2018, the capital contribution of RMB497 million to Mengxi Huazhong Railway Company (蒙西華中鐵路公司) by cash was considered and approved at the fourteenth meeting of the seventh session of the Board of the Company. The total investment amount of Mengxi Huazhong Railway project was RMB171 billion, of which the capital was RMB59.85 billion. As calculated according to the aforesaid total capital, the Company and the controlling subsidiary intended to make contribution of RMB1.197 billion, accounting for 2% of the capital. In 2018, Mengxi Huazhong Railway Company completed construction investment of RMB38 billion, and completed investment of RMB128.37 billion, accounting for 75% of the total investment, and the Mengxi Huazhong Railway is expected to be put into operation in 2019.

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

(I) Setup and trend of the industry

Macroscopically, China developed amid complex and severe situations at home and abroad. By adhering to the general work note of making progress in stability, the Chinese government devised overall plans for stable growth, reform advancement, structure adjustment, people's livelihood improvement and risks prevention while inputting efforts on achieving stability in terms of employment, finance, foreign trade, foreign investment, and expectations. In 2018, China's economy developed at a steady pace in general, showing a stable and upward trend on a high base.

For coal sector, the coal supply-side structural reform further advanced with a shift from aggregate quantity de-capacity to systematic de-capacity and structural capacity optimization for the whole industry. Coal development layout further optimized, and the pace of structural reform and transformation and upgrade of the industry sped up. There was a considerable increase in the proportion of coal trades under long-term contracts. Meanwhile, the market-oriented reform progressed at a steady pace.

In 2018, the coal consumption for the year recorded a slight increase. With an enhanced coal supply ability, the coal inventory experienced a structural change. Coal prices fluctuated within a reasonable range. Industry efficiency and benefits kept improved while the investment in fixed assets achieved a turnaround. The overall supply and demand in the coal market were basically balanced.

In general, the coal consumption is expected to remain stable overall in 2019; domestic coal capacity will release at a quicker pace, major coal railway transportation channel capability will strengthen, coal supply ability will get further improved, and the supply and demand in the domestic coal market will become eased gradually.

(II) Development strategies of the Company

In 2019, the Company will speed up industrial upgrading pace to enhance the Company's core competitiveness.

Firstly, the Company will take the national thorough implementation of supply-side reform as an opportunity to further participate in production capacity replacement, in order to ensure the release of advanced production capacity of existing mines. Meanwhile, the Company will continue to actively seek mergers and acquisitions opportunities, integrate internal and external high-quality coal resources and make sure the continuity of resources to enrich the strategic reserves of the Company.

Secondly, the Company will further expand the sales market share in downstream industries including chemicals, construction materials and cement, and improve coal sales profit on the basis of the key long-term customers and with the center of product structure optimization. It will seize the opportunities coming along with the reform of railway cargo settlement to further improve the assets returns of Zhundong Railway and Huzhun Railway, make every effort to increase the traffic volume, and maximize the profit derived from the railway segment.

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

(II) Development strategies of the Company *(Continued)*

Thirdly, we will develop clean coal technology, improve added value of products and extend the coal industry chain. On the basis of steadily advancing the examination and approval, construction and operation of coal chemical projects, the Company will target on the medium-to-high end value chain, speed up the extension of downstream coal chemical industries, improve product structures, and enhance risk resistance capability, With the core of terminal market development.

Fourthly, we will continue to improve the production safety mechanism and perform our environmental social responsibilities. The Company will continue to adhere to the principle of "safety-foremost with prevention-oriented and comprehensive treatment" and strengthen safety investment and management to further improve the level of production safety. We will maintain the effective functioning of the ISO14001 environment management system, scale up comprehensive utilization of resources and ecological environment protection in mining areas, and enhance environmental risks prevention and control by using multiple methods to develop environmentally-friendly industries.

Fifthly, the Company will continue to deepen the reform of management, conduct internal market-oriented operation pilot system, enhance the autonomy of production and management of all grassroots units and comprehensively improve the strategic management and control level of the Company. We will further improve the talent team building, and implement flat management to divest some professional functions, businesses and supporting personnel in order to reduce operating costs and improve service efficiency.

(III) Business plan

	Expected in 2019	Increase/decrease	Basis
Production volume (in million tonnes)	50.39	Increased by 5.67% compared with the volume in 2018	Determined on the internal production capacity and plan of the Company
Sales volume (in million tonnes)	81.40	Decreased by 5.34% compared with the volume in 2018	Determined on the market demand
Unit cost of sales (yuan/tonne)	281.00	In line with the unit cost of sales in 2018	Determined on the internal estimate of the Company

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

In 2019, the Company will focus on deepening management reform and accelerating industry transformation and upgrading. Meanwhile, the Company will maintain scientific decision-making procedures and flexibility in advancing various works in a steady pace, with a view to achieving a development trend of stability while improving quality.

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

(III) Business plan *(Continued)*

1. **To consolidate the basis for safety, build a solid safety defense line, enhance environmental awareness and achieve a green development.**

   Safety is the lifeline of the survival and development of the Company. In this connection, we will focus on various base works for production safety, establish and improve production safety accountability system and enhance safety accountability assessment in strict accordance with the national laws and regulations. Meanwhile, the Company will build safety risks prevention and control and hazards screening governance mechanism based on our production and operation, and push forward the construction of standardized production safety to ensure production safety.

   Enhancing environmental protection is an important cornerstone for guaranteeing the sustainable development of the Company. In 2019, as required by the New Environmental Protection Law, we will revise and improve relevant rules and systems and continue to integrate environmental protection into our routine management to fully boost our environmental management level: firstly, we will actively promote the environmental protection, water protection approval, and acceptance work for construction projects based on the national policy orientation, and strictly implement environmental impact appraisal and the "Three-Simultaneity" policy for construction projects, in which the pollution prevention and control facilities and the main project are designed, constructed and put into production simultaneous; secondly, we will strengthen the treatment and utilization of various types of sewage, and make overall plans for reclaimed water reuse to further reduce consumption of fresh water; thirdly, we will improve pollution prevention and control system in respect of the coal chemicals industry and step up efforts on environmental risks prevention and control; fourthly, we will put more efforts on ecological remediation and governance in mining areas and consolidate the current results achieved in ecological construction.

2. **To coordinate the development of production, transportation and sales to enhance the basis for industry upgrading**

   The Company will dedicate ourselves to strengthening our principal coal business. For coal production, we will reasonably organize our production and achieve high production volume and high production efficiency of pillar mines in strict accordance with the requirements of the government's industrial policies. Meanwhile, the Company will continue to seize the opportunities of unleashing advanced capacities to expand the production capacity of core coal mines, maintain the continuity of resources and develop the existing resources. Moreover, we will enhance market research and assessment, participate in market mergers and acquisitions where appropriate, and make moderate allocation and development of overseas resources.

   For coal transportation and sales, the Company will focus on three major works including coal allocation, distribution and transportation, and sales and operation, to improve synergistic efficiency, laying a solid foundation for the Company's industrial transformation and upgrading.

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

(III) Business plan *(Continued)*

3. To speed up transformation and upgrading for a sustainable development

Coal chemical industry is the main direction of the company to promote industrial transformation and upgrading. The company should continuously strengthen technological innovation and downstream product development, deepen strategic cooperation with industry-leading enterprises through joint ventures, cooperation, mergers and acquisitions, etc., and develop high-value-added chemical preparation technology with independent intellectual property rights, international or domestic leading coal chemical industry as soon as possible. Develop and promote a number of high value-added products to maximize the use of coal chemical project assets and product refinement, high-end extension, and enhance project efficiency. At the same time, we must increase cooperation with leading international companies in capital, technology development, product sales and other aspects, and develop potential customers and new application areas based on the principle of maximizing product value, and realize the modern business model of "sales-leaded, market-oriented" and actively explore the international market.

As to project construction, the Company will focus on advancing the scheme optimization for the 1 Mtpa coal-to-oil pilot project of Yitai Yili Energy Co., Ltd., and the design optimization and fund-raising and financing work for the 2 Mtpa indirect coal-to-liquids conversion pilot project, and complete the preliminary work for the 2 Mtpa coal-to-oil pilot Ganquanbao project of Yitai Xinjiang Energy Co., Ltd.

4. To cultivate innovative ability and improve the impetus for sustainable development

The Company will attach great importance to the leading role of innovation in advancement of our transformation at all levels, and regard innovation as a new driving force for the improvement of our competitiveness. Firstly, we will continue to conduct in-depth research on the application of intelligent thin coal seam comprehensive mining face to improve the intelligent comprehensive mining of thin coal seam and achieve high production volume and efficiency of thin-seamed coal mines. Secondly, we will actively develop downstream coal chemical products, deeply promote the assessment and implementation of transnational cooperation projects, and focus on the construction of intelligent plants and technological innovation, facilitate the shift in driving forces and industrial optimization and upgrade dependent on innovation, and continue to stimulate the innovative spirit of the enterprise, thereby better adapting to the market needs. Thirdly, we will enhance the supporting role of digitalization in our strategic development, advance the profound high-level combination of digitalization and industrialization with all efforts.

5. To enhance management of investment and financing and improve assets operating efficiency

The Company will continuously enhance investment management, adopt a strict investment check system, and maintain control over investment plan to actively promote the co-investment mechanism for newly-constructed and technical renovation projects. We will adopt multiple measures while strengthening receivables management, and expand financing channels. Moreover, the Company will prudently explore equity, fund and other financial investment to improve assets returns.

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

(IV) 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. On the one hand, 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 the entry barrier, energy conservation and environmental protection, production safety and others of coal mining and coal chemical projects will be more stringent. On the other hand, as China gradually increases the supply-side reform efforts, government regulation and control policies, including de-capacity and optimization of capacity structure, will also have a greater impact on the Company's production and operation.

To minimize the above risks, the Company will continuously enhance the level of corporate management, accelerate industrial upgrading and scale up research innovation as well as environmental protection and energy conservation to comprehensively achieve or exceed the requirements of the policy in terms of production safety, energy conservation and environmental protection. Accordingly, the Company will keep track of the national regulatory policy for the coal industry and change of policy in mineral resources management in a timely manner, organize production reasonably and proactively grasp policies to release advanced production capacity to guarantee the Company's normal production and operation.

2. Risks of macro-economic fluctuations

The coal industry which the Company belongs to as well as its downstream industries are both fundamental industries of national economy and are closely connected with the macro-economy. Therefore, it is very vulnerable to macroeconomic fluctuations. Changes in the structure, the development pattern and the system in the domestic macro economy 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 strengthen the 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, proactively improve its capability and enhance capabilities in diversified and integrative operation to better deal with macro-economic fluctuations.

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

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

3. Risks of industrial competition

In the long run, the overcapacity of domestic coal production has not been fundamentally alleviated. With the elimination of backward production capacity and the increase in industry concentration, the competition in the coal industry will become more intense. Under the circumstances of a prolonged slump in the international oil price and the continuous commencement of large-scale domestic coal chemical projects, the coal-to-chemical industry will encounter many difficulties such as low oil price, high coal price and fierce competition in product sales and so forth.

In response to the above risks, the Company will reduce costs and increase benefits through management reform, continuously maintain the industry-leading low-cost and high-efficiency production advantages. Meanwhile, the Company will improve our industry competitiveness and market share by adjusting product structure and sales structure, expanding market through multiple channels and strengthening strategic cooperation with key customers. Furthermore, the Company will achieve product refinement and high-end extension and increase benefits by adjusting the product structure to adapt to market changes, while strengthening technological innovation and downstream product development efforts.

4. Risks of increasing need in capital

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 funds previously 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.

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

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

5. Safety 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 State scales up measures for energy conservation, emission reduction, environmental management and production safety, the mining supplies prices and wages rise, and compensation for land requisition for mining and relocation increases, 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, strengthen budget management of controllable cost, implement quota-based assessment system, develop potentials and reduce consumption to minimize the impact of fixed cost on the Company.

7. Risks of currency exchange rate

The Group attaches great importance to the monitoring and research on the currency exchange rate, keeps close communication with domestic and foreign financial institutions in respect of businesses regarding currency exchange rate, reasonably designs approaches to use foreign currencies, and adopts various approaches to improve risk management of the currency exchange rate. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue any derivative financial instruments for trading purposes.

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

(V) Other

1. The Company's capital expenditure plan for 2019

Project	Plan for 2019 *(in million yuan)*
Supplementary payment of grant income on Jingtian mining rights by Talahao Mine of Inner Mongolia Yitai Coal Co., Ltd.	400.00
the balance payment of construction and investment by Talahao Mine of Inner Mongolia Yitai Coal Co., Ltd.	81.34
Al marla integrated coal project of Yitai Yili Mining Co., Ltd.	47.57
2 Mtpa indirect coal-to-liquids conversion pilot project of Inner Mongolia Yitai Coal-to-oil Co., Ltd.	141.06
2 Mtpa coal-based poly-generation comprehensive project of Yitai Xinjiang Energy Co., Ltd.	543.87
1 Mtpa coal-to-oil pilot project of Yitai Yili Energy Co., Ltd.	366.51
1.2 Mtpa fine chemicals project of Inner Mongolia Yitai Chemical Co., Ltd.	1,315.62
Wangqi to Huhe South station upline project of Inner Mongolia Yitai Huzhun Railway Co., Ltd.	38.54
0.50 Mtpa Fischer-Tropsch alkane fine separation project is of Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	109.24
Dama railway project	63.61
Production and operation investment	1,800.85
Total	4,908.2

The Company's existing capital expenditure plan for 2019 may vary in line with the development of the business plan (including potential acquisitions), progress of capital projects, market conditions, outlook for future business conditions and the acquisition of necessary permits and regulatory approvals. In addition to the legal requirements, the Company does not undertake any responsibility to update any data of the capital expenditure plan.

2. Financing plan

The Company will develop an overall plan for funds scheduling, optimize the asset structure, and meanwhile strictly control the costs, accelerate the capital turnover rate, and reasonably arrange the plans for fund use, in order to support the healthy development of the Company. The Company will sustain the capital demands for day-to-day business operation by collectively drawing on the operating revenue, equity financing and debt financing as well as other financing means to meet the Company's capital needs.

IV. OTHER DISCLOSURES

(I) Material events after the balance sheet date

The Group's material events after the balance sheet date are detailed in Note 51 to the audited consolidated financial statement.

(II) Pledge of assets

As at 31 December 2018, the Group did not pledge any assets.

(III) Contingent liabilities

As at 31 December 2018, the Group did not have any contingent liabilities.

(IV) Issue, purchase, sale or redemption of shares

During the reporting period, the Group did not issue, purchase, sale or redeem any shares.

(V) Issue of warranty

The information of the Group's issue of warranty is detailed in section X – "Relevant Information on Corporate Bond" of this report.

(VI) Donation

During the reporting period, the Group made an aggregate donation of approximately RMB29.18 million.

(VII) Share-linked agreement

During the reporting period, the Group did not enter into any share-linked agreement.

(VIII) Directors' insurance

During the reporting period, the Group has purchased valid directors' insurance for Directors (holding office and resigned).

(IX) Directors' and Supervisors' rights to acquire shares or debentures

During the reporting period, no arrangement has been made by the Group to procure its Directors, Supervisors or any of their respective associates to acquire shares or debentures from the Company or other companies.

IV. OTHER DISCLOSURES *(Continued)*

(X) Financial, business, and family relationship among the Board members

During the reporting period, except for Mr. Zhang Dongsheng, the Director of the Group being the nephew of the father of the Chairman of the Group Mr. Zhang Donghai, there was no financial, business or family relationship among other Board members.

(XI) Share option incentive granted to directors, supervisors and senior management

During the reporting period, the Group did not carry out any share incentive policies.

(XII) Board diversity policy

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

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

(XIII) Articles of Association

During the reporting period, the Company did not amended the Articles of Association of the Company. The effective date of the current Articles of Association is 29 November 2016 and has been published on the websites of the Company and the Hong Kong Stock Exchange.

(XIV) Proposed dividend

The Directors of the Group proposed to pay the final dividend of RMB5 per 10 shares in 2018. For details please refer to "Plans for Profit Distribution or Transfer of Capital Reserve to Ordinary Share" in Significant Events under section VI in this report.

(XV) Distributable reserves

Details of the movements in reserves of the Group during the year are set out in the section headed Consolidated Statement of Changes in Equity in the independent auditor's report, among which the information of the reserve distributable to Shareholders are set forth in Note 46 to independent auditor's report.

IV. OTHER DISCLOSURES *(Continued)*

(XVI) Resignation of Directors

For details please see the section headed "DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES".

(XVII) Compliance with relevant laws and rules that have a significant impact on the Company

The Group is in strict compliance with relevant laws and regulations in the Mainland China and Hong Kong. As at 31 December 2018, the Company was not involved in any material litigation or arbitration. So far as the Directors are aware, there is no material litigation or claims which have not yet been understood or are threatened against the Company.

(XVIII) Directors' and supervisors' material interests in transactions, arrangements or contracts of significance

No Directors, supervisors or entities connected with them are materially interested in the transactions, or arrangements of significance in the Company or its subsidiaries.

(XIX) Rights and interests of directors on competing businesses

In 2018, save as disclosed in this report, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete with the Company, either directly or indirectly.

(XX) Contracts of significance

In 2018, save as disclosed in section VI "Significant Events" -- Material Connected Transactions in this report, none of the Company or any of its subsidiaries entered into any contracts of significance with the controlling shareholder or any of its subsidiaries other than the Group.

(XXI) Management contracts

In 2018, the Company did not sign or have any contract on the management or administrative work of its overall business or any major business.

(XXII) Pre-emptive right and stock option arrangement

In 2018, the Company had no arrangement on pre-emptive right and stock option; both Chinese laws and the Articles of Association of the Company have no clear provisions on the pre-emptive right.

(XXIII) Permitted indemnity provisions

As of the year ended 31 December 2018, the Company did not have any permitted indemnity provisions once in effect or in effect for the benefit of the Directors of the Company (whether entered by the Company or not) or any directors of associated companies of the Company (if entered by the Company).

IV. OTHER DISCLOSURES *(Continued)*

(XXIV) Public float

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

(XXV) Service contracts of Directors and Supervisors

The Company did not enter into any service contracts, which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), with the Directors and Supervisors.

(XXVI) Relations with employees, suppliers and customers

The Group provides competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing consistently premium products and services to customers. In 2018, the Group had no material and significant dispute with suppliers and customers

(XXVII) Audit Committee

The Audit Committee of the Board of Directors of the Company (the "Audit Committee") has reviewed the Company's and the Group's 2018 annual results, and the audited consolidated financial statements for 2018 prepared in accordance with the IFRSs.

(XXVIII) Auditor

Deloitte Touche Tohmatsu and Da Hua Certified Public Accountants (special general partnership) were appointed as the Company's auditors in relation to the financial statements prepared under the IFRSs and China Accounting Standards, respectively, for the year ended 2018.

(XXIX) Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

The Group acquired additional 10% equity interest in Yitai Guanglian from the Yitai Group at the consideration of RMB3,824,000,000 this year. The previous 10% of equity interest in Yitai Guanglian amounting to RMB3,824,000,000 was so transferred from equity instrument at FVTOCI to investment in associate. As a result, the Company holds 20% equity interest in Yitai Guanglian and has power to appoint two out of the seven directors of Yitai Guanglian under the revised Articles of Association of Yitai Guanglian. The Group has significant influence over Yitai Guanglian and therefore classified it as an associate of the Group.

Save as disclosed above, the Company did not have any other material investments, acquisitions and disposals, and future plans for material investments or capital assets during the year.

IV. OTHER DISCLOSURES (Continued)

(XXX) Business review

Major results review of the Group in 2018	Page 16 to page 35
Explanation on the significant relationships between the Group and its customers and suppliers	Page 47
Discussion and analysis on the Company's future development of the Group	Page 36 to page 43
Description on the major risks that the Group is exposed to	Page 40 to page 42
The Group's compliance with relevant laws and rules that have a significant impact on the Company	Page 46
Information on the employees of the Group	Page 111 to page 112

(XXXI) 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 minimize 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 acquired the target assets of Yitai Group under the agreement at the consideration RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group. The Company confirmed:

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

   ② 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 procure their respective associates/associated companies not to engage in any 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;

IV. OTHER DISCLOSURES *(Continued)*

(XXXI) Compliance procedure of the Agreement on Avoidance of Horizontal Competition and its implementation *(Continued)*

1. *(Continued)*

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 Yitai Group granted by the Ministry of Railways could 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;

⑥ since the listing date, Yitai Group did not sell any of the above coal products to any third parties or engage in coal trading 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 Mine obtained the legitimate mining right qualification of resources licenses in compliance with production condition required, and was in accordance with reasonable and fair terms and conditions. The Company had options and preemptive rights.

Supplemental explanations of undertakings:

① Analysis on ability to perform contracts

Guanglian Coal Chemical, a subsidiary of Yitai Group, obtained approval from the 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 and the Work Safety Permit in November 2018 and has been completed on-site inspections by the end of 2018.

With reference to the actual situation of the Company, the capital arrangement and the Agreement on Avoidance of Horizontal Competition entered into with Yitai Group, the Company will exercise its options and pre-emptive rights to require Yitai Group in priority to sell Hongqinghe Mine to the Company or its subsidiaries on reasonable and fair terms and conditions through ways of financing under the same circumstances.

IV. OTHER DISCLOSURES *(Continued)*

(XXXI) Compliance procedure of the Agreement on Avoidance of Horizontal Competition and its implementation *(Continued)*

2. *(Continued)*

② Analysis on risks in respect of performance of contracts

At present, the mining rights qualification ownership of Hongqinghe Mine is basically completed and initially meets the conditions for compliance production. The Company considered that there were no physical obstacle factors regarding the performance of the commitment by Yitai Group and the disposal of the mine to the Company under the current condition.

③ Preventive measures and control measures under default

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

3. Fulfillment of undertakings:

The Company entered into an equity transfer agreement with Yitai Group on 25 March 2014, and transferred 5% equity interests in Guanglian Coal Chemical to Yitai Group at a consideration of RMB1.912 billion. The equity transfer was considered and approved at the thirty-second meeting of the fifth session of the 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 their independent opinions. Payment for the equity transfer and changes of business registration have been completed.

The Company entered into an equity transfer agreement with Yitai Group on 18 March 2015, and acquire the 5% equity interests in Guanglian Coal Chemical, a subsidiary of Yitai Group, from Yitai Group at a consideration of RMB1.912 billion. Such transaction has been considered and approved at the seventh meeting of the sixth session of the Board of Directors convened on 18 March 2015 and the 2014 annual general meeting convened on 9 June 2015 respectively, at which the independent non-executive Directors presented their 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.

The Company signed with Yitai Group an 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 has been considered and approved respectively at the fifth meeting of the seventh session of the Board of Directors on 25 August 2017 and the first extraordinary general meeting in 2017. As at 31 December 2018, the Company has paid up all the purchase prices.

REPORT OF THE SUPERVISORY COMMITTEE

In 2018, pursuant to the relevant requirements set out in the Company Law, the Articles of Association and Rules of Procedure of the Supervisory Committee, the Supervisory Committee of the Company adhered to the spirit of being responsible to all shareholders, conscientiously implemented the function of supervision for effective supervision on the material operating activities as well as execution of duty of all Directors and senior management of the Company, thus safeguarding the legal interests of the shareholders and the Company and legal rights of all employees satisfactorily, and accelerating standardization operation of the Company. The specific work of the Supervisory Committee in the past year is as follows:

I. MEETING OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

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

The eighth meeting of the seventh session of the Supervisory Committee was convened on 21 March 2018, at which the proposal in relation to the 2017 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2017 Financial Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2017 Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2017 Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to profit distribution plan of the Company for 2017; the proposal in relation to the 2017 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to Annual Results Report for 2017 of Inner Mongolia Yitai Coal Co., Ltd.; the proposal relating to confirmation of the actual amount of daily connected transactions of the Company for 2017; the proposal relating to confirmation of the actual amount of continuing connected transactions of the Company for 2017; the proposal in relation to the estimation for maximum of new daily connected transactions/continuing connected transactions of the Company for 2017; the proposal relating to the capital increase of Inner Mongolia Jingtai Power Generation Co., Ltd.; the proposal relating to the Appointment of Audit Institution of the Company for 2018; the proposal relating to the Appointment of Internal Control Audit Institution of the Company for 2018; the proposal in relation to guarantee provided by the Company to its subsidiaries; and the proposal relating to the changes in accounting policy of the Company were considered and approved.

The ninth meeting of the seventh session of the Supervisory Committee was convened on 26 April 2018, at which the proposal of the First Quarterly Report for the Year 2018 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The tenth meeting of the seventh session of the Supervisory Committee was convened on 3 July 2018, at which the proposal relating to the investment and establishment of a limited partnership was considered and approved.

The eleventh meeting of the seventh session of the Supervisory Committee was convened on 22 August 2018, at which the proposal relating to the investment in Mengxi Huazhong Railway Co., Ltd. was considered and approved.

The twelfth meeting of the seventh session of the Supervisory Committee was convened on 27 August 2018, at which the proposal relating to the 2018 Interim Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary, as well as the 2018 Interim Results Announcement of Inner Mongolia Yitai Coal Co., Ltd.; and the proposal relating to the changes in accounting policy of the Company were considered and approved.

I. MEETING OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD *(Continued)*

The thirteenth meeting of the seventh session of the Supervisory Committee was convened on 25 October 2018, at which the proposal relating to the Third Quarterly Report for the Year 2018 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The fourteenth meeting of the seventh session of the Supervisory Committee was convened on 26 December 2018, at which the proposal relating to re-election of supervisors of the Company was considered and approved.

II. SUPERVISION OF THE SUPERVISORY COMMITTEE FOR THE PERFORMANCE OF THE DIRECTORS AND SENIOR MANAGEMENT OF THEIR DUTIES

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

III. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT SITUATION OF THE COMPANY

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

IV. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY

(I) Independent Opinions on Inspection of the Financial Position of the Company

During the reporting period, the Supervisory Committee considered and approved the proposal relating to the changes in accounting policy of the Company, and inspected and supervised the financial activities of the Company by debriefing the special report from the financial officers of the Company, reviewing the regular report of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company was in compliance with the related provisions under the laws and regulations including the Accounting Law and the Accounting Standards for Business Enterprises. The 2018 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flow and shareholders' equity of the Company, etc.

(II) Independent Opinions on Acquisition and Disposal of Assets by the Company

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

(III) Independent Opinions on the Related Party Transactions of the Company

During the reporting period, the connected transactions between the Company and its controlling shareholder and its subsidiaries were fair, reasonable, lawful and had no harm to the interests of the shareholders.

(IV) Independent Opinions on the Auditor's Standard Unmodified Opinion

Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) and Deloitte Touche Tohmatsu issued a standard unmodified auditor's report on the Company's 2018 financial statements respectively and the auditor's reports give a true, objective and accurate view of the Company's financial position.

(V) Review of and Opinions on Internal Control Self-assessment Report

The Supervisory Committee reviewed the 2018 Annual Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that the annual report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2018, no material or significant defects were found in the design or execution of the Company's internal control.

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

(I) Formulation, execution or adjustment of cash dividend policy

The net profit attributable to shareholders of the Company amounts to RMB4,136,726,558.79 under the PRC Accounting Standards for Business Enterprises in 2018 and basic earnings per share amounts to RMB1.27. The Board proposed to distribute a cash dividend of RMB5.00 per 10 shares (tax inclusive) to the shareholders, based on the total number of shares, 3,254,007,000. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working day after the general meeting (namely the 2018 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average of middle rate of RMB against HKD as published by the People's Bank of China on the first working day after the date of the general meeting (namely the 2018 annual general meeting) at which the resolution on distribution of dividend is approved.

The Company will convene the 2018 annual general meeting on Thursday, 16 May 2019 for consideration and approval of relevant proposals, including the above proposal regarding final dividends for 2018. The aforesaid 2018 final dividend will be distributed on 24 June 2019 (Monday) upon approval by the shareholders.

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

Unit: yuan Currency: RMB

Year	Bonus shares for every 10 shares *(share(s))*	Dividends paid for every 10 existing shares *(RMB) (tax inclusive)*	Number of scrip shares for every 10 shares *(share(s))*	Amount of cash Dividend *(tax inclusive)*	Net profit attributable to ordinary shareholders of the Company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to ordinary shareholders of the Company in the consolidated statements *(%)*
2018	0	5.00	0	1,627,003,500	4,193,813,804.32	38.80
2017	0	4.55	0	1,480,573,185	4,925,369,613.37	30.06
2016	0	1.84	0	598,737,288	1,985,762,176.05	30.15

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

(III) Closure of register of members

1. Record date and dividend distribution for B shares

Given that the Company will convene the 2018 annual general meeting on Thursday, 16 May 2019, and under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares after the 2018 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B Shares.

2. Closure of the register of members of H Shares

The Company will convene the 2018 annual general meeting on Thursday, 16 May 2019. The register of members of the Company will be closed from 17 April 2019 to 16 May 2019 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at no later than 4:30 p.m. on 16 April 2019.

The register of members of the Company will be closed from 5 June 2019 to 11 June 2019 (both days inclusive). In order to qualify for receiving dividend, holders of H Shares should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 4 June 2019.

The date for the payment of dividends of the Company is 24 June 2019.

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

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

(IV) Taxation

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

   Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agents or custodian organizations for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 11 June 2019.

2. For individual shareholders of B Shares, according to Notice on Issues concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Caishui [2015] No. 101), for individuals who acquire the stocks of a listed company from public offering or transferring market and hold the stocks for more than one year, the income from dividends and bonuses shall be temporarily exempt from individual income tax. For individuals who acquire the stocks of a listed company from public offering or transferring market, all the income from dividends and bonuses shall be included into the taxable amounts in case the holding period is less than one month (inclusive of one month); 50% thereof will be included into the taxable amounts in case the holding period is from one month to one year (inclusive of one year) temporarily; a unified tax rate at 20% shall be applicable to the aforesaid incomes in the levy of individual income tax.

   When distributing dividends and bonuses, the listed company shall not withhold income tax temporarily for the individuals holding the stocks for less than one year (inclusive of one year); when the individuals transfer the stocks, China Securities Depository and Clearing Company Limited (CSDCC) will calculate the taxable amounts based on the holding period of the individuals, which will be collected from the individuals' capital account and transferred to CSDCC by securities companies and other stock custody institutions. CSDCC shall transfer the same amounts to the listed company within 5 working days of the following month and the listed company shall declare and contribute the tax payment to competent tax authorities within the statutory declaration period of the month of receiving the tax payment.

   Other matters on the implementation of differentiated individual income tax policies on dividends and bonuses of listed companies shall be in conformity with Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Caishui [2012] No. 85).

II. APPOINTMENT OR TERMINATION OF ENGAGEMENT OF AUDITORS

Unit: million yuan   Currency: RMB

	Current appointee
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1.5
Term of audit of the domestic accounting firm	8
Name of the overseas accounting firm	Deloitte Touche Tohmatsu
Remuneration of the overseas accounting firm	3.5
Term of audit of the overseas accounting firm	4

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

Appointment or Termination of Engagement of Auditors

The eleventh meeting of the seventh session of the Board was convened on 21 March 2018, at which the proposal in relation to appointment of audit institution of the Company for 2018 was considered and approved: namely re-appointment of Da Hua Certified Public Accountants (special general partnership) as domestic audit institution of the Company for 2018, appointment of Deloitte Touche Tohmatsu as overseas audit institution of the Company for 2018, and re-appointment of Da Hua Certified Public Accountants (special general partnership) as internal control audit institution of the Company for 2018. The proposals relating to appointment of audit institution of the Company for 2018 were considered and approved at the 2017 annual general meeting.

III. MATERIAL LITIGATION AND ARBITRATION

In this year, the Company had no material litigation or arbitration.

IV. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND PURCHASER AND RELEVANT RECTIFICATIONS

In this year, the Company had no punishment and relevant rectifications on its Directors, supervisors, senior management, controlling shareholders, de facto controller and purchaser.

V. 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.

VI. CONNECTED TRANSACTIONS

(I) Connected transactions in relation to daily operation

1. Non-exempt continuing connected transactions

(1) Yitai Group Framework Agreement on Purchase and Sale of Products and Services

Yitai Group, directly and indirectly, holds 58.76% of the existing issued share capital of the Company and is a controlling shareholder of the Company, and thus constitutes a connected person of the Company.

The Company and Yitai Group entered into the Yitai Group Framework Agreement on Purchase and Sale of Products and Services on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide products including equipment, materials or coals, working face moving and equipment rental related services to Yitai Group and/or its subsidiaries from time to time. Yitai Group and/or its subsidiaries shall provide coal, chemical-related materials, information products, agricultural and sideline products and technology and information, property, and hazardous waste treatment services to the Company and/or its subsidiaries from time to time.

To ensure that the transactions between the Company and Yitai Group are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures:

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(1) Yitai Group Framework Agreement on Purchase and Sale of Products and Services (Continued)

The sales price of the company's coal products is mainly based on market price, including but not limited to (i) the price of coal provided by the Company to independent third parties; (ii) the open market price published by major suppliers in their quotations or on their websites which will be renewed from time to time; and (iii) the mainstream selling price of neighboring coal mines and the mainstream selling price in the ports. The Company will determine the final price of the transaction upon negotiation with the counterparty according to the market price and reasonable cost plus reasonable profit.

Regarding other products provided by the Company, the Company will make reference to the market price provided to the independent third party. In determining the price of chemical-related materials, the chemical-related materials are sold exclusively by Yitai Group, so the market has no comparable price for similar products. However, the Company will require Yitai Group to provide its price list for selling similar products to independent third parties to ensure that the price of chemical-related products provided by Yitai Group to the Company is not higher than the price of similar products provided by Yitai Group to independent third parties.

In determining the price of the information products, the Company will refer to the price of the products or services available in the market. Except for the inquiry and the market price, the Company and the counterparty may also determine the price at reasonable cost plus reasonable profit. In determining the development cost of new coal-related chemical technology collected by Yitai Group from the Company, the Company will require Yitai Group to provide its own price for the development of new coal-related chemical technology for independent third parties to ensure that the fees charged for the new technology developed for the Company by Yitai Group are not higher than the development expenses of similar technology in the market, and will not be higher than the development expenses of similar new technologies paid by the Company to independent third parties.

In determining the price of agricultural sideline products, the Company will require Yitai Group to provide a list of prices for selling similar products to independent third parties to ensure that the price of agricultural and sideline products sold by Yitai Group is not higher than the market price of similar products and will not be higher than the price at which the Company pays similar products to independent third parties.

The service fees charged by the company will refer to the past fees of these services, and combined with the market comparable prices to ensure that the prices and terms of the services provided by the company are fair and reasonable for the company. The price that the Company provides services to Yitai Group is not lower than the average market price level and is not lower than the price level at which the Company provides similar services to other independent third parties.

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(1) Yitai Group Framework Agreement on Purchase and Sale of Products and Services (Continued)

In regard to the hazardous waste treatment services provided to the Company and its subsidiaries by Yitai Group's subsidiaries, the relevant prices are determined based on Inner Mongolia Development and Reform Commission's Reply on Charge Standards for the Treatment of Hazardous Waste in Central and Western Inner Mongolia (IMDRC No. [2016]1005). The service fees charged by the company will refer to the past fees of these services, and combined with the market comparable prices to ensure that the prices and terms of the services provided by the company are fair and reasonable for the company. The price that the Company provides services to Yitai Group is not lower than the average market price level and is not lower than the price level at which the Company provides similar services to other independent third parties.

(2) Jingneng Power Framework Agreement on Supply of Products

Shareholdings in Suancigou Mining Co. is owned by the Company as to 52% and by Jingneng Power as to 24% respectively, thus Jingneng Power constitutes a connected person of the Company.

The Company entered into the Jingneng Power Framework Agreement on Supply of Products with Jingneng Power on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide coal to Jingneng Power and/or its subsidiaries from time to time. To ensure that the transactions between the Company and Jingneng Power are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: In regard to the selling prices of the crushed coal slime sold through highway, coal gangue and other products of the Company, given that crushed coal slime sold through highway and coal gangue are coal products, their pricing policies are basically the same with the above-mentioned coal pricing polices.

(3) Guangdong Power Framework Agreement on Supply of Products

Guangdong Power is a subsidiary of Yudean Group, which is the controlling shareholder of Shanxi Yudean, which in turn owns 24% shareholdings in Suancigou Mining Co., a subsidiary of the Company. Thus, Guangdong Power constitutes a connected person of the Company.

The Company entered into the Guangdong Power Framework Agreement on Supply of Products with Guangdong Power on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide coal to Guangdong Power and/or its subsidiaries from time to time. Their pricing policies are basically the same with the above-mentioned coal pricing polices.

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(4) Huadian Coal Framework Agreement on Supply of Products and Services

Buliangou holds 16.67% shareholdings in Huzhun Railway and the Company holds 76.99% shareholdings in Huzhun Railway, thus Buliangou constitutes a connected person of the Company. Huadian Coal holds 51% shareholdings in Buliangou thus constitutes a connected person of the Company.

The Company entered into the Huadian Coal Framework Agreement on Supply of Products and Services with Huadian Coal on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide coal to Huadian Coal and/or its subsidiaries from time to time and provide railway transportation and maintenance management and logistics services.

To ensure that the transactions between the Company and Huadian Coal are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: The coal product transaction pricing policy is basically the same as the coal pricing policy stated above. The fees charged for the provision of the rail transportation and maintenance management and logistics services are determined after arm's length negotiations between the parties. The company will refer to the past fees of these services and railway charges approved by the Inner Mongolia DRC, to ensure that the price and terms of the products provided by the Company are fair and reasonable to the Company, and make sure that the price offered by Company to Huadian Coal for railway transportation, maintenance management and logistic services will neither be lower than the average market price, nor lower than that offered by the Company to other independent third parties for similar railway transportation, maintenance management and logistics services.

(5) Luhe Coal Coking Framework Agreement on Supply of Products and Services

Mr. Zhang Manwang (張滿旺先生), the controlling shareholder of Luhe Coal Coking, is a family member of Mr. Zhang Donghai, chairman of the Board of the Company, thus Luhe Coal Coking constitutes a connected person of the Company.

The Company entered into the Luhe Coal Coking Framework Agreement on Supply of Products and Services with Luhe Coal Coking on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall supply and purchase coal to Luhe Coal Coking and/or its subsidiaries from time to time and provide railway transportation and maintenance management and logistics services.

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(5) Luhe Coal Coking Framework Agreement on Supply of Products and Services (Continued)

To ensure that the transactions between the Company and Luhe Coal Coking are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures:

Given Luhe Coal Coking does not have the railway plan qualification for the transportation of the coal produced by it to related destination, therefore, according to the Luhe Coal Coking Framework Agreement on Supply of Products and Services, Luhe Coal Coking will first sell 500,000 tons of coal produced by it to the Company and/or its subsidiaries, and then the Company and/or its subsidiaries will use the Company's railway plan to transport the coal to related destination, and then the Company at the destination will re-sell such 500,000 tons of coal to Luhe Coal Coking. The price for the coal of Luhe Coal Coking sold to the Company is consistent with the price for the coal of the Company sold to Luhe Coal Coking, the Company shall charge the transportation fees for such 500,000 tons of coal from Luhe Coal Coking during the transaction. The pricing policies provided by Company to Luhe Coal Coking is consistent with those provided by Luhe Coal Coking to the Company.

(6) Yitai Investment Framework Agreement on Purchase and Sale of Products and Services

Yitai Investment directly holds 99.64% of the existing share capital of Yitai Group and is a Controlling Shareholder of Yitai Group, and thus Yitai Investment constitutes a connected person of the Company.

The Company entered into the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services with Yitai Investment on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, Yitai Investment and/or its subsidiaries shall provide electricity and greening services to the Company and/or its subsidiaries from time to time.

To ensure that the transactions between the Company and Yitai Investment are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: For the power sold to the Company by Yitai Investment, the relevant price shall be determined to be RMB0.37/kilowatt hour with reference to the electricity charging standard by Inner Mongolia Development and Reform Commission. This power purchase price is consistent with the market price, and it is not higher than the average market price or power price paid to the independent third party by the Company. For the greening price, the Company mainly makes reference to the industry standard price and requires that the price provided by Yitai Investment's subsidiary shall not be higher than the price for the services of the same type and quality in the market, and ensures that the price for such services shall not be higher than the prices charged by the independent third party for provision of reclamation services to the Company.

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(7) *Machine Equipment Complete Co. Tender Agent and Supervision Service* Framework Agreement

Mrs. Zhang Dongmei (張冬梅女士), the controlling shareholder of Machine Equipment Complete Co., is an immediate family member of Mr. Zhang Donghai, chairman of the Board of the Company, thus Machine Equipment Complete Co., constitutes a connected person of the Company.

The Company entered into the Machine Equipment Complete Co. Tender Agent and Supervision Service Framework Agreement with Machine Equipment Complete Co. on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, Machine Equipment Complete Co. and/or its subsidiaries shall provide services of tender agent and supervision to the Company and/or its associates from time to time.

To ensure that the transactions between the Company and Machine Equipment Complete Co. are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: The Company will make reference to the historical fees of such services, together with the comparable prices in the market, to ensure that the price and terms of the services provided to the Company are fair and reasonable to the Company. The fees charged by Machine Equipment Complete Co. for its tender agent and supervision services to the Company shall be neither higher than fees charged by Machine Equipment Complete Co. for similar tender agent and supervision services to the independent third party, nor higher than fees charged by the independent third party for similar tender agent and supervision services to the Company.

(8) *Financial Services Framework Agreement*

The Company and Yitai Group hold 40% and 60% of shareholdings in Yitai Finance respectively, thus Yitai Finance constitutes a connected person of the Company.

The Company entered into the Financial Services Framework Agreement with Yitai Finance on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, Yitai Finance and/or its subsidiaries shall provide financial services, including deposits, settlement, credit facility, credit verification, issuance of financial bonds and other financial services to the Company and/or its subsidiaries.

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(8) Financial Services Framework Agreement (Continued)

To ensure that the transactions between the Company and Yitai Finance are fair and reasonable and in line with market practices, Yitai Finance has undertaken to provide the aforesaid financial services to the Company are as follows:

(1) The interest rate for the Company's deposit with Yitai Finance shall be no less than (i) the benchmark interest rate published by The People's Bank of China from time to time for deposits of similar type and term; (ii) the interest rate offered by main commercial banks in the PRC (including but not limited to the Bank of China, China Construction Bank, Industrial and Commercial Bank of China and Agricultural Bank of China) for deposits of similar type and term; and (iii) interest rate offered by Yitai Finance to the Company and its connected companies for deposits of similar type and term; (2) The settlement services provided by Yitai Finance to the Company is free of charge; (3) Yitai Finance undertakes to provide favourable interest rate for loans extended to the Company, which should not be higher than the interest rate charged by major commercial banks in the PRC for the loans with the same type and term; and (4) the rate charged by Yitai Finance for other financial services must comply with the charging standards prescribed by The People's Bank of China or CBRC, and should be no higher than the rate charged by major commercial banks in the PRC for the same type of services.

(9) Contracting Agreement Entered into Between Yitai Chemical and Jingtai Environmental Technology

On the date of entering the Connected Transaction Agreement, Mr. Zhang Shuangwang, Mr. Zhang Donghai, Mr. Liu Chunlin, Mr. Ge Yaoyong and Mr. Zhang Dongsheng, all being the connected persons of the Company, hold the directorship in Erdos Yitai Investment Holdings Company Limited* (鄂爾多斯市伊泰投資控股有限責任公司) and have significant influence over its board of directors, and Jingtai Environmental Technology is then a wholly-owned subsidiary of Erdos Yitai Investment Holdings Company Limited, thus Jingtai Environmental Technology constitutes a connected person of the Company.

The Company entered into the Contracting Agreement with Jingtai Environmental Technology on 2 December 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, Jingtai Environmental Technology provides contracted operation and management services for high-concentration brine evaporation and crystallization unit for the 1.2 Mtpa of fine chemicals project of Yitai Chemical.

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(9) Contracting Agreement Entered into Between Yitai Chemical and Jingtai Environmental Technology (Continued)

To ensure that the transactions between the Company and Jingtai Environmental Technology are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: Yitai Chemical negotiates with Jingtai Environmental Technology on arm's length basis mainly according to the actual operational needs to determine the final contracting service fees. These contracting fees mainly include, without limitation, labor costs, equipment and machine charges, charges for use of tools, costs of consumables, various measure fees, travel expenses, expenses on meals, communication costs, health and safety expenses, insurance expenses, management fees, profits, taxes and others necessary for all work. The total contracting operation and management service fee shall be subject to further adjustment according to the resulting amount of all items above. Yitai Chemical will also refer to the historical costs and expenses for such services and take into account the comparable market rates to ensure that the price and terms of the services offered by Jingtai Environmental Technology to Yitai Chemical are fair and reasonable so far as Yitai Chemical is concerned. The fees for contracting operation and management service that would be charged by Jingtai Environmental Technology from Yitai Chemical are neither higher than those that would be charged by Jingtai Environmental Technology in respect of their provision of similar contracting and operation management services to the independent third parties, nor higher than the prices that would be offered by other independent third parties in respect of their provision of similar services to Yitai Chemical.

(10) Yanzhou Coal Neng Hua Framework Agreement on Purchase and Sale of Products and Services

The Company holds 71.27% shareholdings in Yitai Zhundong and therefore Yitai Zhundong is a non-wholly owned subsidiary of the Company. Meanwhile, Yanzhou Coal Neng Hua holds 25% shareholdings in Yitai Zhundong and therefore Yanzhou Coal Neng Hua constitutes a connected person of the Company at the subsidiary level.

The Company entered into the Yanzhou Coal Neng Hua Framework Agreement on Purchase and Sale of Products and Services with Yanzhou Coal Neng Hua on 21 March 2018, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide railway transportation service to Yanzhou Coal Neng Hua and/or its subsidiaries from time to time; Yanzhou Coal Neng Hua and/or its subsidiaries shall provide coal production to the Company and/or its subsidiaries from time to time. Their pricing policies are basically the same with the above-mentioned coal and railway transportation service pricing polices.

VI. CONNECTED TRANSACTIONS (Continued)

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

1. Non-exempt continuing connected transactions (Continued)

(11) Summary of continuing connected transactions in 2018

Category of transaction	Nature of transaction	For the year ended 31 December 2018 Transaction amount RMB'000
Products provided by the Company	Supply of equipment, materials or coal by the Company to Yitai Group and its subsidiaries	190,697
	Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiary	295,675
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	1,252,772
	Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd.	546,925
	Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0
Products provided to the Company	Purchases of chemical materials, coal, Information products and other products by the Company from Yitai Group and its subsidiaries	2,995,362
	Purchases of electricity, agricultural and sideline products and other products by Company from Inner Mongolia Yitai Beimu Pastoral Resources Development Group (內蒙古伊泰北牧田園資源開發有限公司), a subsidiary of Inner Mongolia Yitai Investment Co., Ltd.	29,339
	Purchases of coal by the Company from Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	76,415
	Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0
Services provided by the Company	Supply of rail transportation, maintenance and management and logistics services by the Company to Inner Mongolia Mengtai Buliangou Coal Co., Ltd, a subsidiary of Huadian Coal Industry Group Co., Ltd.	99,285
	Supply of working face relocation and leasing services by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	15,123
	Supply of rail transportation, maintenance and management and logistics services by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0
	Supply of rail transportation, maintenance and management and logistics services by the Company to Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	0

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(11) Summary of continuing connected transactions in 2018 (Continued)

Category of transaction	Nature of transaction	For the year ended 31 December 2018 Transaction amount RMB'000
Services provided to the Company	Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	4,274
	Supply of information, rental equipment and hazardous waste treatment services from Yitai Group and its subsidiaries to the Company	42,707
	Supply of greening service from Inner Mongolia Yitai Beimu Pastoral Resources Development Group, a subsidiary of Inner Mongolia Yitai Investment Co., Ltd.	0
	Supply of operation and maintenance services from Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	66,924
Financial services	Interest on deposit services provided by Yitai Finance Co., Ltd. to the Company	36,738
	Fees on financial services provided by Yitai Finance Co., Ltd. to the Company	0

Note: The actual maximum daily deposit balance (after deducting accrued interest) of the Group was RMB8,996,231,000 and the maximum limits was RMB9,000,000,000.

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

(12) The annual caps of the following continuing connected transactions in 2018 disclosed in the announcements on 7 November 2017, 2 December 2017 and 22 March 2018 are as follows:

Category of transaction	For the year ended 31 December 2018 RMB'000
Supply of equipment, materials or coal by the Company to Yitai Group and its subsidiaries	400,000
Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiaries	988,000
Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	2,300,000
Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd.	770,000
Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	257,000
Purchases of chemical materials, coal, Information products and other products by the Company from Yitai Group and its subsidiaries	8,259,000
Purchases of electricity, agricultural and sideline products and other products by Company from a subsidiary of Yitai Investment	50,000
Purchases of coal by the Company from Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	750,000
Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	175,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	190,000
Supply of working face relocation and leasing services by the Company to Yitai Group and its subsidiaries	130,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	50,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	250,000
Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	80,000
Supply of property, information, rental equipment and hazardous waste treatment services from Yitai Group and its subsidiaries to the Company	100,000
Supply of greening service from Yitai Investment and its subsidiaries	20,000
Supply of operation and maintenance services from Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	101,000
Interest on deposit services provided by Yitai Finance Co., Ltd. to the Company	45,000
Fees on financial services provided by Yitai Finance Co., Ltd. to the Company	17,000

VI. CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

Pursuant to Rule 14A.56 of the Listing Rules, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740" Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Hong Kong Stock Exchange.

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the maximum aggregate annual value.

VI. CONNECTED TRANSACTIONS *(Continued)*

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

Nil

(III) Material related transactions relating to common external investments

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 Jingtai Power Generation 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 and second round of capital of RMB174.00 million according to the agreement, and the industrial and commercial registration of changes was completed.

(IV) 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 RMB2 billion in the three fiscal years of 2017, 2018 and 2019. The amount of guarantee provided by the Yitai Group for the Company and its subsidiaries during the year amounted to RMB10,733 million and the balance was RMB14,313 million. The amount of guarantee provided by listed company for Yitai Group and its subsidiaries was RMB0 and the balance was RMB0. The reason why the Yitai Group provided more guarantee for the Company was due to the fact that the Company had more new business development during the year and Yitai Group provided guarantees for the Company's controlling subsidiaries based on the proportion of equity participation; as Yitai Group started new business less this year and the bank loans were all credit loans, the Company did not provide guarantees for Yitai Group and its subsidiaries.

VII. GUARANTEE

Unit: yuan Currency: RMB

External guarantees of the Company (excluding those for subsidiaries)	
Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)	0
Total balance of guarantees at the end of the reporting period (A) (excluding those for subsidiaries)	0
Guarantees of the Company for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the reporting period	2,364,664,000.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	16,505,794,150.97
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	16,505,794,150.97
Percentage of total guarantee in the Company's net assets (%)	60.95
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)	1,768,700,000.00
Amount of total guarantees in excess of 50% of net assets (E)	2,966,204,616.41
Amount of total three guarantees above (C+D+E)	4,734,904,616.41
Statement on the contingent joint liability in connection with unexpired guarantees	N/A

VIII. ENTRUSTED CASH ASSETS MANAGEMENT

1. Entrusted wealth management

(1) Overview of entrusted wealth management

Unit: million yuan   Currency: RMB

Type	Sources of funds	Amount incurred	Unexpired balance	Overdue uncollected amount
Structured deposits	Private capital	300	0	0

(2) Single entrusted wealth management

Unit: yuan   Currency: RMB

Trustee	Type of entrusted wealth management	Amount of wealth management Unit: million yuan	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Through a legal procedure or not	Whether the future entrusted wealth management exists	Impairment Allowance (if any)
China CITIC Bank	RMB structured deposits	300	2018-8-3	2018-11-2	Private capital	Structured interest rate swap	floating income	4.45%	3,328,356.16	3,328,356.16	received	Yes	Yes	

2. Entrusted loans

(1) Overview of entrusted loans

Unit: million yuan   Currency: RMB

Type	Sources of funds	Amount incurred	Unexpired balance	Overdue uncollected amount
Entrusted borrowings	Private capital	0	6,861.798	0

VIII. ENTRUSTED CASH ASSETS MANAGEMENT *(Continued)*

2. Entrusted loans *(Continued)*

(2) Single entrusted loans

Unit: million yuan Currency: RMB

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Through a legal procedure or not	Whether the future entrusted loans exist	Provisions for impairment allowance (if any)
Bank of China	Entrusted loans	90	2016-8-3	2019-8-2	Private capital	Payment of loans	Fixed interest rate	8%	22	7.20	Due and received	Yes	No	
ICBC	Entrusted loans	200	2016-6-8	2019-6-7	Private capital	Project construction	Fixed interest rate	8%	48	16.00	Due and received	Yes	No	
ICBC	Entrusted loans	1,050	2016-7-19	2019-6-7	Private capital	Project construction	Fixed interest rate	8%	242	84.00	Due and received	Yes	No	
ICBC	Entrusted loans	750	2016-7-21	2019-7-20	Private capital	Payment of loans	Fixed interest rate	8%	180	60.00	Due and received	Yes	No	
Agricultural Bank of China	Entrusted loans	80	2016-9-29	2019-9-28	Private capital	Project construction and payment of loans	Fixed interest rate	8%	19	6.40	Due and received	Yes	No	
Finance Company	Entrusted loans	270	2017-9-20	2020-9-19	Private capital	Supplementary working capital	Fixed interest rate	6%	49	16.20	Due and received	Yes	No	
Finance Company	Entrusted loans	150	2017-12-13	2020-12-12	Private capital	Repayment of loans	Fixed interest rate	4.75%	21	7.13	Due and received	Yes	No	
Finance Company	Entrusted loans	200	2017-10-31	2020-10-30	Private capital	Repayment of loans and equipment	Fixed interest rate	6%	36	12.00	Due and received	Yes	No	
Agricultural Bank of China	Entrusted loans	440	2016-10-27	2019-10-26	Private capital	Project construction and payment of loans	Fixed interest rate	8%	106	35.20	Due and received	Yes	No	
CDB	Entrusted loans	100	2016-7-21	2019-5-20	Private capital	Payment of loans	Fixed interest rate	8%	23	8.00	Due and received	Yes	No	
Finance Company	Entrusted loans	100	2017-6-20	2020-6-19	Private capital	Supplementary working capital	Fixed interest rate	8%	24	8.00	Due and received	Yes	No	
Agricultural Bank of China	Entrusted loans	1,000	2017-3-7	2020-3-6	Private capital	Project construction and payment of loans	Fixed interest rate	8%	240	80.00	Due and received	Yes	No	
CDB	Entrusted loans	470	2016-7-21	2019-7-20	Private capital	Payment of loans	Fixed interest rate	8%	113	37.60	Due and received	Yes	No	
Finance Company	Entrusted loans	160	2017-9-22	2020-9-21	Private capital	Supplementary working capital	Fixed interest rate	6%	29	9.60	Due and received	Yes	No	
Finance Company	Entrusted loans	1,100	2017-12-13	2020-12-12	Private capital	Repayment of loans	Fixed interest rate	4.75%	157	52.25	Due and received	Yes	No	
Finance Company	Entrusted loans	500	2017-11-23	2020-11-22	Private capital	Repayment of loans	Fixed interest rate	6%	90	30.00	Due and received	Yes	No	
Agricultural Bank of China	Entrusted loans	75	2016-9-29	2019-9-28	Private capital	Project construction and payment of loans	Fixed interest rate	8%	18	6.00	Due and received	Yes	No	
Finance Company	Entrusted loans	20	2017-6-20	2020-6-19	Private capital	Supplementary working capital	Fixed interest rate	8%	5	1.60	Due and received	Yes	No	
Finance Company	Entrusted loans	20	2017-11-23	2020-11-22	Private capital	Repayment of loans and project funds	Fixed interest rate	6%	4	1.20	Due and received	Yes	No	
Bank of Communications	Entrusted loans	86.80	2016-3-8	2019-3-8	Private capital	Operating turnover	Fixed interest rate	8%	21	6.94	Due and received	Yes	No	

Explanation of entrusted loans: The above entrusted loans are all provided by the Company to its controlling subsidiaries under the consolidated financial statements.

IX. OTHER SIGNIFICANT EVENTS

On 25 May 2018, the Company decided to transfer its equity in Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司) and transferred the 51% equity in Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. to Inner Mongolia Ruihong Clean Energy Co., Ltd.* (內蒙古瑞鴻清潔能源有限責任公司) at the consideration of RMB230 million and signed the relevant equity transfer agreement. Up to now, the change of business registrations has been completed and the consideration of equity transfer has been delivered.

X. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Poverty alleviation work of the Company

Please refer to the 2018 Annual Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd. for details.

(II) Work on social responsibility

Please refer to the 2018 Annual Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd. for details.

(III) Environmental information

1. Explanation on environmental protection work of the company and the key subsidiaries belonging to key pollution emitted unit announced by the national environmental protection departments

(1) Sewage

The Company's subsidiaries and branches, including Inner Mongolia Yitai Coal-to-oil Co., Ltd. and Inner Mongolia Yitai Chemical Co., Ltd., 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 December 2018 are 22.91 tons, 64.09 tons and 125.68 tons, respectively. Yitai Chemical has a total of 66 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 December 2018 are 302.46 tons and 604.66 tons, respectively.

X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(III) Environmental information *(Continued)*

1. Explanation on environmental protection work of the company and the key subsidiaries belonging to key pollution emitted unit announced by the national environmental protection departments *(Continued)*

(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).

(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).

X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(III) Environmental information *(Continued)*

1. **Explanation on environmental protection work of the company and the 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)*

   (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.

   (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 SO_2 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

   (1) 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 50m^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.

X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(III) Environmental information *(Continued)*

1. Explanation on environmental protection work of the company and the 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)*

(2) Drainage system: The wastewater discharge system of the chemical project is designed according to the principle of clearing and sewage separation and sewages 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 270,000m^3 of drainage, of which 30,000m^3 is a fire accident pool; 240,000m^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.

(3) 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".

(4) 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.

(5) 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.

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.

X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(III) Environmental information *(Continued)*

1. Explanation on environmental protection work of the company and the 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)

2.3 Solid waste pollution prevention and control

(1) Gasified crude slag, fine slag and boiler ash of about 220,000 tons are all sent to the slag yard of Dalu Park; and mud cake 120 tons is sent to the boiler blending;

(2) 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

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

(2) 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.

X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(III) Environmental information *(Continued)*

1. **Explanation on environmental protection work of the company and the 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 Inner Mongolia Yitai Coal-to-oil Co., Ltd., was reviewed and approved by the Autonomous Region Development and Reform Commission on 8 December 2005 in document Neifagaigongzi [2005] No. 1832;

(2) On 24 October 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 21 December 2010.

(3) On 30 September 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.

X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(III) Environmental information *(Continued)*

2. 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 December 2018 is 4.25 tons, 139.59 tons and 0.17 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.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

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

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the reporting period

Unit: share Currency: RMB

Types of shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved to be listed	Transaction termination date
Convertible corporate bonds, warrant bonds and corporate bonds						
Corporate bonds in 2014 (First tranche)	9 October 2014	6.99%	4,500,000,000	22 October 2014	4,500,000,000	9 October 2019
Corporate bonds in 2018 (First tranche)	7 June 2018	6.00%	1,500,000,000	28 June 2018	1,500,000,000	8 June 2021
Corporate bonds in 2018 (Second tranche)	17 December 2018	5.00%	2,000,000,000	26 December 2018	2,000,000,000	18 December 2021

Details for the issue of securities during the reporting period (details of bonds with different interest rates within the duration to be specified separately):

Please refer to Section X "RELEVANT INFORMATION ON CORPORATE BOND".

(II) Changes in the total number of ordinary shares, shareholding structure and the structure of assets and liabilities of the Company

As at 31 December 2017, the gearing ratio of the Company was 55.66%. As at 31 December 2018, the gearing ratio of the Company was 55%, decrease by 0.66 percentage point as compared with last year.

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

III. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (in the number of accounts)	75,648
Total number of holders of ordinary shares at the end of the last month prior to the disclosure of annual report (in the number of accounts)	74,991
Total number of holders of preference shares with voting rights restored as at the end of the reporting period (in the number of accounts)	N/A
Total number of holders of preference shares with voting rights restored as at the end of the last month prior to the disclosure of annual report (in the number of accounts)	N/A

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the reporting period

Shareholdings of the Top Ten Shareholders *Unit: Share*

Name of shareholder (in full name)	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion	The number of shares held subject to selling restrictions	Pledged or frozen shares		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	400	325,954,000	10.02	0	Unknown		Foreign legal person
Yitai Group (Hong Kong) Co., Ltd	0	312,000,000	9.59	0	Nil		Foreign legal person
China Merchants Securities (HK) Co., Limited	30,900	22,006,500	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	3,121,876	17,476,719	0.54	0	Unknown		Foreign legal person
Hu Jiaying	677,700	12,852,914	0.39	0	Unknown		Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	3,412,792	12,001,795	0.37	0	Unknown		Foreign legal person
ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF	11,385,602	11,385,602	0.35	0	Unknown		Foreign legal person
GIC PRIVATE LIMITED	9,679,913	9,679,913	0.30	0	Unknown		Foreign legal person

III. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER *(Continued)*

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the reporting period *(Continued)*

Top Ten Holders of Shares Not Subject to Selling Restrictions

Unit: Share

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED *(Note)*	325,954,000	Overseas listed foreign shares	325,954,000
Yitai Group (Hong Kong) Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
China Merchants Securities (HK) Co., Limited	22,006,500	Domestic listed foreign shares	22,006,500
VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,723,998	Domestic listed foreign shares	17,723,998
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	17,476,719	Domestic listed foreign shares	17,476,719
Hu Jiaying	12,852,914	Domestic listed foreign shares	12,852,914
ISHARES CORE MSCI EMERGING MARKETS ETF	12,001,795	Domestic listed foreign shares	12,001,795
ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF	11,385,602	Domestic listed foreign shares	11,385,602
GIC PRIVATE LIMITED	9,679,913	Domestic listed foreign shares	9,679,913
Liu Jingyuan	8,277,050	Domestic listed foreign shares	8,277,050
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.		

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

III. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER *(Continued)*

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the reporting period *(Continued)*

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

IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Information on the controlling shareholder

1. Legal person

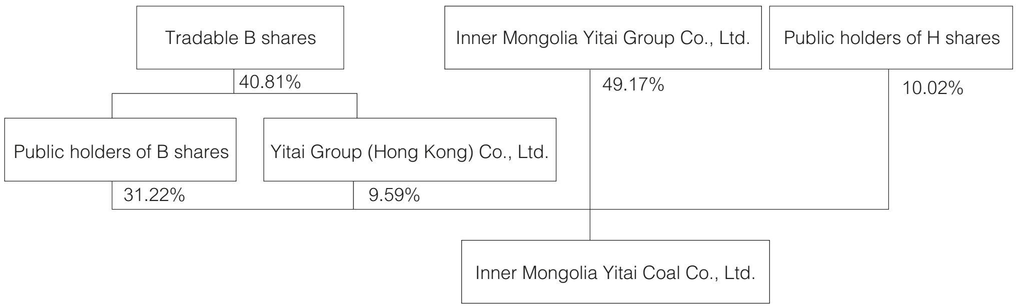
Name	Inner Mongolia Yitai Group Co., Ltd.
Responsible person of the institution or legal representative	Zhang Donghai
Date of Incorporation	27 October 1999
Principal business	The production of raw coal; the processing, transportation and selling of raw coal; the railway construction and the railway transportation of passengers and goods; the import of equipments, accessories and technology for mines; the construction and operation of highways; the coal chemical operation and selling of coal chemical products; selling of pre-packaged, unpackaged food, and dairy products (excluding infant formula milk powder); and retail of vegetables, fruits and raw meat; processing and sale of livestock products; purchase and selling of electric energy. (for project subject to the approval of the law, business activities shall be only carried out after approval from relevant departments is obtained)
Equity interests in other controlled and invested domestic and foreign listed companies during the reporting period	Nil
Other explanation	Nil

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

IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER *(Continued)*

(I) Information on the controlling shareholder *(Continued)*

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



(II) Information on the de facto controller

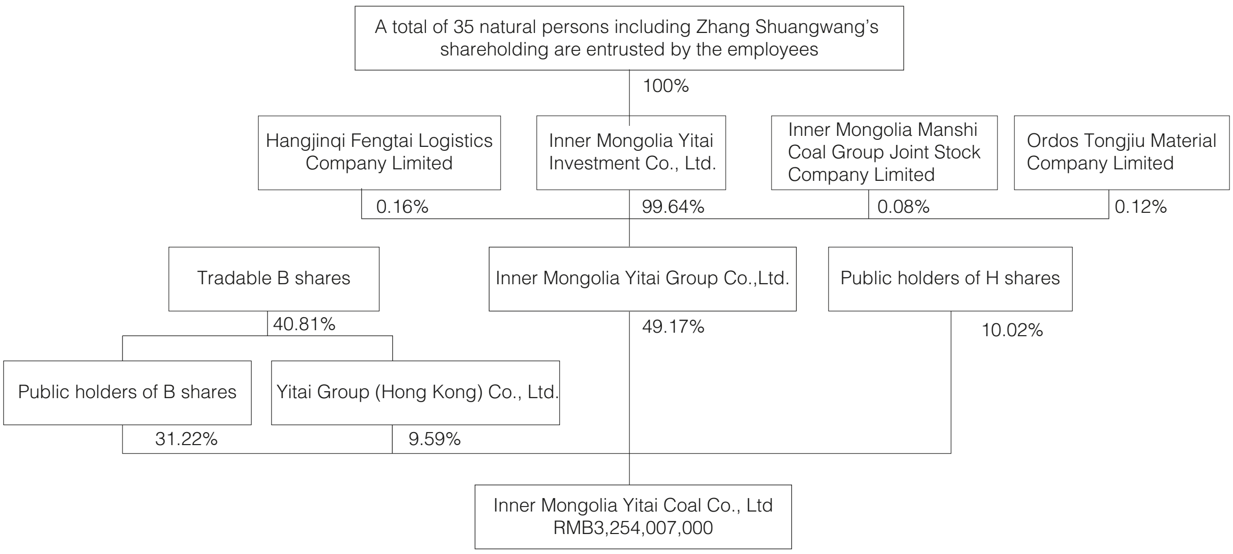
1. Legal person

Name	Inner Mongolia Yitai Investment Co., Ltd. (內蒙古伊泰投資股份有限公司)
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of incorporation	2 December 2005
Principal business	The investment in the energy industry and the railway construction
Holdings or joint stock in other domestic and overseas listed companies during the reporting period	Nil
Other explanation	Nil

IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER *(Continued)*

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

2. Chart concerning the property rights and controlling relationship between the company and the de facto controller



Explanation: Inner Mongolia Yitai Investment Co., Ltd. intended to submit an application for the supervision of non-listed public companies and convened the inaugural meeting on 27 June 2017 to transform entirely into a company limited by shares with the share issue at the audited book value of net assets of RMB1,557,147,038.66 as of 31 December 2016. And with the witness of Global Law Office (Beijing), the on-site confirmation of the registered equity of unlisted public companies was completed and the authentic rights and shareholding were clear without dispute. Currently, it is in the process of handling the equity escrow.

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

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

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

VI. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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:

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	No. of shares	Percentage of the underlying shares in issue (%)[5,6]	Percentage of the total issued shares (%)[5,6]
Inner Mongolia Yitai Group Co., Ltd.[1]	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.[2]	Non-overseas-listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Yitai Group (Hongkong) Co., Ltd.[1]	Non-overseas-listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58
Inner Mongolia Ordos Investment Holding Group Co., Ltd.	H shares	Beneficial owner	Long	55,443,600	17.00	1.70
Ordos Hongrui Trade Company Limited	H shares	Beneficial owner	Long	44,711,200	13.71	1.37
Inner Mongolia Manshi Investment Group Limited	H shares	Beneficial owner	Long	28,321,000	8.68	0.87
Great Huazhong Energy Co. Ltd	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Chen Yihong[3]	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Harvest Luck Development Limited[3]	H shares corporation	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Poseidon Sports Limited[3]	H shares	Beneficial owner	Long	20,017,000	6.14	0.61
China Datang Corporation[4]	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55
Datang International (Hong Kong) Limited[4]	H shares	Beneficial owner	Long	18,031,100	5.53	0.55
Datang International Power Generation Co., Ltd.[4]	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55

VI. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

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

2. 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..

3. 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. Harvest Luck Development Limited holds 100% interest 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.

4. 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 31 December 2018, 18,031,100 shares represented 5.53% of the H shares in issue.

5. 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.

6. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 31 December 2018, no person, other than the directors, supervisors and chief executives 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", had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

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

Unit: share

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration before tax received from the Company for the period *(RMB'0,000)*	Remuneration from related parties of the Company
Zhang Donghai	Chairman	male	49	May 2017	May 2020	0	0	0	Nil	295.06	Yes
Liu Chunlin	Executive Director	male	52	May 2017	May 2020	0	0	0	Nil	2.4	Yes
Zhang Dongsheng	Executive Director	male	48	May 2017	May 2020	0	0	0	Nil	2.4	Yes
Ge Yaoyong	Executive Director	male	49	May 2017	May 2020	0	0	0	Nil	2.4	Yes
Wang Sanmin	Executive Director	male	45	May 2017	May 2020	0	0	0	Nil	138.77	No
	General Manager	male	45	May 2017	May 2020	0	0	0	Nil		
Lv Guiliang	Executive Director	male	53	May 2017	May 2020	0	0	0	Nil	130.35	Yes
	Chief Finance Officer	male	53	May 2017	May 2020	0	0	0	Nil		
Song Zhanyou	Executive Director	male	54	May 2017	December 2018	0	0	0	Nil	157.63	Yes
	Deputy Manager	male	54	May 2017	December 2018	0	0	0	Nil		
Liu Jian	Executive Director	male	52	March 2019	May 2020	0	0	0	Nil	114.79	No
	Deputy Manager	male	52	May 2017	May 2020	0	0	0	Nil		
Zhang Haifeng	Deputy Manager	male	46	December 2018	May 2020	0	0	0	Nil	61.27	No
Yu Youguang	Independent non-executive Director	male	64	May 2017	June 2019	0	0	0	Nil	20	No
Zhang Zhiming	Independent non-executive Director	male	57	May 2017	May 2020	0	0	0	Nil	20	No
Huang Sujian	Independent non-executive Director	male	64	May 2017	May 2020	0	0	0	Nil	20	No
Wong Hin Wing	Independent non-executive Director	male	57	May 2017	May 2020	0	0	0	Nil	25	No
Yuan Bing	Chairman of the Supervisory Committee	male	51	May 2017	December 2018	0	0	0	Nil	1.2	Yes
Zhang Zhenjin	Chairman of the Supervisory Committee	male	50	March 2019	May 2020	0	0	0	Nil	0	Yes
Liu Xianghua	Supervisor	male	41	May 2017	May 2020	0	0	0	Nil	1.2	Yes
Jia Xiaolan	Supervisor	female	45	May 2017	May 2020	0	0	0	Nil	19	No
Li Cailing	Supervisor	female	44	May 2017	May 2020	0	0	0	Nil	34.35	Yes
He Peixun	Supervisor	male	33	May 2017	May 2020	0	0	0	Nil	25.57	No
Wang Yongliang	Independent Supervisor	male	56	May 2017	May 2020	0	0	0	Nil	10	No
Wu Qu	Independent Supervisor	male	54	May 2017	May 2020	0	0	0	Nil	10	No
Zhang Mingliang	Chief Engineer	male	50	May 2017	May 2020	0	0	0	Nil	146.72	No
Lv Junjie	Deputy Manager	male	51	May 2017	May 2020	0	0	0	Nil	114.99	No
Zhao Xin	Secretary to the Board/ Company Secretary	female	37	May 2017	May 2020	5,100	5,100	0	Nil	50.26	No
Total	/	/	/	/	/	5,100	5,100	0	/	1,403.36	/

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Zhang Donghai	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and joined Chinese Communist Party in June 1993. He possesses a master's degree, a title of senior economist and was awarded as the national model worker. Mr. Zhang served in Ikochao League Coal Company (伊克昭盟煤炭集團公司), from April 1990 to July 1999 as the vice chief and the chief of the Beijing branch office and the deputy head of the Operation Department and the deputy manager of the business operating company under the same company. He was our vice general manager from July 1999 to February 2001 and has been acting as an executive Director of our Company since March 2001 and has been served as the chairman of our Company since April 2003. Mr. Zhang served as the vice general manager of Yitai Group from April 2003 to June 2004, and the general manager of the Yitai Group from 2004 to January 2017. He acted as a director and general manager of Inner Mongolia Yitai Investment Limited Liability Company from March 2006 to June 2017. He has been a director and general manager of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been acting as a director of Yitai HK since October 2008. He has been acting as the Chairman of Yitai Group since August 2016. He also serves as the president of Yitai Group since January 2017.
Liu Chunlin	Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1967 and possesses a master's degree and a title of senior accountant. He worked in Ikochao League Coal Company from June 1989 to February 1993 and was appointed as the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997 and as the director of the Finance Department of our Company from August 1997 to July 1999. Mr. Liu served as the financial director of our Company from July 1999 to October 2002, the deputy chief accountant of Yitai Group from October 2002 to May 2004, the vice president of our Company from May 2004 to October 2004 and has been the director and chief account of Yitai Group since June 2004. He has been the Deputy Chief Executive Officer of Yitai Group since July 2018. He acted as the director and chief accountant of Inner Mongolia Yitai Investment Limited Liability Company from March 2006 to June 2017. He has been acting as the director and chief accountant of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been the director of Yitai HK since October 2008 and has been the executive Director of the Company since March 2001.

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

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Zhang Dongsheng	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1971 and possesses a master's degree and titles of senior economist and business manager. He worked in Ikochao League Coal Company from October 1989 to January 2002, served as the director of the Operation Department of our Company from January 2002 to July 2005. Mr. Zhang was the deputy general manager of Zhundong Railway Company from August 2005 to January 2007, and acted as the chairman of Zhundong Railway Company since November 2008 to August 2014, and served as the general manager of Huzhun Railway Company from January 2007 to August 2014 and also as the Director of Yitai Group since November 2008. Mr. Zhang was entitled as the chairman of Huzhun Railway Company from July 2009 to August 2014. He acted as the deputy general manager of Yitai Group from March 2014 to January 2017 and the director of Inner Mongolia Yitai Investment Limited Liability Company from January 2015 to June 2017. He has been acting as a director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been the vice president of Yitai Group since January 2017 as well as the executive Director of the Company since May 2009.
Ge Yaoyong	Gender: Male. Ethnicity: Han ethnicity. Mr. Ge was born in 1970 and possesses a master's degree and a title of senior engineer. He served as the deputy manager and the manager of E'qian League Coking Factory from November 1996 to March 2001, and was promoted as the deputy general manager of the Company from March 2001 to August 2005. Mr. Ge was appointed as the deputy chief engineer of Yitai Group from August 2005 to November 2008, and from November 2008 to March 2014, the general manager of the Company. He was appointed and still serves as the director of Yitai Group since November 2008. From March 2014 to January 2017, he served as the deputy general manager of Yitai Group. He acted as the general manager of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) from July 2014 to September 2017 and has been acting as the chairman of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) since July 2014. He has been the vice president of Yitai Group since January 2017, the director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017 and the executive Director of the Company since December 2008.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Wang Sanmin	Gender: Male. Ethnicity: Mongol ethnicity. Mr. Wang was born in 1974. He is a member of the Communist Party of China and possesses a master's degree. Mr. Wang Sanmin graduated from Inner Mongolia Finance & Economics College in July 2005. He was granted the operating manager and licensed pharmacist in March 2006, senior IT project manager in November 2008 and qualification of international accountant in July 2010. Mr. Wang joined Yitai Group in 1996 and joined the Company in April 2005. Mr. Wang held different positions in Yitai Group as the director of the marketing department and the finance department of Taifeng Simengou Coke Flour Mill, Taifeng Variety Operating Company, Taifeng Coal Mine, Taifeng Hu City Clean Coal Branch and Taifeng General Company from 1996 to 2000. He was the head of finance department of E'qian League Coking Factory from December 2000 to October 2001. From October 2001 to April 2004, he held various positions in Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司)("Yitai Pharmaceutical") as the head of the finance department of Licorice Base, deputy head of the finance department, and head of both the finance department and corporate management department of Shenglong Branch. He was the head of the accounting department of Yitai Group from April 2004 to April 2005. Mr. Wang was the president of the labor union and the deputy general manager of the Shenglong Branch of Yitai Pharmaceutical from April 2005 to September 2006. He was the deputy administrative general manager of Yitai (Beijing) Pharmatech Co., Ltd. from October 2006 to March 2007. He was the head of our corporate management department from April 2007 to November 2010. Mr. Wang was the head of the supplies purchase and supply department of the Company from December 2010 to March 2013. He was the deputy manager of the Company from April 2013 to March 2014. He served as the chairman and general manager of Inner Mongolia Yitai Zhundong Railway Co., Ltd. and Inner Mongolia Yitai Huzhun Railway Co., Ltd. from March 2014 to March 2017 and has been the chairman of Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司) from April 2015 to March 2017. He was a supervisor of the Company from February 2011 to April 2013. He has been acting as the general manager of the Company since March 2017 and then the executive Director since May 2017.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Lv Guiliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1966 and possessed a master's degree of Business Administration and a title of semi- senior accountant. He served in Ikochao League Coal Company from August 1994 to August 1997 and joined our Company in August 1997, acting as the vice director of our Finance Department from July 1999 to November 2002, the director of the same department from March 2004 to February 2009. Since April 2008 and February 2011, Mr. Lv has been serving as the chief finance officer and the executive Director of our Company, respectively. He has been acting as the supervisor of the Company since December 2018.
Song Zhanyou	Gender: Male. Ethnicity: Han ethnicity. Mr. Song was born in 1965 and graduated from Shanxi Mining Institute (山西礦務學院) majoring in mining engineering and has the qualification of senior engineer. Mr. Song was appointed as the technician and deputy director in the mining and stripping division of Houbulian Open Mine owned by Dongsheng Coalfield Development and Operation Company (東勝煤田開發經營公司) from July 1988 to September 1990, from October 1990 to September 1994, the chief of Engineering Division of Zhanpanliang Mine belonging to Ikochao League Coal Company. Mr. Song acted as the chief of the Production Technology Division of Yitai Group Co., Ltd. (predecessor: Ikochao League Coal Company) from October 1994 to February 1999, director of Erdaomao Mine of Yitai Group Co., Ltd. from March 1999 to December 2000, and the deputy manager of the Industry Company of Yitai Group Co., Ltd. (伊泰集團有限公司產業公司) from January 2001 to March 2001, the head of Safety Supervision Department of Yitai Group from April 2001 to July 2003; the head of Corporate Management Department of Yitai Group from August 2003 to April 2007. Served as the director of the engineering department and deputy general manager of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. from May 2007 to November 2010. He was also the deputy general manager of Yitai Yili Energy Co., Ltd. from December 2010 to February 2012; the general manager of Yitai Yili Energy Co., Ltd. from March 2012 to December 2012; and the chairman and general manager of Yitai Yili Energy Co., Ltd. from January 2013 to March 2014. Mr. Song was appointed as the deputy manager of the Company from March 2014 to December 2018, the deputy chief engineer of Yitai Group Co., Ltd. in December 2018 and appointed as the executive Director of the Company from May 2014 to December 2018.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Zhang Haifeng	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1973 and possessed a master's degree and a title of senior engineer. He worked in China Coal Building & Installation Engineering Group Co., Ltd. from 1997 to May 1999, and served in Industrial Development Company from May 1999 to December 1999. He worked as a measurement technician in Nalinmiao Mine from December 1999 to February 2002; worked as the chief of Security Technology Division of Nalinmiao Mine of Production Technology Department from February 2002 to March 2005. Mr. Zhang acted as the deputy head of Wangjiapo Mine of Production Technology Department form March 2005 to February 2006, the spot chief of Hongjingta Mine No.1 mine of Department of Coal Production from February 2006 to August 2006, and worked as an engineer at the level of head of Department of Coal Production from August 2006 to April 2007, an engineer at the level of deputy head of Dadijing Mine of Department of Coal Production of Yitai Group from April 2007 to October 2008. He also was appointed as the deputy head of Nalinmiao Mine No.1 Mine of Production Department of Department of Coal Production from November 2008 to June 2009, the head of Yangwangou Coal of Department of Coal Production from June 2009 to June 2013, and the head of Shenmu County Sujiahao Mine of Department of Coal Production of Yitai Group from July 2013 to January 2014. He acted as the head of Chengyi Coal of Department of Coal Production of the Company from January 2014 to March 2016, the head of Dadijing Mine of the Company from March 2016 to July 2017 and the head of Talahao Mine of the Company from July 2017 to December 2018. Mr. Zhang was appointed as the deputy manager of the Company since December 2018.
Liu Jian	Gender: Male. Ethnicity: Han ethnicity, born in 1967, holds a doctoral degree. He graduated from the Universitat Duisburg-Essen in July 2004 with a Doctor's degree in cardiology and graduated from School of Economics and Management of Tsinghua University in 2014 with an EMBA degree. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司) from August 2005 to February 2007, Mr. Liu was granted the qualification of fellow senior chief pharmacist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古人事廳) in July 2006. He was the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012. He was appointed as the deputy manager of the Company since December 2012. He has served as the executive Director of the Company since March 2019.

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

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Yu Youguang	Gender: Male, Ethnicity: Han ethnicity, born in 1955, holds an associate degree and is a certified accountant and senior auditor. Mr. Yu is the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm and the executive councilor of Certified Public Accountant Association of Inner Mongolia Autonomous Region. He has extensive experience in financial and accounting. He taught in Inner Mongolia Light Industry School from July 1981 to November 1985. He worked in the Audit Bureau of Baotou from November 1985 to September 1999. He has been serving as the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm since September 1999. He was appointed as independent Director of the Company since June 2013.
Zhang Zhiming	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1962 and possessed a doctoral degree of laws and now serves as the professor and doctoral supervisor of Renmin University of China. Mr. Zhang finished his undergraduate courses in law from Peking University in 1983 and master degree in law from the same university in 1986. He received his doctoral degree in laws from the graduate school of Chinese Academy of Social Science in 1998. Mr. Zhang also served as the independent director of Shanxi Taigang Stainless Steel Co., Ltd. and Zhejiang China Commodities City Group Co., Ltd. Mr. Zhang has been serving as the independent Director of our company since June 2015.
Huang Sujian	Gender: Male. Ethnicity: Han ethnicity. Mr. Huang was born in 1955, and has been working in the Institute of Industrial Economics of Chinese Academy of Social Sciences since 1988 and is a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences, a professor of Beijing Teachers' Academy and the president of Chinese Institute of Business Administration currently. Mr. Huang achieved a bachelor degree and a master degree of economics from Xiamen University in 1982 and 1985, respectively, and a doctor degree of economics from the Chinese Academy of Social Sciences in 1988. He also served as the director of Jianfeng Group Co., Ltd. and the independent director of Wolong Electric Group Co., Ltd., Qingdao Hiron Commercial Cold Chain Co., Ltd. and Anxin Property & Casualty Insurance Co., Ltd.. Mr. Huang Sujian has been the independent Director of the Company since November 2016.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Wong Hin Wing	Gender: Male. Ethnicity: Han ethnicity. Mr. Wong was born in 1962 and holds a master's degree in Executive Business Administration from The Chinese University of Hong Kong (香港中文大學). He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administration in the UK. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment in the UK. He is an independent non-executive director of AEON Credit Service (Asia) Co. Ltd. (AEON信貸財務亞洲有限公司) (a public company listed on the Stock Exchange), Dongjiang Environmental Company Limited (東江環保股份有限公司) (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange), CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (a public company with H shares listed on the Stock Exchange), Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) (a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Jiangxi Bank Co., Ltd. (a public company with H Shares listed on the Stock Exchange) and Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) (a public company listed on the Stock Exchange). He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal, a member of the Nursing Council of Hong Kong and a member of Construction Industry Council. He is the Director and a general manager and has been the responsible officer of Silk Road International Capital Limited (絲路國際資本有限公司) (formerly known as Legend Capital Partners,Inc. (安裡俊投資有限公司)), a licensed corporation under the Securities and Futures Ordinance since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. He has 35 years of experience in accounting, finance, investment management and advisory. Mr. Wong Hin Wing has been the independent Director of the Company since May 2017.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Yuan Bing	Gender: Male. Ethnicity: Han ethnicity. Mr. Yuan was born in 1968. He is a member of Chinese Communist Party and possesses a bachelor's degree and a title of political engineer. In September 1989, he worked as a teacher in Ikochao League Husiliang School (伊克昭盟呼斯梁學校); in September 1990, he was redesignated to the administrative department of labour of Ikochao League Coal Group Company; in January 1991, redesignated to Qinhuangdao office of Ikochao League Coal Group Company; has been working in the discipline inspecting commission of Ikochao League Coal Group Company since February 1995; served as deputy chief of supervisory section under discipline inspecting commission from March 1996 to March 1998; the chief of supervisory section from April 1998 to March 2001; ombudsman (deputy division level) in the discipline inspecting commission of Yitai Group from April 2001 to July 2004 and commissioner (division level) from August 2004 to October 2008; ombudsman (minister level) from November 2008 to February 2011; the deputy secretary of discipline inspecting commission in Yitai Group from March 2011 to September 2015 and the secretary of discipline inspecting commission in Yitai Group since October 2015. He was recognized as an outstanding discipline inspecting cadre by Erdos Discipline Inspection Commission. He is a people supervisor appointed by Erdos People's Procuratorate and the Inner Monggol Autonomous Region People's Procuratorate. He has been the supervisor of Yitai Group since April 2011 and the chairman of the Supervisory Committee of Inner Mongolia Yitai Investment Co., Ltd. and Yitai Group since January 2018. He has been acting as the chairman of the Supervisory Committee of the Company from May 2017 to December 2018.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Zhang Zhenjin	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang is born in 1969. Mr. Zhang is a senior engineer. He graduated from Shanxi Mining Institute and holds a post-graduate degree. He acted as the deputy head of infrastructure in coal preparation plant at Tanggongta loading facility from May 1994 to November 1994. He worked in the preparatory office at coal preparation plant from November 1994 to September 1996. He acted as the deputy spot chief of Nalinmiao Mine of the Industrial Development Company from September 1996 to January 1998, supervisor of the Company from August 1997 to July 1999, deputy manager of the Industrial Development Company from January 1998 to July 1999, deputy general manager and chief engineer of the Company from July 1999 to March 2001, and chief engineer of the Company from 2001 to 2006. From 2006 to 2009, Mr. Zhang consecutively served as the deputy general manager, chief engineer and the president of the labor union of the Company. From 2009 to 2014, he consecutively served as the deputy chief engineer of Yitai Group Co., Ltd. and the deputy general manager of Yitai Guanglian Coal Chemical Co., Ltd. He acted as the chairman and general manager of Yitai Guanglian Coal Chemical Co., Ltd. from January 2014 to September 2017, and the chairman of Yitai Guanglian Coal Chemical Co., Ltd. from September 2017 to December 2018. He has been acting as the chairman of each of the supervisory committee of Inner Mongolia Yitai Investment Co., Ltd. and Inner Mongolia Yitai Group Co., Ltd. since December 2018. Mr. Zhang has served as the chairman of the Supervisory Committee of the Company since March 2019.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Liu Xianghua	Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1978. He is a member of the Communist Party of China and possesses a bachelor's degree. Mr. Liu worked for Zhundong Railway Company from August 2000 to July 2001. He was the deputy director for administrative affairs of Zhundong Railway Company from July 2001 to October 2002 and was the office director in administrative department of Zhundong Railway Company from November 2002 to February 2004. Mr. Liu was the head secretary of the general manager office of Yitai Group from March 2004 to August 2005. He was the deputy director of the general manager office of Yitai Group from September 2005 to December 2005. He was the deputy director of the general manager office of the Company from January 2006 to November 2010. He was the office director of the board of directors of Yitai Group from December 2010 to February 2012. He has been the secretary of the board of directors of Yitai Group since March 2012. He was the office director of the board of directors of Yitai Group from January 2013 to October 2016. He also was the general manager of the administrative department of the Company from November 2016 to September 2017. He has been acting as the office director of the board of directors of Yitai Group since September 2017. He has been the supervisor of the Company since May 2017.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Jia Xiaolan	Gender: Female. Ethnicity: Han ethnicity. Ms. Jia was born in 1973 and possessed a bachelor's degree and was granted with qualifications of senior engineer and registered cost engineer. She worked in Ikochao League First Construction Engineering Company (伊盟一建) (now renamed Erdos Da Hua Construction Group LLC) (鄂爾多斯大華建築集團有限責任公司) from July 1993 to July 2000, and served in Erdos Defeng Project Management LLC. (鄂爾多斯市得豐工程項目管理有限責任公司) from July 2000 to July 2005 as the deputy director of Installation Budgeting Division (安裝預結算). In August 2005, Ms. Jia transferred to Yitai Group as the installation budgeting engineer in Construction Cost Center of the Group from August 2005 to October 2006 and served as the deputy chief and chief of the same division from October 2006 to March 2010, and from March 2010 to April 2011, respectively. She was the vice director of Internal Control and Audit Department of Yitai Group from April 2011 to July 2013 and was promoted as the director for a working period from July 2013 to January 2014. Ms. Jia acted as the director of Internal Control and Audit Department of the Company from January 2014 to March 2015, and worked as the director of the Audit and Discipline Department of the Company from March 2015 to August 2017. She has been the general manager of the Audit and Discipline Department of the Company from August 2017 to June 2018, the deputy general manager of Coal-to-oil Company since June 2018, the supervisor of Yitai Group since January 2018 and the supervisor of the Company since June 2015.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Li Cailing	Gender: Female. Ethnicity: Han ethnicity. Ms. Li was born in 1975, she is a member of the Communist Party of China with a postgraduate degree. She is also a senior accountant, a certified tax agent and a certified public accountant. Ms. Li worked in Inner Mongolia Ordos Group Company (內蒙古鄂爾多斯集團公司) from June 1995 to January 1998. She once held the positions of Head of Auditing Department and Deputy Director in Inner Mongolia Zhonglei Accounting Firm (內蒙古中磊會計事務所) from February 1998 to July 2005 and she worked in the Finance Department of the Company from August 2005 to February 2012. She was the director of the Financial Information Section of the Finance Department (財務部財務資訊科) of the Company from March 2012 to July 2013. She was an accountant of deputy director level in the Finance Department of the Company from August 2013 to November 2014. She was the deputy director of the finance department of Yitai Group from December 2014 to March 2015. She has been the deputy director of the financial management center of the Company from April 2015 to December 2018, the deputy general manager of the financial management department of Inner Mongolia Yitai Group Co., Ltd. since December 2018 and the supervisor of the Company since May 2017.
He Peixun	Gender: Male. Ethnicity: Han ethnicity. Mr. He was born in 1986 and possesses a bachelor's degree. Mr. He is a lawyer and has obtained the legal professional qualification certificate. He graduated from Inner Mongolia University in July 2009. He worked in the general manager office in the Company from July 2009 to December 2009. He worked in the Securities Department of the Company from January 2010 to May 2012. He was the director for security business in the Securities Department of the Company from June 2012 to July 2013. He was the business director of the Securities Department of the Company from August 2013 to April 2015. He was the business manager in the Investor Relations and Management Department of the Company from May 2015 to October 2016; the intermediate business manager in the Investor Relations and Management Department of the Company from November 2016 to December 2017; the deputy director of the Investor Relations and Management Department of the Company from December 2017 to June 2018; the deputy general manager of Capital and Compliance Management Department since June 2018; the supervisor of Inner Mongolia Yitai Investment Co., Ltd. since June 2017; and the supervisor of the Company since May 2017; and the executive Director of the Company since March 2019.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Wang Yongliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1963 and possessed a master's degree and was granted the qualification of Level 2 Lawyer. He was a member of Ikochao League correctional division from August 1985 to December 1986, a teacher in Ikochao League Politics & Law School from December 1986 to March 1990, the deputy head of the correctional division and office of the judicial department of Ikochao League from March 1990 to April 1996, the head of economic business department of Ikochao League Law Firm from April 1996 to March 2001. Mr. Wang has been acting as the director of Inner Mongolia Ikochao League Law Firm since March 2001. Mr. Wang is the vice chairman of the Inner Mongolia Autonomous Region Lawyers Association and the chairman of Erdos Lawyers Association. Mr. Wang acted as an independent supervisor of our Company since February 2011.
Wu Qu	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1965 and possessed a bachelor's degree. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company (伊克昭盟東勝食品工業公司) from July 1986 to October 1994, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998, the finance manager of Ordos Rongze Food Co., Ltd. (鄂爾多斯榮澤食品有限責任公司) from December 1998 to October 2000. Mr. Wu has been serving as the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd (內蒙古東審會計師事務所有限責任公司) since July 2001 and an independent supervisor of the Company since February 2011.
Zhang Mingliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1969 and possessed a master's degree. He was granted with a qualification of semi senior engineer and held various positions in our Company as the deputy spot chief of Nalinmiao Mine No. 1 mine, the spot chief of Nalinmiao Mine No. 4 mine, the deputy head and the head of Nalinmiao Mine and the deputy head of Nalinmiao Mine No. 2 mine from November 1997 to June 2009. Mr. Zhang was appointed as the head of Sujiahao Mine of Yitai Group from June 2009 to March 2011, the director of Jungar Temple dispatching station of our Coal Transportation Department from March 2011 to February 2012, the deputy general manager of our Production Department from February 2012 to September 2012, the supervisor of our Company from April 2002 to October 2012 and the chief engineer of the Company from May 2014 to August 2015 and from October 2016 till present.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Lv Junjie	Gender: Male. Ethnicity: Han ethnicity. Mr. Lv is a member of Chinese Communist Party and was born in 1967. He graduated from Huazhong University of Science and Technology with a master degree in EMBA and is a senior economist. Mr. Lv Junjie worked as a teacher in Jungar Banner Nalin Middle School (准格爾旗納林中學) from July 1985 to July 1991; worked in the Administrative Department of Labour of Yimeng Coal Company (伊盟煤炭公司政工勞資科) from July 1991 to December 1991; acted as the secretary of Resident Chinese Communist Party Committee Office in Yimeng Coal Company from December 1991 to April 1992; acted as the deputy secretary and secretary of Communist Youth Party Committee of Yimeng Coal Company from April 1992 to April 1997; the director of Materials Sales Department of the Company and the manager assistant of Industrial Development Company from April 1997 to February 2001; the deputy manager and manager of Materials Supply Department of the Company from February 2001 to April 2004; the director of Xiyingzi Collection and Transportation Centre of the Company from April 2004 to May 2005; the minister of Business Development Department of the Company from May 2005 to October 2008; the minister of Environment Monitoring Department of the Company from October 2008 to February 2012; the deputy general manager of Coal-to-oil Company from February 2012 to November 2013; the deputy general manager of Coal-related Chemical Operation under Yitai Group from November 2013 to October 2016. He has been the deputy manager of the Company since October 2016.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(Continued)*

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

Name	Biographies
Zhao Xin	Gender: Female. Ethnicity: Han ethnicity. Born in 1981, she holds a doctoral degree. Ms. Zhao graduated from Inner Mongolia University of Finance and Economics with a bachelor's degree in management in July 2003 and graduated from Capital University of Economics and Business with a master's degree in management in July 2008. In July 2012, Ms. Zhao graduated from Chinese Academy of Social Sciences with a doctoral degree in management. Ms. Zhao joined the Securities Department of the Company in August 2008. She served as the head of the Information Disclosure Sector under the Securities Department of the Company from December 2010 to June 2013. She served as the vice director of the Securities Department of the Company from July 2013 to March 2015. Ms. Zhao has served as the securities affairs representative of the Company from August 2013 to March 2015 and she has been the director of Investor Relation and Management Department of the Company since March 2015. She was appointed as secretary to the Board of the Company in April 2015, joint company secretary from April 2015 to April 2018, the company secretary since April 2018 and the general manager of Capital and Compliance Management Department of the Company since June 2018.

II. PARTICULARS ABOUT THE CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Particulars concerning positions held in shareholders' entities

Name of incumbent	Name of shareholders' entity	Position held in shareholders' entity	Starting date of term	End date of term
Zhang Donghai	Yitai Group	Chairman	August 2016	
	Yitai Group	Chief Executive Officer	January 2017	
Liu Chunlin	Yitai Group	Director, Chief Accountant	June 2004	
		Deputy Chief Executive Officer	July 2018	
Ge Yaoyong	Yitai Group	Director	November 2008	
	Yitai Group	Deputy Chief Executive Officer	January 2017	
Zhang Dongsheng	Yitai Group	Director	November 2008	
	Yitai Group	Deputy Chief Executive Officer	January 2017	
Yuan Bing	Yitai Group	Secretary of Discipline Inspecting Department	October 2015	
	Yitai Group	Supervisor	April 2011	December 2018
	Yitai Group	Chairman of the Supervisory Committee	January 2018	December 2018
Song Zhanyou	Yitai Group	Deputy Chief Engineer	December 2018	
Liu Xianghua	Yitai Group	Board Secretary	March 2012	
Jia Xiaolan	Yitai Group	Supervisor	January 2018	
Zhang Zhenjin	Yitai Group	Chairman of the Supervisory Committee	December 2018	
Lv Guiliang	Yitai Group	Supervisor	December 2018	
Li Cailing	Yitai Group	Deputy general manager of the financial management department	December 2018	

(II) Particulars concerning positions held in other entities

Name of incumbent	Name of other entity	Position held in other entity	Starting date of term
Yu Youguang	Inner Mongolia Zhongtian Huazheng	Deputy president	June 2013
Zhang Zhiming	School of Law of Renmin University	Professor, Doctoral supervisor	September 2005
Huang Sujian	Institute of Industrial Economics of Chinese Academy of Social Sciences	Researcher	July 1988
Wong Hin Wing	Silk Road International Capital Limited	Director, General Manager	January 1997
Wang Yongliang	Inner Mongolia Ikochao League Law Firm	Officer	March 2001
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of Auditing Department	July 2001

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

Decision-making procedure for the remuneration of the directors, supervisors and senior management	The remuneration for the Directors, supervisors and senior management is proposed to the Board by the remuneration and appraisal committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and supervisors will be proposed to the general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.
Basis for determination on the remuneration of the directors, supervisors and senior management	The remuneration of Directors and senior management of the Company is on an annual basis. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is comprehensively determined according to the operational scale, profitability and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. Basic annual salary of Directors and senior management is paid on a monthly basis and annual performance salary is paid upon year end assessment.
Particulars about remuneration actually paid 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 on an annual or monthly basis after withholding individual income tax.
Total remuneration actually obtained by the directors, supervisors and senior management as a whole at the end of the reporting period	RMB140.34 million

IV. PARTICULARS ABOUT THE CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for change
Yuan Bing	Supervisor, Chairman of the Supervisory Committee	Resigned	Work adjustment
Song Zhanyou	Director, Deputy Manager	Resigned	Work adjustment
Zhang Haifeng	Deputy Manager	Appointed	Work adjustment
Liu Jian	Director, Supervisor	Elected	Work adjustment
Zhang Zhenjin	Supervisor, Chairman of the Supervisory Committee	Elected	Work adjustment

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

The Company has had no punishments imposed by securities regulatory authorities in the last three years.

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

As at 31 December 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, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Long positions in the shares of associated corporation of the Company

Name of director/supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	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 Wang Sanmin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	515,103	0.07
Mr Liu Jian	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Supervisors:				
Mr Zhang Zhenjin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	3,841,149	0.53
		Interest of spouse	219,093	0.03
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

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

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

Note 1:

Pursuant to a trust agreement entered into between 35 individuals and a group of employees of Inner Mongolia Yitai Group Co., Ltd., the directors and supervisors listed above together with other members of the 35 individuals hold the entire issued share capital of Inner Mongolia Yitai Investment Co., Ltd. on behalf of a group of employees comprised of 2,300 individuals. Our PRC legal advisors are of the opinion that the trust arrangement is valid and binding under the PRC laws.

Save as disclosed above, as at 31 December 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.

VII. EMPLOYEES INFORMATION ON THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Information on employees

Number of in-service employees in the parent company	2,604
Number of in-service employees in principal subsidiaries	3,676
Total number of in-service employees	6,280
Number of employees retired for whom the parent company and principal subsidiaries have to pay pension	364

Specialty composition Category	Headcount
Production	2,696
Sales	1,924
Technician	312
Finance	201
Administration	928
Others	219
Total	6,280

Education level Category	Headcount
Postgraduate	231
Undergraduate	2,837
College graduate and secondary technical school	2,168
Below secondary technical school	1,044
Total	6,280

(II) Remuneration Policy

The Company made great efforts in motivating employees' working enthusiasm and creativity, and promoting the internal fairness and external competitiveness of the remuneration incentive system. On the basis of equal pay for equal work, the Company established a dynamic distribution mechanism in terms of taking position value as the core and performance assessment as the support, thus reflecting the employees' work ability and work achievement. The remuneration level strategy adopted by the Company consisted of market leading level for key personnel and talents, appropriately advanced level for ordinary staff members and average level for auxiliary staff members.

VII. EMPLOYEES INFORMATION ON THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(Continued)*

(III) Training Program

In 2018, the Company began to promote the construction of corporate universities and established a training system with hierarchical classification for all employees, giving full play to the transformative role of corporate universities in talent development. According to the requirements of competency quality of positions, we learned from the idea of map design, gradually developed learning programme plans and curriculum arrangements for employees of different ranks and orders of positions, and strengthened in-service training, in a view to improve the quality and ability of employees.

(IV) Subcontracting Information

Total working hours for subcontracting	749,880 Hours
Total remuneration paid for subcontracting	RMB14.4864 million

(V) Employee Motivation

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

(VI) Pension Scheme

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

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

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

The Company continued to strengthen information disclosure and relationship with investors. During the reporting period, the Company disclosed all material information promptly, accurately, truly and completely to ensure that all shareholders could enjoy the right to be informed fairly. The Company communicates with investors in various forms, effectively enhancing communications and interactions with investors and promoting the reputation and influence of the Company in the capital market.

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

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

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

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals
Annual general meeting for 2017 (the "**2017 AGM**") *(Note 1)*	28 June 2018	1. To consider and approve the report of the Board for the year 2017; 2. To consider and approve the report of the Supervisory Committee for the year 2017; 3. To consider and approve the performance report of the independent non-executive Directors for the year 2017; 4. To consider and approve the profit distribution for the year 2017; 5. To consider and approve the financial report for the year 2017; 6. To consider and approve the Company's capital expenditure for the year 2018; 7. To consider and approve the appointment of audit institution of the Company for the year 2018; 8. To consider and approve the appointment of internal control audit institution of the Company for the year 2018; 9. To consider and approve entrusted wealth management using the Company's idle equity fund; 10. To consider and approve the proposal relating to the guarantee to be provided by the Company to holding subsidiaries; 11. To consider and approve the proposal relating to the general mandate to the Board of the Company for the issuance of H shares.	All passed	http://www.hkexnews.hk http://www.sse.com.cn	28 June 2018 29 June 2018

Notes:

1. For details of the resolutions passed in the meeting, please refer to the circular of the Company dated 14 May 2018.

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

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

	Attendance of Board meeting(s)								Attendance in general meeting(s)	
Name of directors	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence	Whether or not he has been absent in person for two consecutive times	Attendance rate of Board meetings *(%)*	Times/ Number of attendance in general meetings	Attendance rate of general meetings *(%)*
Zhang Donghai	No	9	9	7	0	0	No	100	1/1	100
Liu Chunlin	No	9	9	7	0	0	No	100	1/1	100
Ge Yaoyong	No	9	9	7	0	0	No	100	1/1	100
Zhang Dongsheng	No	9	9	7	0	0	No	100	1/1	100
Wang Sanmin	No	9	9	7	0	0	No	100	1/1	100
Lv Guiliang	No	9	9	7	0	0	No	100	1/1	100
Song Zhanyou *(Note A)*	No	9	9	7	0	0	No	100	0/1	0
Yu Youguang	Yes	9	9	7	0	0	No	100	1/1	100
Zhang Zhiming	Yes	9	9	7	0	0	No	100	1/1	100
Huang Sujian	Yes	9	9	7	0	0	No	100	1/1	100
Wong Hin Wing	Yes	9	9	7	0	0	No	100	0/1	0

Note A: Song Zhanyou retired as an executive director of the Company on 26 December 2018.

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

Number of Board meetings convened during the year		9
Of which:	Number of meetings held physically	2
	Number of meetings held by teleconference	7
	Number of meetings held both physically and via teleconferencing	0

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES *(Continued)*

(II) Matters voted against by the independent non-executive Directors of the Company

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

(III) Others

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

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

Nil

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

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

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

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

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

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

VIII. CORPORATE GOVERNANCE PRACTICES

The Board of Directors has committed to maintaining high corporate governance standards.

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

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

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

The Board is of the view that throughout the year ended 31 December 2018, the Company has complied with all the applicable Code Provisions as set out in the CG Code.

Directors' and Supervisors' Securities Transactions

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

Specific enquiry has been made to all the directors and supervisors, and all directors and supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

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

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

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board of Directors

During the year ended 31 December 2018 and up to the date of this report, the Board comprises the following directors:

Executive Directors:
Zhang Donghai *(Chairman)*
Liu Chunlin
Ge Yaoyong
Zhang Dongsheng
Wang Sanmin
Lv Guiliang
Song Zhanyou *(Resigned as Director on 26 December 2018)*
Liu Jian *(Appointed on 11 March 2019)*

Independent Non-executive Directors:
Yu Youguang
Zhang Zhiming
Haung Sujian
Wong Hin Wing

The biographical information of the directors are set out in the section headed "Directors, Supervisors, Senior Management and Employees" on pages 91 to 105 of this report.

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

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Chairman and General Manager

The positions of Chairman and General Manager are held by Zhang Donghai and Wang Sanmin respectively. The Chairman is responsible for the effective functioning and leading the Board. The General Manager focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended 31 December 2018, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Directors' Re-election

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

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

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Continuous Professional Development Of Directors *(Continued)*

During the year ended 31 December 2018, the following directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Event/Topic[note]
Executive Directors	
Zhang Donghai	1, 2, 3, 4
Liu Chunlin	1, 2, 3, 4
Ge Yaoyong	1, 2, 3, 4
Zhang Dongsheng	1, 2, 3, 4
Wang Sanmin	1, 2, 3, 4
Lv Guiliang	1, 2, 3, 4, 5
Independent non-executive Directors	
Yu Youguang	2, 3, 4
Zhang Zhiming	2, 3, 4
Huang Sujian	2, 3, 4
Wong Hin Wing	2, 3, 4

Notes:

1. The training courses for the directors, supervisors and senior management of the listed companies in the district for the year of 2018 organized by China Securities Regulatory Commission, Inner Mongolia Branch (內蒙古證監局);
2. Special training on new accounting standards for the listed companies organized by the Shanghai Stock Exchange;
3. Online training on detailed explanation of the revision of the Code of Corporate Governance for Listed Companies organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司);
4. Online training on several issues concerning penalties for insider trading organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司);
5. Follow-up training for the chief financial officers of the listed companies organized by the Shanghai Stock Exchange;

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

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board Committees

The Board has established five committees, namely, the Strategy Committee, Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Production Committee, for overseeing particular aspects of the Company's affairs. The terms of reference of all the Board committees above are posted on the Company's website and the Hong Kong Stock Exchange's website and are available for inspection by the shareholders upon request.

Strategy Committee

The Strategy Committee currently comprises a total of 11 members, being 7 executive Directors, namely Zhang Donghai (Chairman), Liu Chunlin, Ge Yaoyong, Zhang Dongsheng, Wang Sanmin, Lv Guiliang and Liu Jian, and 4 independent non-executive Directors, namely Yu Youguang, Zhang Zhiming, Huang Sujian and Wong Hin Wing.

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

The responsibilities of the Strategy Committee include, among others:

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

The Strategy Committee held 5 meetings during the year to review on 2018 Capital Expenditure of the Company, capital injection to as well as acquisition of shareholdings and provide opinion to the Board in regard thereof.

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Audit Committee

The Audit Committee currently comprises a total of 4 members, all being independent non-executive Directors, namely Yu Youguang (Chairman), Zhang Zhiming, Huang Sujian and Wong Hin Wing.

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

The Audit Committee held 4 meetings to review the Group's annual financial results and reports, interim results, quarterly results, internal control and risk management systems, appointment of external auditors, related party transactions, continuing connected transactions and the proposal in relation to entrusted wealth management by use of the idle capital of the Company, etc.

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

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Donghai, Liu Chunlin and Wang Sanmin, and 4 independent non-executive Directors, namely Yu Youguang, Huang Sujian (Chairman), Zhang Zhiming and Wong Hin Wing.

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

The Remuneration and Appraisal Committee held one meeting during the year to review and make recommendation to the Board on the remuneration of the directors of the seventh session of the Board, the remuneration policy and structure of the Company, and review the performance of the duties of the directors and senior management of the Company and the annual performance evaluation conducted on them.

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Nomination Committee

The Nomination Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Donghai, Liu Chunlin and Wang Sanmin, and 4 independent non-executive Directors, namely Yu Youguang, Huang Sujian, Zhang Zhiming (Chairman) and Wong Hin Wing.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, conducting appraisal on candidates for the secretary of the Board nominated by the chairman and candidates for deputy manager and chief financial officer nominated by the manager, and provide appraisal opinions to the Board, conducting inspection of the candidates of directors, president and the secretary of the Board, formulating the Board diversity policy and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and national and industrial experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. For summary of the Board diversity policy, please refer to the content in page 45 of Section V – Other Disclosures under "Report of Directors"of this report.

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

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. In relation to the selection procedure of the Directors, the Nomination Committee will obtain the nominee's consent before the convening of the Committee meeting, conduct qualification examination of the first-selected candidates in accordance with qualification requirements for Directors, and at last submit proposals regarding the related candidates to the Board. External recruitment professionals might be engaged to carry out selection process when necessary.

The Nomination Committee held 2 meetings during the year to review the structure, size and composition of the Board, to consider and recommend to the Board on the proposed appointment of executive directors and independent non-executive directors of the seventh session of the Board.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Production Committee

The Production Committee currently comprises a total of 5 members, being 3 Executive Directors, namely Zhang Donghai(Chairman), Ge Yaoyong and Wang Sanmin, and 2 independent non-executive Directors, namely Yu Youguang and Huang Sujian.

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

The responsibilities of the Production Committee include, among others:

- Determining the annual planned production volumes of the relevant coal mines for the following year with reference to the assessed capacities and market conditions

- Reviewing the Company's actual production volumes

- Considering whether the Company needs to revise the annual planned production volumes of the relevant coal mines or to apply to increase the assessed capacities

The Production Committee held one meeting during the year to review 2018 Annual Production Plan of the Company.

Corporate Governance Functions

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

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

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2018 is set out in the table below:

	Attendance/Number of meetings							
Name of Director	Board	Nomination Committee	Remuneration and Appraisal Committee	Audit Committee	Production Committee	Strategy Committee	Annual general meeting	Other general meetings (if any)
Zhang Donghai	9/9	2/2	1/1	N/A	1/1	5/5	1/1	0/0
Liu Chunlin	9/9	2/2	1/1	N/A	N/A	5/5	1/1	0/0
Ge Yaoyong	9/9	N/A	N/A	N/A	1/1	5/5	1/1	0/0
Zhang Dongsheng	9/9	N/A	N/A	N/A	N/A	5/5	1/1	0/0
Wang Sanmin	9/9	2/2	1/1	N/A	1/1	5/5	1/1	0/0
Lv Guiliang	9/9	N/A	N/A	N/A	N/A	5/5	1/1	0/0
Song Zhanyou *(Note A)*	9/9	N/A	N/A	N/A	N/A	5/5	0/1	0/0
Yu Youguang	9/9	2/2	1/1	4/4	1/1	5/5	1/1	0/0
Zhang Zhiming	9/9	2/2	1/1	4/4	N/A	5/5	1/1	0/0
Huang Sujian	9/9	2/2	1/1	4/4	1/1	5/5	1/1	0/0
Wong Hin Wing	9/9	2/2	1/1	4/4	N/A	5/5	0/1	0/0

Note A: Song Zhanyou resigned as an executive director of the Company on 26 December 2018.

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

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's continuous operations.

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

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Senior management's remunerations

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of 5 Senior Management (excluding Directors and Supervisors) by bands for the year ended 31 December 2018 is set out below:

Remuneration bands	Number of individuals
RMB0.5 million to RMB1 million	2
RMB1 million to RMB2 million	3

Auditors' Remuneration

An analysis on the remuneration paid to the external oversea auditors of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service category	Fees paid/payable
Audit services	RMB3.5 million
Non-audit services-consulting services *Note A*	RMB0.16 million

Note A: Deloitte Touche Tohmatsu provided consulting services for the preparation of the Company's Environmental, Social and Governance Reporting Report.

For details of remuneration of domestic auditors, please refer to the section named "Appointment or termination of engagement of auditors" under "Significant events" of this report.

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Risk Management and Internal Controls

During the year under review, the Board conducted one review of the effectiveness of the risk management and internal control systems of the Group, covering all material aspects of internal control, including internal control, operational control and compliance control for the year ended 31 December 2018. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is responsible for the risk management and internal control systems, and reviewed the effectiveness on such systems. Details as follows:

1. The Company established a sound internal control system, (i) Audit Committee was set up under the Board to be responsible for the communication, inspection and supervision on external audit, reviewing and monitoring the financial control, internal control and risk management systems; and to ensure the establishment of an effective internal control system by which the management fulfils their duty; and to study the substantive investigation results for internal control and responses to such results from the management, on a voluntary basis or based on the appointment of the Board; (ii) the internal audit department of the Company is in charge of the organization and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; and (iii) the internal control and assessment group is in charge of the organisation and assessment of the detailed internal control and is accountable to the Board.

2. In order to further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardised and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.

3. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the 2018 Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司2018年度內部控制評價方案》). Please refer to Appendix II 2018 Annual Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2018年度內部控制評價報告》) for the details of internal control.

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Risk Management and Internal Controls *(Continued)*

4. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as "the Guidelines on Disclosure of Inside Information"published by the Securities and Future Commission in June 2012, and established special agency and appointed special personnel to be responsible for registration and management of insiders, also set up internal management files for insiders management which subject to regular updating. Meanwhile, regular trainings have been conducted by the Group engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

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

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

In 2018, centering on five internal control elements of financial monitoring, risk assessment, compliance monitoring and communication and regulation, the Group implemented comprehensive inspection of the effectiveness of the Company's internal control system in 2018, including mechanisms for communication with and feedback from auditors on statutory audit work. Through the assessment of the Group's internal control system by the Audit Committee and the internal control department, the Board held that within the reporting period, no material failure or weakness was found in respect of risk monitoring. In addition, the Group had a complete internal control system covering corporate governance, operation, investment, finance, administration and human resources, and the internal control system could play its effective role.

Rather than eliminating the risk of failing to achieve the business goal, the risk management and internal control system of the Group aim to manage such risk and can only provide reasonable but not absolute guarantee that there are no material misrepresentations or losses.

For more details in relation to internal control, please refer to Appendix II of this report.

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Company Secretary

As confirmed by the Stock Exchange, Ms. Zhao Xin ("**Ms. Zhao**") is qualified to act as the company secretary under Rule 3.28 of the Rules Governing the Listing of Securities on the Stock Exchange after the expiry of the waiver period on 22 April 2018. As a result, Ms. Wong Wai Ling ("**Ms. Wong**") has resigned as the joint company secretary of the Company with effect from 23 April 2018. Ms. Zhao continued to serve and act as the sole company secretary of the Company after the resignation of Ms. Wong. Ms. Zhao has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Dividend Policy

Pursuant to Article 16.15 of Articles of Association of the Company, profit distribution policies of the Company are specified as follows:

(1) Subject to conditions, interim profit distribution may be made by the Company;

(2) Specific conditions and ratios for distributing cash dividend by the Company: If the Company's profit for the year and its total unappropriated profit are positive, the Company may distribute dividend in cash and the profit to be distributed in cash. The Company may distribute dividend in cash per annum not less than 10% of distributable profit for the year, and profit distributed cumulatively in cash in the last three years should not less than 30% of average distributable profit in the recent three years. Taking into account features of the industries where the Company operates, its development stage, business model, profit level and whether it has significant capital expenditure plans, the Company shall make sure that Cash dividends to be distributed represent at least 40% of the profit distribution;

(3) Specific conditions for distributing dividends in shares by the Company: Where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all shareholders of the Company as a whole, provided that the above conditions of cash dividend are fully met, the Company may propose dividend distribution in shares;

(4) Profit shall be distributed in cash at least one time for every 3 consecutive years. When the company distributes profits, cash dividends is in preference to the share dividend.

The dividends paid by the Company shall be declared in RMB, and shall be paid to holders of domestic legal person's shares in RMB, paid to holders of domestically-listed foreign shares in US dollar, and paid to holders of H shares in Hong Kong dollar. The applicable exchange rate shall be the average closing rate for the US dollar and RMB and the average closing rate for the Hong Kong dollar and RMB announced by the People's Bank of China at the first business day after the relevant resolution is passed at the shareholders' general meeting. Any amount paid upon any shares before a call is made shall bear interest thereon. However, the shareholder is not entitled to any dividends of such pre-paid share capital declared subsequently.

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Shareholders' Rights

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

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Board or by the Supervisory Committee if the Board does not do so, on requisition of shareholders, individually or jointly, holding 10% or more of the Company's issued shares copying voting rights (the "**Requisitionist(s)**"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s).

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Contact Details

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

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

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

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

Communication with Shareholders and Investors

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

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

In addition, shareholders and investors are regularly received by the Company. The management of the Company will also communicate and exchange with investors and analysts outside office.

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

During the year under review, no amendment to the Articles of Association has been made by the Company. An up to date version of the Company's Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

RELEVANT INFORMATION ON CORPORATE BOND

I. OVERVIEW OF CORPORATE BONDS

Unit: yuan Currency: RMB

Bonds Name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2014 (first tranche)	14 Yitai 01	122329	9 October 2014	9 October 2019	4,500,000,000	6.99%	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount of the bonds 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	7 June 2018	8 June 2021	1,500,000,000	6.00%	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 of the bonds 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 (second tranche)	18 Yitai 02	155118	17 December 2018	18 December 2021	2,000,000,000	5.00%	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 of the bonds held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange

Interest payment in respect of bonds

The Company has fully paid the interest on “14 Yitai 01” for 2018.

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

1. 14 Yitai 01

Bonds trustee manager	Name	China International Capital Corporation Limited
	Address	Floor 27-28, Tower 2, World Trade Building, No.1, Jianguomen Outer Street, Chaoyang District, Beijing
	Contact persons	Zhai Ying, Du Yi, Xu Xian
	Tel	010-65051166
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Address	Floor A29, Pengrun Mansion, No.26, Xiaoyun Road, Chaoyang District, Beijing

2. 18 Yitai 01

Bonds trustee manager	Name	Haitong Securities Co., Ltd.
	Address	No. 689, Guangdong Road, Shanghai
	Contact persons	Xia Kun, Zhang Haimei
	Tel	010-88027267, 010-88027189
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Address	Floor A29, Pengrun Mansion, No.26, Xiaoyun Road, Chaoyang District, Beijing

3. 18 Yitai 02

Bonds trustee manager	Name	Haitong Securities Co., Ltd.
	Address	No. 689, Guangdong Road, Shanghai
	Contact persons	Xia Kun, Zhang Haimei
	Tel	010-88027267, 010-88027189
Credit rating agency	Name	Golden Credit Rating International Co., Ltd.
	Address	11/F, Building C, Zhaotai International Center, No. 3, Chao Wai Xi Street, Chaoyang District, Beijing

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

The proceeds raised from public issuance of 14 Yitai 01, 18 Yitai 01 and 18 Yitai 02 were used for disclosing the bonds. As at 31 December 2018, proceeds raised from 14 Yitai 01 and 18 Yitai 01 were utilized in full while part of the proceeds raised from 18 Yitai 02, RMB900,000,000 was utilized and the remaining RMB1.04528 billion is still saved in the designated proceeds raising account.

IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a credit rating on bonds “18 Yitai 01” of the Company, and the bonds credit rating and long-term credit rating of the Company were respectively upgraded to AAA. The rating outlook is steady. Golden Credit Rating International Co., Ltd. conducted a credit rating on bonds “18 Yitai 02” of the Company and the bonds credit rating was AAA and long-term credit rating of the Company was upgraded to AAA. The rating outlook is steady.

In line with the schedule of follow-up rating, Dagong Global Credit Rating Co., Ltd. and Golden Credit Rating International Co., Ltd. will carry out a periodical follow-up rating on bonds 14 Yitai 01, 18 Yitai 01 and 18 Yitai 02 within 2 months after release of the announcement 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 within the period of existence of the bonds of this tranche. Should the Company release the annual report on 22 March 2019, Dagong Global Credit Rating Co., Ltd. and Golden Credit Rating International Co., Ltd. shall provide the follow-up rating report prior to 22 May and the rating result will be disclosed on the website of Shanghai Stock Exchange where the bonds of this tranche are transacted.

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

During the reporting period, corporate bonds aforementioned 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. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGERS

Within the period of existence of the bonds of this tranche aforementioned, China International Capital Corporation Limited and Haitong Securities Co., Ltd., the bonds trustee managers conscientiously complied with the agreement to 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. and Haitong Securities Co., Ltd. also supervised the Company to perform the obligations set out in the prospectus and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders. Report of Trustee Management Affairs (受託管理事務報告) is scheduled to be disclosed by the trustee managers within 3 months after disclosure of the Company's annual report. See the details on the website of Shanghai Stock Exchange (http://www.sse.com.cn).

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

Unit: yuan Currency: RMB

Major indicator	2018	2017	Increase or decrease as compared with the same period of last year *(%)*
EBITDA	10,288,661,838.29	10,533,946,591.09	-2.33
Liquidity ratio	1.24	1.24	0
Quick ratio	1.17	1.15	0.02
Gearing ratio (%)	55.00	55.66	-0.66
EBITDA ratio	0.24	0.28	-0.04
Times interest earned	3.41	3.88	-0.47
Cash interest coverage ratio	6.00	5.33	0.67
EBITDA times interest earned	4.66	5.07	-0.41
Loan repayment rate (%)	100	100	–
Interest payment rate (%)	100	100	–

Note: The above financial information is prepared in accordance with the PRC Accounting Standards for Business Enterprises

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

Name of medium-term notes	Issuing amount *(million yuan)*	Starting date	Date of expiry	Nominal interest rate
13 Yitai MTN1	2,500	2013-4-16	2018-4-16	4.95%

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

IX. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totaled RMB45,817.25 million and the credit limit was RMB32,881.44 million. The credit available was RMB12,935.81 million.

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

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

Deloitte. 德勤

TO THE SHAREHOLDERS OF INNER MONGOLIA YITAI COAL CO., LTD.
(Incorporated in the People's Republic of China as a joint stock company with limited liability)

OPINION

We have audited the consolidated financial statements of Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司, the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 143 to 260, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of construction in progress of coal-related chemical segment	
We identified the impairment assessment on the construction in progress of coal-related chemical segment amounting to RMB12,469,000,000 at 31 December 2018 as a key audit matter due to its significance to the consolidated financial statements and the significant management estimate involved in the impairment assessment. Owing to the significant amount, long construction and payback period and the construction progress behind the construction schedules as set out in the latest feasibility study reports of these assets, the management assessed whether there are any indicators of impairment at the end of the reporting period as set out in Note 4 to the consolidated financial statements. The assessment involved management's judgment in certain areas including the sales price based on the current market trend and production cost when the related assets commence are put into operations. No impairment loss on these assets was recognized for the year ended 31 December 2018. Details of the construction in progress of coal-related chemical segment and the corresponding impairment assessments are set out in Notes 15 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of the construction in progress of coal-related chemical segment included: – understanding the key controls related to the impairment assessment on the construction in progress; – checking the consistency on the basis of preparation of the latest cash flow projection of the projects to the respective latest feasibility study reports issued by external research institutes prepared in previous reporting periods and evaluating the explanations from the management for differences, if any; and – evaluating whether the key inputs adopted in the latest cash flow projections of the projects have been taken into account the latest market information including estimated future selling price of the products based on the latest general trend of crude oil price when the relevant assets under construction are put into operations in accordance with latest construction schedule.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tung Wai Lung Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue			
Goods and services	6	**38,017,486**	35,897,399
Cost of sales	9	**(27,724,815)**	(25,368,663)
Gross profit		**10,292,671**	10,528,736
Other income	6	**755,462**	875,553
Other gains and losses	6	**201,134**	(80,455)
Selling and distribution expenses		**(1,319,969)**	(1,269,996)
General and administrative expenses		**(1,135,927)**	(1,051,185)
Research and development expenses		**(863,396)**	(711,796)
Other expenses		**(480,582)**	(309,515)
Impairment losses, net of reversal	10	**(1,760)**	(55)
Finance income	7	**123,220**	61,910
Finance costs	8	**(1,216,692)**	(918,595)
Exchange losses, net		**(24,256)**	(676)
Share of profit of associates		**81,980**	23,064
Share of profit of joint ventures		**6,113**	–
Profit before tax	9	**6,417,998**	7,146,990
Income tax expense	12	**(1,188,464)**	(1,433,033)
Profit for the year		**5,229,534**	5,713,957
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value gains on equity instruments at fair value through other comprehensive income ("FVTOCI")		**1,083,861**	–
Income tax effect		**(268,607)**	–
		815,254	–
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on available-for-sale investments		**–**	11,685
Income tax effect		**–**	(2,921)
Exchange differences on translation of foreign operations		**1,310**	(1,469)
		1,310	7,295

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

For the year ended 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Other comprehensive income for the year, net of tax		**816,564**	7,295
Total comprehensive income for the year		**6,046,098**	5,721,252
Profit for the year attributable to:			
Owners of the Company		**4,193,814**	4,925,370
Non-controlling interests		**1,035,720**	788,587
		5,229,534	5,713,957
Total comprehensive income for the year attributable to:			
Owners of the Company		**5,004,618**	4,932,665
Non-controlling interests		**1,041,480**	788,587
		6,046,098	5,721,252
Earnings per share – basic and diluted (RMB)	14	**1.29**	1.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**49,333,602**	48,573,789
Investment properties	16	**546,135**	529,013
Prepaid land lease payments	17	**1,558,555**	1,353,636
Mining rights	18	**451,410**	473,890
Other intangible assets	19	**752,627**	243,757
Investments in joint ventures	20	**55,113**	49,000
Investments in associates	21	**8,860,920**	889,781
Available-for-sale investments ("AFS")	24	**–**	8,872,576
Financial assets at fair value through profit or loss ("FVTPL")	22	**555,210**	–
Equity instruments at FVTOCI	23	**7,889,582**	–
Deferred tax assets	25	**686,014**	752,480
Other non-current assets		**232,573**	486,728
Total non-current assets		**70,921,741**	62,224,650
Current assets			
Inventories	26	**1,341,020**	1,527,340
Prepayments of corporate income tax		**4,047**	5,073
Financial assets at FVTPL	22	**108,060**	–
Trade receivables	27	**1,481,452**	–
Trade and bills receivables	27	**–**	2,287,069
Prepayments, deposits and other financial assets	28	**3,058,673**	3,938,038
Restricted cash	29	**625,179**	845,260
Cash and cash equivalents	29	**16,994,167**	13,733,098
		23,612,598	22,335,878
Assets classified as held for sale		**17,055**	–
Total current assets		**23,629,653**	22,335,878
Current liabilities			
Trade and bills payables	30	**3,719,348**	3,438,022
Financial liabilities at FVTPL		**3,721**	–
Other payables and accruals	31	**3,773,924**	5,342,522
Contract liabilities		**338,371**	–
Income tax payable		**611,182**	299,175
Interest-bearing borrowings	32	**6,019,009**	6,465,895
Bonds payable	33	**4,495,772**	2,498,216
Total current liabilities		**18,961,327**	18,043,830
Net current assets		**4,668,326**	4,292,048
Total assets less current liabilities		**75,590,067**	66,516,698

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Non-current liabilities			
Interest-bearing borrowings	32	**27,509,102**	23,186,373
Bonds payable	33	**3,441,318**	4,490,585
Deferred tax liabilities	34	**695,613**	375,193
Other borrowings	35	**853,639**	851,000
Deferred income		**73,781**	73,680
Other non-current liabilities		**464,232**	49,754
Total non-current liabilities		**33,037,685**	29,026,585
Net assets		**42,552,382**	37,490,113
Equity			
Equity attributable to owners of the Company			
Share capital	36	**3,254,007**	3,254,007
Reserves	37	**29,953,460**	25,428,865
		33,207,467	28,682,872
Non-controlling interests		**9,344,915**	8,807,241
Total equity		**42,552,382**	37,490,113

The consolidated financial statements on pages 143 to 260 were approved and authorised for issue by the board of directors on 21 March 2019 and are signed on its behalf by:

Zhang Donghai
(Director)

Lv Guiliang
(Director)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Capital reserve *(Note a)* RMB'000	Statutory reserve *(Note b)* RMB'000	Safety and maintenance fund *(Note c)* RMB'000	AFS/equity instrument at FVTOCI revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Subtotal 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 *(Note 2)*	-	-	-	-	888,058	-	54,105	942,163	27,497	969,660
At 1 January 2018 (restated)	3,254,007	(269,646)	2,985,967	-	896,822	292	22,757,593	29,625,035	8,834,738	38,459,773
Profit for the year	-	-	-	-	-	-	4,193,814	4,193,814	1,035,720	5,229,534
Change in fair value of equity instrument at FVTOCI, net of tax	-	-	-	-	809,494	-	-	809,494	5,760	815,254
Exchange differences on translation of foreign operations	-	-	-	-	-	1,310	-	1,310	-	1,310
Total comprehensive income for the year	-	-	-	-	809,494	1,310	4,193,814	5,004,618	1,041,480	6,046,098
Disposal of a subsidiary *(Note 40)*	-	-	-	-	-	-	-	-	(95,024)	(95,024)
Capital contributions from non-controlling shareholders of a new subsidiary	-	-	-	-	-	-	-	-	73,500	73,500
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(496,744)	(496,744)
Appropriation of safety and maintenance fund *(Note c)*	-	-	-	797,052	-	-	(797,052)	-	-	-
Utilisation of safety and maintenance fund *(Note c)*	-	-	-	(739,965)	-	-	739,965	-	-	-
Acquisition of a subsidiary *(Note 41)*	-	-	-	-	-	-	-	-	45,225	45,225
2017 final dividends declared and paid	-	-	-	-	-	-	(1,480,573)	(1,480,573)	-	(1,480,573)
Others	-	58,387	-	-	-	-	-	58,387	(58,260)	127
At 31 December 2018	3,254,007	(211,259)	2,985,967	57,087	1,706,316	1,602	25,413,747	33,207,467	9,344,915	42,552,382

(a) The capital reserve recognised for business combinations, issuance of shares and equity transactions.

(b) According to the People's Republic of China (the "PRC") Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective profit after tax, calculated in accordance with the PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.

(c) Pursuant to the relevant PRC regulations, the Group is required to transfer safety and maintenance fund at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The safety and maintenance fund could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of safety and maintenance fund utilised would then be transferred from the specific reserve account to retained earnings.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital *RMB'000*	Capital reserve *(Note a)* *RMB'000*	Statutory reserve *(Note b)* *RMB'000*	Safety and maintenance fund *(Note c)* *RMB'000*	AFS revaluation reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Subtotal *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 year	–	–	–	–	–	–	4,925,370	4,925,370	788,587	5,713,957
Other comprehensive income/(expense) for the year	–	–	–	–	8,764	(1,469)	–	7,295	–	7,295
Total comprehensive income/(expense) for the year	–	–	–	–	8,764	(1,469)	4,925,370	4,932,665	788,587	5,721,252
Acquisition of non-controlling interests	–	300	–	–	–	–	–	300	(29,640)	(29,340)
Capital contributions from non-controlling shareholder of Inner Mongolia Yitai Zhundong Jintai Storage and Transportation Co., Ltd.	–	–	–	–	–	–	–	–	4,300	4,300
Appropriation of Safety and maintenance fund *(Note c)*	–	–	–	715,941	–	–	(715,941)	–	–	–
Utilisation of Safety and maintenance fund *(Note c)*	–	–	–	(715,941)	–	–	715,941	–	–	–
Partial disposal of a subsidiary *(Note d)*	–	26,714	–	–	–	–	–	26,714	111,687	138,401
Partial disposal of a subsidiary *(Note e)*	–	305,874	–	–	–	–	–	305,874	1,263,858	1,569,732
Capital contributions from non-controlling shareholders of Yitai Chemical Co., Ltd.	–	(437)	–	–	–	–	–	(437)	2,216,977	2,216,540
Capital contributions from non-controlling shareholder of Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd.	–	–	–	–	–	–	–	–	2,000	2,000
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(102,536)	(102,536)
Final 2016 dividend declared and paid	–	–	–	–	–	–	(598,737)	(598,737)	–	(598,737)
Others	–	693	–	–	–	–	–	693	(492)	201
At 31 December 2017	3,254,007	(269,646)	2,985,967	–	8,764	292	22,703,488	28,682,872	8,807,241	37,490,113

(a) The capital reserve recognised for business combinations, issuance of shares and equity transactions.

(b) According to the People's Republic of China (the "PRC") Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective profit after tax, calculated in accordance with the PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.

(c) Pursuant to the relevant PRC regulations, the Group is required to transfer safety and maintenance fund at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The safety and maintenance fund could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of safety and maintenance fund utilised would then be transferred from the specific reserve account to retained earnings.

(d) The Group and Inner Mongolia Jintai Coal Industry Group Co., Ltd. (內蒙古金泰煤業集團有限責任公司) injected capital of RMB38,600,000 and RMB4,300,000 to an existing subsidiary, Inner Mongolia Yitai Zhundong Jintai Storage and Transportation Co., Ltd. ("Zhundong Jintai") (內蒙古伊泰准東金泰儲運有限責任公司) proportionately in February 2017. Thereafter, Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司), a subsidiary of the Company, entered into an equity transfer agreement with Inner Mongolia Zhungeer State Capital Investment Holding Group Co., Ltd., an independent third party, to transfer 39% equity interest in Zhundong Jintai for a cash consideration of RMB138,401,000 with a gain on disposal of RMB26,714,000 credited to capital reserve in July 2017. After the equity transfer, the Group retains 51% equity interest in Zhundong Jintai which is still a subsidiary of Inner Mongolia Yitai Zhundong Railway Co., Ltd.

(e) In December 2017, the Group transferred 25% equity interests of Inner Mongolia Yitai Zhundong Railway Co., Ltd. to Yanzhou Coal Neng Hua Co., Ltd., an independent third party, at a consideration of RMB1,942,500,000 with a gain on disposal of RMB678,642,000 net of related tax of RMB372,768,000 credited to capital reserve. RMB971,250,000 of the total consideration has been received in 2017 and RMB971,250,000 has been recognised in other receivable. After completion of the transfer, Inner Mongolia Yitai Zhundong Railway Co., Ltd. remains as the Company's subsidiary, and the Company, Yanzhou Coal Neng Hua Co., Ltd., and Inner Mongolia State-owned Capital Management Co., Ltd. hold 71.27%, 25% and 3.73% equity interests, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before tax		6,417,998	7,146,990
Adjustments for:			
Finance costs	8	1,216,692	918,595
Exchange losses, net		24,256	676
Finance income	7	(123,220)	(61,910)
Interest received		119,603	59,237
Share of profits of associates		(81,980)	(23,064)
Share of profits of joint venture		(6,113)	–
Dividend income from AFS	6	–	(184,060)
Fair value gains on financial assets at FVTPL	6	(27,248)	–
Gain on disposal of a joint venture	6	–	(6,141)
(Gain)/loss on disposal of items of property, plant and equipment and intangible assets, net	6	(48,655)	48,725
Gain on disposal of subsidiaries	6	(131,098)	(324)
Fair value gain on future contracts	6	(35,949)	(5,308)
Depreciation of property, plant and equipment	9	1,958,069	2,393,539
Depreciation of investment properties	9	31,400	23,635
Amortisation of prepaid land lease payments	9	53,483	35,101
Amortisation of mining rights	9	22,480	21,319
Amortisation of other intangible assets	9	33,460	14,875
Amortisation of other non-current assets	9	13,074	31,029
Dividend income from equity instrument at FVTOCI	6	(33,236)	–
Impairment of trade and other receivables	9	1,760	55
Impairment of property, plant and equipment	9	44,778	–
(Reversal)/impairment of inventories	9	(2,962)	42,949
		9,446,592	10,455,918
Decrease in inventories		229,002	276,463
Decrease in trade receivables		29,909	67,266
Decrease/(increase) in bills receivables		776,463	(22,099)
Decrease/(increase) in prepayments, deposits and other financial assets		128,792	(673,095)
Increase in trade and bills payables		4,355	740,440
Increase/(decrease) in other payables and accruals		92,326	(190,342)
Decrease in contract liabilities		(126,440)	–
(Decrease)/increase in deferred income		(4,376)	1,442
Cash generated from operations		10,576,623	10,655,993
Income tax paid		(1,063,540)	(912,514)
Net cash flows from operating activities		9,513,083	9,743,479

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows used in investing activities			
Interest received from financial products		**3,834**	2,673
Dividends received from associates		**–**	570
Dividend income from AFS		**–**	184,060
Dividend income from equity instrument at FVTOCI		**133,236**	–
Proceeds from disposal of AFS		**–**	7,260
Proceeds from disposal of equity interests of subsidiaries		**–**	1,109,651
Proceeds from disposal of a subsidiary	40	**119,824**	7,754
Proceeds from disposals of part equity interest of subsidiaries		**971,250**	–
Proceeds from disposal of an associate		**–**	35,500
Proceeds from disposal of a joint venture		**–**	37,182
Purchases of property, plant and equipment		**(3,784,408)**	(5,403,159)
Additions to prepaid land lease payments		**(64,684)**	(90,561)
Additions to mining rights		**–**	(156,332)
Additions to other intangible assets		**(292,679)**	(228,834)
Additions to other non-current assets		**(117,165)**	(179,889)
Payment for settlement of future contracts		**(61,973)**	(85,384)
Proceeds from disposal of items of property, plant and equipment and intangible assets, net		**5,947**	147,937
Investments in an associates		**(4,087,232)**	(16,128)
Purchase of financial products		**(300,000)**	(1,400,000)
Proceeds from redemption of financial products		**330,000**	1,570,000
Placement of restricted cash		**(1,202,927)**	(737,108)
Withdrawal of restricted cash		**1,423,008**	504,680
Additions to investment properties		**(22,224)**	–
Investment in a subsidiary	41	**191**	–
Investment in equity instrument at FVTOCI		**(515,763)**	–
Investment in financial assets at FVTPL		**(494,997)**	–
Proceeds from disposal of financial assets at FVTPL		**3,522**	–
Net cash flows used in investing activities		**(7,953,240)**	(4,690,128)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
Cash flows from financing activities			
Payments of transaction costs on issue of bonds	33	**(64,472)**	(7,500)
Repayment of bond	33	**(2,500,000)**	(1,000,000)
Proceeds from bank borrowings		**11,949,750**	12,987,000
Repayment of bank borrowings		**(8,078,223)**	(8,283,391)
Acquisition of non-controlling interests		**–**	(29,340)
Interest paid		**(1,201,839)**	(903,766)
Capital injection by non-controlling interests		**73,500**	2,222,840
Dividends paid	13	**(1,480,573)**	(598,737)
Dividends paid to non-controlling interests		**(496,744)**	(177,905)
Proceed from other borrowings		**–**	330,000
Repayment of other borrowings		**–**	(286,335)
Proceeds from bonds	33	**3,500,000**	–
Net cash flows from financing activities		**1,701,399**	4,252,866
Net increase in cash and cash equivalents		**3,261,242**	9,306,217
Effect of foreign exchange rate changes, net		**(173)**	(5,879)
Cash and cash equivalents at beginning of year	29	**13,733,098**	4,432,760
Cash and cash equivalents at end of year	29	**16,994,167**	13,733,098

1. CORPORATE INFORMATION

Inner Mongolia Yitai Coal Co., Ltd. (the "Company") was incorporated as a joint stock company with limited liability upon the completion of the initial public offering of domestic listed foreign shares (the "B shares") on the Shanghai Stock Exchange on 23 September 1997.

On 12 July 2012, the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The direct and indirect shareholding of the Company by Inner Mongolia Yitai Group Co., Ltd. ("Yitai Group") was 58.76% as at 31 December 2018.

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

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

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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

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 as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 IFRS 15 Revenue from Contracts with Customers

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

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 profits (or other components of equity, as appropriate) 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.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- mining and selling coal products
- producing and selling coal-based synthetic fuel
- rendering transportation services

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Note 6 and Note 3 respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 IFRS 15 Revenue from Contracts with Customers *(Continued)*

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 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**

(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 consolidated statement of profit or loss and other comprehensive income in this year.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position and cash flows as at 31 December 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	3,773,924	338,371	4,112,295
Contract liabilities	338,371	(338,371)	–

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 IFRS 15 Revenue from Contracts with Customers *(Continued)*

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

Impact on the consolidated statement of cash flows

	As reported *RMB'000*	Adjustments *RMB'000*	Amount without application of IFRS 15 *RMB'000*
Cash flows from operating activities			
Decrease in other payables and accruals	92,326	126,440	(34,114)
Decrease in contract liabilities	(126,440)	(126,440)	–

2.2 IFRS 9 Financial Instruments and the related amendments

In the current year, 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 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 under ECL model) 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*.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of IFRS 9

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.2 IFRS 9 Financial Instruments and the related amendments *(Continued)*

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

	Notes	Available-for-sale *RMB'000*	Trade receivables/ trade and bills receivables *RMB'000*	Financial assets at FVTPL required by IFRS 9 *RMB'000*	Equity instruments at FVTOCI *RMB'000*	Deferred tax liabilities *RMB'000*	Available-for-sale investments/ equity instruments at FVTOCI reserve *RMB'000*	Retained earnings *RMB'000*	Non-controlling interests *RMB'000*
Closing balance at 31 December 2017–IAS 39		8,872,576	2,287,069	–	–	(375,193)	(8,764)	(22,703,488)	(8,807,241)
Effect arising from initial application of IFRS 9:		–	–	–	–	–	–	–	–
Reclassification									
From available-for-sale	(a)	(8,872,576)	–	36,486	8,836,090	–	54,105	(54,105)	–
From trade and bills receivables	(b)	–	(111,874)	111,874	–	–	–	–	–
Remeasurement									
From cost less impairment to fair value	(a)	–	–	–	1,277,868	(308,208)	(942,163)	–	(27,497)
Opening balance at 1 January 2018 (restated)		–	2,175,195	148,360	10,113,958	(683,401)	(896,822)	(22,757,593)	(8,834,738)

(a) AFS

From AFS to equity instruments at FVTOCI

The Group elected to present in OCI for the fair value changes of its certain equity investments previously classified as AFS. 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, amount of RMB8,836,090,000 were reclassified from AFS to equity instruments at FVTOCI, of which RMB41,958,000 related to a 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. The fair value gains of RMB969,660,000 (total fair value gain of RMB1,277,868,000 after netting of tax of RMB308,208,000) relating to those unlisted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI 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. In addition, impairment losses previously recognized of RMB54,105,000 were transferred from retained earnings to FVTOCI reserve as at 1 January 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.2 IFRS 9 Financial Instruments and the related amendments *(Continued)*

(a) AFS *(Continued)*

From AFS 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 immaterial at the date of initial application.

(b) Loans and receivables

As part of the Group's cash flow management, the Group has the practice of endorsing almost all of the bills received from debtors to suppliers before the bills are due for payment and derecognises bills on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's bills receivables of RMB111,874,000 were considered as neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell business model, and reclassified to financial assets at FVTPL. The fair value of bills receivables are approximate to their carrying amounts largely due to the short term maturities of these instruments.

(c) Impairment under ECL model

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

ECL for other financial assets at amortised cost, including deposits and other receivables, and cash and cash equivalents are assessed on 12-month ECL ("12m ECL") basis as 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

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

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	**1 January 2018 (Restated)** ***RMB'000***
Non-current Assets				
AFS	8,872,576	–	(8,872,576)	**–**
Financial assets at FVTPL	–	–	36,486	**36,486**
Equity instrument at FVTOCI	–	–	10,113,958	**10,113,958**
Current Assets				
Trade and bills receivables	2,287,069	–	(111,874)	**2,175,195**
Financial assets at FVTPL	–	–	111,874	**111,874**
Current Liability				
Other payables and accruals	5,342,522	(390,277)	–	**4,952,245**
Contract liabilities	–	390,277	–	**390,277**
Capital and Reserves				
Reserves	25,428,865	–	942,163	**26,371,028**
Non-controlling interests	8,807,241	–	27,497	**8,834,738**
Non-current Liabilities				
Deferred tax liabilities	375,193	–	308,208	**683,401**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[2]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[4]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 1 and IAS 8	*Definition of a Material*[5]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IFRSs	*Annual Improvements to IFRS standards 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determine.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

New and amendments to IFRSs in issue but not yet effective *(Continued)*

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating and financing cash flows respectively by the Group.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

New and amendments to IFRSs in issue but not yet effective *(Continued)*

IFRS 16 *Leases* *(Continued)*

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group had no significant future minimum lease commitment under non-cancellable operating lease arrangement. The directors of the Company anticipate that the application of IFRS 16 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 16 will have a material impact of lease on the Group in the foreseeable future.

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(Continued)*

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non- controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively, and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger accounting for business combinations under common control

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, financial statement items of the combining businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing carrying amounts from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement profit or loss includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in these financial statements are presented as if the businesses had been combined at the end of the previous reporting period or, where the combining businesses first came under common control on a later date, at that later date.

All significant intra-group transactions and balances have been eliminated on combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

When the Group acquires an associate or a joint venture achieved in stages, the fair value of the previously held investment at the point significant influence or joint control is obtained is treated as its deemed cost for the purposes of applying IAS 28, and no gain or loss is recognized. The calculation of goodwill relating to the associate or joint venture is based on the fair value of the previously held investment (equal to its carrying amount) plus the consideration paid for the additional stake.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Non-current assets held for sale *(Continued)*

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2)

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 or 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.

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition (prior to 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the respective goods have been delivered to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) from the rendering of services, when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the Group;

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Prepaid land lease payments represent upfront prepayments made for the land use rights. Prepaid land lease payments under operating leases are initially stated at cost and subsequently released on the straight-line basis over the lease terms ranging from 40 to 70 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC.

Contributions to these plans are expensed as incurred, which is when employees have rendered services entitling them to the contributions. Details of the contributions are set out in Note 9 to the consolidated financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the amount of grant is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, including buildings, mining structures, plant and machinery, motor vehicles, railway, road, office equipment and others, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Except for mining structures, depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, as follows:

Buildings	5 to 45 years
Plant and machinery	1 to 45 years
Motor vehicles	2 to 16 years
Railway	10 to 45 years
Road	10 to 45 years
Office equipment and others	1 to 30 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment *(Continued)*

Where parts of an item of property, plant and equipment, other than mining structures, have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 20 years and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other intangible assets (other than goodwill and mining right)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment on tangible and intangible assets other than goodwill *(Continued)*

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions *(Continued)*

Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related coals. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the cost of the related inventory item.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions to the related mining assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

Financial assets 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; and

- the contractual terms 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 recognition/initial application of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in 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.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently 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 from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, 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.

(iii) 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.

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits and other receivables, restricted cash and cash and cash equivalents). 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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 2) (Continued)

(i) 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 more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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 receivables, deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, hold-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The Group's financial assets include available-for-sale financial investments, trade and bills receivables, financial assets included in prepayments, deposits and other financial assets, restricted cash and cash and cash equivalents.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in other gains and losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

(ii) Available-for-sale financial investments

Available-for-sale financial investments are non-derivative investment in listed and unlisted equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, at which time the cumulative loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains and losses. Dividends earned whilst holding the available-for-sale financial investments are reported as dividend income, and are recognised in profit or loss as other income in accordance with the policies set out for “Income recognition” below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

(i) Financial assets carried at amortised cost

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other gains and losses in profit or loss.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

(iii) Available-for-sale financial investments

For available-for-sale financial investments carried at fair value, the Group assess at the end of each reporting period whether there is objective evidence that the investment is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing borrowings, other borrowings and bonds payable are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Stripping costs

Stripping costs incurred to develop a mine (or pit) before the production commences or to improve access to the component of the ore body during the production stage are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a units-of-production basis. Stripping costs and secondary development expenditure, mainly comprising costs on blasting, haulage, excavation, etc. incurred during the production stage of the ore body are accounted for in accordance with IAS 2 *Inventories*.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of coal-related chemical segment assets

As the construction works of the related two construction projects are behind the respective schedules as set out in the latest feasibility study reports, management assessed whether there are adverse indicators on the key inputs used in the latest feasibility study reports and updated the respective cash flow projections accordingly. The adopted key inputs included future sales price based on the current market trend and production cost. Coal-related chemical segment assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the relevant asset or the cash-generating unit in which the asset is attached to exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are contained in Note 15.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Significant estimates from the management is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 25.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of items of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is based on historical experience of the Group with similar assets that are used in a similar way. Any subsequent changes in estimation would affect the carrying amount of the relevant items of property, plant and equipment and accounted for prospectively.

Coal reserve and resource estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its coal reserves and mineral resources based on reserve reports compiled by appropriately qualified staffs relating to the geological data on the size, depth and shape of the coal body, and this requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the carrying value of mining structures, mining rights, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Details of the depreciation and amortisation of mine specific assets are set out in Note 15 and Note 18 below.

5. OPERATING SEGMENT INFORMATION

Information reported to the executive directors of the Company, being chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The CODM reviews operating results and financial information for each operating company separately. Accordingly, each operating company, including associates and joint ventures held by the relevant operating company, is identified as an operating segment. Those operating companies are aggregated into coal segment, transportation segment and coal-related chemical segment respectively for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar products and services and similar methods used to distribute their products and under the same regulatory environment.

Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows:

(a) the coal segment is engaged in the mining and sale of coal products;

(b) the transportation segment provides road and railway transportation services to coal companies; and

(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 then prevailing market prices.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

5. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2018

	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	34,568,737	816,069	2,622,408	38,007,214	10,272	38,017,486
Inter-segment sales	748,364	1,497,689	10,415	2,256,468	–	2,256,468
	35,317,101	2,313,758	2,632,823	40,263,682	10,272	40,273,954
Reconciliation						
Elimination of inter-segment sales						(2,256,468)
Revenue						38,017,486
Segment results						
Profit before tax	5,736,909	766,828	64,442	6,568,179	3,142	6,571,321
Elimination of inter-segment profit before tax						(153,323)
						6,417,998
Income tax expense						(1,188,464)
Profit for the year						5,229,534
Segment assets	57,231,705	13,273,220	36,655,239	107,160,164	1,343,588	108,503,752
Reconciliation						
Elimination of investments costs						(11,438,851)
Elimination of inter-segment receivables						(2,277,637)
Elimination of capitalised inter-segment finance costs						(235,870)
Total assets						94,551,394
Segment liabilities	30,490,774	4,778,442	18,501,003	53,770,219	506,430	54,276,649
Reconciliation						
Elimination of inter-segment payables						(2,277,637)
Total liabilities						51,999,012

5. OPERATING SEGMENT INFORMATION *(CONTINUED)*

	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Reportable segment total *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Other segment information						
Amounts included in the measure of segment results or segment assets:						
Share of profit of associates and a joint venture	83,828	–	4,265	88,093	–	88,093
Finance income	111,512	2,002	9,674	123,188	32	123,220
Finance costs	(765,318)	(241,349)	(209,980)	(1,216,647)	(45)	(1,216,692)
Impairment losses	(41,816)	–	(1,760)	(43,576)	–	(43,576)
Depreciation and amortisation	(1,201,538)	(513,841)	(395,842)	(2,111,221)	(745)	(2,111,966)
Investments in associates *(Note a)*	8,757,408	58,560	44,952	8,860,920	–	8,860,920
Investments in joint venture *(Note a)*	–	–	55,113	55,113	–	55,113
Capital expenditure *(Note b)*	1,776,804	251,013	1,330,033	3,357,850	1,116	3,358,966
(Loss)/gain on disposal of items of property, plant and equipment and intangible assets	45,657	(2,365)	5,363	48,655	–	48,655

(a) Investments in associates and a joint venture are allocated to the same segment as the entity who holds the investments.

(b) Capital expenditure consists of additions to investments in associates, investments in joint ventures, property, plant and equipment, prepaid land lease payments, mining rights, other intangible assets and other non-current assets.

5. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2017

	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	33,963,270	683,959	1,241,364	35,888,593	8,806	35,897,399
Inter-segment sales	1,235,467	1,417,653	9,584	2,662,704	–	2,662,704
	35,198,737	2,101,612	1,250,948	38,551,297	8,806	38,560,103
Reconciliation						
Elimination of inter-segment sales						(2,662,704)
Revenue						35,897,399
Segment results						
Profit/(loss) before tax	6,863,854	551,170	(8,237)	7,406,787	(36,826)	7,369,961
Elimination of inter-segment profit before tax						(222,971)
						7,146,990
Income tax expense						(1,433,033)
Profit for the year						5,713,957
Segment assets	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 capitalized inter-segment finance costs						(297,812)
Total assets						84,560,528
Segment liabilities	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. OPERATING SEGMENT INFORMATION *(CONTINUED)*

	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Reportable segment total *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Other segment information						
Amounts included in the measure of segment results or segment assets:						
Share of profits/(losses) of associates	38,950	–	(15,886)	23,064	–	23,064
Finance income	61,910	–	–	61,910	–	61,910
Finance costs	(921,932)	(264,230)	273,967	(912,195)	(6,400)	(918,595)
Impairment losses	(43,004)	–	–	(43,004)	–	(43,004)
Depreciation and amortisation	(1,804,952)	(499,597)	(214,186)	(2,518,735)	(763)	(2,519,498)
Investments in associates	889,781	–	–	889,781	–	889,781
Investments in a joint venture	–	–	49,000	49,000	–	49,000
Capital expenditure	1,857,392	175,055	3,926,339	5,958,786	–	5,958,786
(Loss)/gain on disposal/written off of items of property, plant and equipment and intangible assets	(49,428)	(61)	787	(48,702)	(23)	(48,725)

Geographical information

Almost all of the revenue and operating results of the Group are derived from the PRC based on location of the operations.

The Group's non-current assets are all located in PRC.

During the year ended 31 December 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2017: Nil).

6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

Revenue

Disaggregation of revenue from contract with customer

	2018 *RMB'000*	2017 *RMB'000*
Sales of goods	**37,201,417**	35,213,440
Coal	**34,568,737**	33,963,270
Coal-related chemical products	**2,622,408**	1,241,364
Others	**10,272**	8,806
Rendering of services	**816,069**	683,959
Transportation	**816,069**	683,959
	38,017,486	35,897,399

	2018 *RMB'000*	2017 *RMB'000*
Timing of revenue recognition		
At point in time	**37,201,417**	35,213,440
Over time	**816,069**	683,959
	38,017,486	35,897,399

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2018		
	Segment revenue *RMB'000*	**Adjustments and eliminations** *RMB'000*	**Consolidated** *RMB'000*
Sales of coal	**35,317,101**	**(748,364)**	**34,568,737**
Sales of coal-related chemical products	**2,632,823**	**(10,415)**	**2,622,408**
Sales of other goods	**10,272**	**–**	**10,272**
Services of transportation	**2,313,758**	**(1,497,689)**	**816,069**
Total revenue	**40,273,954**	**(2,256,468)**	**38,017,486**

6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES *(CONTINUED)*

Revenue *(Continued)*

Performance obligations for contracts with customers

The Group sells coals to power plants and trading companies at different places, including at mines, at dispatching station, at designated railway station and at ports.

For local sales at mines, the Group adopt the way of pre-collection of sales to the customers, revenue is recognised at delivery. The Group use the pit-mouth price for daily settlement.

For local sales at dispatching station, revenue is recognised when control of coals has transferred, being at the point the coal is out of the warehouse of the dispatching station.

For the sales at designated railway station, revenue is recognised when control of the coals has transferred, being when the coals have been shipped to the customers' designated railway station.

For sales at ports, revenue is recognised when control of the coals has transferred, being when the coals have been shipped to the customers' designated carrier and been received by the customers or their designee.

Under the Group's standard contract terms, the price is determined at the time of the transfer of control and the customers have no right to return or exchange.

6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES *(CONTINUED)*

Revenue *(Continued)*

	2018 **RMB'000**	2017 RMB'000
Other income		
Income from the sale of materials	**191,911**	106,526
Income from the rendering of other services	**470,534**	316,719
Income from the sale of coal capacity to Yitai Group	**–**	226,415
Dividend income from equity instruments at FVTOCI	**33,236**	–
Dividend income from AFS	**–**	184,060
Tax refund	**6,917**	3,385
Government grants	**32,574**	8,431
Indemnities received	**6,754**	6,630
Others	**13,536**	23,387
	755,462	875,553
Other gains and losses		
Gain/(loss) on disposal of items of property, plant and equipment and intangible assets, net	**48,655**	(48,725)
Impairment loss reversed/(recognised) on inventories *(Note 9)*	**2,962**	(42,949)
Impairment loss recognised in respect of property, plant and equipment *(Note 9)*	**(44,778)**	–
Gain on disposal of subsidiaries *(Note 40)*	**131,098**	324
Gain on disposal of a joint venture	**–**	6,141
Fair value gain on future contracts	**35,949**	5,308
Fair value gain on financial assets at FVTPL	**27,248**	–
Other	**–**	(554)
	201,134	(80,455)

7. FINANCE INCOME

The Group's finance income is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest income	**119,603**	59,237
Interest income from financial products	**3,617**	2,673
	123,220	61,910

8. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest on borrowings	**1,807,941**	1,517,980
Amortisation of rehabilitation provision	**47,693**	–
Interest on bonds payable	**417,474**	508,226
Total interest expense	**2,273,108**	2,026,206
Less: Interest capitalised	**(1,056,416)**	(1,107,611)
	1,216,692	918,595

Borrowing costs capitalised during the year arose on the total borrowing pool and are calculated by applying a capitalisation rate of 5.66% (2017: 6.60%) per annum to expenditure on qualifying assets.

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2018 RMB'000	2017 RMB'000
Cost of inventories sold		**27,313,369**	24,965,708
Cost of services provided		**411,446**	402,955
Depreciation of property, plant and equipment	15	**1,958,069**	2,393,539
Depreciation of investment properties	16	**31,400**	23,635
Amortisation of prepaid land lease payments	17	**53,483**	35,101
Amortisation of mining rights	18	**22,480**	21,319
Amortisation of other intangible assets	19	**33,460**	14,875
Amortisation of other non-current assets		**13,074**	31,029
Total depreciation and amortisation		**2,111,966**	2,519,498
Auditors' remuneration		**6,902**	6,580
Employee benefit expense (excluding directors' and supervisors' remuneration):	11		
Wages, salaries and other employees' benefits		**2,890,266**	2,142,759
Pension scheme contributions (defined contribution plans) *(Note a)*		**47,779**	42,663
		2,938,045	2,185,422
Impairment losses included in other gains and losses:			
Impairment of trade receivables		**–**	55
Impairment of property, plant and equipment	15	**44,778**	–
(Reversal)/impairment of inventories		**(2,962)**	42,949
		41,816	43,004
Rental income from investment properties		**26,119**	16,250

(a) The Group participates, in line with the regulations of the PRC, in a defined contribution retirement scheme operated by the government. In addition, the Group makes contribution to a supplemental defined contribution scheme for its employees. The supplemental defined contribution scheme, which is managed by a qualified fund manager, is funded from both employees (RMB50 per month per staff) and the Group (RMB250 per month per staff). The only obligation of the Group with respect to those schemes is to make the specified contributions.

10. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018	2017
	RMB'000	*RMB'000*
Impairment losses recognised on:		
Trade receivables	**–**	55
Other receivables	**1,760**	–
	1,760	55

11. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

The remuneration of each of the directors and supervisors of the Group for the years ended 31 December 2018 and 2017 is as follows:

	Fees	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2018					
Executive directors:					
Zhang Donghai[1]	–	2,680	271	56	3,007
Liu Chunlin[2]	–	24	–	–	24
Lv Guiliang	–	936	368	56	1,360
Song Zhanyou	–	1,363	214	56	1,633
Zhang Dongsheng[2]	–	24	–	–	24
Ge Yaoyong[2]	–	24	–	–	24
Wang Sanmin	–	1,148	240	56	1,444
	–	6,199	1,093	224	7,516
Independent non-executive directors:					
Yu Youguang	200	–	–	–	200
Zhang Zhiming	200	–	–	–	200
Huang Sujian	200	–	–	–	200
Wong Hin Wing	250	–	–	–	250
	850	–	–	–	850

11. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors' and supervisors' remuneration *(Continued)*

	Fees *RMB'000*	Salaries and allowances *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Supervisors:					
Jia Xiaolan	–	190	–	15	205
Wang Yongliang	–	100	–	–	100
Wu Qu	–	100	–	–	100
Yuan Bing[2]	–	12	–	–	12
Liu Xianghua[2]	–	12	–	–	12
Li Cailing	–	198	145	42	385
He Peixun	–	221	35	49	305
	–	833	180	106	1,119
	850	7,032	1,273	330	9,485

1 Zhang Donghai is the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

2 Mr. Ge Yaoyong, Mr. Zhang Dongsheng, Mr. Yuan Bing and Mr. Liu Xianghua did not receive basic salaries from the Group for their services provided to the Group from 2017 as they were also management of Yitai Group and their basic salaries were paid by Yitai Group from 2017. Mr. Liu Chunlin did not receive basic salary from the Group for his service provided to the Group from February 2017 as he was also management of Yitai Group from February 2017 and his basic salary was paid by Yitai Group from then.

11. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors' and supervisors' remuneration *(Continued)*

	Fees *RMB'000*	Salaries and allowances *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2017					
Executive directors:					
Zhang Donghai	–	1,473	343	34	1,850
Liu Chunlin	–	19	–	32	51
Lv Guiliang	–	721	78	34	833
Song Zhanyou	–	823	96	34	953
Zhang Jingquan[1&7]	–	5	–	–	5
Zhang Dongsheng	–	19	–	–	19
Ge Yaoyong	–	19	–	–	19
Wang Sanmin[2]	–	494	289	27	810
	–	3,573	806	161	4,540
Independent non-executive directors:					
Tam Kwok Ming, Banny[3]	104	–	–	–	104
Yu Youguang	158	–	–	–	158
Zhang Zhiming	158	–	–	–	158
Huang Sujian	158	–	–	–	158
Wong Hin Wing[4]	146	–	–	–	146
	724	–	–	–	724

11. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors' and supervisors' remuneration *(Continued)*

	Fees *RMB'000*	Salaries and allowances *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Supervisors:					
Li Wenshan[5&7]	–	3	–	–	3
Wang Xiaodong[5]	–	402	12	33	447
Han Zhanchun[5]	–	289	139	–	428
Jia Xiaolan	–	342	30	–	372
Wang Yongliang	–	83	–	–	83
Wu Qu	–	83	–	34	117
Ji Zhifu[5&7]	–	3	–	37	40
Yuan Bing[6]	–	7	–	–	7
Liu Xianghua[6]	–	7	–	26	33
Li Cailing[6]	–	168	73	21	262
He Peixun[6]	–	127	28	–	155
	–	1,514	282	151	1,947
	724	5,087	1,088	312	7,211

1 Zhang Jingquan resigned as an executive director in June 2017.

2 Wang Sanmin was appointed as an executive director in June 2017.

3 Tam Kwok Ming, Banny resigned as an oversea independent non-executive director in June 2017.

4 Wong Hin Wing was appointed as an oversea independent non-executive director in June 2017.

5 Li Wenshan, Ji Zhifu, Han Zhanchun and Wang Xiaodong resigned as supervisors in June 2017.

6 Yuan Bing, Liu Xianghua, Li Cailing and He Peixun were appointed as supervisors in June 2017.

7 Mr. Zhang Jingquan, Mr. Li Wenshan and Mr. Ji Zhifu did not receive basic salaries from the Group for their services provided to the Group from 2017 as they were also management of Yitai Group and their basic salaries were paid by Yitai Group from 2017.

11. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors' and supervisors' remuneration *(Continued)*

The executive directors' and supervisors' remunerations shown above were for their services in connection with the management of the affairs of the Company and Group.

The independent non-executive directors' remunerations shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2018 and 2017.

(b) Five highest paid employees

The five highest paid employees of the Group during the year include two (2017: four) executive directors, details of whose remuneration are set out in Note 11(a) above.

The emoluments of the three (2017: one) individual were as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Salaries and allowances	**3,892**	702
Performance related bonuses	**933**	72
Pension scheme contributions	**167**	34
Total	**4,992**	808

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2018 ***No. of employees***	2017 *No. of employees*
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	3	1

12. INCOME TAX EXPENSE

	Notes	2018 RMB'000	2017 RMB'000
Current tax – Mainland China		**1,002,293**	1,307,049
Under/(over) provision in prior years		**3,332**	(127,171)
Deferred tax	25&34	**182,839**	253,155
Total tax charge for the year		**1,188,464**	1,433,033

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.

Certain subsidiaries were entitled to a preferential CIT rate of 15% from 1 January 2011 to 31 December 2020 based on the revised version of the Guidance Catalogue for Adjustment of Industrial Structure (產業結構調整指導目錄(2011年本)修正) issued by the National Development and Reform Commission which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

Certain projects of a subsidiary, which was also entitled to a preferential CIT rate of 15% according to the revised version of the Guidance Catalogue for Adjustment of Industrial Structure, were entitled to be exempted from income tax in three years starting from the first profit-making year and allowed a 50 percent reduction in the following three years (三免三減半) from March 2013, 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).

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rate to the tax expense for each of the years ended 31 December 2018 and 2017 is as follows:

12. INCOME TAX EXPENSE *(CONTINUED)*

	2018 **RMB'000**	2017 RMB'000
Profit before tax	**6,417,998**	7,146,990
Tax at the statutory tax rate of 25%	**1,604,500**	1,786,748
Effect of preferential tax rates	**(203,245)**	(168,583)
Income not subject to tax	**(166,566)**	(127,173)
Additional deduction for research and development expenses	**(55,836)**	(18,704)
Under/(over) provision in respect of current tax of previous periods	**3,332**	(127,171)
Tax effect of expenses not deductible for tax purposes	**12,292**	19,846
Tax effect of profits attributable to associates and joint ventures	**(22,023)**	(5,766)
Tax effect of tax losses and impairment not recognised	**44,628**	75,229
Utilisation of tax losses and impairment which were not recognised previously	**(25,741)**	(11,817)
Utilisation of deductible temporary difference not recognised	**(8,302)**	–
Tax effect of deductible temporary difference not recognised	**-**	8,302
Others	**5,425**	2,122
Tax charge at the Group's effective rate	**1,188,464**	1,433,033

13. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2017 final – RMB4.55 (2016 final: RMB1.84) per ten ordinary shares	**1,480,573**	598,737

The board of directors of the Company recommended on 21 March 2019 to propose a final cash dividend of RMB1,627,004,000 or RMB5.00 per ten (2017: RMB1,480,573,000 or RMB4.55 per ten) ordinary shares. The above-mentioned proposed final cash dividend for the year ended 31 December 2018 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE – BASIC AND DILUTED

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company and the number of ordinary shares in issue during the year.

The calculations of basic earnings per share are based on:

	31/12/2018	31/12/2017
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**4,193,814**	4,925,370
Shares		
Number of ordinary shares in issue during the year (in thousand)	**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 years ended 31 December 2018 and 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Mining structures *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Railway *RMB'000*	Road *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost									
At 1 January 2017	6,166,381	5,012,740	8,523,614	687,845	11,679,357	714,582	871,230	22,836,272	56,492,021
Additions	35,456	1,302,378	294,478	21,041	–	–	36,997	3,612,820	5,303,170
Transfers/Reclassifications	187,689	124,354	47,987	–	(231,981)	23,900	409,764	(561,713)	–
Disposals	(158,505)	(5)	(255,832)	(23,483)	–	–	(30,671)	–	(468,496)
Transfers to investment properties	(135,750)	–	–	–	–	–	–	–	(135,750)
At 31 December 2017	6,095,271	6,439,467	8,610,247	685,403	11,447,376	738,482	1,287,320	25,887,379	61,190,945
Additions	28,085	1,120,439	280,348	23,444	12,487	–	46,117	1,545,614	3,056,534
Acquired on acquisition of a subsidiary *(Note 41)*	168,835	–	58,653	795	–	–	1,420	23,381	253,084
Transfers/Reclassifications	3,568,724	(18,591)	9,601,111	(38,346)	15,858	2,767	32,497	(13,430,955)	(266,935)
Disposals	(21,478)	–	(597,049)	(55,076)	(25,908)	–	(28,091)	–	(727,602)
Disposals a subsidiary *(Note 40)*	(62,757)	–	(6,442)	(163)	(23,834)	–	(444)	–	(93,640)
Transfers to investment properties	(26,268)	–	(21)	–	–	–	(9)	–	(26,298)
At 31 December 2018	9,750,412	7,541,315	17,946,847	616,057	11,425,979	741,249	1,338,810	14,025,419	63,386,088
Depreciation and Impairment									
At 1 January 2017	(1,441,712)	(2,440,141)	(3,836,893)	(466,782)	(1,359,583)	(218,770)	(517,041)	(239,634)	(10,520,556)
Depreciation charged for the period	(284,177)	(1,057,205)	(575,682)	(43,842)	(287,653)	(40,755)	(104,225)	–	(2,393,539)
Transfers/Reclassifications	(1,224)	–	(137)	–	48,380	(1,937)	(45,115)	33	–
Disposals	47,729	5	197,490	21,462	–	–	30,253	–	296,939
At 31 December 2017	(1,679,384)	(3,497,341)	(4,215,222)	(489,162)	(1,598,856)	(261,462)	(636,128)	(239,601)	(12,617,156)
Depreciation charged for the period	(298,259)	(486,901)	(691,721)	(44,060)	(293,244)	(37,381)	(106,503)	–	(1,958,069)
Transfers/Reclassifications	(43,111)	64,211	(42,258)	26,338	363	(285)	(5,258)	–	–
Disposals	14,045	–	474,972	50,584	3,153	–	24,763	–	567,517
Impairment loss in profit or loss	(44,778)	–	–	–	–	–	–	–	(44,778)
At 31 December 2018	(2,051,487)	(3,920,031)	(4,474,229)	(456,300)	(1,888,584)	(299,128)	(723,126)	(239,601)	(14,052,486)
Carrying Values									
At 31 December 2018	7,698,925	3,621,284	13,472,618	159,757	9,537,395	442,121	615,684	13,785,818	49,333,602
At 31 December 2017	4,415,887	2,942,126	4,395,025	196,241	9,848,520	477,020	651,192	25,647,778	48,573,789

15. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Group is in the process of applying for or changing the registration of the title certificates for certain of its buildings with an aggregate net carrying amount of approximately RMB811,143,000 (2017: RMB775,891,000). The directors of the company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors of the company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2018.

Coal-related chemical segment

As at 31 December 2018, the property, plant and equipment of coal-related chemical segment amounted to RMB28,372,000,000, including construction in progress of RMB12,469,000,000. As the construction works of the related two construction projects are behind the respective schedules as set out in the latest feasibility study reports, management assessed whether there are adverse indicators on the key inputs used in the latest feasibility study reports and updated the respective cash flow projections accordingly. The adopted key inputs included future sales price based on the current market trend and production cost.

As at 31 December 2017, the property, plant and equipment of coal-related chemical segment amounted to RMB25,741,000,000, including construction in progress of RMB22,790,000,000.

The recoverable amount of these assets were estimated based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 2-year period after the respective planned construction periods, and discount rate of 11% (2017: 11%) per annum. The cash flows beyond 2-year budgets are extrapolated using a steady 3% (2017: 3%) growth rate. This growth rate is based on the expectation of long-term inflation in the PRC. Other key assumptions for the value in use calculation relates to the estimation of cash inflows/outflows which include budgeted sales and gross margin and construction periods, such estimation is based on the past experience and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions (including selling price, sales quantity, production cost, discount rate and construction period) would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of these assets. No impairment loss was recognised for coal-related chemical segment for both reporting periods.

16. INVESTMENT PROPERTIES

	Completed Investment Properties *RMB'000*
Cost	
At 1 January 2017	572,936
Transfer from owner-occupied property	135,750
Disposals	(54,970)
At 31 December 2017	653,716
Additions	22,224
Transfer from owner-occupied property	26,298
At 31 December 2018	702,238
Depreciation and Impairment	
At 1 January 2017	(132,457)
Provided for the year	(23,635)
Disposals	31,389
At 31 December 2017	(124,703)
Provided for the year	(31,400)
At 31 December 2018	(156,103)
Carrying Values	
At 31 December 2018	546,135
At 31 December 2017	529,013

The Group's investment properties are situated in Mainland China, and are leased to third parties under operating leases with lease terms of 1 to 10 years, further summary details of which are included in Note 38(a) to the consolidated financial statements.

17. PREPAID LAND LEASE PAYMENTS

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		**1,390,100**	1,336,164
Additions		**64,684**	90,561
Transfer from other non-current assets		**214,244**	–
Acquisition of a subsidiary	41	**13,525**	–
Disposals		**–**	(1,524)
Disposal of subsidiaries	40	**(13,910)**	–
Amortisation of the year		**(53,483)**	(35,101)
Carrying amount at 31 December		**1,615,160**	1,390,100
Current portion included in prepayments, deposits and other financial assets		**(56,605)**	(36,464)
Non-current portion		**1,558,555**	1,353,636

18. MINING RIGHTS

	Mining Rights *RMB'000*
Cost	
At 1 January 2017	556,189
Additions	156,332
At 31 December 2017	712,521
Additions	–
At 31 December 2018	712,521
Amortisation	
At 1 January 2017	(217,312)
Charge for the year	(21,319)
At 31 December 2017	(238,631)
Charge for the year	(22,480)
At 31 December 2018	(261,111)
Carrying Values	
At 31 December 2018	451,410
At 31 December 2017	473,890

19. OTHER INTANGIBLE ASSETS

	Patent *RMB'000*	Software *RMB'000*	Coal capacity *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2017	32,160	113,110	–	145,270
Additions	–	1,355	227,479	228,834
At 31 December 2017	32,160	114,465	227,479	374,104
Additions *(Note b)*	–	6,653	301,132	307,785
Transfer from property, plant and equipment *(Note a)*	266,935	–	–	266,935
Acquired on acquisition of a subsidiary	–	14	–	14
Transfer to held for sale *(Note c)*	–	–	(32,404)	(32,404)
At 31 December 2018	299,095	121,132	496,207	916,434
Amortisation				
At 1 January 2017	(16,485)	(98,987)	–	(115,472)
Charge for the year	(1,816)	(8,963)	(4,096)	(14,875)
At 31 December 2017	(18,301)	(107,950)	(4,096)	(130,347)
Charge for the year	(7,748)	(5,563)	(20,149)	(33,460)
At 31 December 2018	(26,049)	(113,513)	(24,245)	(163,807)
Carrying Values				
At 31 December 2018	273,046	7,619	471,962	752,627
At 31 December 2017	13,859	6,515	223,383	243,757

19. OTHER INTANGIBLE ASSETS *(CONTINUED)*

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Patent	15 years and 20 years
Software	3-10 years
Coal capacity	20-30 years

(a) The patents are related to 1.2 million-tons/year fine chemicals project, which is constructed by Inner Mongolia Yitai Chemical Co., Ltd., a subsidiary of the Group.

(b) During the current year, the Group acquired new coal capacity of RMB301,132,000, of which RMB292,075,000 related to Inner Mongolia Jingyue Suancigou Mining Co., Ltd. (the "Suancigou"), a subsidiary of the Group. Suancigou entered into four agreements on purchase of coal capacity replacement quota (the "Transfer Agreements") with four independent third parties at a total considerations of RMB292,075,000 in 2018. According to the Transfer Agreements and policies, the coal capacity of 2.40 million ton per quota year can be utilised.

(c) In November 2018, the Group entered into an agreement with an independent third party on transfer of coal capacity replacement quota and the transaction was not completed at the end of the year. The difference between fair value less costs to sell and carrying amount to these assets was included in profit or loss for the year.

20. INVESTMENTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2018	2017
	RMB'000	*RMB'000*
Cost of investments in joint ventures	**49,000**	49,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	**6,113**	–
	55,113	49,000

Details of each of the Group's joint ventures at the end of the reporting period are set out in Note 48.

The Group's shareholdings in joint ventures listed in Note 48 comprise equity shares held through subsidiaries of the Company.

21. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Cost of investment in associates	**8,757,766**	846,534
Share of post-acquisition profits and other comprehensive income, net of dividends received	**103,154**	43,247
	8,860,920	889,781

The Group's receivable and payable balances with the associates are disclosed in Note 27, Note 28, Note 30, Note 31 respectively.

Details of each of the Group's associates at the end of the reporting period are disclosed in Note 48.

21. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

The following table illustrates the summarised financial information in respect of material associates of the Group, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, the associates present the statement of financial position based on liquidity:

	Inner Mongolia Jingtai Electronic Power Generation Co., Ltd.		Inner Mongolia Yitai Finance Co., Ltd.		Yitai Guanglian Coal Chemical Co., Ltd. *(Note a)*	
	2018/12/31	2017/12/31	**2018/12/31**	2017/12/31	**2018/12/31**	2017/12/31
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Current assets	**375,204**	207,003	**Not relevant**	Not relevant	**2,087,915**	N/A
Non-current assets	**2,497,358**	2,271,101	**Not relevant**	Not relevant	**41,460,515**	N/A
Total assets	**2,872,562**	2,478,104	**13,206,673**	6,898,121	**43,548,430**	N/A
Current liabilities	**(694,617)**	(1,171,083)	**Not relevant**	Not relevant	**(712,644)**	N/A
Non-current liabilities	**(719,134)**	(462,152)	**Not relevant**	Not relevant	**(4,554,423)**	N/A
Total liabilities	**(1,413,751)**	(1,633,235)	**(11,983,522)**	(5,812,178)	**(5,267,067)**	N/A
Net assets	**1,458,811**	844,869	**1,223,151**	1,085,943	**38,281,363**	N/A
Revenue	**681,070**	634,498	**316,175**	141,142	**2,629,624**	N/A
Profit (loss) for the year	**13,943**	(50,615)	**137,208**	74,424	**545,070**	N/A
Capital addition	**174,000**	–	**–**	–	**–**	N/A
Dividend received	**–**	570	**–**	–	**–**	N/A
Reconciliation to the Group's interest:						
Proportion of the Group's interest	**29%**	29%	**40%**	40%	**20%**	N/A
Group's share of net assets of associate	**423,055**	245,012	**489,260**	434,377	**7,656,273**	N/A
Carrying amount of the Group's interest	**423,055**	245,012	**489,260**	434,377	**7,656,273**	N/A

(a) The Group acquired additional 10% equity interest in Inner Mongolia Yitai Guang Lian Coal Chemical Co. Ltd, ("Yitai Guang Lian") from the Yitai Group at the consideration of RMB3,824,000,000 this year. 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 in June 2018. The Group has significant influence over Yitai Guang Lian and therefore classified it as an associate of the Group. The fair value of previously 10% of equity interest held in Yitai Guang Lian amounting to RMB3,824,000,000 was transferred from equity instrument at FVTOCI to investment in an associate.

Yitai Guanglian realised profit of RMB41,363,000 since becoming the associate resulting in share of profit of associates amounting to RMB8,273,000.

21. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

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

	2018 *RMB'000*	2017 *RMB'000*
Share of the associates' profit for the year	**14,780**	7,973
Share of profit and total comprehensive income for the year	**14,780**	7,973
Aggregate carrying amount of the Group's investments in associates	**292,332**	210,392

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 *RMB'000*
Financial assets mandatorily measured at FVTPL:	
Private Funds Investment	**555,210**
Bills receivable	**108,060**
	663,270
Analysed for reporting purposes as:	
Current assets	**108,060**
Non-current assets	**555,210**
	663,270

Bills receivable represents bills receivable accepted by banks with maturity of less than six months. As at 31 December 2018, the amount of bills receivable pledged to banks for the bills issued by the Group is nil (2017: RMB30,690,000).

During the year end 31 December 2018, the Group endorsed certain bills receivable (the "Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,093,622,000 (2017: RMB1,129,653,000). The Bills had a maturity of one to five months at the end of the reporting period. In accordance to the relevant laws in the PRC, the holders of the bills receivables have a right of recourse against the Group if the issuing banks default payment (the "Continuing Involvement"). In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership relating to these bills receivables, and accordingly derecognised the full carrying amounts of the bills receivables. The fair values of the Continuing Involvement are insignificant, and the Group has not recognised any loss in relation to the Continuing Involvement both during the year or cumulatively.

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 *RMB'000*
Listed investment:	
An equity security listed in Hong Kong *(Note a)*	**31,819**
Unlisted investments:	
Equity securities *(Note b)*	**7,857,763**
Total	**7,889,582**

(a) The above listed equity investment represent ordinary shares of an entity listed in Hong Kong. This investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate this investments in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

(b) The above unlisted equity investments represent the Group's equity interest in unlisted entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as the purpose of investments is constructing railway for coal transportation with other companies, and making cooperation development with the railway company rather than holding for sale.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2017 *RMB'000*
Listed equity investments, at fair value:	
Hong Kong	41,958
Unlisted equity investments, at cost	8,830,618
	8,872,576

25. DEFERRED TAX ASSETS

The movements in deferred tax during the year are as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**752,480**	1,009,510
Deferred tax credited/(charged) to other comprehensive income	**2,534**	(2,921)
Deferred tax charged to profit or loss	**(69,000)**	(254,109)
At 31 December	**686,014**	752,480

The principal components of the Group's deferred tax assets are as follows:

	Provision	Deferred income	Fair value adjustments arising from acquisition of business	Tax losses	Accrued expense	Unrealised profits from sales within the Group	Profits from testing construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	145,035	2,535	611,869	6,632	124,729	61,361	43,036	14,313	1,009,510
Credited/(charged) to profit or loss during the year	6,600	(143)	(113,345)	(6,632)	(115,468)	(22,951)	(1,562)	(608)	(254,109)
Changed to other comprehensive income during the year	–	–	–	–	–	–	–	(2,921)	(2,921)
At 31 December 2017	151,635	2,392	498,524	–	9,261	38,410	41,474	10,784	752,480
Credited/(charged) to profit or loss during the year	(684)	(142)	(114,909)	–	6,807	(7,532)	36,446	11,014	(69,000)
Credited to other comprehensive income during the year	–	–	–	–	–	–	–	2,534	2,534
At 31 December 2018	150,951	2,250	383,615	–	16,068	30,878	77,920	24,332	686,014

25. DEFERRED TAX ASSETS *(CONTINUED)*

Deferred tax assets have not been recognised in respect of the following items:

	2018	2017
	RMB'000	*RMB'000*
Impairments	**88,915**	16,371
Tax losses	**477,620**	474,616
Other deductible temporary difference	**–**	33,209
	566,535	524,196

The above tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

26. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Materials and supplies	**673,951**	502,283
Finished goods	**704,976**	1,072,321
	1,378,927	1,574,604
Less: Provision for impairment	**(37,907)**	(47,264)
	1,341,020	1,527,340

27. TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables arising from contracts with customers		
Amounts due from third parties	**1,349,112**	2,132,749
Amounts due from associates	**62,409**	49,710
Amounts due from Yitai Group	**69,574**	244
Amounts due from other related parties	**357**	–
	1,481,452	2,182,703
Less: Allowance for credit losses	**–**	(7,508)
	1,481,452	2,175,195
Bills receivables	**–**	111,874
Total trade and bills receivables	**1,481,452**	2,287,069

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	2018 RMB'000	2017 RMB'000
Within 30 days	**1,371,473**	2,110,495
Over 30 days but within 60 days	**79,104**	25,693
Over 60 days but within 120 days	**–**	6,966
Over 120 days *(Note a)*	**30,875**	32,041
	1,481,452	2,175,195

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in note 47.

(a) The measurement of the expected credit loss has taken into account the recovery expected from the collateral.

28. PREPAYMENTS, DEPOSITS AND OTHER FINANCIAL ASSETS

	2018	2017
	RMB'000	*RMB'000*
Amounts due from associates	**39**	–
Amounts due from parent group	**10,017**	–
Amounts due from other related parties	**63,322**	29,489
Advances to suppliers	**802,595**	882,512
Prepayments of value added tax	**1,492,060**	1,536,829
Dividends receivables	**–**	100,000
Other prepayments	**324,712**	210,899
Staff advances	**7,635**	9,375
Deposits	**362,810**	171,463
Investment in financial products *(Note a)*	**–**	30,000
Consideration of disposal of equity interests of a subsidiary	**–**	971,250
Other	**291**	887
Allowance for credit losses	**(4,808)**	(4,666)
Total prepayments, deposits and other financial assets	**3,058,673**	3,938,038

(a) The investment in financial products measured at amortised cost are principal protected with fixed rate of return per annum. The maturity dates of all financial products are before 31 December 2018.

29. CASH AND CASH EQUIVALENTS

	2018	2017
	RMB'000	*RMB'000*
Cash and bank balances	**9,415,169**	11,033,829
Deposits with other financial institution	**8,204,177**	3,544,529
Less: Restricted cash *(Note a)*	**(625,179)**	(845,260)
Cash and cash equivalents	**16,994,167**	13,733,098
Denominated in RMB *(Note b)*	**16,981,763**	13,579,608
Denominated in other currencies	**12,404**	153,490
	16,994,167	13,733,098

(a) As at 31 December 2018, the Group's bank balances of approximately RMB33,737,000 (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 31 December 2018, amounts of RMB590,242,000 (2017: RMB787,233,000) were deposited at banks as guarantee fund for the bills issued by the Group.

As at 31 December 2018, amounts of RMB1,200,000 (2017: RMB24,422,000) were deposited at a bank as guarantee fund for international letter of credit.

(b) The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

30. TRADE AND BILLS PAYABLES

	2018 *RMB'000*	2017 *RMB'000*
Trade payables		
Amount due to third parties	**2,549,849**	1,648,737
Amount due to associates	**–**	34
Amount due to Yitai Group	**154,540**	537,598
Amount due to other related parties	**6**	11
Amount due to joint parties	**5,645**	–
	2,710,040	2,186,380
Bills payable	**1,009,308**	1,251,642
	3,719,348	3,438,022

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

	2018 *RMB'000*	2017 *RMB'000*
Within six months	**2,302,101**	698,508
Over six months but within one year	**132,139**	785,653
Over one year but within two years	**218,143**	602,278
Over two years but within three years	**26,304**	90,364
Over three years	**31,353**	9,577
	2,710,040	2,186,380

Bills payable are bills of exchange with maturity of less than six 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.

31. OTHER PAYABLES AND ACCRUALS

	2018 *RMB'000*	2017 *RMB'000*
Advances from customers	–	390,277
Accrued salaries, wages and benefits	**355,639**	413,506
Other tax payables	**1,188,655**	740,892
Accrued interest	**187,164**	235,588
Payables for property, plant and equipment	**1,700,781**	2,890,742
Accruals	**69,832**	107,684
Amounts due to Yitai Group	**150,155**	309,755
Amounts due to associates	**1**	3,414
Amounts due to a jointly-controlled entity	**11,425**	8,856
Amounts due to other related parties	**7,998**	980
Other payables	**101,564**	240,118
Dividend payable to non-controlling interests	**710**	710
	3,773,924	5,342,522

32. INTEREST-BEARING BORROWINGS

	2018 *RMB'000*	2017 *RMB'000*
Current – at amortised cost:		
Guaranteed loans	**400,000**	1,500,000
Unguaranteed loans	**500,000**	700,000
Current portion of long-term guaranteed loans	**907,151**	184,525
Current portion of long-term unguaranteed loans	**4,211,858**	4,081,370
Total current loans	**6,019,009**	6,465,895
Non-current – at amortised cost:		
Guaranteed loans	**13,428,889**	2,525,530
Unguaranteed loans	**14,080,213**	20,660,843
Total non-current loans	**27,509,102**	23,186,373
Total loans	**33,528,111**	29,652,268
Denominated in RMB	**33,432,752**	29,544,502
Denominated in USD	**95,359**	107,766
	33,528,111	29,652,268
Fixed-rate loans	**6,015,252**	4,003,618
Floating-rate loans	**27,512,859**	25,648,650
	33,528,111	29,652,268

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

	2018 %	2017 %
Fixed-rate loans	**3.33-8.00**	3.33-8.00
Floating-rate loans	**3.80-6.55**	4.35-6.15

32. INTEREST-BEARING BORROWINGS *(CONTINUED)*

The maturity profile of the loans is as follows:

	2018 RMB'000	2017 RMB'000
Analysed into:		
Loans repayable:		
Within one year	**6,019,009**	6,465,895
1 – 2 years	**6,002,232**	5,644,148
2 – 5 years	**12,774,682**	8,971,854
> 5 years	**8,732,188**	8,570,371
	33,528,111	29,652,268

Included in the borrowings are borrowings from an associate amounting to RMB3,700,000,000 (2017: RMB1,500,000,000), which are unsecured and unguaranteed, and to be repaid from 2019 to 2021. The interest rate ranges from 3.33% to 6.18% (2017: 3.33% to 8.00%) per annum.

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

	2018 RMB'000	2017 RMB'000
Yitai Group	**14,312,956**	3,580,461
Independent third parties	**323,616**	99,961
Non-controlling shareholders of a subsidiary	**499,468**	529,633
	15,136,040	4,210,055

33. BONDS PAYABLE

	2018	2017
	RMB'000	*RMB'000*
Nominal value of corporate bond in issue during the year	**8,000,000**	7,000,000
Carrying amount at 1 January	**6,988,801**	7,980,575
Issuance during the year	**3,500,000**	–
Repayment	**(2,500,000)**	(1,000,000)
Interest expense	**417,474**	501,826
Interest paid	**(404,713)**	(493,600)
Transaction costs	**(64,472)**	–
Corporate bonds at 31 December	**7,937,090**	6,988,801
Amounts repayable analysed into:		
Within one year	**4,495,772**	2,498,216
1 – 2 years	**–**	4,490,585
2 – 5 years	**3,441,318**	–
	7,937,090	6,988,801
Less: Amount classified as current liability	**(4,495,772)**	(2,498,216)
	3,441,318	4,490,585

On 16 April 2013, the Company issued 5-year corporate bonds, 4.95% coupon with a nominal value of RMB100.00 per bond, amounting to RMB2,500,000,000. The bonds were issued at discount, with an effective interest rate of 5.27%. Interest of the bonds is payable annually in arrears on 16 April, and the maturity date is 16 April 2018.

On 9 October 2014, the Company issued 5-year corporate bonds, 6.99% coupon with a nominal value of RMB100.00 per bond, amounting to RMB4,500,000,000. The bonds were issued at discount, with an effective interest rate of 7.12%. Interest of the bonds is payable annually in arrears on 9 October, and the maturity date is 9 October 2019.

On 7 June 2018, the Company issued 3-year corporate bonds, 6% coupon with a nominal value of RMB100.00 per bond, amounting to RMB1,500,000,000. The bonds were issued at discount, with an effective interest rate of 6.24%. Interest of the bonds is payable annually in arrears on 8 June, and the maturity date is 8 June 2021.

On 17 December 2018, the Company issued 3-year corporate bonds, 5% coupon with a nominal value of RMB100.00 per bond, amounting to RMB2,000,000,000. The bonds were issued at discount, with an effective interest rate of 6.02%. Interest of the bonds is payable annually in arrears on 18 December, and the maturity date is 18 December 2021.

34. DEFERRED TAX LIABILITIES

The movements in deferred tax during the year are as follows:

	2018 **RMB'000**	2017 RMB'000
At 31 December	**375,193**	3,379
Adjustments *(Note 2)*	**308,208**	–
At 1 January (restated)	**683,401**	3,379
Deferred tax recognized in other comprehensive income	**271,141**	–
Deferred tax recognized in profit or loss	**113,839**	(954)
Deferred tax charged to capital reserve	**(372,768)**	372,768
At 31 December	**695,613**	375,193

The principal components of the Group's deferred tax liabilities are as follows:

	Deferred investment income from equity transaction RMB'000	Differences of accelerated tax depreciation between tax and accounting RMB'000	Fair value changes of equity instruments at FVTOCI RMB'000	Total RMB'000
At 31 December 2016	–	3,379	–	3,379
Credited to profit or loss during the year	–	(954)	–	(954)
Deferred tax charged to capital reserve *(Note a)*	372,768	–	–	372,768
At 31 December 2017	372,768	2,425	–	375,193
Adjustments	–	–	308,208	308,208
At 1 January 2018 (restated)	372,768	2,425	308,208	683,401
Charged to profit or loss during the year	–	113,839	–	113,839
Deferred tax charged to capital reserve *(Note a)*	(372,768)	–	–	(372,768)
Charged to other comprehensive income during the year	–	–	271,141	271,141
At 31 December 2018	–	116,264	579,349	695,613

(a) In December 2017, the Group transferred 25% equity interests of Inner Mongolia Yitai Zhundong Railway Co., Ltd. to Yanzhou Coal Neng Hua Co., Ltd., an independent third party, at a consideration of RMB1,942,500,000 with a gain on disposal of RMB678,642,000 net of related tax of RMB372,768,000 credited to capital reserve. In 2018, the Group paid the income tax of tax profit on the disposal, so the deferred tax was decreased.

35. OTHER BORROWINGS

	2018 **RMB'000**	2017 RMB'000
Finance lease	**330,000**	330,000
China Development Bank Development Fund (the "CDBDF")	**523,639**	521,000
	853,639	851,000

The details of other borrowings are as follows:

On 1 July 2017 and 15 December 2017, the Group had entered into agreements (the "Agreement") with a PRC financial institution (the "Financial Institution") whereby the Group drew down RMB330,000,000 in aggregate from the Financial Institution. The borrowings are to be repayable in 2020 and carried with contract interest rate of 5% and effective interest rate of 4.75% per annum for all these agreements.

As collaterals for the above financing,

(i) The Group transferred the ownership title of certain machinery to the Financial Institution;

(ii) The Group entered into a financial guarantee contract in favour of the Financial Institution for the due performance of the Group's obligations under the Agreement.

(iii) Upon discharging all the Group's obligations under the Agreement, the Financial Institution will return the ownership title of those machinery to the Group for nil consideration.

Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the actual substance of the Agreement.

During the year ended 31 December 2015, the Group had entered into an agreement with CDBDF. According to the agreement, CDBDF injected capital of RMB26,000,000 to acquire 3.85% equity interest of Yitai Yili Mining Co., Ltd.. The Group agrees to repurchase and the CDBDF agrees to sell the 3.85% equity interest at a pre-determined price at the maturity of 2035. The Group will repayable the total amount of RMB26,000,000 to CDBDF from 2017 to 2035 with an interest at 1.2% per annum. The CDBDF won't participate in the operation of Yitai Yili Mining Co., Ltd. but receives the aforementioned interest according to the term of the agreement. Yitai Yili Mining Co., Ltd. repaid an amount of RMB5,000,000 in 2017.

During the year ended 31 December 2016, the Group had entered into an agreement with CDBDF. According to the agreement, CDBDF injected capital of RMB500,000,000 to acquire 49.02% equity interest of Inner Mongolia Yitai Railway Investment Co., Ltd., a wholly-owned subsidiary of the Group. The Group agrees to repurchase and the CDBDF agrees to sell the 49.02% equity interest at a pre-determined price at the maturity of 2036. The Group will repayable the total amount of RMB500,000,000 to CDBDF from 2021 to 2036 with an interest at 1.81% per annum. The Group continues to account for Inner Mongolia Yitai Railway Investment Co., Ltd. as a wholly owned subsidiary, as the CDBDF won't participate in the operation except for receiving the above predetermined interest according to the agreement.

35. OTHER BORROWINGS *(CONTINUED)*

The maturity profile of the aforesaid borrowings is as follows:

	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
2 – 5 years	**113,639**	60,000
5 – 10 years	**150,000**	155,000
> 10 years	**260,000**	306,000
	523,639	521,000

36. ISSUED CAPITAL

	2018	2017
	RMB'000	*RMB'000*
Issued and fully paid		
1,600,000,000 B shares owned by Yitai Group	**1,600,000**	1,600,000
1,328,000,000 B shares	**1,328,000**	1,328,000
326,007,000 H shares	**326,007**	326,007
Ordinary shares	**3,254,007**	3,254,007

During the years ended 31 December 2018 and 2017, there were no movements in the Company's share capital.

37. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 16 to the consolidated financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2018, the Group had no significant future minimum lease commitment from the tenants under non-cancellable operating lease arrangements.

(b) As lessee

The Group had no significant future minimum lease commitment under non-cancellable operating lease arrangement.

39. COMMITMENTS

	2018 ***RMB'000***	2017 *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**4,966,676**	13,332,890

40. DISPOSAL OF A SUBSIDIARY

On 25 September 2018, the Group disposed all of 51% of its subsidiary Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd., which was part of coal segment. The net assets were as follows:

	RMB'000
Consideration received:	
Cash received	210,000
Financial assets at FVTPL	20,000
Total consideration received	230,000

	31/12/2018 ***RMB'000***
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**93,640**
Prepaid land lease payments	**13,910**
Inventories	**155**
Trade receivables	**8,798**
Other receivables	**467**
Bank balances and cash	**90,176**
Trade payables	**(844)**
Other payables and accruals	**(11,991)**
Tax payable	**(385)**
Net assets disposed of	**193,926**

40. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

	31/12/2018
	RMB'000
Gain on disposal of a subsidiary:	
Consideration received and receivable	**230,000**
Net assets disposed of	**(193,926)**
Non-controlling interests	**95,024**
Gain on disposal	**131,098**
Net cash flow arising on disposal:	
Cash consideration received	**210,000**
Less: bank balances and cash disposed of	**(90,176)**
	119,824

41. ACQUISITION OF A SUBSIDIARY

On 31 December 2018, one of the Group's subsidiary, Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (the "Meizhiyou"), has entered into an arrangement (the "Arrangement") with other owners of its associate, CAAC Liming Jinhua Petrochemical Equipment (Inner Mongolia) Co., Ltd., (the "Jinhuaji"). According to the Arrangement, Meizhiyou's right of RMB225,537,000 as a creditor was transferred to Jinhuaji's equity, meanwhile Meizhiyou contribute RMB10,000,000 to Jinhuaji. The other owners would also transfer their receivable balance to Jinhuaji's equity and make cash capital injection. The fair value of 39% equity interest previously held in Jinhuaji immediately before the transfer is immaterial and no gain or loss was resulted as Jinhuaji was in net liability position before the Arrangement. As the result of the arrangement, Meizhiyou holds 83.89% equity interest of Jinhuaji and obtains the control. Jinhuaji has been renamed as Yitai Petrochemical Co., Ltd. ("Yitai Petrochemical"), and continue to engage in the manufacture of petrochemical equipment.

41. ACQUISITION A SUBSIDIARY *(CONTINUED)*

Consideration as capital injection

	Yitai Petrochemical *RMB'000*
Consideration payable	10,000
Other non-current assets - receivables	201,511
Other receivables	24,026
Total	235,537

The fair value of Yitai Petrochemical's identifiable net assets after considering the capital injection by owners according to the Arrangement at the date of acquisition are as followed:

	Yitai Petrochemical *RMB'000*
Property, plant and equipment	253,084
Prepaid land lease payments	13,525
Other intangible assets	14
Other non-current assets	2,847
Inventory	39,878
Trade and other receivables	119,756
Cash and bank balances	191
Trade and other payables	(69,318)
Contract liabilities	(74,534)
Other non-current liabilities	(4,480)
Tax payables	(201)
Total identifiable net assets at fair value	280,762

	Yitai Petrochemical *RMB'000*
Goodwill arising on acquisition:	
Fair value of previously held equity interest	–
Consideration injection of Meizhiyou	235,537
Consideration injection of Non-controlling interests	45,225
Fair value of identifiable net assets of the acquiree	(280,762)
Goodwill arising on acquisition	–

41. ACQUISITION A SUBSIDIARY *(CONTINUED)*

The non-controlling interests in Yitai Petrochemical recognised at the acquisition date was measured at their proportionate share of net assets acquired.

Net cash on acquisition of Yitai Petrochemical:

	Yitai Petrochemical *RMB'000*
Cash consideration	–
less:Cash and bank balances acquired	191
Net inflow of cash and cash equivalents included in cash flows from investing activities	191
Profit contribution	–
Revenue contribution	–

Had the acquisition of Yitai Petrochemical been completed on 1 January 2018, total group revenue for the year would have been RMB38,405,901,000, and profit for the year would have been RMB5,122,234,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Yitai Petrochemical been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre- acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

42. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the years ended 31 December 2018 and 2017:

	2018 *RMB'000*	2017 *RMB'000*
Sales of goods to Yitai Group	**40,867**	326,051
Provision of services to Yitai Group	**10,708**	28,246
Purchase of goods from Yitai Group	**3,025,408**	3,515,558
Construction and other services from Yitai Group	**–**	19,645
Purchase of services from Yitai Group	**99,925**	–
Sales of goods to associates	**401,740**	268,335
Sale of goods to other related parties	**72,039**	–
Provision of services to associates	**4,654**	7,598
Purchase of services from associates	**–**	76,753
Purchase of goods from associates	**11,667**	–
Provision of services to other related parties	**99,285**	–
Purchase of goods from other related parties	**76,456**	–
Dividend income from a fellow subsidiary	**–**	100,000
Procurement of services from other related parties[1]	**1,164,211**	4,981
Interest income received from an associate	**36,738**	22,163
Interest expense to an associate	**115,475**	52,849

In the opinion of the directors of the Company, the transactions between the Group and the related parties were conducted in the ordinary and usual course of business and on normal commercial terms, the pricing terms were mutually agreed.

1 Other related parties include a company controlled by an immediate family member of the chairman of the board of directors of the Company, and non-controlling interest of subsidiaries.

42. RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

(b) Outstanding balances with related parties

	2018 RMB'000	2017 RMB'000
Trade receivables	**132,340**	49,954
Prepayments, deposits and other receivables	**73,378**	1,100,739
Trade payables	**(160,191)**	(537,643)
Other payables and accruals	**(169,579)**	(323,005)

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

	2018 RMB'000	2017 RMB'000
Borrowings[1]	**3,700,000**	1,500,000
Deposits with financial institution[2]	**8,204,177**	3,544,529

[1] The borrowings from an associate are unsecured and unguaranteed with maturity of three years.

[2] 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 (Note 32)

	2018 RMB'000	2017 RMB'000
Guarantees received from related parties	**14,812,424**	4,110,094

42. RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

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

	2018	2017
	RMB'000	*RMB'000*
Short-term employee benefits	**14,038**	9,481
Post-employment benefits	**600**	447
Total compensation paid to key management personnel	**14,638**	9,928

Further details of directors' emoluments are included in Note 11 to the consolidated financial statements.

43. CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at 31 December of 2018 and 2017.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	**Bond**	**Interest**	**Dividend payable**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	30,503,268	6,988,801	235,588	710	37,728,367
Financing cash flows	3,871,527	935,528	(1,201,839)	(1,977,317)	1,627,899
Interest expense	2,639	12,761	2,209,831	–	2,225,231
Foreign exchange	4,316	–	–	–	4,316
Dividends declared	–	–	–	1,977,317	1,977,317
Capitalised interest paid	–	–	(1,056,416)	–	(1,056,416)
At 31 December 2018	34,381,750	7,937,090	187,164	710	42,506,714

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(CONTINUED)*

	Borrowings *RMB'000*	Bond *RMB'000*	Interest *RMB'000*	Dividend payable *RMB'000*	Total *RMB'000*
At 1 January 2017	25,761,194	7,980,575	238,354	76,079	34,056,202
Financing cash flows	4,747,274	(1,007,500)	(903,766)	(776,642)	2,059,366
Interest expense	–	15,726	2,008,611	–	2,024,337
Foreign exchange	(5,200)	–	–	–	(5,200)
Dividends declared	–	–	–	701,273	701,273
Capitalised interest paid	–	–	(1,107,611)	–	(1,107,611)
At 31 December 2017	30,503,268	6,988,801	235,588	710	37,728,367

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2018 and 2017 are as follows:

Financial assets

	2018 ***RMB'000***	2017 *RMB'000*
Financial assets at FVTPL	**663,270**	–
Trade receivables/trade and bills receivables	**1,481,452**	2,287,069
Financial assets included in prepayments, deposits and other financial assets	**10,347**	1,103,429
Restricted cash	**625,179**	845,260
Cash and cash equivalents	**16,994,167**	13,733,098
Equity instruments at FVTOCI	**7,889,582**	–
AFS	**–**	8,872,576

45. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Financial liabilities

	2018 *RMB'000*	2017 *RMB'000*
Financial liabilities at FVTPL	**3,721**	–
Trade and bills payables	**3,719,348**	3,438,022
Financial liabilities included in other payables and accruals	**2,229,630**	3,797,847
Interest-bearing bank borrowings-unsecured	**33,528,111**	29,652,268
Other borrowings	**853,639**	851,000
Bonds payables	**7,937,090**	6,988,801

46. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. Financial and Investment Department are responsible for determining fair value.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Financial and Investment Department work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the external valuers' findings to the board of directors of the company every half year to explain the cause of fluctuations in the fair value.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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 how the fair values of these financial assets and financial liabilities are determined by the fair value measurement hierarchy of the Group's financial instruments.

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

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Fair value hierarchy as at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Financial assets at FVTPL				
Private Funds Investment	–	–	555,210	555,210
Bills receivables	–	108,060	–	108,060
Equity instruments at FVTOCI	31,819	–	7,857,763	7,889,582
Financial liabilities at FVTPL	–	3,721	–	3,721

Fair value hierarchy as at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
AFS	41,958	–	–	41,958

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

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial Assets/Liabilities	Fair value as at 31 December 2018 RMB'000	Fair value as at 31 December 2017 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Financial liabilities at FVTPL				
– Future contracts	**3,721**	–	Level 2	Future cash flows are estimated based on commodity price (from observable commodity price at the end of the reporting period) and contracted rates.
Equity instruments at FVTOCI				
– Quoted equity investments (2017: classified as AFS)	**31,819**	41,958	Level 1	Quoted bid prices in an active market.
– Unquoted equity investments	**7,857,763**	N/A	Level 3	Market comparison approach – fair value is estimated based on the comparable companies' financial performance, multiples and discount for lack of liquidity; and Investment cost.
Financial assets at FVTPL				
– Bills receivables	**108,060**	N/A	Level 2	Future cash flows are estimated based on discount rate announced in commercial paper exchange.
– Private funds investment	**93,387**	N/A	Level 2	Future cash flows are estimated based on net fund unit value and fund units
– Private funds investment	**461,823**	N/A	Level 3	Market compassion approach – fair value is estimated based on the comparable companies' financial performance, multiples and discount for lack of liquidity; Investment cost; and Net assets approach.

During the period ended 31 December 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)

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

Reconciliation of Level 3 fair value measurements

31 December 2018

	Equity instrument at FVTOCI *RMB'000*	Financial assets at FVTPL *RMB'000*	Total *RMB'000*
Opening balance	10,072,000	36,486	10,108,486
Redemption of funds	–	(3,522)	(3,522)
Addition	515,763	494,998	1,010,761
Reclassification to investment in associate following additional purchase of interest	(3,824,000)	–	(3,824,000)
Change in fair value	1,094,000	27,248	1,121,248
Closing balance	7,857,763	555,210	8,412,973

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

Required for Level 3 recurring fair value measurements only

Of the total gains or losses for the period included in profit or loss, RMB27,248,000 relates to Private Funds Investment (Financial assets at FVTPL-Level 3) held at the end of the current year. Fair value gains or losses on Private Funds Investment are included in 'other gains and losses'.

Included in other comprehensive income is an amount of RMB825,393,000 gain relating to unlisted equity in note 23 classified as equity instruments at FVTOCI-Level 3 (2017: AFS) held at the end of the current year and is reported as 'Change in fair value of equity instrument at FVTOCI, net of tax' in statement of change in equity.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

	2018		2017	
	Carrying amount *RMB'000*	**Fair value** *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Non-current bonds payable	3,441,318	3,580,700	4,814,550	4,571,415
Non-current interest-bearing borrowings – fixed-rate	2,019,800	2,036,717	1,415,752	1,484,362
Other borrowings	843,639	679,861	893,706	862,365

The fair value of long-term borrowings was determined based on discounted cash flows and the key input is the discount rate that reflects the credit risk of the issuers. The fair value of long-term bonds was based on quoted market price. 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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings, other borrowings, bonds payable, equity instrument at FVTOCI and financial assets at FVTPL, trade receivables, other receivables, a financial liability at FVTPL, cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables and trade and bills payables, other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, other price risk and liquidity risk. The Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk of fluctuations on future cash flows of financial instruments or change in fair value which arise from changes in interest rates. Instruments carried floating interest rate, which is based on the loan interest published by the People's Bank of China, will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate interest-bearing borrowings) and the Group's equity. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

	Increase/ (decrease) in basis points	**Decrease/ (increase) in profit after tax** *RMB'000*
Year ended 31 December 2018	**100**	**206,346**
	(100)	**(206,346)**
Year ended 31 December 2017	100	192,365
	(100)	(192,365)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position (including trade receivables, deposits and other receivables, restricted cash and cash and cash equivalents). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	12-month or Lifetime ECL	Gross carrying amount *RMB'000*
Financial assets at amortised costs			
Other receivables	28	12-month ECL	5,539
		Lifetime ECL	4,808
			10,347
Trade receivables			
– goods and services	27	Lifetime ECL	1,481,452

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits with their financial position, companies' size, historical record and debt dispute. Limits and credit quality attributed to customers are reviewed once a year. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The average loss rate of the Group's trade receivables are very low and is not significant to the Group.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) *RMB'000*
As at 31 December 2017 under IAS 39	7,508
Adjustment upon application of IFRS 9	–
As at 1 January 2018 (restatement)	7,508
Changes due to financial instruments recognized as at 1 January:	
– Written off	(7,508)
At 31 December 2018	–

Deposits and other receivables, and cash and cash equivalents

In determining the ECL for deposits and other receivables, and cash and cash equivalents, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on individual basis.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) *RMB'000*
As at 31 December 2017 under IAS 39	4,666
Adjustment upon application of IFRS 9	–
As at 1 January 2018 (as restated)	4,666
Changes due to financial instruments recognized as at 1 January:	
– Impairment losses recognized	1,760
– Write-off	(1,760)
– Acquisition of a subsidiary	142
At 31 December 2018	4,808

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Other price risk

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities measured at FVTPL and FVTOCI (2017: AFS).

The Group's equity price risk is mainly concentrated on equity investments operating in railway industry and private fund investments. No sensitivity analysis was performed as most of the investments with fair value measurement categorised within level 3, which were disclosed in Note 46.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and the Group has available funding through an adequate amount of committed credit facilities to meet its commitments.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the current year.

Group

Year ended 31 December 2018

	On demand *RMB'000*	Less than 1 year *RMB'000*	1 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Interest-bearing borrowings	–	6,018,947	18,776,914	8,732,250	33,528,111	33,528,111
Bonds payable	–	4,495,772	3,441,318	–	7,937,090	7,937,090
Trade and bills payables	2,710,040	1,009,308	–	–	3,719,348	3,719,348
Other payables and accruals	101,564	2,128,066	–	–	2,229,630	2,229,630
Other borrowings	–	10,000	433,639	410,000	853,639	853,639
	2,811,604	13,662,093	22,651,871	9,142,250	48,267,818	48,267,818
Derivatives – net settlement						
Commodity futures contracts	–	3,721	–	–	3,721	3,721
	2,811,604	13,665,814	22,651,871	9,142,250	48,271,539	48,271,539

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(Continued)*

Year ended 31 December 2017

	On demand *RMB'000*	Less than 1 year *RMB'000*	1 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Interest-bearing borrowings	–	7,842,759	20,872,965	11,847,180	40,562,904	29,652,268
Bonds payable	–	2,938,300	4,814,550	–	7,752,850	6,988,801
Trade and bills payables	2,186,380	1,251,642	–	–	3,438,022	3,438,022
Other payables and accruals	240,118	3,557,729	–	–	3,797,847	3,797,847
Other borrowings	–	31,500	423,706	470,000	925,206	851,000
	2,426,498	15,621,930	26,111,221	12,317,180	56,476,829	44,727,938

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018.

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management *(Continued)*

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios are as follows:

Group

	2018 ***RMB'000***	2017 *RMB'000*
Interest-bearing borrowings	**33,528,111**	29,652,268
Bonds payable	**7,937,090**	6,988,801
Trade and bills payables	**3,719,348**	3,438,022
Financial liabilities at FVTPL	**3,721**	–
Financial liabilities included in other payables and accruals	**2,229,630**	3,797,847
Other borrowings	**853,639**	851,000
Less: Cash and cash equivalents	**(16,994,167)**	(13,733,098)
Net debt	**31,277,372**	30,994,840
Equity attributable to owners of the Company	**33,207,467**	28,682,872
Capital and net debt	**64,484,839**	59,677,712
Gearing ratio	**49%**	52%

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

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

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital *RMB'000*	Proportion ownership interest held by the Company 2018 %	2017 %	Principal activities
Subsidiaries					
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC	1,554,000	**71.3**	71.3	Railway transportation
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Inner Mongolia, the PRC	2,352,900	**51.0**	51.0	Coal-to-oil production
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Inner Mongolia, the PRC	1,080,000	**52.0**	52.0	Coal mining
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC	2,074,598	**77.0**	77.0	Railway transportation
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限責任公司)	Inner Mongolia, the PRC	50,000	**100.0**	100.0	Coal trading
Hangzhou Xinyu Investment Management Partnership (Limited Partnership) *(Note a)* (杭州信聿投資管理合夥企業(有限合夥))	Inner Mongolia, the PRC	495,000	**100.0**	–	Private fund investment
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰(山西)煤炭運銷有限責任公司)	Inner Mongolia, the PRC	–	**100.0**	100.0	Coal wholesale
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Xinjiang, the PRC	1,570,000	**90.2**	90.2	Coal technology development and consulting
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Inner Mongolia, the PRC	5,900,000	**61.2**	61.2	Chemical production and sale

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE *(CONTINUED)*

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital *RMB'000*	Proportion ownership interest held by the Company 2018 %	2017 %	Principal activities
Subsidiaries *(Continued)*					
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	Hong Kong, the PRC	19,136	**100.0**	100.0	Coal imports and international trade
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Xinjiang, the PRC	1,360,000	**90.2**	90.2	Chemical production and sale
Yitai Yili Mining Co., Ltd. *(Note b)* (伊泰伊犁礦業有限公司)	Xinjiang, the PRC	650,000	**90.3**	90.2	Investment in coal mining
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限公司)	Beijing, the PRC	10,000	**100.0**	100.0	Biotechnology
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Shanghai, the PRC	50,000	**100.0**	100.0	Coal trading
Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Inner Mongolia, the PRC	30,000	**100.0**	100.0	Coal mining
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	Inner Mongolia, the PRC	300,000	**90.2**	90.2	Chemical production and sale
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd. (內蒙古伊泰准格爾煤炭運銷有限責任公司)	Inner Mongolia, the PRC	10,000	**100.0**	100.0	Coal wholesale
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Inner Mongolia, the PRC	50,000	**100.0**	100.0	Coal wholesale
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Shenzhen, the PRC	50,000	**100.0**	100.0	Finance service
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	Shanghai, the PRC	50,000	**100.0**	100.0	Coal trading, investment and consulting

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE *(CONTINUED)*

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital *RMB'000*	Proportion ownership interest held by the Company 2018 %	2017 %	Principal activities
Inner Mongolia Yitai Railway Investment Co., Ltd. *(Note d)* (內蒙古伊泰鐵路投資有限責任公司)	Inner Mongolia, the PRC	315,763	**100.0**	100.0	Investment in railway
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd (重慶伊泰鵬方合成新材料研究院有限公司)	Chongqing, the PRC	5,000	**60.0**	60.0	Synthetic Materials
Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	Inner Mongolia, the PRC	1,000	**100.0**	–	Coal quality and oil product inspection and mine equipment material inspection
Inner Mongolia Yitai Galutu Mining Co., Ltd. *(Note c)* (內蒙古伊泰嘎魯圖礦業有限公司)	Inner Mongolia, the PRC	–	**100.0**	–	Coal mining
Associates					
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯天地華潤煤礦裝備有限責任公司)	Inner Mongolia, the PRC	100,000	**31.5**	31.5	Mining equipment production and sale
Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. *(Note e)* (內蒙古京泰發電有限責任公司)	Inner Mongolia, the PRC	1,570,800	**29.0**	29.0	Gangue Power Plant construction
Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限公司)	Inner Mongolia, the PRC	1,980,000	**20.0**	10.0	Chemical equipment production and sale
Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊政煤田滅火工程有限責任公司)	Inner Mongolia, the PRC	50,000	**30.0**	30.0	Coal mine fire-proof project, land restoration, and ecological treatment

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE *(CONTINUED)*

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital *RMB'000*	Proportion ownership interest held by the Company 2018 %	2017 %	Principal activities
Associates *(Continued)*					
Yitai (Beijing) Pharmatech Co., Ltd. (伊泰(北京)合成技術有限公司)	Inner Mongolia, the PRC	24,750	**49.0**	49.0	Pharmatech
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)	Inner Mongolia, the PRC	100,000	**15.0**	15.0	Liquor production and sale
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	Inner Mongolia, the PRC	100,000	**40.0**	40.0	Internal financial service and consulting
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	Inner Mongolia, the PRC	70,000	**37.0**	37.0	Coal mining
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	Inner Mongolia, the PRC	130,000	**36.0**	–	Chemical production
Ordos Gonggouyangta Storage and Transportation Co., Ltd. (鄂爾多斯市公溝陽塔儲運有限責任公司)	Inner Mongolia, the PRC	47,486	**32.0**	32.0	Coal washing
Joint venture					
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Inner Mongolia, the PRC	100,000	**49.0**	49.0	Industrial water provision

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE *(CONTINUED)*

(a) On 3 July 2018, the Company established Hangzhou Xinyu Investment Management Partnership (Limited Partnership) with an independent third party. The Company subscribed RMB1,000,000,000 and RMB495,000,000 has been paid as at year end of 2018. The independent third party subscribed RMB1,000,000 and none has been injected.

(b) In 2017, the Company repaid RMB5,000,000 of China Development Bank Development Fund for its subsidiary Yitai Yili Mining Co., Ltd. and transferred the receivable of the subsidiary as capital injection in this year, which resulted in change of its interest in the subsidiary.

(c) On 22 November 2018, the Company established Inner Mongolia Yitai Galutu Mining Co., Ltd., a wholly subsidiary. As at year end of 2018, nil of RMB100,000,000 has been injected.

(d) On 30 January 2018, the Company transferred a receivable of RMB100,000,000 to Inner Mongolia Yitai Railway Investment Co., Ltd. to subscribe capital in this subsidiary. On 25 December 2018, the Company paid RMB215,763,000 subscription.

(e) On 21 March 2018, shareholders of Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. agreed to increase the registered capital of RMB1,008,000,000. Each shareholder contributes according to the original proportion, of which the Company need to contribute RMB292,320,000 and RMB174,000,000 has been paid. According to the agreement, the remaining contribution would be settled by the end of 2019.

The above table lists the subsidiaries, associates and joint venture of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2018. To give details of other subsidiaries, associates and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

All the above subsidiaries are directly held by the Company.

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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE *(CONTINUED)*

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Dividends paid to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017	2018	2017
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Inner Mongolia, the PRC	**49%**	49%	**15,600**	(2,203)	**–**	–	**1,322,378**	1,306,779
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)	Inner Mongolia, the PRC	**48%**	48%	**776,760**	755,169	**369,619**	96,938	**2,735,986**	2,328,845
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC	**23%**	23%	**(26,971)**	(61,810)	**–**	–	**577,131**	605,265
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	Inner Mongolia, the PRC	**41%**	45%	**–**	–	**–**	–	**216,564**	217,394
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC	**29%**	29%	**223,140**	81,345	**127,125**	5,598	**1,547,600**	1,535,309
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Inner Mongolia, the PRC	**39%**	39%	**22,216**	(426,442)	**–**	–	**2,314,802**	2,292,584
Others				**24,975**	16,086	**–**	–	**630,454**	521,065
				1,035,720	362,145	**496,744**	102,536	**9,344,915**	8,807,241

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE *(CONTINUED)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2018	Inner Mongolia Yitai Coal-to-Oil Product Co., Ltd. (內蒙古伊泰煤制油有限責任公司) *RMB'000*	Inner Mongolia Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司) *RMB'000*	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) *RMB'000*	Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司) *RMB'000*	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司) *RMB'000*	Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) *RMB'000*
Revenue	894,091	3,436,145	495,487	–	1,304,404	1,917,669
Expenses	(862,254)	(1,817,894)	(610,690)	–	(1,246,623)	(1,135,963)
Profit/(Loss) for the year	31,837	1,618,251	(115,203)	–	57,781	781,706
Total comprehensive (expense)/income for the year	31,837	1,618,251	(115,203)	–	57,781	801,753
Current assets	806,615	2,854,579	77,793	27,199	5,056,239	680,151
Non-current assets	3,387,472	3,464,596	6,330,528	559,220	14,364,036	6,428,663
Current liabilities	(432,650)	(582,349)	(1,772,831)	(57,953)	(1,985,753)	(494,383)
Non-current liabilities	(1,017,480)	(36,857)	(2,126,802)	–	(11,392,000)	(873,268)
Dividends paid to non-controlling interests	–	369,619	–	–	–	127,125
Net cash flows (used in)/from operating activities	96,449	1,579,202	135,846	(112,765)	1,253,352	639,793
Net cash flows from/(used in) investing activities	(7,251)	(226,974)	(80,474)	68,176	(2,166,165)	(71,760)
Net cash flows (used in)/from financing activities	247,453	(739,842)	(36,964)	45,368	1,377,055	(169,634)
Net (decrease)/increase in cash and cash equivalents	336,651	612,386	18,408	779	464,242	398,399

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE *(CONTINUED)*

2017	Inner Mongolia Yitai Coal-to-Oil Product Co., Ltd. (內蒙古伊泰煤制油有限責任公司) *RMB'000*	Inner Mongolia Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司) *RMB'000*	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) *RMB'000*	Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司) *RMB'000*	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司) *RMB'000*	Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) *RMB'000*
Revenue	904,614	3,201,780	404,210	–	12,710	1,781,320
Expenses	(909,110)	(1,628,511)	(672,947)	–	(8,622)	(1,093,547)
(Loss)/profit for the year	(4,496)	1,573,269	(268,737)	–	4,088	687,773
Total comprehensive (expense)/ income for the year	(4,496)	1,573,269	(268,737)	–	4,088	687,773
Current assets	484,308	2,012,405	28,601	331	4,440,340	787,156
Non-current assets	3,252,342	3,245,015	6,445,414	491,044	13,690,950	6,016,154
Current liabilities	(353,804)	(378,367)	(671,704)	(8,278)	(2,215,100)	(397,140)
Non-current liabilities	(715,950)	(27,293)	(3,178,421)	–	(10,004,950)	(1,012,000)
Dividends paid to non-controlling interests	–	96,941	–	–	–	5,595
Net cash flows (used in)/from operating activities	(70,735)	1,955,873	51,665	(38,031)	12,789	319,697
Net cash flows from/(used in) investing activities	10,037	(61,636)	(164,746)	(6,645)	(2,408,289)	2,527
Net cash flows (used in)/from financing activities	(80,124)	(107,400)	50,588	41,246	5,004,000	(343,195)
Net (decrease)/increase)in cash and cash equivalents	(140,822)	1,786,837	(62,493)	(3,430)	2,608,500	(20,971)

49. MAJOR NON-CASH TRANSACTION

The acquisition of a subsidiary during the current year was through debt-to-equity swap. Details has been disclosed in Note 41.

50. EVENT AFTER THE REPORTING PERIOD

There was no significant event after the reporting period.

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**5,536,600**	5,260,680
Investment properties	**522,228**	503,921
Prepaid land lease payments	**335,015**	9,481
Mining rights	**258,745**	274,584
Other intangible assets	**66,252**	93,231
Investments in subsidiaries	**13,306,034**	12,589,487
Investments in associates	**8,762,307**	880,487
AFS	**–**	8,248,899
Financial assets at FVTPL	**32,965**	–
Equity instrument at FVTOCI	**6,813,968**	–
Deferred tax assets	**589,448**	687,891
Other non-current assets	**22,104**	11,379
Total non-current assets	**36,245,666**	28,560,040
CURRENT ASSETS		
Inventories	**844,871**	1,168,053
Prepayments of corporate income tax	**30,627**	30,627
Financial assets at FVTPL	**42,300**	–
Trade receivables	**231,204**	–
Trade and bills receivables	**–**	972,416
Prepayments, deposits and other financial assets	**8,881,644**	9,573,280
Restricted cash	**63,915**	41,513
Cash and cash equivalents	**8,192,015**	7,460,758
	18,286,576	19,246,647
Assets classified as held for sale	**17,055**	–
Total current assets	**18,303,631**	19,246,647
CURRENT LIABILITIES		
Trade and bills payables	**2,479,587**	2,885,738
Contract liabilities	**463,571**	–
Other payables and accruals	**1,623,735**	2,005,272
Income tax payable	**313,418**	193,724
Interest-bearing borrowings	**3,024,950**	5,006,000
Bonds payable – current portion	**4,495,772**	2,498,216
Total current liabilities	**12,401,033**	12,588,950
NET CURRENT ASSETS	**5,902,598**	6,657,697
TOTAL ASSETS LESS CURRENT LIABILITIES	**42,148,264**	35,217,737

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(CONTINUED)*

	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	**10,227,800**	6,053,000
Bonds payable	**3,441,318**	4,490,585
Deferred tax liabilities	**665,591**	375,193
Other borrowings	**2,639**	–
Deferred income	**1,670**	2,152
Other non-current liabilities	**433,003**	19,345
Total non-current liabilities	**14,772,021**	10,940,275
Net assets	**27,376,243**	24,277,462
Equity		
Share capital	**3,254,007**	3,254,007
Other reserves	**24,122,236**	21,023,455
Total equity	**27,376,243**	24,277,462

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(CONTINUED)*

Movements in the Company's reserves

	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Safety and maintenance fund *RMB'000*	AFS/equity instruments at FVTOCI revaluation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at 1 January 2017	1,363,906	2,887,709	–	–	11,801,485	16,053,100
Profit for the year	–	–	–	–	4,961,591	4,961,591
Other comprehensive income for the year	–	–	–	8,764	–	8,764
Total comprehensive income for the year	–	–	–	8,764	4,961,591	4,970,355
As at 31 December 2017	1,363,906	2,887,709	–	8,764	16,763,076	21,023,455
Adjustments (effects arising from initial application of IFRS 9)	–	–	–	819,854	54,105	873,959
At 1 January 2018 (restated)	1,363,906	2,887,709	–	828,618	16,817,181	21,897,414
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	795,208	2,910,060	3,705,268
Total comprehensive income for the year	–	–	–	795,208	2,910,060	3,705,268
Appropriation of safety and maintenance fund	–	–	722,012	–	(722,012)	–
Utilisation of safety and maintenance fund	–	–	(664,925)	–	664,925	–
2017 final dividends declared and paid	–	–	–	–	(1,480,573)	(1,480,573)
Other equity changes in associate	127	–	–	–	–	127
As at 31 December 2018	1,364,033	2,887,709	57,087	1,623,826	18,189,581	24,122,236

Pursuant to Article 16.05 of the Company's Articles of Association, where the financial statements prepared in accordance with the PRC accounting standards differ from those prepared under IFRSs, distributable net profit for the relevant accounting period shall be deemed to be the lesser of the amounts prepared under the two different accounting standards.

APPENDIX I

INNER MONGOLIA YITAI COAL CO., LTD.
2018 ANNUAL SOCIAL RESPONSIBILITY REPORT

PREPARATION INSTRUCTIONS

Inner Mongolia Yitai Coal Co., Ltd. – 2018 Annual Social Responsibility Report is an annual report which described systematically, Inner Mongolia Yitai Coal Co., Ltd.'s practices of corporate social responsibility, and the acts and performance in pursuit of maximal economic, environmental and social and governance values in 2018 in an objective, standardized, good-faith and transparent principle.

- ### Report Subjects

  The report subjects are Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries. For the convenience of expression and reading of this report, "Inner Mongolia Yitai Coal Co., Ltd." is also referred to as "Yitai", "the Company" or "our Company" or other titles.

- ### Time Period

  The time period covered in this report was from January 1, 2018 to December 31, 2018. Taking into account the continuity and comparability of information disclosed, certain content may be beyond the aforesaid period.

- ### Scope of Report

  The scope of this report is Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries.

- ### Preparation Basis

  This report was prepared according to Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited, with a reference to Notice on Strengthening the Listed Companies' Social Responsibility Work and Issuing Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies, Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies and Guidelines for Compiling Corporate Social Responsibility Report issued by Shanghai Stock Exchange and Sustainable Development Report Standards issued by Global Reporting Initiative ("GRI").

- ### Data Processing Principle

  The financial data in this report were derived from audited annual report of Inner Mongolia Yitai Coal Co., Ltd. (China accounting standards) and other data from the Company's internal and relevant statistical data. If there is any difference from the annual report, the annual report shall prevail.

- ### Availability of the Report

  The Report was prepared in Chinese, and you can download it in electronic form from the website of Inner Mongolia Yitai Coal Co., Ltd. or Shanghai Stock Exchange or the Hong Kong Stock Exchange.

  URL: http://www.yitaicoal.com/ or http://www.sse.com.cn/ or http://www.hkexnews.hk/

- ### Contact

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SPEECH OF CHAIRMAN

Inner Mongolia Yitai Coal Co., Ltd. takes coal production, transportation and sales as breakthrough to lay a foundation and promote development and consistently adheres to the strategic thinking that development is the absolute principle to constantly achieve leapfrogging. To adapt to the law of market economy development, the Company has always been focusing on strengthening its main business, and has developed a development path based on coal production, transportation, sales and coal-related chemical supplementing with other industries. Over the years, Yitai has continuously emancipated its mind, reformed and innovated, and built an operational mechanism that is suitable for development. In the past 2018, the Company adhered to people-oriented, focused on technological innovation, and continued to promote high-quality development under the premise of low-carbon and environmental protection.

Providing quality service with business achieving growth while maintaining stability

The Company's businesses developed steadily with its competitiveness improving. In 2018, the Company produced, sold and transported by railway of coal of 47.69 million tonnes, 85.99 million tonnes and 0.10635 billion tonnes, respectively, representing a year-on-year increase of 0.85%, 0.62% and 9.8%, respectively; and coal-related chemical products reached a production volume of 460 thousand tonnes. According to China's Fortune 500 in 2018, the Company ranked 206th, and the Company ranked sixth among listed companies in the coal industry. Its competitiveness has improved significantly.

Encouraging independent innovation and rapid growth of technology

The Company firmly believes that innovation is the first driving force to lead development and vigorously promote the development of science and technology. In 2018, the Company accelerated the construction of coal-related chemical smart factory, which was shortlisted by the Ministry of Industry and Information Technology's "2018 Manufacturing 'Double Creation' Platform Pilot Demonstration Project". Throughout the year, the Company applied for 111 patents and 2 copyrights, and obtained various types of science and technology policies and research support funds of RMB45.01 million.

Implementing safety production and adhering to people-oriented

The Company always regards safety production as the top priority and regards safety as the biggest politics of production and operation, which is the greatest welfare for employees and the greatest benefit of the enterprise. In 2018, the Company insisted "one safety concept, two basic points and three basic principles" on safety management, followed the safety culture concept that "to reduce the production of coal by 1 million tonnes, rather than expending one person", "to increase investment by 10 million, rather than expending one person in terms of safety and production". The Company formulated and issued safety management documents such as occupational health and safety goals and safety rewards and punishments in 2018. Through a series of safety training activities and safety inspections, it effectively safeguarded the personal safety of front-tier employees and effectively safeguarded the employees' life and safety rights.

Contributing green energy for a better future

The Company thoroughly implemented the decision-making and deployment of the country to vigorously promote the construction of ecological civilization, and placed the ecological environmental protection at a strategic level of our development. In 2018, the Company revised a number of systems such as the Environmental Management Measures, strengthened environmental management, and compiled the Medium and Long-term Plan for Green Development to guide the Company's transition to a green enterprise. Meanwhile, the Company established an environmental management committee and an environmental management leading group to implement environmental responsibility. In addition, the Company has set up special environmental protection bonuses to proactively motivate outstanding units and further launched grassroots environmental management efficiency to firmly establish a sense of responsibility for environmental protection and integrate environmental protection into normal management, thus successfully achieving zero-environmental pollution litigation throughout the year.

In the future, the Company will continue to adhere to the "value creation" as the orientation, insist on "adjusting the structure, grasping the transformation, promoting reform and controlling risks" to achieve high-quality development, and move towards the goal of a first-class clean energy and chemical company with "great and optimal assets, excellent and small personnel, and strong and stable profitability".

ABOUT US

Inner Mongolia Yitai Coal Co., Ltd. is a listed company in “B+H” shares markets funded and established exclusively by Inner Mongolia Yitai Group Co., Ltd. The Company was founded in August 1997, and in the same year listed on Shanghai Stock Exchange where its stock is referred to as “Yitai B Shares” (stock code 900948). In July 2012, the Company was listed on Hong Kong Stock Exchange where its stock is referred to as “Yitai Coal” (stock code 03948). At present, the Company has a total share capital divided into 3.254007 billion shares, of which, Inner Mongolia Yitai Group Co., Ltd. holds domestic enterprise legal person shares totaling 1.6 billion shares, representing 49.17% of the Company’s total share capital; circulation B shares total 1.328 billion shares, representing 40.81% of the Company’s total share capital. The Company issued H shares totalling 326.007 million shares, representing 10.02% of the total share capital.

The Company is a large clean energy enterprise based on coal production, transportation and sale and integrating railway and coal chemical business, and is the largest coal enterprise in the Inner Mongolia Autonomous Region. The Company has abundant coal resource reserve with high quality, and its coal mining is modernized at a very high level. As of the end of December 2018, it has 2.624 billion tons of domestic remaining available reserves and 1.618 billion tons of recoverable reserves. There is a total of 9 mechanized coal mines under operation which are owned by the Company or controlled by the Company by shareholding. The coal recovery rate of the coal mining areas reaches more than 80% on an average. The mechanization of mining reaches 100%. The production efficiency and safety production record of the mines of the Company are at the leading level in China. The coal produced and operated by the Company features medium-to-high calorific value, medium-to-low ash content, ultra-low sulphur content, ultra-low phosphorous content, low moisture content and other characteristics. It is a natural “environmentally friendly” and high-quality steam coal, which is among the best in the domestic large scale coalfield, all of which are highly competitive in the market. It is mainly used as the fuel coal for enterprises of downstream thermal power, building materials, chemicals and many other industries.

The Company owns comprehensive road and railway network and basic supporting facilities for coal transportation. Currently, the Company controls 3 main railways which are put into operation by shareholding. Such railways are respectively Zhundong Railway, Huzhun Railway and a special railway line for Suancigou Mine. At the same time, the Company also holds shares in Xin Baoshen Railway (15% shares), Zhunshuo Railway (18.96% shares), Mengxi-Huazhong Railway (2% shares), South Ordos Railway (3.9226% shares), and Mengji Railway (9% shares). In addition, the Company has also built highways in high-quality coal enrichment area – Nalinmiao Area, with Caoyang Highway as the main line, and a radiated extension to surrounding 150km mining areas. Currently, the designed delivery capacity of the self-operated railways and the coal transport capacity reaches 220 Mtpa and over 100 Mtpa, respectively. The Company has built a complete transportation network covering its main mining area, creating a good condition for the coal transportation of the Company and the surrounding coal companies.

The Company has the world’s leading indirect coal liquefaction technology. Based on this, the Company launches a large-scale coal chemical project in Inner Mongolia and Xinjiang, exploring a feasible way to realize efficient utilization of coal and clean energy, optimize energy structure, accelerate quality upgrade of refined oil products, and ensure strategic security of national energy. The Company actively expanded the coal chemicals operation, 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. A total of three projects of “Xinjiang Yili”, “Xinjiang Ganquanpu” and “Inner Mongolia Yitai” were selected as key coal liquefaction projects in the “13th Five-Year Plan” for deep processing of coal.

SPECIAL TOPIC-GREEN DEVELOPMENT PLANNING

Currently, the global energy landscape is changing with each passing day, and the upgrading of the traditional energy industry is imminent. As a Chinese coal backbone enterprise, the Company established the environmental and energy policy of “hundred-year Yitai, green energy, energy saving, efficiency increasing and sustainable development” and formulated the Medium and Long-term Plan for Green Development through cooperation with the environmental engineering evaluation center of the Ministry of Ecology and Environment, the analysis of factors restraining industrial development and the exploration of the Company’s green development strategy plan, so as to guide the Company to take green and low-carbon development path.

• Goal of Development

The Company has set a green development goal in the medium and long term.

- In the medium term, that is, by 2025, the green development model will be established, the green and low-carbon development capacity will be significantly improved, and the level of ecological environmental protection will be at the forefront of the domestic industry. The industrial green development will reach the international advanced level among peers.

- In the long-term, that is, by 2035, the industrial green development will reach the international advanced level and become the leader of the green and low-carbon development direction in China. Green and low-carbon will become the Company’s important competitiveness and achieve high-quality development.

- **Planning Tasks**

Bigger and stronger core industry

- Orderly develop the core coal industry
- Upgrade coal-based industrial structure and extend coal-related chemical industry chain
- Strengthen the coupling between coal-based industries

Moderately develop strategic emerging industries

- Strategic cooperation with universities, academies and large enterprises
- Construction of clean energy power stations based on local characteristics

Promote energy efficiency and accelerate development

- Eliminate backwardness and resolve excess capacity
- Strengthen technology energy conservation

Promote cleaner production and strictly control pollution emissions

- Reduce the use of toxic and hazardous materials
- Clean production technology upgrade
- Water saving and emission reduction

Strengthen the comprehensive utilization of resources and promote the industrial cycle development

- Comprehensive utilization of solid waste
- Comprehensive utilization of mine waste

Increase industrial green core technology R&D, accelerate green technology innovation

- Green mine construction technology R&D and achievement transformation
- Technological innovation

In the future, the Company will vigorously promote cleaner production, promote resource and energy conservation and recycling, strengthen pollution prevention and ecological environmental protection, and build a comprehensive, all-field, all-industry chain green development system to promote high-quality development of the Company.

1. COMPLIANT OPERATION

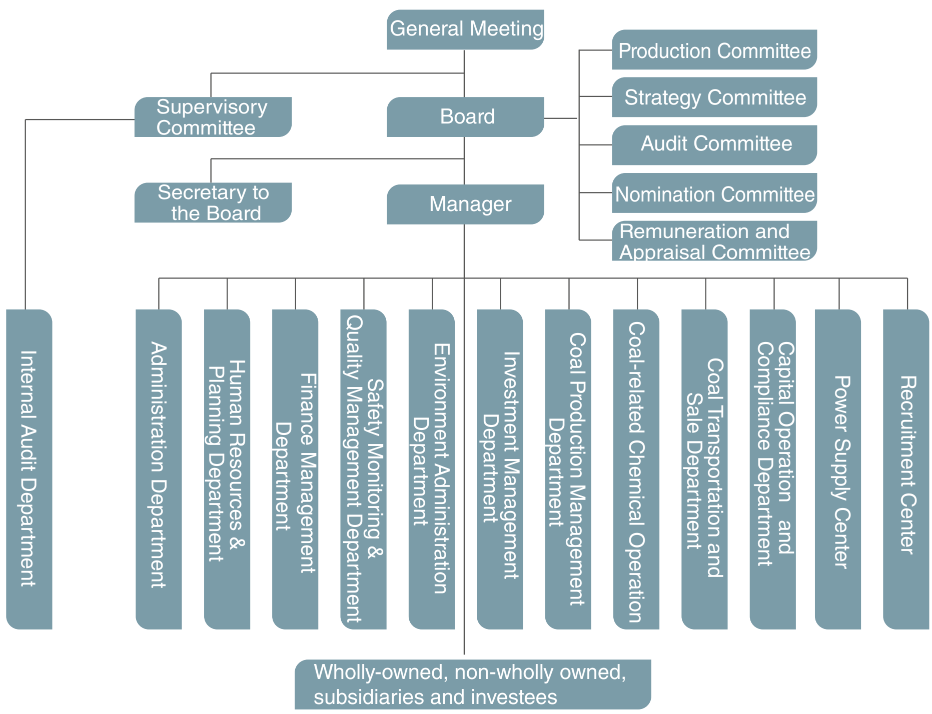
The Company strictly abided by the requirements of the Company Law, Securities Law, and other relevant national laws and regulations, gradually improved its corporate governance systems to standardize the operation of the Company, while actively fulfilling its social responsibilities and continuously improving the social responsibility management system.

1.1 Corporate Governance and Communication with Stakeholders

The Company has continuously improved the Articles of Association and the Rule of Procedure of Shareholders' Meeting, and the relevant rules regulations on corporate governance, etc., and convened meetings of the Board of Directors and the Supervisory Committee, and general meetings of shareholders according to requirements and continued to strengthen information disclosure management and investor relations. During the reporting period, the Company disclosed all major information in a timely, accurate, true and complete manner to ensure that all shareholders have equal rights to know. The Company communicated with investors in various forms to effectively deepen communication with investors and enhance the Company's reputation and influence in the capital market.

The Company attached great importance to responsibility management, established an environmental, social and governance management system with the core of the board of directors and continuously improve social responsibility management policies and strategies and build an environmental, social and governance indicator system.

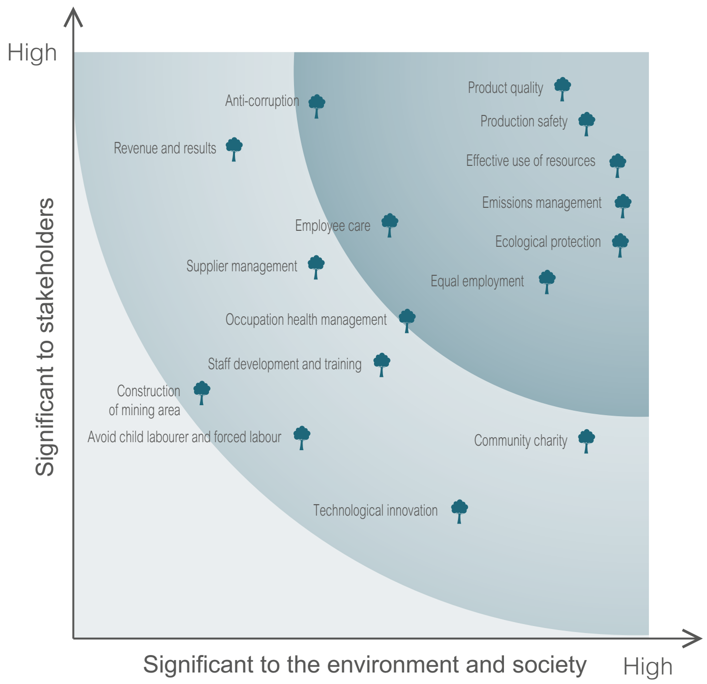
The Board of Directors of the Company is responsible for the environmental, social and governance strategies and reporting, including assessing and determining the Company's environmental, social and governance risks, ensuring that the Company has an effective environmental, social and governance risk management and internal control system, and regularly reviewing the Company's performance and approval of disclosures in the Company's environmental, social and governance reports. This report has also been released after review by the Board of Directors.



The Company continued to maintain communication and exchanges with stakeholders during the operation process, actively established communication channels with stakeholders and took initiative to listen to the expectations and demands of stakeholders and respond promptly to their comments. From the perspective of sustainable development, the Company organized and formed a stakeholder communication schedule to provide a basis for the Company's substantive issue identification.

Stakeholders	Expectations and Demands	Communication and Response Methods
Shareholders	Sustained and stable performance growth Standard and clean operation Timely and accurate information disclosure Responsible investment	Periodic disclosure General meeting Daily communication Investment management
Government	Operation safety Lawful and compliant Stable tax revenue growth Serve the local economy Promote the development of the industry	Compliance management Law-abiding Pay tax according to laws Construction of mining area Railway operation Technological innovation
Environment	Compliant pollutant emissions Save energy and resources To improve the efficiency in the use of energy Ecological protection	Establishment of environmental management system Emissions management Effective use of resources Ecological protection
Employees	Equal employment opportunities Reasonable salary and welfare Smooth development channel Safe and healthy working environment Employee care	Equal employment Diversified recruitment Occupation promotion channel Training system Occupation health management Employee care activities
Customers	Provide quality-compliance coal and coal chemical products Stable and efficient railway operation	Quality management Technological innovation
Suppliers and partners	Transparent procurement Win-win cooperation Keep commitment	Supply chain management Sunshine procurement
Community	Environmental protection Community development Harmonious community	Environmental protection Targeted poverty alleviation Charity activities

The Company communicates with the stakeholders about the actual situation of the environment, social and governance issues, evaluates the environmental, social and governance issues relevant and significant to our business both in terms of the significance of the issue to stakeholders and the significance of the issue to the environment and society, screens and forms a matrix of substantive issues, and determines the following guidelines for the report on social responsibility involved in the social responsibility and related issues that are considered to be significant to the Company.



1.2 Anti-Corruption

The Company strictly complied with the Company Law and laws and regulations relating to anti-corruption and anti-bribery. In addition, the Company formulated regulations such as the Regulation on Strengthening Honesty and Dedication Building and Improving Cadres' Workstyle and the Measures on Strengthening the Assessment of Honesty and Dedication Building and Improving Cadres' Workstyle, in an effort to enhance the supervision on the Company's activities such as production, operation and management.

The Company constantly improved supervision system, made democratic assessment of the performance of administrative staff in routine work such as democratic decision-making, supervision acceptance, and diligent and thrifty, and evaluated them with reference to the assessment results of the Discipline Inspecting Department; the Discipline Inspecting Department and basic units entered into the Agreement on Strengthening Honesty and Dedication Building and Improving Cadres' Workstyle so as to raise the awareness of responsibility and honesty of the persons-in-charge at each level, to constantly promote honesty building and to ensure the Company's honest, compliant, and transparent development.

During the reporting period, the Company was not aware of any enquiry, notification, or penalty caused by any contravention of laws and regulations on anti-corruption, anti-blackmail, anti-fraud, and anti-money laundering in the place of operation.

2. VALUE OF INDUSTRIAL CHAIN

The Company follows laws and regulations and industrial standards such as the Product Quality Law of the PRC, the Standardization Law of the PRC and the Measures for the Implementation of the Administrative Regulations of the PRC on Production Licenses for Industrial Products (《中華人民共和國工業產品生產授權管理條例實施辦法》), strictly guarantees product quality, and continues to extend the downstream industrial chain to high-end fine chemicals through research and development, so as to continuously improve the economics of projects and the added value of products and achieve terminal and high-end of products.

2.1 Product Quality Management

In accordance with the Fundamentals and Vocabulary of Quality Management System (GB/T19000-2016/ISO9000:2015) and the Requirements for Quality Management System (GB/T19001-2016/ISO9001:2015), the Company revised, and updated the version of the Quality Control Manual as our management standards for quality management system, which ensured the continued suitability, sufficiency, and effectiveness of quality management system.

- **Quality Management of Coal Products**

  The Company has established a full-process product quality management system. The Company has formulated and strictly abided by the Measures on Coal Quality Control to control the quality of coal products. In combination with the requirements of the quality management system, we strictly control and manage the coal quality in all aspects from production, transportation and sales, and conduct supervision and inspection through the Quality Management Assessment Rules(《質量管理考核細則》). The Company established a coal quality management group and coal quality management organization to further control and supervise the coal quality control during mining, transportation and sales, and ensure that the Yitai coal sold meets the corresponding contract requirements.

  The Company formulated comprehensive verification procedure on product quality. Coal dispatched stations sample the coal products through an automatic sampling machine, and coal products randomly selected will be transferred to laboratory information automatic collection system for inspection. The automated system ensures the accuracy of the inspection results. Coal sales of Yitai at port are based on the quality verification results of third-party testing and inspection institutions. The quality of coal must meet the relevant contract requirements. If quality deviation occurs, the sales will be downgraded according to the contract.

  [Case] Suancigou Coal washing coal technical improvement to improve product quality

  In order to optimize the dewatering process of coarse slime, the Company used the existing materials to make a high-frequency sieve according to the principle of high-frequency sieve vibration, replacing the original curved sieve, pre-dehydration, and then centrifuge for dehydration. After field tests, the average moisture of the coarse slime was greatly reduced, which effectively improved the product quality.

The Company's coal washing plant subsequently purchased two high-frequency sieves to replace the curved sieve. After on-site commissioning and testing, the total water content of the discharge of the centrifuge reduced by 6.52%. The modified coarse slime can be directly mixed into the product coal due to relatively low moisture content, which greatly reduced the influence on the calorific value of commodity coal.

- **Quality Management of Coal Chemical Products**

The Company developed and implemented management system and quality control standards such as the Management System for Entry in Plant of Chemical Raw and Auxiliary Materials, System for Process Product Quality Management, System for Finished Goods Quality Management, Inspection Plan and Plan for Product Quality Management and Control to control product and service quality.

In 2018, the Company did not have any recalls of sold or shipped products.

- *Quality System Certification*

  – Coal-to-oil Company passed the quality control system certification in November 2018, and continued to maintain the effective operation of the quality control system;

  – Yitai Chemical started the establishment of quality management system in October 2018, planned and completed the preparation of the management manual, and combed and integrated the Company system and records, forming 133 systems and 393 record forms in five categories.

- *Product Quality Inspection*

  – Sampling, inspection and analysis are carried out according to the Inspection Plan and Inspection Code to ensure the accuracy of the analysis data;

  – When the analysis result of the process product is unqualified, the center/workshop responsible for production should adjust the product in time until qualified.

- *Quality technical improvement measures*

  – The Company has modified the hydrocyclone and the downcomer of Fischer-Tropsch reactor to solve the problem of entraining a large amount of catalyst in the waste gas outlet of the Fischer-Tropsch reactor, which has significantly improved the quality of light oil and heavy oil products, as well as the Company's economic benefit;

  – The Company renovated the LPG ball tank inlet and outlet pipeline shut-off valve to effectively avoid the possibility of water in the liquefied gas storage tank, ensure the operation of the liquefied gas pump, and improve the quality of the liquefied gas product.

2.2 Improvement of Customer Service

The Company has formulated internal regulations like the Employee Accountability System, Measures for Customer Complaints, Performance Appraisal Rules, Customer Management Measures and Gas Station Management System established channels and platform for customer communication feedback and complaint handling mechanism to collect feedback from customers on product and service quality and handle customer complaints.

The Company values the safety and protection of customer privacy, strictly prohibits employees from divulging customer profiles, feedbacks, complaints, and other information, imposes fines on violators depending on severity of the relevant case, and suspends those committing severe offense from their duties.

The Company actively establishes communication channels covering offline visits and online communication research:

- **Customer symposium**

  The Company held 2 customer symposiums during the year and invited more than 100 customer representatives from different parts of the country to discuss cooperation and development. At the symposiums, the Company's leaders answered the questions raised by the customers on the spot and solved the problems in the cooperation with the utmost sincerity. The customer symposiums created favourable conditions for the cooperation between the two parties to communicate with each other openly and honestly.

- **Customer visit**

  The Company regularly conducts customer visits to understand the latest industry trends in the downstream market, the demands and expectations of traders and end customers for the Company, and to comb, summarize, improve and publish first-hand information. Visiting has an irreplaceable role in improving the Company's service attitude, improving the cooperation relationship between the two parties, and mastering the market dynamics.

- **Customer satisfaction survey**

  The Company organized four quarterly customer satisfaction surveys according to the plan at the beginning of the year. Questionnaires containing "logistics services, product features, customer experience, downstream dynamics, peer status", etc., are sent to the partners on a quarterly basis. The Company develops a tracking form based on the opinions and suggestions put forward by the customer, and assigns the responsible person to implement, process and timely feedback.

- **Network communication channel**

  The Company's coal chemical sector opened a customer message platform on its official website and a WeChat public account, and communicated and shared information with customers through the internet to listen to their voices in a timely manner and solve their problems. Meanwhile, the Company timely disclosed price of product in the WeChat public account to increase price transparency.

- **Telephone interviews**

  The Company conducts telephone interviews from time to time, keeps abreast of customer dynamics, communicates the problems existing in the cooperation through telephone communication, and helps to timely adjust various sales policies. It is of great significance for establishing a stable and orderly long-term strategic and mutually beneficial cooperative partnership.

2.3 Encouragement of Scientific and Technological Innovation

In 2018, the Company has formulated and issued such systems and measures as the Management and Incentive System of Technological Achievements, Management Measures on Scientific Research Project, Evaluation Rules of Technical Management Organization Award and the Management Measures on Technology and Intellectual Property Evaluation Experts Database and revised the Privacy Management System, to further regulate technological business and intellectual property procedure, establish an innovation incentive mechanism, and stimulate innovation potentials of employees.

- **Technological Innovation Efficiency**

  The Company firmly believes that technological innovation is an important force driving the development of enterprises. During the reporting period, the Company vigorously innovated technology and completed the storage of 9 projects into Transformation Library of Science and Technology Achievements of the Ministry of Science and Technology, and implemented a number of technological innovation initiatives:

  - The Company introduced the "110" method to realize automatic roadway and coal pillarless mining, reducing excavation of 3,292 meters of roadway and increasing recycle of 90,000 tons of coal pillar resources, which generated economic benefits of RMB6.5 million. In addition, it reduced the dust of the roadway and successfully solved the problems that traditional method of coal mining by wells affects the health of employees and many excavation teams are required;

  - The Company optimized the existing equipment of Baoshan Mine and solved the problem of high amortization on production costs of thin coal seams;

  - The Company upgraded the electrical control system of coal mining, improved the control performance and automation and information level of the shearer by using advanced digital signal processing and real-time network decentralized control technology, to ensure the work reliability under severe conditions.

- **Participate in industry standard setting**

  In 2018, the Company participated in the expert discussion meeting of the Modern Coal Chemical Green Development Alliance, which was initiated by the Environmental Engineering Evaluation Center of the Ministry of Environmental Protection, and participated in the formulation of the Standard for Chemical Salt by-product of Coal Chemicals(煤化工副產結晶鹽標準).

In 2018, the Company participated in the formulation of the national standards Coal-Based F-T Synthetic Blend Gasoline (GB/T 36564-2018), the Coal-Based F-T Synthetic Naphtha (GB/T 36565-2018) and the Methanol to Gasoline Blend Gasoline (GB/T 36563-2018), which were officially released in July 2018.

Up to now, the Company has participated in the development of five national standards for coal chemical products.

- **Intellectual Property and Patent Protection**

  The Company formulated such systems and measures as the Intellectual Property Management Measures, Intellectual Property Risk Management Measures, and Science and Technology Management System, and constantly improved the management of the patent system. The Company implemented the system standard certification, all staffs training, database construction, patents excavation and patent layout.

  - *System compliance, certification and maintenance of intellectual property*

    During the reporting period, the Company established the management objectives and task decomposition of the intellectual property system, completed two internal audits of the intellectual property system, rectified risks and issues, issued a review report on the management of the intellectual property system and conducted an IP risk assessment. On November 8, 2018, the Company successfully passed the annual supervision and examination of the intellectual property system.

  - *Intellectual property training*

    The Company organized experts to carry out company-wide IP strategy training, IP analysis and infringement risk response training, and conducted training on patent technology submission for several grassroots units. The number of trainees reached 600.

  - *Database establishment*

    The Company completed the establishment and development of system on the internal intellectual property database, and began trial operation. In addition, it opened an external patent database retrieval pipeline, and created intellectual property management and application tools.

2.4 Optimize Supply Chain Management

The Company complies with the requirements of relevant PRC laws and regulations such as the Bidding Law of the People's Republic of China, and formulates the Measures for the Administration of Purchasing of Inner Mongolia Yitai Coal Co., Ltd. and the Measures for the Administration of Suppliers of Inner Mongolia Yitai Coal Co., Ltd., and regulates management, filters the supplier's processes to ensure the stability and efficiency of the supply chain of the Company.

- **Informatization management**

  The supplier shall register on the Material Management Integrated Platform according to the requirements, and the auditor shall conduct the audit according to the requirements. Any enterprise meeting the requirements may enter the platform for cooperation. The Company evaluates the suppliers and issues a notice every quarter.

- **High standard requirements**

  Suppliers of key equipment and spare parts are generally well-known enterprises in the industry. Other product suppliers must obtain compulsory certifications from the state and industry and have corresponding performance and good reputation.

- **Strict review**

  For registered non-compliant enterprises, the Company will indicate the reason, roll back, and retain the review opinions in the system. For those cooperative enterprises that fail to meet the requirements due to violations of laws and regulations in tendering or bidding process, quality problems and unsatisfactory business conditions, the Company will notify, warn, suspend cooperation and withdraw from the supplier scope according to the Supplier Management Measures.

- **Supplier cooperation**

  The Company has deepened cooperation with suppliers, actively expanded the scope of strategic suppliers, and cooperated with the original strategic cooperation suppliers to carry out professional services.

3. SAFETY DEVELOPMENT

In 2018, under the leadership of the Central Committee of the Communist Party of China and the State Council on promoting the reform and development of safety production and the 13th Five-Year Plan for safe production, the Company earnestly abided by laws and regulations concerning occupational health and safety production, guaranteed safe production investment, and improved safety production responsibility system, promoted the “double prevention” mechanism for safety risk pre-control and accident hazard investigation and management, and created a stable and safe production environment.

3.1 Safety Operation

The Company strictly abided by the relevant laws and regulations on safety production such as the Safety Production Law of the People’s Republic of China, Special Equipment Safety Law of the People’s Republic of China, the Guiding Opinions on Enterprise Production Safety Standardization of the Safety Committee of the State Council, the Opinions on the Construction of Dual Prevention Mechanism for the Implementation of the Guidelines for Curbing Serious Accidents of the Safety Committee Office of the State Council and the Notice on Comprehensively Strengthening the Work Safety Responsibility System for All Employees of the Safety Committee Office of the State Council, and formulated the Safety Responsibility System for All Employees, Safety Operation Technical Regulations Management, regulations such as the Standardized Management System of Safety Production in Coal Mines, the Management Measures on Classified Control on Safety Risks, the System of Identifying and Eliminating the potential Risks in Production, the System of Mine Contracting by the Leaders, and the Management System of the Entrance in Mines, “Three simultaneous” Safety Management System for Construction Project Safety Facilities and Standardized Management System of Safety Production in Coal Mines, to comprehensively guarantee safe operation at the system level.

During the reporting period, there was no occurrence of general or above level accidents within the Company.

- **Safety Production**

  The Company has established a safety production management organization system for the subordinate safety production management organization led by the Safety Committee, and established a safety quality standardization system, risk analysis prevention and control and hidden dangers management system, and a safety management system to continuously strengthen safety management, ensure safe production environment and implement corporate security main responsibility.

  - *Set safety production goals*

    The Company has formulated the Safety Target Management System and the Safety Target Statement of Responsibility, and each year the Joint Safety Production Committee and the production and operation units set safety production targets to implement the safety production policy of “safety first, prevention-oriented, comprehensive management”, strengthen the targeted management of safety production, and guide the implementation of safety target management at all levels and subsidiaries. At the same time, the measures for rewards and punishments of safety production will be issued to reward and punish the production and operation units according to their fulfilment of the safety production targets.

  - *Strengthen safety inspection and assessment*

    The Company has issued safety management files such as Safety Reward and Punishment Measures and Responsibility Assessment Rules to comprehensively strengthen and standardize the safety inspection work of the Company and production and operation unit at all levels, and carry out special inspections, routine inspections, major holiday inspections, etc. to effectively prevent production safety accidents, strengthen the responsibility of safety production, strengthen supervision and management of hidden dangers, and actively promote the development of safety production of the Company.

  - *Standardize fire safety*

    The Company strictly abides by the Fire Protection Law of the People’s Republic of China and the Fire Safety Management Regulations of Organs, Groups, Enterprises and Institutions, and formulates the Fire Safety Management System of Inner Mongolia Yitai Coal Co., Ltd. to strengthen and standardize the Company’s fire safety management and prevention and reduce the risk of fire.

The Company has established an emergency rescue system covering the coal production and coal chemical sectors, and requires all departments, fire safety personnel of each branch and subsidiary to strictly perform the following fire safety duties:

– Implement fire protection regulations to ensure that fire safety of the unit meets the requirements and master the fire safety situation of the unit.

– Determine fire safety responsibility step by step, approve the implementation of fire safety system and ensure fire safety operation procedures.

– Organize fire prevention inspection, supervise the implementation of fire hazard rectification, and timely deal with fire safety issues.

– Organize the development of fire-fighting and emergency evacuation plans in accordance with the unit and conduct drills.

[Case] Yitai 120 Project Full-time Fire Brigade

The 120-project full-time fire brigade comprising 53 veterans was established in 2015. Ten minutes after accidents such as explosions, fires and hazardous chemicals leaks is the best gold time for disposal. After this time, the problem will become tough. Therefore, Yitai set up a fire brigade to conduct daily on-site monitoring, always be highly vigilant, and wait and be ready to fight. The fire brigade telephone class is holding the post 24 hours a day, and is responsible for answering the fire alarm and promptly and accurately issuing the alarm call content and signal. The large-scale fire emergency drills once a quarter have effectively tested the team's emergency response capabilities, effectively improved the team's emergency response capability and on-site disposal capabilities, and ensured that they are "available to carry out, pull up, and win out" when in emergency.

- *Major hazard source monitoring and emergency plans*

  The Company has formulated the Significant Hazard Source Identification Assessment Monitoring and Safety Management System and Emergency Plan Management System based on the Interim Provisions on the Supervision and Administration of Major Hazardous Sources of Hazardous Chemicals and the Identification of Major Hazardous Sources of Hazardous Chemicals to strengthen the monitoring and management of major hazards, conduct test, inspection and maintenance of safety facilities and monitoring and control systems for major hazards, and provide safe operation skills training to operators in order to effectively prevent accidents of safety production and protect employees' life safety and health, reduce property losses, and ensure social harmony and stability.

  The Company formulated emergency plans for major hazard accidents, established emergency rescue organizations and equipped with emergency rescue personnel and protective equipment, and cooperated with local governments to formulate emergency plans for hazardous chemical accidents for units involved in the area.

- *Strengthen safety informatization construction*

  The Company strengthens the informatization and intelligence of mines. Through the implementation of digital mine construction, it realizes the full digital transmission and anti-electromagnetic interference capability between underground and ground. The monitoring equipment has functions such as fault self-diagnosis, self-assessment and self-identification. Laser methane sensor, multi-parameter sensor, dust sensor and the like were applied underground, and the combination of alarm function with personnel positioning, emergency broadcast, video monitoring, 4G communication and other systems improve the mine accident pre-warning and emergency response capabilities as well as production security and labor productivity.

- **Safety Culture Cultivation**

  In the development process, the Company has always attached great importance to safety production, adhered to the "two better" safety concept and the "two authorization" management idea, and declared its firm attitude towards safety production to employees and people from all walks of life. The Company set up and clearly responsible for the safety training institutions, established the Safety Education and Training Management System in strict accordance with the national requirements such as the Safety Training Regulations for Production and Management Units, the Safety Training Regulations for Coal Mines, the Notice on Conducting Coal Mine Safety Training and Renovating and Promoting the Quality Improvement of Coal Mine Employees, formulated an Annual Safety Training Plan and invested in safety education and training funds in accordance with relevant regulations, so as to promote safety culture construction and enhance employee safety awareness.

The Company implemented multiple initiatives to make daily safety education:

- Incorporate safety training into the annual work plan of the unit, formulate safety education training plans and implementation plans and conduct targeted training for different job categories, professions and personnel in different positions to improve the operational skills safety production quality of employees;

- Conduct safety production education and training for employees in accordance with regulations, establish safety education training files for employees, and truthfully record the time, content and assessment results of each employee's participation in safety production and occupational health education and training;

- Strengthen the pre-job training of new recruits. Practitioners must be trained in job operation skills before they are employed and transferred to work, to ensure that they have the knowledge and skills of safe operation and emergency disposal.

- Strengthen the training of special operators. Special operators must obtain special operation qualification certificates in accordance with the law.

- Analyze and master the rules and characteristics of safety production work in a timely manner, regularly carry out safety production technology methods, accident cases and warning education, popularize basic knowledge of safety production and risk prevention knowledge, and improve the ability to analyze and prevent safety risks of employees;

[Case] Safety Education Microfilm "Family Affairs"

The first microfilm of the Company "Family Affairs" that reflects the safety culture with safety warning education was awarded the second prize of the micro-video category by Security Committee of the Inner Mongolia Autonomous Region.

The main team of "Family Affairs" comes from the news center of the administrative department. The director, photography, post-production and other aspects are all completed by the staff of the news center. The micro-movie characters are based on real stories and are starred by the coal miners. The story reflects the safe operation specifications of underground operations. Yitai's "two better" safety concept carrying through has a strong safety warning function. This is also a bold attempt and practice of the Company's safety culture in the field of microfilm.

[Case] Yitai Safety Production Knowledge Contest

With the theme of "life first, safe development", the Company organized the final of the safety production knowledge contest. After exciting competition, Dadijing Mine and Zhundong Railway Company won the first prize of coal group and non-coal group, respectively.

The knowledge contest questions closely follow the safety production rules and regulations of the state, the coal industry and the group companies. The 12 teams have launched a fierce fight around the four forms of individual mandatory questions, group must-answer questions, rush questions and risk questions. Regardless of whether it is a must-answer for winning in a stable manner or a quick-answering question and a risk question, the teams have fully demonstrated solid security knowledge. The contest spread the concept of life first and safe development, and stimulated the audience's thinking and attention to safety production.

3.2 Occupational Health

The Company formulated safety management documents such as Administrative Measures for Prevention and Control of Occupational Disease Hazards in Coal Mine Workplaces and Occupational Health and Safety Targets for 2018 in strict accordance with relevant laws and regulations on occupational health, like the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, so as to strengthen the prevention and control of occupational disease hazards in coal mine workplaces, strengthen the main responsibility of prevention and control of occupational disease hazards in various units, and prevent and control occupational disease hazards.

In 2018, the Company redesigned and positioned the occupational health and safety management system and quality control system. The system construction work throughout the year was controlled in accordance with the system operation mode of "planning, implementation, inspection and improvement". The Company continuously integrates the occupational health and safety/quality control system into the safety production standard management and product quality assessment management, and further promotes the effective implementation of the Company's occupational health and safety/quality characteristics management.

During the reporting period, the Company smoothly passed the recertification of occupation health safety management system and the supervision, verification, and certification of quality management system.

- **Establish an occupational disease prevention and management system**

  The Company built a leading group for occupational disease hazard prevention and control to regularly conduct inspection on occupational disease hazard prevention and control, and set up management departments for occupational disease hazards prevention and control with full-time occupational health management personnel in each unit;

- **Strengthen occupational hazard testing**

  The Company carries out daily monitoring, testing and evaluation of occupational disease hazards, invites third-party organizations to conduct occupational hazard testing for the Company and issue test reports, proposes and improves the Company's occupational hazards, and protects employees' occupational health and safety by reducing occupational hazard risks;

- **Strengthen occupational hazard training**

  The Company provides education and training on occupational disease hazard prevention for employees to improves the management level of occupational hazards prevention and control, and conducts internal occupational health examinations for employees to keep abreast of the occupational health status of employees.

职业健康安全管理体系认证证书

06317S20006R2L

兹证明

内蒙古伊泰煤炭股份有限公司

组织机构代码/社会信用代码：911506006264024904

内蒙古自治区鄂尔多斯市东胜区天骄北路

建立的职业健康安全管理体系符合：

GB/T28001-2011

覆盖范围如下：

煤炭经营管理和销售服务；煤制油产品的生产与销售；准东铁路煤炭运输；道路货物运输。

发证日期：2017年6月16日

有效期：2017年6月16日 — 2020年6月15日

签发（院长）：

CNAS

MANAGEMENT SYSTEM

中国安全生产科学研究院

- **Health Management in the Workplace**

  The Company strengthens the prevention and control of occupational disease hazards in the workplace, optimizes the production layout and process, separates the hazardous operations from the harmless operations to protect the health and safety of workers in the workplace and minimize the number of people exposed to occupational diseases and the exposure time.

  Occupational disease hazards in coal mine workplaces are mainly caused by dust, noise, heat damage, toxic and hazardous substances, etc. The Company takes targeted measures to prevent and treat various occupational disease hazards:

  - *Dust hazard prevention*

    – Dust monitoring probes shall be installed at the place where dust is generated underground as dust should be regularly measured according to regulations, and if dust exceed the limit, treatments should be taken immediately;

- Reform production process and technological innovation by relying on science and technology to reduce dust concentration;

- Strengthen personal protection.

• *Noise hazard prevention*

- Each unit is equipped with a noise measuring instrument, and underground mine lays a sound absorber on the indoor wall and roof of the ventilation machine room;

- A muffler on the air inlet of the pressure fan room is installed to do sound absorption on the indoor surface;

- Noise is controlled by using special conveyors at the coal mining face.

• *Heat damage prevention*

- Temperature is set for the air in the mining face of the underground mine and the chamber of the electromechanical equipment. When the air temperature exceeds the specified temperature, the coal mine strictly shortens the working hours of the staff in the over-temperature location and gives the workers high-temperature health care. When the air temperature of the mining face and the electromechanical equipment chamber is seriously exceeded, the operation is stopped immediately;

- Ventilation and cooling, the utilization of regional development method to shorten the length of the inlet airline, and refrigeration and other cooling measures were adopted in underground coal mine to reduce the temperature of the mining faces.

• *Non-hazardous gas prevention*

- Strengthen mine ventilation;

- Strengthen the monitoring of hazardous gas, and as soon as it occurs, withdraw the personnel, stop working, and take measures to deal with it;

- Timely enclose the empty area and non-ventilated roadway to reduce the generation of hazardous gas, and prevent people from poisoning and suffocation.

• **Personal Occupational Protection**

In accordance with the Standards for the Provision of Civil Protective Supplies for Occupational Safety and Health in Coal Mines (AQ1051), the Company provides personal protective supplies that meets the standards for workers exposed to occupational diseases and directs and urges them to use them correctly:

• Workers exposed to dust should be equipped with protective clothing, protective gloves, safety glasses; employees who are exposed to mixed powder (smoke) dust containing toxic substances should wear dust masks;

- Employees exposed to toxic materials are equipped with protective clothing, gas masks, protective gloves, safety glasses;

- Employees in contact with chemicals that may cause occupational burns or corrosion are equipped with protective clothing, protective gloves, protective shoes, protective goggles, respirator, etc.

- Wear ear protectors for employees who are exposed to noise.

In 2018, the Company's occupational disease physical examination coverage rate was 100%, and there were no new occupational cases.

4. ENVIRONMENTAL PROTECTION

Complying with the Environmental Protection Law, the Air Pollution Prevention Law, Law on the Prevention and Control of Water Pollution, Solid Waste Pollution Prevention Law, Law on the Prevention and Control of Land Pollution and other environmental protection laws and regulations while insisting upon the environmental energy policy of "hundred-year Yitai, green energy, energy saving, efficiency increasing and sustainable development", the Company revised and improved the Environmental Management Measures for Inner Mongolia Yitai Coal Co., Ltd and the Measures for Reward and Punishment for Environmental Protection Inspection and Evaluation in 2018, and formulated the Medium and Long-term Plan for Green Development in cooperation with the Environmental Engineering Evaluation Center of the Ministry of Ecology and Environment to accelerate the Company's development pace of becoming a green and low-carbon enterprise and fulfil the social responsibility of ecological protection.

During the reporting period, the Company invested a total of about RMB740 million in environmental protection, and there were no environmental litigation cases due to violations of discharge regulations throughout the year.

4.1 Emissions Management

The Company strictly manages the discharge of pollutants and formulates the 2018 Environmental Target Indicators to quantify the discharges of sewage, air pollutants, solid waste and other wastes.

The Company has established an energy consumption statistics system and an environmental information informatization collection system to achieve quantitative management of environmental protection while accurately and promptly grasping the treatment and discharge of pollutants in various units. Meanwhile, it introduces portable monitoring equipment, and establishes and operates a pollutant monitoring system by means of an online environmental data statistical platform. It quantifies the discharge data and standards of major pollutants, and provides an important means for control and operation of pollution control facilities and equipment.

In 2018, the environmental protection facilities of all units of the Company operated stably and effectively, and all kinds of pollutants were discharged to the standard.

- **Greenhouse Gas Emission Management**

  The greenhouse gases emitted by the Company are mainly carbon dioxide, methane and nitrous oxide produced in coal production, coal chemical production and fuel use. The Company has taken various measures to reduce greenhouse gas emissions:

  - The Company's chemical production electricity is generated from solar power station, significantly reducing greenhouse gas emissions from coal-fired power generation.

  - Actively participate in the greening of mining areas and other areas, improve the ecological environment of the mining area, and increase the company's carbon sequestration. In 2018, 21 greening projects were implemented and the planting area was 1,280,600 square meters, of which 193,700 arbors and 906,200 shrubs were planted.

  The Company continuously collects national policies related to carbon emission, pays close attention to the construction of carbon emission rights and carbon emission trading markets, and actively explores cooperation with scientific research institutions and universities, and strives to improve carbon emission management capabilities and firmly pursue clean and low carbon transformation.

- **Exhaust Gas**

  During the reporting period, the Company vigorously promoted boiler desulfurization and dedusting, denitrification upgrade and VOC treatment of coal chemical sector, and adopted various measures for the disposal of waste generated in different production processes:

  - *Coal dust generated during coal transportation and storage*

    Coal is mainly transported by vehicles, and the loading and unloading process is carried out in a fully enclosed coal yard. The coal yard is equipped with a spraying facility, which can effectively reduce dust. Coal dust generated during belt transportation is removed by using cyclone dust removal and bag dust removal;

  - *Disposal on boiler flue gas disposal*

    The company adopts bag dust removal, desulfurization and denitration process technology to remove dust, sulfur dioxide and nitrogen oxides from flue gas, and discharges through the high point of the chimney after reaching the standard.

  - *Loading system exhaust*

    The Company carries out oil and gas recovery on the stabilizing light hydrocarbon system of the loading bridge, and the oil and gas recovery efficiency reaches over 98%, effectively reducing the emission of volatile organic compounds.

[Case] Boiler flue gas desulfurization and dust removal system

In the Dadijing Mine, three sets of boiler dust removal systems were built, and a single furnace dust collector was used, and two sets of boiler flue gas desulfurization systems were built. The desulfurization process uses a more efficient sodium hydrazine desulfurization process. After the boiler flue gas de-dusting and desulfurization, the emission concentration is better than the general requirements, reducing dust and SO_2 emissions.

[Case] Reduce coal dust diffusion

During the construction of the Company's shipping station, it has invested more than RMB30 million to set up wind and dust suppression nets, install spray dust-reducing facilities and fog guns in coal yards, and greatly encrypt and expand greening around the coal yard, coupled with multiple sweepers and sprinklers operation, coal dust diffusion is more effectively controlled.

In 2018, at the request of the Ordos Municipal Government, the Company planned to invest RMB460 million and RMB499 million to implement the environmental protection renovation project of Zhungeer Calling Station and Xiyingzi Shipping Station, to completely seal the open-pit coal storage yard and eliminate dust problems caused by loading and unloading and storage in coal transportation. The implementation of the project marks that the Company's coal shipping process will reach a more environmentally friendly, efficient and advanced process standard.

- **Management on Discharge of Solid Waste**

  - *Hazardous waste management*

    The hazardous waste generated by the Company is mainly waste oil generated during the maintenance of equipment and waste catalysts and salt produced in the process of coal chemical production. The Company established a temporary storage of hazardous wastes in accordance with the Hazardous Waste Storage Pollution Control Standard (GB18597-2001) for hazardous wastes, and handed over the hazardous wastes to qualified units for disposal. Meanwhile, the production and disposal of hazardous wastes are monitored to achieve full process control of hazardous waste.

  - *Non-hazardous waste management*

    The non-hazardous waste generated by the Company is mainly coal gangue produced during coal mining and coal washing. The Company controls the discharge of meteorites from the source by adopting underground and ground comprehensive treatment and utilization. It also builds a 2×300,000 KW coal gangue power plant in Suancigou Mine to improve the recovery rate of waste resources such as coal associated vermiculite. Other coal gangue uses the gully in the mountainous area to fill the ditch and make land. All wastes are disposed and reclaimed, so that the slate field becomes a green space.

    [Case] Reasonable application of fly ash discharge field and coal gangue dumpling in Suancigou Mine

    The Suancigou Mine produces a large amount of meteorites every year, and the meteorites are prone to spontaneous combustion. The Suancigou Mine has built a meteorite power plant, which produces about 500,000 tons of fly ash per year.

The coal mine makes full use of the waste fly ash of Jingtai Power Plant to prevent fire and extinguishing the waste rock. Fly ash penetrates into coal gangue, seals the air leakage passage, and plays a role of cooling and oxygen barrier, thus achieving the purpose of fire prevention. The mixed arrangement of vermiculite and fly ash laid a good foundation for the comprehensive improvement project of gangue dump. It not only satisfies the comprehensive utilization requirements of solid waste, but also solves environmental protection problems and conforms to the national environmental protection policy and sustainable development strategy.

4.2 Resource Utilization

The Company continues to implement the concept of green development, strictly abides by the Energy Conservation Law of the People's Republic of China and other national and local energy conservation and environmental protection laws and regulations, and formulates internal systems such as the Environmental Management Measures, and is committed to promoting work and life philosophy of low carbon, environmental protection and sustainable development in the daily operation process, and actively implementing energy conservation and consumption reduction.

- **Energy Conservation Management**

  The Company has formulated management systems such as Coal Energy Management System for Coal Sector and Management System for Renewal and Transformation of Coal Sector Equipment, adopting various energy conservation and emission reduction measures, increasing energy conservation and consumption reduction, and improving resource utilization efficiency.

  - Modern comprehensive mechanized coal mining technology is adopted and coal mining technology is continuously optimized, and the recovery rate of fully mechanized mining face resources is over 95.5%;

  - Existing high-energy-consuming equipment is eliminated as planned according to nationally announced high-energy-elimination equipment

  - The Company replaced coal-fired boilers with electric boilers to reduce coal use. In addition, the loop water cooling tower fan is changed to the turbine to reduce the use of electric energy.

  - Through the implementation of the coal slurry concentration project, the concentration of coal slurry and the gas production per ton of coal are increased, therefore, the coal consumption of products is reduced.

  - Heat loss from steam lines is reduced by strengthening the steam line insulation layer, saving 2,270 tons of steam in 2018.

[Case] Residual heat utilization of pressure fan in Talahao Mine

There are currently 6 air compressors installed in the pressure fan room of Talahao Mine. The residual heat resource of coal mine air compressors has high heat content, good stability and continuity, and is a high-quality waste heat resource for coal mine heating or preparation of bathing hot water. The Company designed and installed 6 air compressor waste heat recovery units, and corresponded with 6 air compressors one by one to recover the waste heat in the air compressors and prepare bathing hot water for employees. Two plate heat exchangers are installed in the joint building. Heat exchange loop tube is laid to perform heat exchange to obtain bathing hot water. One high temperature water tank and one low temperature water tank are provided, and the low temperature water tank is supplemented by hot water of high temperature water tank. The water pump adopts frequency conversion control and is obtained by temperature and pressure data, which can realize automatic control of water temperature and water tank liquid level of the whole system.

The annual heat supply of bathing hot water is 2.82 million KWh, which is equivalent to 3,980 tons of steam consumption, and converts standard coal 0.134 standard coal/ton steam; saving 533 tons of standard coal in total.

- **Water Resources Management**

  Strengthen the efficient use of water resources. The Company continues to promote the efficient use of water resources, adopting a variety of technical means and initiatives to implement water conservation:

  - The Company invested more than RMB1 million to purchase desalinated water and reverse water permeable membranes. By replacing the membrane parts, the desalination rate of the reverse osmosis unit was increased, the amount of sewage generated was reduced, and the annual water consumption was reduced by about 50,000 cubic meters.

  - Rainwater is collected and stored in the accident pool, and used as supplementary water for the gasification system to reduce the water consumption of the gasification system, saving 20,000 cubic meters of production water in the year.

  - The Company implemented the condensate degreasing and iron removal project. Through the implementation of the project, the recovery rate of desalinated water is increased by about 30%, and the annual emission reduction cumulated 40,000 cubic meters.

  Reduce wastewater discharge. The Company continuously upgrades the wastewater recycling process, adopts various wastewater discharge reduction and reuse measures, realizes the recycle use of water resources, and reduces wastewater generation and discharge.

  - As wastewater in coal production mainly came from underground mine water inflow, the Company made reasonable coal mining face layout to avoid water-bearing stratum for reduction of wastewater. In addition, the Company was committed to the development of wastewater recycling technology. The unavoidable mine wastewater and domestic sewage would be profoundly purified through mine water and domestic sewage processing equipment, which, upon reaching reuse standard, would then be used for underground production or dust removal, greening, realizing zero discharge of wastewater.

  - Most of the wastewater in the coal chemical production is recycled for production after treatment, and the remaining part is concentrated to form concentrated brine. In 2018, Coal-to-oil Company invested RMB1.3 million for the renovation of water-saving facilities and process optimization, completing five water-saving projects such as “condensate degreasing and iron removal project”, “cleaning and diverting, sewage diversion” and “reconstruction of rinse water of filter press blanket of sewage treatment device”. By optimizing the domestic water treatment process, the Company has ensured the stability of the effluent water quality. In 2018, Coal-to-oil Company saved 230,000 tons of water in total.

[Case] Three-dimensional supply, drainage and treatment system of Dadijing Mine realizes comprehensive cycle utilization of water resources

In order to solve domestic water use and to control down-hole floods and achieve zero discharge of mine water, coal mines use sub-system collection, sub-regional filtration, multi-pipeline transportation, and centralized utilization to achieve the purpose of recycling.

Mine water is divided into three systems: sewage, clean water and drinking water for collection, sub-regional filtration, multi-pipeline transportation, and centralized utilization. Thereby, the effect of the three-dimensional integrated cycle utilization is realized, and the zero discharge standard of the mine water is truly realized, achieving multiple economic and social benefits:

– Most of the sewage is directly used for underground production after treatment, which effectively relieves the burden of the sewage treatment plant and saves sewage treatment costs. At the same time, it meets the needs of underground production, fire protection and spray dust reduction.

– A clear water collection system is used underground to eliminate the secondary pollution of some roof water and water purification holes, which saves the processing cost while meeting the water requirements of the ground sprinkler system and playing a huge role in greening of surrounding areas.

– The establishment of a drinking water system in the underground has effectively solved the drinking issue, and saved huge water supply costs for coal mines.

– Close integration and cross-use of the entire system achieved the requirements for zero discharge of mine water in non-winter seasons and the environmental requirements

[Case] Water treatment renovation of coal chemical company

The wastewater generated in the coal chemical production is mainly derived from the concentrated brine produced by the water reuse unit. In 2018, the coal chemical sector invested RMB180 million to conduct water treatment and renovation, optimize the wastewater treatment process, and recycle all the wastewater generated. The recovery of clean water is maximized by salt separation technology, achieving zero discharge of coal chemical wastewater.

[Case] Maintenance and optimization of drainage device

During the annual maintenance in April to May 2018, to reduce the effluent discharge and improve the water recycling rate, the Company organized various departments to conduct detailed investigation and demonstration of the drainage scheme. Through the optimization of the process delivery scheme, and taking the measures of clearing and diverting, sewage diversion and storage and recycling according to the drainage water quality of each device, the water-saving task of the device to detect "zero" sewage discharge is successfully achieved. A total of 40,000 cubic meters of water was saved during the overhaul of the device.

4.3 Ecological Protection

The Company formulated internal systems such as the Environmental Management Measures in strict accordance with the laws and regulations such as the Law of the People's Republic of China on Soil and Water Conservation and the Regulations on Environmental Protection of Mine Geology. It is published as a compilation of the QHSE Management System. The Company also formulated rules for the assessment of 60 work items such as environmental protection and soil and water conservation, ecological construction, energy conservation and emission reduction.

Establish an environmental management system. In 2018, the Company built an environmental management leading group with the Company's chairman as the chief person in charge, set up an environmental management committee and an environmental supervision department, and established corresponding environmental protection management agencies in each unit to form a top-down environmental management system.

Practice ecological protection initiatives. The Company strengthened the management and supervision of water and soil conservation, wind and sand fixation, subsidence area governance, and improvement of the ecological environment of the mining area in the production process, and adopted various measures in the process of construction and operation to reduce the environmental impact of the Company's construction and operation:

- The Management Measures for Subsidence Areas was formulated to strengthen the management of subsidies and cracks on the ground, standardize the acceptance of the mining and subsidence areas, prevent the leakage and fire of the coal mining subsidence areas and cracks, and protect the ecological environment of the mining area;

- Actively participate in the greening of mining areas and other areas to improve the ecological environment of the mining area with various measures which were adopted to avoid or mitigate the effects of vegetation reduction, soil exposure, soil erosion, etc. during the construction of the project, such as stratified excavation, layered stacking and stratified backfilling during construction, to maintain equal of excavation volume and backfill amount;

- Green mines were built to restore mine biodiversity. Open-pit coal mining achieved the integration of "stripping-mining-backfilling-recovering", and the well coal mine took full use of coal gangue to backfill the subsidence area.

[Case] Yitai honoured ” Desertification Governance Green Enterprise”

On September 13, 2018, the “One Belt, One Road” Ecological Governance International Cooperation Forum was held in Wuwei, Gansu. The forum released the “Forbes China Desertification Governance Green Enterprise List”, and Yitai Group with the Company as its core won the “Forbes China Desertification Governance Green Excellent Enterprise”. The “Desertification Management Green Enterprise” list was jointly launched by Forbes China and China Green Foundation (“CGF”). The selected enterprises are mainly Chinese enterprises and multinational enterprises or related entrepreneurs that contribute to desertification governance and ecological environment construction.

5. EMPLOYEE'S HAPPINESS

The Company fully complied with the Labor Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Law of the People's Republic of China on Protection of Minors and other national laws and regulations and adhered to the people-oriented principle to safeguard the legitimate rights and interests of employees and strive to improve employee happiness.

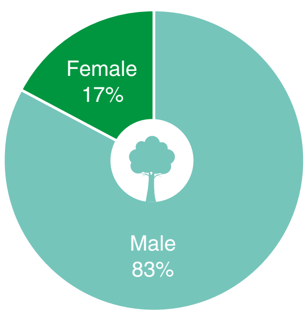
5.1 Equal Employment

The Company has formulated the Human Resources Management System, signed labor contracts with employees according to law, and resolutely put an end to any discrimination based on factors such as gender and age, and insisted on equal employment. The Company strictly abides by national laws and regulations and enacts the Prohibition of Child Labor Regulations, prohibits the use of child labor, and does not support the employment of child labor by other companies or social groups.

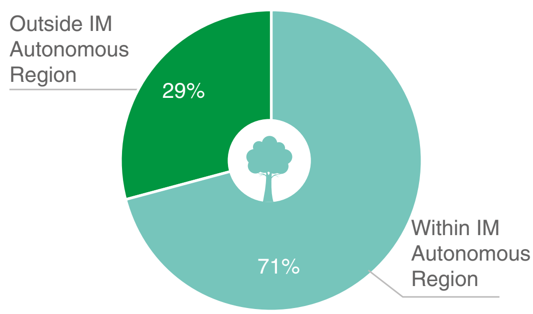
The Company has established a diverse recruitment pipeline to meet business needs, such as irregular campus recruitment, social recruitment and headhunting recommendations. Employees of different genders, ages, races, and religions are treated fairly in the recruitment process, and we are committed to building a diverse team.

During the reporting period, the Company had 6,280 employees.

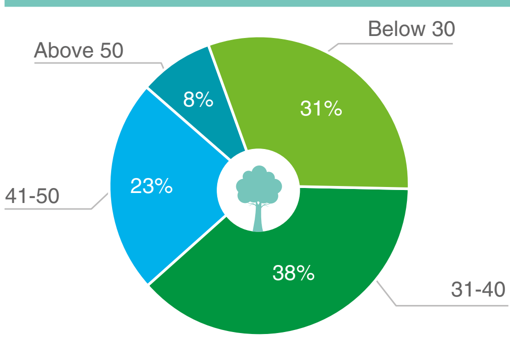
Proportion of employees by gender



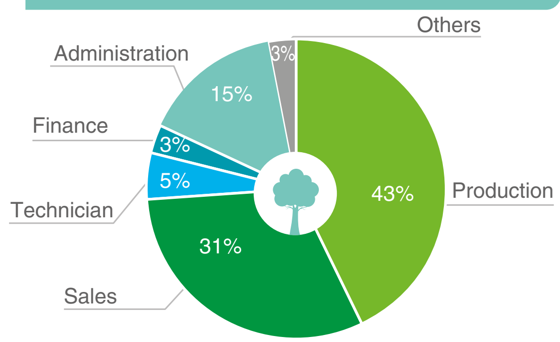
Proportion of employees by region



Proportion of employees by age



Number and proportion of employees by employment type



5.2 Interests of Employees

The Company developed a series of internal rules and regulations including Employee Attendance Management Measures, Employee Performance Management Measures, Broad Band Salary Plan, Employee Demission Management Measures and Staff Exit Mechanism Management Measures, adhered to standard employment by signing labor contracts with employees according to law and safeguarded their rights and interests in employee recruitment, dismissal, promotion, working hours, vacations, compensation and benefits and the like and protected employees' rights to know and participate and supervision. The Company adhered to the principle of giving priority to performance and taking into account the principle of fairness, and provided employees with competitive compensation and benefits. The Company attached great importance to communication with employees and actively listened to employees' demands.

The Company has taken various measures to protect employees' interests:

Working hours	• A working hour system that combines standard working hours, comprehensive working hours and irregular working hours is implemented.
Holiday	• In addition to statutory holidays, the current types of employee holidays include: paid annual leave, sick leave, marriage leave, leave for person affairs, maternity leave, maternity extension leave, accompanying leave, funeral leave, off-the-job breastfeeding leave.
Remuneration	• Based on same position equal pay, a broad band salary plan was developed based on post value as the main body and dynamic performance appraisal, and remuneration distribution rights were granted to implement total control, appropriately widen the salary gap between employees and achieve employee growth incentives. • Employees are provided with the five insurances and housing fund and enterprise annuity to promote benign employment and build a harmonious employment relationship.
Democratic management	• Actively listen to the reasonable demands of employees through management rationalization proposals, employee representative meetings and performance appeal channels, and strengthen democratic management to safeguard the legitimate rights and interests of employees.

5.3 Growth and Development

The Company developed the Management Measures of Management Personnel's Selection and Appointment, the Professional and Technical Talent Occupation Development Management Measures, the Functional Business Talent Occupation Development Management Measures, the Skill Operation Talent Occupation Development Management Measures and other internal systems, to promote self-improvement of employees and strengthen endogenous driving forces of employees.

- **Employee Training**

The Company organized multilevel and multi-sector training activities with varied focuses for employees at different levels and in different business sectors:

Training for employees at primary level	• Trainings for employees at primary level mainly focus on all types of professional skills and theories, practices, safety awareness and capacity and are supplemented by quality, environmental protection, team building, corporate culture, rules and regulations, etc., with a view to stimulating the vitality of each production and operation unit and improving the enthusiasm of employees.
Training for employees at managerial level	• In 2018, the "Eagle Nurturing" cultivation plan for temporary workers was further implemented. • organize thinking training based on the "Six Thinking Hats" by Edward de Bono to help the head of the functional department and the person in charge of the production and operation unit to learn how to apply professional thinking tools.
Orientation training for new employees	• explain in detail on the corporate culture, safety quality, human resources system and other aspects of the coal chemical sector, arrange new employees to go to the workshop team, make new employees fully familiar with business and processes and quickly integrate into the enterprise through centralized training, teacher-in-law, case discussion, etc.
Training for obtaining relevant certificates	• Staffs in coal mine section participated in the training for getting Mine Manager Qualification Certificate, Security Qualification Certificate, Occupation Health Certificate and Emergency Rescue Qualification Certificate. The rate of getting such certificates reached 100%. • Non-coal mine sector held 9 special training courses for special operators, with a total of 500 participants. 34 security lecturers from the safety training center participated in the security lecturer qualification training organized by the autonomous region's Safety Supervision Bureau and also participated in the examination for obtaining the certificate.
Special training	• Special lectures on Laws, Regulations and Practices related to Bidding and Tendering were organized to promote the standardization, institutionalization and science of bidding business. • Internal experts were invited to give lectures and a special lecture on Development Trend of World Energy was held to continuously improve the production and operation capabilities of the Company's related business and enhance the competitiveness of our product.

- **Occupation Development**

  The Company valued the career development of employees, and built four major career development channels: management, professional technology, functional business, and skill operation. Employees may choose vertical or cross-channel development according to their own advantages. By broadening the career development channels of employees, clarifying their career development path, and creating a sound development atmosphere, the Company effectively promoted the improvement of employees' ability, and cultivated and built a diversified talent team that meets the Company's development requirements.

  In 2018, the Company actively optimized and perfected the current system and always adhered to the principles of fairness, openness and impartiality to conduct personnel training, selection evaluation and echelon construction. In addition, the Company adhered to the human resource management philosophy of "fewer but better employees", and established an employee selection mechanism and differential selection and appointment mechanism featuring regular all-staff post competition and normalized vacant post competition, and continuously optimized and streamlined management personnel.

5.4 Employee Care

The Company regarded employees as its most valuable asset. It always insists on people-oriented and caring for employees with difficulties; in the meantime, the Company conducted a series of recreational activities to enrich the spiritual and cultural lives of employees, enhancing team cohesion.

- **Employee Care**

  The Company valued employee care and carried out various activities:

  - The Company organized physical examination for all staff on a regular basis. In 2018, employee physical examination rate reached 100%.

  - The Company proactively carried out "heart-warming" activities for caring employees in need, including timely visiting workers who are hospitalized due to illness and injury, and actively assisting in solving relevant difficulties; visiting retired leaders during the holiday, condolences to the model, labor model, and employees in need.

  - The Company established a special relief fund to help employees who have difficulties in living due to illness or accident.

- **Diversified Activities**

  In order to carry forward Yitai culture and enhance employees' sense of belonging and cohesion, the Company proactively carried out all kinds of recreational activities and technical matches, to mobilize employee enthusiasm and develop a harmonious, warm and better development atmosphere.

[Case] Staff painting, calligraphy and photography works

In order to further enrich the amateur cultural life of employees, promote the spirit of being enterprising and energetic of employees and demonstrate their artistic accomplishments and creative achievements, the Company carefully selected the paintings, calligraphy and photography and other artistic works of Yitai employees over the years, which were compiled into a Staff Painting, Calligraphy and Photography Collection. The collection contains a total of 268 works by 52 original authors, including common art such as calligraphy and painting, photography, and rare items such as engraving, paper-cutting and installation.

Traditional Chinese painting
“Only see the mountain surrounded by mist” by Lu Hui

[Case] Staff sports meeting

In 2018, the Company held a 7-day staff sports meeting, with 48 small items in four categories: basketball, tug-of-war, track and field and fun projects. The Company formed a total of 34 teams internally with nearly 1,000 participants. The athletes struggled and competed in a spirit of fair play, showing the sound mental outlook, physical fitness and motor skills of Yitai employees, and many of the tournament records were broken.

In the team competition, Yitai Chemical won the laurel in the basketball match and the tug-of-war; Coal-related Chemical Operation, Finance Management Department and Dadijing Mine won the Outstanding Organization Award; and the petrochemical companies, Zhundong Railway Company and Power Supply Centre won the Sports Ethics Award.

6. COMMUNITY CHARITY

Adhering to a principle of "taken from the community and used for the community" in doing business, the Company performed its corporate social commitments. In particular, the Company took a proactive part in community investment and charity activities to drive the community construction and economic development, and conducted extensive volunteer activities to erect a corporate image of responsibility, caring and warmth.

6.1 Poverty Alleviation

By adopting the poverty alleviation mode of "government policy support + enterprise industry promotion + market participation of farmers and herdsmen", the Company promoted the endogenous motivation of the poor and achieved sustainable development from seven aspects including industrial poverty alleviation, labor employment poverty alleviation, ecological poverty alleviation, financial poverty alleviation, asset income poverty alleviation and entrepreneurial poverty alleviation with the organic combination of infrastructure construction, ecological restoration and the promotion of poverty alleviation by local farmers and herdsmen.

[Case] Entrepreneurial poverty alleviation

At the beginning of creation, the Company established a technology and talent incubation centre which takes “technology promotion, talent cultivation, project incubation and blending support” as the development idea, with industrial technology upgrading and business model landing as the main incubation area. The centre has an existing hatching area of 3,000 square meters, supporting more than 60,000 Mu of breeding bases of Hangjinqi and Ejin Horo Banner, Ordos and 500,000 Mu of carbon sink forests, providing office space, experimental base, angel funds and supporting services for entrepreneurs. In addition, the centre supports the initial incubation and accelerated growth of agriculture-related projects and encourages innovation and entrepreneurship in the agricultural sector, and thus benefiting the relevant farmers and herdsmen and helping them to get rid of poverty and become rich with new agriculture and animal husbandry industries and relevant technologies.

6.2 Charity

The Company was committed to giving back to the society and developed the Volunteers Service Management Measures and devoted itself to environmental protection, education, culture, medical care, earthquake relief, poverty alleviation, new rural construction and other charitable causes, actively integrating into the community and promoting community development.

[Case] Sending warmth through clothes donation event

On the morning of March 14, 2018, the Company organized a cloth donation event, aiming to convey the big love of helping the poor through small philanthropic acts such as donating clothes. The employees of the Company actively participated in the activities and dedicated their love. The city's Red Cross and Company volunteers sorted and donated the clothes and sent them to the Red Cross for sending to poverty-stricken areas.

[Case] Send warmth, give love, and build a "Love Volunteer Service Team"

The "Love Volunteer Service Team" of the Company went deep into the Taotaobao Kindergarten in Xuejiawan Town to conduct Lei Feng volunteer service activities, such as volunteering to clean the teaching area, setting up classrooms for children, telling Lei Feng stories and visiting the children's exhibition about learning "Lei Feng spirit". Together with the Winter Sunshine Love Commune, we went to the Fushou Senior Apartment in Zhungeer Banner with materials and supplies and chatted with the elderly.

[Case] Caring for Poor Children and Giving Hands to Love

On March 23, 2018, the Company launched a charity sale campaign with the theme of "Caring for Poor Children and Giving Hands to Love". The charity items including learning materials, books, toys and household items, which were from employees of departments at all levels of the Company. On the day of the charity sale, everyone dedicated their love with action, and the total sales income of RMB1,065 was donated to the poor children in the Tianjiao community.

KEY PERFORMANCE TABLE

Name of indicator	Unit	2018	2017
SO_2 emission	(tonne)	370.80	80.64
NO_x emission	(tonne)	869.93	251.59
Flue gas emission	(tonne)	127.32	20.27
Total wastewater discharge*	(m^3)	0	388,406.00
Total concentrated brine discharge*	(m^3)	0	388,406.00
Scope I. Direct greenhouse gas emission	(ten thousand tonnes CO_2e)	1,242.86	739.37
Scope I. Direct CO_2 emission	(ten thousand tonnes)	689.30	170.01
Scope I. Direct CH_4 emission	(ten thousand tonnes)	19.77	22.77
Scope I. Direct N_2O emission	(ten thousand tonnes)	1.83	1.58
Scope II. Indirect greenhouse gas emission	(ten thousand tonnes CO_2e)	95.20	51.50
Total greenhouse gas emission- Coal sector	(ten thousand tonnes CO_2e)	587.78	599.83
Total greenhouse gas emission- Coal-to-chemicals sector	(ten thousand tonnes CO_2e)	732.05	172.25
Total greenhouse gas emission- Coal transportation and sales sector	(ten thousand tonnes CO_2e)	18.24	18.79
Total greenhouse gas emission	(ten Thousand tonnes CO_2e)	1,338.07	790.87
Greenhouse gas emissions per RMB10,000 operating income	(tCO_2e/ RMB'0,000)	3.41	2.14
Hazardous waste produced-Waste machinery oil	(tonne)	136.56	11.13
Hazardous waste produced – Waste catalysts	(tonne)	146.00	–
Hazardous waste produced – Carnallite	(tonne)	5,828.10	0.00
Hazardous waste produced-Total	(tonne)	6,110.66	11.13
Total gasification ash/fly ash produced	(ten thousand tonnes)	132.92	7.96
Boiler slag produced	(ten thousand tonnes)	31.18	7.57
Coal gangue produced	(ten thousand tonnes)	636.25	506.15
Total electricity consumption	(GWh)	1,318.09	677.75
Total gasoline consumption	(litre)	283,255.80	244,672.40
Total diesel oil consumption	(litre)	1,778,498.04	2,205,982.05
Natural gas consumption	(m^3)	0	0.00
Coal consumption	(ten thousand tonnes)	157.07	28.13

Name of indicator		Unit	2018	2017
Purchased heat consumption		(MKJ)	112,487.56	187,344.41
Raw coal consumption		(ten thousand tonnes)	419.52	82.48
Comprehensive energy consumption		(ten thousand tonnes of standard coal)	466.96	86.02
Energy consumption per RMB10,000 operating income		(tonne standard coal/RMB'0,000)	1.19	0.23
Total water consumption		(ten thousand tonnes)	1,023.16	480.32
Water consumption per RMB10,000 operating income		(tonne/ RMB'0,000)	2.6	1.3
Wastewater utilization rate in coal mining		(%)	100	100
Wastewater reutilization rate in coal mining		(%)	91.30	99.57
Average coal recovery rate of mining areas		(%)	83	–
Special investment in environmental protection		(RMB'0,000)	74,076.70	–
Total number of employee			6,280	6,235
Total number and percentage of employees by gender	Male		5,228	5,206
		(%)	83	84
	Female		1,052	1,029
		(%)	17	17
Number and percentage of employees by employment type	Production		2,696	3,206
		(%)	43	51
	Sales		1,924	1,910
		(%)	31	31
	Technician		312	357
		(%)	5	6
	Finance		201	200
		(%)	3	3
	Administration		928	562
		(%)	15	9
Number and percentage of employees by age	Below 30		1,941	1,432
		(%)	31	23
	31-40		2,362	2,790
		(%)	38	45
	41-50		1,451	1,442
		(%)	23	23
	Above 50		526	571
		(%)	8	9

Name of indicator		Unit	2018	2017
Number and percentage of employees by region	Within Inner Mongolia Autonomous Region		4,483	3,672
		(%)	71	59
	Outside Inner Mongolia Autonomous Region		1,797	2,563
		(%)	29	41
Annual turnover rate		(%)	6	5
Number of work-related injury accidents			0	0
Number of work-related injuries(fatalities)			0	0
Number of working days absented due to work-related injuries		(loss of working days counted on the basis of every 200,000 working hours)	0	0
Investment in safety production		(RMB'0,000)	97,439	–
Number of safety education training			196	179
Participants of safety education training			9,579	9,360
Number of safety emergency drills			24	–
Participants of safety emergency drills			1,686	–
Number of management staff with safety production and management ability assessment certificates			360	545
Number of technical staff with certified safety engineer certificate			127	181
Occupational disease physical examination coverage rate		(%)	100	100(Front-tier employees)
Number of additional employees with occupational diseases			0	0
Employee physical examination rate		(%)	100	100
Special physical examination rate of female employees		(%)	100	100
Total number of employee training			489	588
Total participants of employee training			12,215	15,595
Training expenditures		(RMB'0,000)	800	700
Number of labour claims submitted, disposed and settled through a formal claim mechanism			0	0
Total number of suppliers			994	1,012
Number of suppliers within Inner Mongolia Autonomous Region			211	205
Number of suppliers outside Inner Mongolia Autonomous Region			783	807

Name of indicator	Unit	2018	2017
Number of manufacturers who passed environmental social investigation		724	136
Manufacturer audit coverage rate	(%)	100	85.38
Recalls in products sold or shipped		0	0
Total customer complaints during the reporting period		0	0
Investment in research and development	(RMB'0,000)	86,339.64	71,179.61
Ratio of research and development expenses to revenue	(%)	2.2	1.92
Total number of R&D team		1,632	780
Number of utility patents applied		77	3
Number of invention patents applied		34	0
Number of utility patents obtained		72	5
Number of invention patents obtained		3	0
Number of consumer privacy infringement cases		0	0
Number of corruption litigation cases		0	0
Session of voluntary activities conducted		25	59
Participants of voluntary activities		600	885
Hour of voluntary activities	(hour)	4,320	3,540
Number of people benefiting from voluntary activities		1,000	590
Donations to external parties made by the Company	(RMB'0,000)	2,918.41	2,200.20

* The wastewater generated in the production process of the company is concentrated brine, which is discharged into the park of Tianhe Water Company through the concentrated brine pipe network of the park and is uniformly treated.

APPENDIX II

2018 ANNUAL INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

To All Shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and corresponding with guidance and other regulatory requirements concerning the internal control ("Enterprise Internal Control Regulatory Systems"), and considering internal control system and evaluation methods of the Company and based on day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2018 (the reference date of the Internal Control Assessment Report).

I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulatory Systems, it is the responsibility of the Board of the Company to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Assessment Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control mechanism by the Board. The management shall be responsible for the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company's operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial report and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.

II. RESULTS OF INTERNAL CONTROL ASSESSMENT

1. Whether there is any material Deficiencies in The Internal Control over Financial Reporting of the Company, as at the reference date of the Internal Control Assessment Report

☐Yes ✓No

2. Results of Internal Control Assessment over Financial Reporting

✓Effect ☐No Effect

According to the identification of material deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no material deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulatory Systems and relevant requirements.

3. Whether material deficiencies in Internal Control over Non-Financial Reporting Had Been Discovered

☐Yes ✓No

According to the Company's identification of material deficiencies in the internal control over non-financial reporting, as at the reference date of the Internal Control Assessment Report, the Company had discovered no material deficiencies in the internal control over non-financial reporting.

4. The Factors Affecting the Assessment Results of the Effectiveness of Internal Control from the Reference Date to the Issuance Date of the Internal Control Assessment Report

☐Applicable ✓Not Applicable

From the reference date to the issuance date of the Internal Control Assessment Report, there is no occurrence of such factors that may affect the assessment results of the effectiveness of the internal control.

5. Whether the Auditing Opinions on Internal Control are Consistent with the Company's assessment Results of the Effectiveness of Internal Control over Financial Reporting

✓Yes ☐No

6. Whether the material deficiencies in internal control over non-financial reporting disclosed by the Internal Control Audit Report are consistent with those disclosed by the Company's Internal Control Assessment Report

✓Yes ☐No

III. DETAILS OF INTERNAL CONTROL ASSESSMENT

(I). Scope of Internal Control Assessment

The Company determined the main enterprises, business and matters and high-risk fields covered in the assessment scope based on the risk-oriented principle.

1. Main Enterprises Covered in the Assessment Scope:

Headquarters of the Company, 6 subsidiaries and 4 branches

2. Percentage of the Enterprises Covered in the Assessment Scope:

Index	Percentage (%)
The percentage of the total assets of the enterprises covered in the assessment scope accounting for the total assets shown in the Company's consolidated financial statements	75%
The percentage of the total revenues of the enterprises covered in the assessment scope accounting for the total revenues shown in the Company's consolidated financial statements	80%

3. Main Business and Matters Covered in the assessment Scope Include:

Development strategy, human resources, fund management, procurement business, asset management, production management, coal transportation and sale business, investment management, budget management, tax administration, cost and expense management and information management, etc.

4. High-risk Fields focused on include:

Safety management, environmental management, risk of capital activities, risk of asset management, investment management, procurement risk, risk of sales and collection management, risk of contract management, cost and expense management, risk of information management.

5. **The Above Enterprises, Business, Matters and High-Risk Fields Covered in the Assessment Scope Cover the Main Aspects of the Company's Operation and Management, is there Any Major Omission**

☐Yes ✓No

6. **Is there Any Statutory Exemption**

☐Yes ✓No

7. **Statement on Other Matters**

Nil

(II). Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies

The Company organized and carried out the internal control assessment on the basis of Enterprise Internal Control Regulatory Systems and related management system of the Company.

1. **Is there any adjustment of the specific identification criteria of deficiency in internal control compared to the criteria last year**

☐Yes ✓No

2. Identification criteria for deficiencies in internal control over financial reporting

Quantitative criteria for identifying deficiencies in internal control over financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for important Deficiency	Quantitative Criteria for Ordinary Deficiency
Quantitative criteria (confirming the criteria applicable to the internal control over financial reporting involves the exercise of professional judgment)	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 1% (including 1%) of the total assets, or more than 5% (including 5%) of pre-tax profits, the deficiency will be identified as a material deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 0.5% (including 0.5%) but less than 1% of the total assets, or more than 3% (including 3%) but less than 5% of pre-tax profits, the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be less than 0.5% of the total assets or less than 3% of pre-tax profits, the deficiency will be identified as an ordinary deficiency.

Qualitative criteria for identifying deficiencies in internal control over financial reporting:

Magnitude of Deficiency	**Qualitative Criteria**
Material Deficiency	Re-report of previously published financial statements to reflect the correction of misstatement caused by error or fraud; the failure of audit committee to supervise the Company's external financial reporting and internal control over financial reporting; detection of any degree of fraud involving senior management; the failure of the management to correct the important deficiencies reported to it after a reasonable period of time.
Important Deficiency	Internal control deficiency in unconventional or nonsystematic transaction; internal control deficiency in the selection of generally accepted accounting principles and the application of accounting policy; internal control deficiency in related party transactions and major restructuring.
Ordinary Deficiency	Pursuant to the relevant regulations of the Company, the internal control which does not constitute material deficiency or important deficiency will be identified as an ordinary deficiency.

3. **Identification criteria for deficiencies in internal control over non-financial reporting**

Quantitative criteria for identifying deficiencies in internal control over non-financial reporting:

Name of Index	**Quantitative Criteria for Material Deficiency**	**Quantitative Criteria for Important Deficiency**	**Quantitative Criteria for Ordinary Deficiency**
Quantitative criteria (involving amount, formed based on the absolute amount of direct property loss)	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB10 million, the deficiency will be identified as material deficiencies.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB1 million but less than RMB10 million (including RMB10 million), the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to less than RMB1 million (including RMB1 million), the deficiency will be identified as an ordinary deficiency.

Qualitative criteria for identifying deficiencies in internal control over non-financial reporting:

Magnitude of Deficiency	**Magnitude of Deficiency**
Material Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company's official external disclosure and also negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as a material deficiency.
Important Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by state departments but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an important deficiency.
Ordinary Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by the governmental departments under provincial level (including provincial level) but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an ordinary deficiency.

(III). Identification and Rectification of Internal Control Deficiencies

1. Identification and rectification of deficiencies in internal control over financial reporting

1.1. material deficiency

Whether the Company had material deficiencies in internal control over financial reporting during the reporting period

☐Yes ✓No

1.2. important deficiency

Whether the Company had important deficiency in internal control over financial reporting during the reporting period

☐Yes ✓No

1.3. ordinary deficiency

For ordinary deficiencies in the internal control over financial reporting that were found during the reporting period, the Company had taken corresponding rectification measures or formulated corresponding rectification plans.

1.4. After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report

☐Yes ✓No

1.5. After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report

☐Yes ✓No

2. **Identification and rectification of deficiencies in internal control over non-financial reporting**

2.1. *material deficiencies*

Whether the Company had discovered any material deficiency in the internal control over non-financial reporting during the reporting period

☐Yes ✓No

2.2. *important deficiency*

Whether the Company had discovered any important deficiency in the internal control over non-financial reporting during the reporting period

☐Yes ✓No

2.3. *ordinary deficiency*

For ordinary deficiencies in the internal control over non-financial reporting that were found during the reporting period, the Company has taken corresponding rectification measures or formulated corresponding rectification plans.

2.4. *After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report*

☐Yes ✓No

2.5. *After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report*

☐Yes ✓No

IV. STATEMENT ON OTHER IMPORTANT ISSUES ON INTERNAL CONTROL

1. Rectification of Deficiency in Internal Control Last Year

☐Applicable ✓Not Applicable

2. Operation of Internal Control during the Year and Improvement Direction Next Year

✓Applicable ☐Not Applicable

During the reporting period, the company did not have other internal control information that may have a significant impact on investors' understanding of internal control self-evaluation reports, evaluation of internal control or investment decisions. In the future, the company will continue to improve the internal control system, standardize the implementation of internal control systems, strengthen internal control supervision and inspection, and promote the healthy and sustainable development of the company.

3. Statement on Other Important Issues

☐Applicable ✓Not Applicable

Chairman (Authorized by the Board): Zhang Donghai
Inner Mongolia Yitai Coal Co., Ltd.