This section discusses information regarding our business and, where so indicated, the Target Business Group that we plan to acquire from Yitai Group under the Assets Transfer Agreement after the completion of the Global Offering.

Unless otherwise specified, all technical data in this section are based on the Competent Person's Report (which is included as Appendix V to this Prospectus) and references to coal production data in this section are to raw coal production.

OVERVIEW

We are the largest Local Coal Enterprise in Inner Mongolia, China, and one of the largest coal enterprises in China, in terms of revenue in 2010, according to the CNCA. Inner Mongolia has the largest total proved coal reserves according to the MLR, and the highest coal production volume in 2009, 2010 and 2011 according to the NBSC, among all provinces in China. We have grown rapidly in recent years, primarily from the successive completion of internal consolidations and technology upgrades in our coal mines, which has led to increased production capacity, production equipment mechanization and recovery rate. From 2006 to 2011, our coal output increased from 9.7 million tonnes to 35.1 million tonnes, and our primary mining method changed from room-and-pillar mining to fully mechanized longwall mining, which enabled us to extract substantially all coal of mining faces without having to leave a significant portion of coal as pillars, as would be the case in room-and-pillar mining. Accordingly, the mechanization ratios of our mines increased from under 50% to above 95%; and the overall mining-zone recovery rates increased from under 50% to around 80% from 2006 to 2011. For 2009, 2010 and 2011, we sold 27.7 million tonnes, 35.7 million tonnes and 38.3 million tonnes of coal, respectively, representing a CAGR of 17.6% from 2009 to 2011. Our total revenue for 2009, 2010 and 2011 was RMB10,252.2 million, RMB13,853.8 million and RMB16,515.8 million, respectively, representing a CAGR of 26.9% from 2009 to 2011. Our profit for 2009, 2010 and 2011 was RMB3,148.4 million, RMB5,316.0 million and RMB5,749.3 million, respectively, representing a CAGR of 35.1% from 2009 to 2011.

Our principal operations include:

- Coal operations, which are our core business and mainly include the production, transportation and sale of coal;
- Transportation operations, through which our Company and our subsidiaries provide coal transportation service to third parties, other than coal transportation service for the sale of our own coal;
- Coal-related chemical operations, which mainly include the production and sale of coal-based synthetic fuels and other coal-related chemical businesses; and
- Other operations, which mainly include the development, production and sale of traditional Chinese medicine.

The following table sets forth the contributions by each of our operating segments in terms of revenue and as a percentage of our total revenue for the periods indicated:

Segments	Year ended December 31,					
	2009		2010		2011	
	RMB million	%	RMB million	%	RMB million	%
Coal operations	9,676.0	94.4	13,360.1	96.4	15,197.3	92.0
Transportation operations	534.5	5.2	435.3	3.2	604.4	3.7
Coal-related chemical operations	—	—	—	—	677.8	4.1
Other operations	41.7	0.4	58.4	0.4	36.3	0.2
Total	**10,252.2**	**100.0**	**13,853.8**	**100.0**	**16,515.8**	**100.0**

The following table sets forth the contributions by each of our operating segments in terms of net profit for the periods indicated:

Segment	Year ended December 31, 2009	2010	2011
	RMB million		
Coal operations	3,050.7	5,203.7	5,425.0
Transportation operations	147.1	186.0	342.0
Coal-related chemical operations	(0.7)	2.0	27.5
Other operations	(21.0)	(16.9)	(31.6)
Elimination of intersegment results	(27.7)	(58.8)	(13.6)
Total	**3,148.4**	**5,316.0**	**5,749.3**

Our Coal Operations

We have seven operating mines and two mines under development. All of our coal mines are located in the Ordos region, Inner Mongolia. We have a large and high quality coal reserves base, with geological and depositary conditions favorable to low-cost mining. The majority of our coal reserves are deposited in the Dongsheng Coalfield, which is known for high quality coal deposits and, combined with the adjacent Shenfu Coalfield, is listed by the State Council as one of the 14 large-scale coal production bases in China. The total proved and probable recoverable coal reserves of our operating mines and mines under development amounted to 1,432.9 million tonnes as of December 31, 2011, which we expect to be sufficient for more than 40 years of production based on our 2011 annual production of 35.1 million tonnes of coal. The estimated remaining life of our Suancigou Mine, in which we hold a 52% interest, is 41 years, while the estimated remaining lives of our other operating mines range from two years to nine years, according to the Competent Person's Report. Talahao Mine, Bulamao West Mine and Bulamao East Mine, which are under development, have estimated mine lives of 103, 18 and nine years respectively, according to the Competent Person's Report.

The following table sets forth certain data for each of our nine mines:

	In operation							Under development	
	Suancigou	Nalinmiao No.2	Hongjing-ta No.1	Nalinmiao No.1	Yangwan-gou	Fuhua	Kaida	Talahao	Bulamao
Background data									
Location	Zhunge'er Coalfield	Dongsheng Coalfield	Dongsheng Coalfield	Dongsheng Coalfield	Zhunge'er Coalfield	Dongsheng Coalfield	Dongsheng Coalfield	Dongsheng Coalfield	Dongsheng Coalfield
Date of initial operation	Aug 8, 2008	Oct 1, 2006	Aug 12, 2007	Jan 1, 2008	Sep 24, 2009	Jul 1, 2008	Mar 17, 2008	—	—
Mining area (square kilometers)	49.8	21.0	28.4	9.4	1.0	8.6	5.5	42.6	40.2
In-place resource data (as of December 31, 2011)[(1)(2)] (million tonnes)									
Measured coal resources	389.9	25.2	43.0	14.5	8.7	2.9	6.0	498.0	23.1
Indicated coal resources	805.6	73.6	17.2	—	—	1.7	0.6	249.4	9.7
Inferred coal resources	—	2.3	—	—	—	—	—	9.6	1.5
Reserve data (as of December 31, 2011)[(1)(2)]									
Total proved and probable recoverable reserves (million tonnes)	659.9	71.9	40.4	10.1	6.2	2.8	5.2	616.0	20.5
Total proved and probable marketable reserves[(3)] (million tonnes)	458.8	63.9	35.9	9.3	5.8	2.5	4.2	550.2	16.8
Number of mineable seams	4	3	2	3	2	1	2	6	4
Average seam thickness (meters)	6.6	4.5	4.1	3.7	6.9	2.0	2.0	3.3	1.8
Mine life[(4)]	41	9	6	3	4	2	3	103	West: 18 East: 9
Coal production (million tonnes)									
2009	6.4	6.9	7.5	2.4	0.3	1.2	1.4	—	—
2010	8.2	8.1	8.2	5.8	1.4	1.3	3.1	—	—
2011	8.4	8.1	7.3	6.6	1.0	1.4	2.4	—	—
Average mine operating costs[(5)] (RMB per tonne)									
2009	64	57	53	102	201	90	95	—	—
2010	90	78	77	60	108	91	104	—	—
2011	104	91	65	54	137	85	127	—	—
Expiry date of the mining right	First: December 2033[(6)] Second: April 2038[(6)]	July 2015	September 2036	November 2019	June 2015	November 2013	June 2013	—	—

(1) Reserves and resources data include reserves and resources of our operating mines and mines under development.

(2) Resources and reserves are reported on a 100% ownership basis for our wholly and majority owned mines. We own 100% interests in all of our mines except for Suancigou Mine. We own a 52% interest in Yitai Suancigou, which in turn owns 100% interest of Suancigou Mine. Jingneng Power and Shanxi Yudean each holds a 24% interest in Yitai Suancigou.

(3) Proved and probable marketable reserves equal proved and probable recoverable reserves after accounting for losses during coal preparation and processing at the coal preparation plants.

(4) Mine lives are estimated from recoverable reserves, according to the Competent Person's Report.

(5) Average composite costs include a weighted average of drill and blast, and fully mechanized output achieved with fully-mechanized longwall face methods. The average mine operating costs of most of our operating mines increased from 2009 to 2010 primarily because the Inner Mongolia government required coal enterprises in Inner Mongolia to contribute to a coal price-regulation fund that it managed since the second half of 2009. The average mine operating costs for Nalinmiao No.1 Mine and Yangwangou Mine decreased substantially from 2009 to 2010 primarily due to the decrease of the fees for moving from one working face to another. The average mine operating costs of most of our operating mines increased from 2010 to 2011 primarily due to increases in relocation compensation and depreciation.

(6) The first refers to the mining right permit with permit number of C1000002009121120050702, and the second refers to the mining right permit with permit number C1000002009121110050703.

The output of certain mines in certain years has exceeded the Assessed Capacities as recorded on its coal production permit, for details of which see "Business — Coal Operations — Over-production." In addition, the mining right permits for Fuhua Mine and Kaida Mine will expire in November 2013 and June 2013, respectively. According to applicable PRC laws and regulations, a mining right permit can be renewed by filing an extension application at least 30 days prior to the expiry date. We plan to renew the mining right permits for Fuhua Mine and Kaida Mine in line with the applicable laws and regulations.

We have obtained mining rights for all of our operating mines. In respect of our two mines under development, namely Talahao Mine and Bulamao Mine, we have obtained approvals from the MLR regarding the demarcation of their respective mining areas. Based on such approvals, we will formulate our production plans for these two mines, and will apply for mining right permits from the MLR in due course. Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised that there is no material legal impediment to obtaining the relevant mining rights provided that we submit application documents in compliance with applicable laws and regulations to the MLR to apply for the grant of the relevant mining rights and the issuance of the relevant mining right permits, and that we will not need to pay mining right prices as we have already paid exploration right prices in full and there has been no subsequent investment by the government on these two mines. We cannot legally produce coal from Talahao Mine and Bulamao Mine before obtaining these mining right permits and other relevant permits and licenses.

Our coal products primarily comprise high-quality thermal coal produced from raw coal excavated at our own mines with commercially attractive characteristics, including medium to high calorific value, high volatile matter content, low sulphur content, medium to low ash content and low phosphorous content. The major criteria to classify thermal coals are ash content, sulphur content and calorific value. According to the PRC national standard for the classification of the quality of coal for power generation, low ash content refers to ash content between 10.01% and 20.00%, ultra-low sulphur content refers to sulphur content below 0.50%, and medium-to-high calorific value refers to calorific value between 24.31mj/kg and 27.20mj/kg. According to the Competent Person's Report, the average ash content of our seven operating mines is approximately 12.49%, the average sulphur content is approximately 0.34%, and the average gross calorific value* is approximately 6,100kcal/kg (equivalent to approximately 25.50mj/kg). In addition, according to the evaluation report issued by the Beijing Research Institute of Coal Chemistry of China Coal Research Institute, our coal products are high-quality thermal coal with low ash content, low sulphur content and low phosphorous content. In addition to the sales of self-produced coal, we also purchase a small percentage of coal from third-party coal companies for resale.

We sell all of our coal products in China by means of both long-term sales contracts and spot market sales, and procure customers through our own sales force. Our high-quality thermal coal products are mainly sold to large-scale industrial customers, particularly power producers. As of the Latest Practicable Date, Yitai Group had entered into 22 long-term agreements with customers, most of which are large scale power producers. These agreements are legally binding and constitute sale and purchase commitments of the parties. All rights and obligations of Yitai Group under these long-term agreements will be transferred to us on the Listing Date. Each of these agreements has a duration of five years, with fixed purchase and sales volume for each year, and provides that selling prices should either be set by reference to market prices or negotiated annually. The expiry dates of these agreements are December 31, 2014, which may be extended upon mutual agreement between the parties. Yitai Group's sales commitments under these long-term agreements were 42.1 million tonnes and 48.0 million tonnes for 2010 and 2011, respectively, and will be 56.4 million tonnes, 67.4 million tonnes and 77.4 million tonnes for 2012, 2013 and 2014, respectively. Pursuant to these long-term agreements, the parties should enter into annual coal sales and purchase contracts, in which the parties will set forth the selling prices and adjust the sales volume as necessary. Certain of our sales are made by signing annual coal sales and purchase contracts under the long-term agreements. The actual sales volume of Yitai Group generated from these agreements was 23.9 million tonnes, 27.0 million tonnes and 25.9 million tonnes for 2009, 2010 and 2011, respectively. Our actual sales volume generated from the annual coal sales and purchase contracts under the long-term agreements was 15.6 million tonnes, 17.6 million tonnes and 14.9 million tonnes for 2009, 2010 and 2011, respectively, representing 56.3%, 49.2% and 38.8% of our total sales volume for 2009, 2010 and 2011, respectively.

* Excludes Suancigou Mine and Yangwangou Mine as relevant information is not available.

The following table sets forth the key operating data of our coal operations during the Track Record Period.

	Year ended December 31,		
	2009	2010	2011
Coal sales volume (million tonnes)	27.7	35.7	38.3
Average selling price (RMB/tonne)	349.3	374.2	396.8
Average operating cost (RMB/tonne)	67	81	85
Transportation cost per tonne of coal products sold (RMB/tonne)*	94.1	71.4	63.0

* The transportation cost per tonne of coal products sold decreased from 2009 to 2011 primarily because the proportion of coals sold at mine gates, which bear few transportation cost, increased during the same period. For the years ended December 31, 2009, 2010 and 2011, the sales volume of coal sold at mine gates was 3.0 million tonnes, 11.9 million tonnes and 14.9 million tonnes, representing 10.8%, 33.3% and 38.9% of the total sales volume for 2009, 2010 and 2011, respectively.

The following table sets forth selected price information (exclusive of VAT), for the periods indicated, for our sales from long-term contract sales and spot market sales:

	Year ended December 31,								
	2009			2010			2011		
	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)
Long-term contract sales*	328.9	17.6	63.5	404.7	21.7	60.8	428.3	19.0	49.6
Spot market sales	384.8	10.1	36.5	325.8	14.0	39.2	365.1	19.3	50.4
Total		**27.7**	**100.0**		**35.7**	**100.0**		**38.3**	**100.0**

* Long-term contracts include annual coal sales and purchase contracts under the long-term agreements and other sales contracts longer than one year.

Over the years, we have made continuous investments in railway and highway transportation system, and integrated our production, transportation and sales of coal. Through our integrated transportation network, we transport our coal products from our mines to the national ground transportation network for delivery. We obtain railway capacity on the national railway system primarily through allocations of annual planned railway capacity made by the MOR and the NDRC to Yitai Group. Yitai Group also grants us additional transportation capacity that it obtains from the MOR from time to time in addition to the annual quotas originally allocated to it, subject to the national railway system's ability to meet the additional demand. Please refer to "— Coal Operations — Coal Transportation" for details.

The following table sets forth our coal sales in China by geographic region for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	Sales volume	%	Sales volume	%	Sales volume	%
	(million tonnes)		(million tonnes)		(million tonnes)	
Eastern China(1)	8.0	28.9	6.7	18.8	6.6	17.2
Southern China(2)	3.2	11.6	3.5	9.8	3.2	8.4
Northern China(3)	16.3	58.8	24.7	69.2	27.4	71.5
Northeastern China(4)	0.2	0.7	0.8	2.2	1.1	2.9
Total	**27.7**	**100.0**	**35.7**	**100.0**	**38.3**	**100.0**

(1) Eastern China includes primarily Shanghai, Zhejiang, Jiangsu and Anhui.

(2) Southern China includes primarily Guangdong, Guangxi, Fujian and Jiangxi.

(3) Northern China includes primarily Hebei, Shandong, Tianjin and Inner Mongolia.

(4) Northeastern China includes primarily Liaoning.

We have high production efficiency and maintain an excellent safety record. With reference to the data in the 2011 Analytical Report on the Top 100 Chinese Coal Enterprises published by the CNCA, we ranked No. 1 in average raw coal output per worker, No. 1 in average revenue per worker, No. 1 in average profit per worker, No. 1 in return on equity and No. 1 in net profit margin among the top 20 coal enterprises in China in terms of revenue in 2010. We maintain strict cost control. The estimated average operating costs for our coal operations increased from RMB67 per tonne in 2009 to RMB81 per tonne for 2010 and RMB85 tonne for 2011 primarily because the Inner Mongolia government required coal enterprises in Inner Mongolia to contribute to a coal price-regulation fund that it managed, and accordingly we are required to contribute RMB15 for each tonne of coal we produced, starting from 2009. We had maintained a record of zero fatalities per million tonnes of coal production during the Track Record Period. By comparison, the average fatalities per million tonnes of coal production for coal mines in China were 0.89, 0.75 and 0.56 for 2009, 2010 and 2011, respectively, according to the NBSC.

The main supplies we purchase for our coal operations include coal, mining equipment, replacement parts, steel, cement, explosives, fuel and lubricants. We also use third-party railway companies to transport our coal. The main supplies we purchase for our coal transportation operations are locomotives and other rolling stock, spare parts, fuel and power.

Our Transportation Operations

We own and operate two local railway lines, namely Yitai Zhundong and Huzhun Railway Lines, and a local railway branch line, namely Suancigou Railway Line, with a total main line length, constructed and under construction, of approximately 398.3 kilometers. We also own a 122.0-kilometer Caoyang Tollway. The following table sets forth information on our railway lines:

Railway/Branch Line	Main Line Length (km)	Origin	Terminus	Our Ownership (%)
Zhundong	191.8	Zhoujiawan	Zhunge'erzhao	100.00
Huzhun	179.7	Zhoujiawan	Huhhot	76.46
Suancigou	26.8	Suancigou	Zhoujiawan	52.00

These transportation lines form an integrated transportation network connecting our mines to the national ground transportation system, which we believe would provide us with competitive advantages in securing allocation of coal transportation capacity in the national railway system and facilitate our coal sales to both local customers and customers in the more developed coastal regions of China. We also provide coal transportation services to third parties through our two local railway lines and trucking subsidiaries. The freight charge rates for both Yitai Zhundong Railway Line and Huzhun Railway Line were RMB0.15 per tonne per kilometer during the Track Record Period and as of the Latest Practicable Date. In addition, we collect tolls from third-party vehicles utilizing our tollway.

Our Coal-related Chemical Operations

We are the first enterprise to successfully use indirect coal-to-oil technologies on an industrial scale in China. Yitai Group obtained an approval from the IMDRC in 2005 for developing a coal-to-oil project. We carry out this project through our subsidiary, Yitai Coal-to-oil, and have completed the construction of the demonstration phase of the project with a designed annual output of 160,000 tonnes of synthetic fuels. The project commenced its operations in July 2011, and it is in full-load operation at its designed annual capacity. For 2011, revenue derived from our coal-related chemical operations was approximately RMB677.8 million.

By leveraging our successful launch of the coal-to-oil project, we plan to expand into the second phase of our coal-related chemical operations in the next five years, which includes (i) Yitai Yili's 1.0 Mtpa coal-to-oil project; (ii) Yitai Xinjiang's 1.8 Mtpa coal-related chemical project; and (iii) Yitai Chemical's 1.2 Mtpa coal-related chemical project. Although all three projects are at preliminary stages and have not obtained the approvals from the NDRC, we have obtained confirmation from the local arms of the NDRC approving us to begin preliminary works. For details, please see "Business — Coal Related Chemical Operations — Future Plans."

We believe that we enjoy the first-mover advantage in the coal-related chemical industry in China. Our coal-related chemical operations enable us to improve our vertical integrated operations by providing high-value added downstream coal products to the market. Furthermore, by leveraging the favorable governmental policies of Inner Mongolia and Xinjiang towards the resource allocation for the coal-related chemical industry, the advantage of the development of western China and the policy support under the *Twelfth Five-year Plan on the Development of Coal Industry* in respect of orderly development of advanced and demonstrative projects of modern coal-related chemical operations, we expect to obtain new coal resources, achieve economies of scale by expanding our coal-related chemical business, and further reduce our operating costs.

Our Other Operations

Our other operations include mainly the development, production and sale of traditional Chinese medicine through our wholly-owned subsidiary, Yitai Pharmaceutical. We incorporated Yitai Pharmaceutical in 1998 to engage in Chinese medicine operations. Yitai Pharmaceutical has obtained the medicine production license and the medicine Good Manufacture Practice certificate in the PRC. Our Directors expect that, in the foreseeable future, revenue generated from our other operations will continue to be insignificant as compared to our total revenue.

Our Future Plans

Going forward, we intend to consolidate internal and external resources, increase our production scale and construct ancillary systems, expand and upgrade our integrated transportation network and the related infrastructure, and enhance research on, and implementation of, coal conversion projects. Our projected capital expenditures for 2012 for certain initiatives above have been included in our estimated capital expenditure for 2012, which amounted to approximately RMB3,244.9 million as of December 31, 2011 without taking into account the Proposed Acquisition. The following table sets forth the estimated capital expenditures for our business segments for 2012:

	Coal operations	Transportation operations	Coal-related chemical operations	**Total**
	(RMB million)			
2012	1,067.8	1,636.5	540.6	3,244.9

The remaining initiatives are still in the preliminary planning stage with no capital committed or capital expenditure projections available as of the Latest Practicable Date. We plan to fund the above initiatives with our own capital and bank loans. As of December 31, 2011, we had capital commitments of RMB1,665.6 million.

The Proposed Acquisition and the Target Business Group

To expand the scale of our coal business in terms of reserves and output and reduce potential competition between Yitai Group and us, we entered into an Assets Transfer Agreement with Yitai Group on May 29, 2012, pursuant to which we will acquire from Yitai Group the Target Business Group after the completion of the Global Offering at a consideration of RMB8,446.5 million, which is arrived at after arm's length negotiation and which is equal to the aggregate fair value of the Target Business Group as of December 31, 2009 as stated in a valuation report prepared by CEA. The total payment made by our Company in connection with the Proposed Acquisition may be subject to adjustment. For more details, see "Relationship with Controlling Shareholders — Proposed Acquisition." We expect to use the net proceeds from the Global Offering to fund the amount of consideration payable to Yitai Group for the Proposed Acquisition.

The Target Business Group includes substantially all of the assets and businesses of Yitai Group that are related to coal production, sales and transportation. As of the Latest Practicable Date, the only condition precedent to the effectiveness of the Assets Transfer Agreement that had not been satisfied was the listing of our H Shares on the Hong Kong Stock Exchange. In addition, the completion of the Proposed Acquisition requires the approval by the IDLR of the transfer of relevant mining rights. Our legal advisors, Jingtian & Gongcheng Attorneys at Law, advised that there is no material legal impediment to our obtaining such approval from the IDLR provided that we submit application documents that are deemed necessary by the IDLR. Under the Assets Transfer Agreement, the Closing Date will be the last day of the calendar month immediately following the date when the necessary approval, i.e. the approval of the IDLR, is obtained. Within five months after the Closing Date or other time frame required by the applicable laws, Yitai Group shall assist us in completing the registration or recording procedures for the transfer of legal ownership of the assets and equity interests in the Target Business Group in accordance with the PRC laws and regulations (e.g. transfer of mining rights, land use right and ownership of buildings) before the Proposed Acquisition can be completed and our Company can obtain the legal ownership of the Target Business Group. Therefore, assuming that the approval from the IDLR will be received within two months from the Listing Date, our Directors believe that the Proposed Acquisition could be completed within eight months from the Listing Date. However, there is no assurance that the approval by the IDLR will be obtained in a timely manner, and the IDLR has discretion on whether or not to grant such an approval. See "Risk Factors — Risks Relating to Our Businesses — There is no assurance that the Proposed Acquisition will be completed within the time frame currently expected or will be completed at all."

The Target Business Group includes the assets of, or equity interests in, the Target Mines, as well as certain other assets and businesses that are related to coal trading, storage and transportation. It is primarily engaged in the production and sale of coal and coal trading, which are substantially similar to our coal operations. The Target Business Group generates revenue primarily from sales of coal produced at the Target Mines and resale of coal purchased from third-party coal companies. Its customers are mainly large-scale industrial customers, particularly power producers. The Target Business Group does not have, and is not planning to build, its own highway, railway or automobile transportation capacity, except for local roads connecting the Target Mines to the nearby highways and loading stations.

The following table sets forth certain detailed information for each of the Target Mines:

	Dadijing	Baoshan	Dingjiaqu	Chengyi	Baijialiang
Background data					
Location	Dongsheng Coalfield				
Date of initial operation	Apr 1, 2008	Jun 1, 2007	Dec 1, 2008	Feb 1, 2009	Jan 1, 2008
Mining area (square kilometers)	11.6	25.0	17.4	5.1	6.5
In-place resource data (as of December 31, 2011)(1) (2)					
Measured coal resources (million tonnes)	7.5	7.4	11.1	5.7	0.1
Indicated coal resources (million tonnes)	63.0	17.9	13.0	2.4	0.6
Inferred coal resources (million tonnes)	—	—	0.3	0.4	—
Reserve data (as of December 31, 2011)(1) (2)					
Total proved and probable recoverable reserves (million tonnes)	54.2	16.0	17.6	5.1	0.5
Total proved and probable marketable reserves(3) (million tonnes)	51.8	14.6	16.3	4.8	0.5
Number of mineable seams	4	1	2	2	1
Average seam thickness (meters)	2.5	3.0	1.9	1.5	3.2
Mine life(4)	21	7	7	4	—
Coal production (million tonnes)					
2009	3.3	1.5	2.2	0.9	1.8
2010	3.8	1.8	2.8	1.1	2.0
2011	4.5	2.2	3.1	0.9	2.1
Average mine operating costs (RMB per tonne)(5)					
2009	103	69	67	94	67
2010	102	82	66	100	72
2011	107	83	67	121	73
Expiry date of the mining right	December 2018	December 2018	December 2018	December 2013(6)	October 2013(6)

(1) All Target Mines have obtained mining rights.

(2) Resources and reserves are reported on a 100% ownership basis for the Target Mines. Yitai Group owns, and we will own upon completion of the Proposed Acquisition, 73% of Yitai Baoshan (Beijing Jielongda Investment Company Limited, an Independent Third Party, owns the remaining 27%), which operates Baoshan Mine, and 73% of Yitai Tongda (Ordos Huijiabao Investment Company Limited, an Independent Third Party, owns the remaining 27%), which operates Dingjiaqu Mine.

(3) Proved and probable marketable reserves equal proved and probable recoverable reserves after accounting for losses during coal preparation and processing at the coal preparation plants.

(4) Mine lives of the Target Mines are estimated from life-of-mine plans, according to the Competent Person's Report.

(5) Composite costs include a weighted average of drill and blast, and fully-mechanized output, in cases where both methods were applied.

(6) According to applicable PRC laws and regulations, a mining right permit can be renewed by filing an extension application at least 30 days prior to the expiry date. We confirm that we will renew the mining right permits for Chengyi Mine and Baijialiang Mine in line with the applicable laws and regulations.

Assuming that the Proposed Acquisition had been completed on January 1, 2011:

- our total marketable reserves as of December 31, 2011 would have increased from 1,147.1 million tonnes to 1,235.0 million tonnes, and our combined 2011 annual production volume would have increased from 35.1 million tonnes to 47.8 million tonnes;

- our total revenue for 2011 would have increased from RMB16,515.8 million to RMB27,002.9 million on a pro forma basis, representing an increase of 63.5%, and 38.8% of such total revenue would have been attributable to the Target Business Group;

- our profit for 2011 would have increased from RMB5,749.3 million to RMB8,229.1 million on a pro forma basis, representing an increase of 43.1%, and 30.1% of such total profit would have been attributable to the Target Business Group. Our profit margin, however, would have decreased from 34.8% to 30.5% for 2011 due to the Target Business Group's lower profit margin during the period. The Target Business Group's profit margin was lower than our profit margin in 2011 primarily because, as the Target Business Group engages in coal trading to maximize its profit, a large portion of the coal sold by the Target Business Group was originally purchased from external suppliers, which has a significantly higher unit cost than that of coal produced at our mines and the Target Mines; and

- Our net assets as of December 31, 2011 would have increased from RMB18,783.4 million to RMB19,035.7 million as a result of the inclusion of (a) the net assets of the Target Business Group after eliminating balances between our Company and the Target Business Group, and (b) the estimated net proceeds from the Global Offering of approximately HK$7,307.4 million (equivalent to approximately RMB5,933.6 million) after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming (i) that the Over-allotment Option is not exercised, and (ii) an Offer Price of HK$48.00 per H Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus. The estimated net proceeds from the Global Offering are translated from HK dollars into Renminbi at the PBOC Rate prevailing on the Latest Practicable Date of RMB0.8120 to HK$1.00. However, without considering the net proceeds from the Global Offering and the other pro forma adjustments, our pro forma net assets as of December 31, 2011 would have decreased by RMB5,865.4 million, which is the difference between the consideration of RMB8,446.5 million and the net assets of RMB2,581.1 million of the Target Business Group as of December 31, 2011.

OUR COMPETITIVE STRENGTHS

We are the largest Local Coal Enterprise in Inner Mongolia and one of the largest coal enterprises in China, with rapid growth during the Track Record Period and potential for rapid future growth

We are the largest Local Coal Enterprise in Inner Mongolia, China, and one of the largest coal enterprises in China, in terms of revenue in 2010, according to the CNCA. We have grown rapidly in recent years, primarily from the successive completion of internal consolidations and technology upgrades in our coal mines. Our total revenue for 2009, 2010 and 2011 was RMB10,252.2 million, RMB13,853.8 million and RMB16,515.8 million, respectively, representing a CAGR of 26.9% from 2009 to 2011.

Our total coal production volume was 26.0 million tonnes, 36.1 million tonnes and 35.1 million tonnes, respectively, for 2009, 2010 and 2011, representing a CAGR of 16.2% from 2009 to 2011. From 2009 to 2011, the CAGR of the total coal production in China was 8.8% and the CAGR of the total coal production in the world was 6.0%, according to the BP Statistical Review 2012. In addition to the sales of self-produced coal, we also purchase a relatively small amount of coal from third-party coal companies for resale. For 2009, 2010 and 2011, we sold 27.7 million tonnes, 35.7 million tonnes and 38.3 million tonnes of coal, respectively, representing a CAGR of 17.6% from 2009 to 2011.

We believe our past operations have established a solid foundation for rapid future growth. We plan to produce 39.7 million tonnes, 44.5 million tonnes and 49.3 million tonnes of coal products in 2012, 2013 and 2014, respectively, representing a CAGR of 11.4% from 2012 to 2014. On the assumption that completion of the Proposed Acquisition had taken place on January 1, 2011, our planned total coal products in 2012, 2013 and 2014 would be 51.1 million tonnes, 55.4 million tonnes and 60.2 million tonnes, respectively, representing a CAGR of 8.5% from 2012 to 2014.

Our large-scale coal production and operations have enabled us to realize significant economies of scale in production efficiency, procurement, sales and marketing and the other main aspects of our business. We believe that large customers, such as major power companies and industrial companies, prefer to purchase coal from large coal companies like us to ensure high quality and stable supply of coal, and reduce their logistical and administrative expenses. Furthermore, as the largest Local Coal Enterprise in Inner Mongolia and one of the largest coal enterprises in China, we believe we are well positioned to take advantage of the favorable government policies at both the local and the national levels and have the potential to attain sustainable growth. See "—We have gained high recognition and policy support from the PRC government, and are ideally positioned in the consolidation of the PRC coal industry" below.

We have an abundant and high-quality coal reserves base with favorable mining conditions and we apply advanced coal-mining technology in our mining operations

We have a large and high quality coal reserves base, with geological and depositary conditions favorable to low-cost mining. Our total proved and probable recoverable coal reserves amounted to 1,432.9 million tonnes as of December 31, 2011. On the assumption that the Proposed Acquisition had been completed as of January 1, 2011, our total proved and probable recoverable coal reserves would have been 1,526.3 million tonnes as of December 31, 2011.

The majority of our coal reserves are deposited in the Dongsheng Coalfield, which is known for the high quality coal deposits and, combined with the adjacent Shenfu Coalfield, is listed by the State Council as one of the 14 large-scale coal production bases in China. According to the Competent Person's Report, the coal deposited in the Dongsheng coalfield is characterized by high caloric value non-caking coal with low sulphur content. Our reserves are generally located in areas with geological conditions and coal characteristics favorable to low-cost mining, such as relatively thick flat-lying coal seams located at relatively shallow depths, stable ground conditions, simple geological structures and low methane gas concentration levels, which significantly reduce difficulties and safety hazards in our mining operations. According to the Competent Person's Report, the physical mining conditions of our operational mines are generally considered among the most favorable observed by BOYD in the world coal mining industry and highly favorable to fully mechanized mining operations such as ours.

Our coal products primarily comprise high-quality thermal coal produced from our own mines with commercially attractive characteristics, including medium to high calorific value, high volatile matter content, low sulphur content, medium to low ash content and low phosphorous content. Because of these attractive characteristics, the majority of our raw coal can be sold without further processing to remove impurities. The high quality of our coal was certified by the China Coal Research Institute, and our coal products have characteristics that are compatible with the technical designs of many major domestic power plants. The high quality of our coal products helps our customers, in particular major domestic power plants, to comply with the environmental protection requirements of the PRC government.

We have carried out successive internal consolidations and technology upgrades in our coal mines, which led to significant increases in production capacity, production equipment mechanization and recovery rate. We use fully mechanized longwall mining systems supported predominantly by roadheader development units. According to the Competent Person's Report, all of our operating mines are equipped with state-of-the-art mining operations.

We believe our abundant and high-quality coal reserves base with favorable mining conditions and advanced coal-mining technology provide us with competitive advantages, which serve as an important basis for our future growth in terms of production capacity, sales and profitability.

We have achieved high production efficiency, low operating cost and high profitability while maintaining an excellent safety record

We believe that our production efficiency ranks at the top tier of the PRC coal industry. With reference to the data in the 2011 Analytical Report on the Top 100 Chinese Coal Enterprises published by the CNCA, we ranked No. 1 in average raw coal output per worker, No. 1 in average revenue per worker, No. 1 in average profit per worker, No. 1 in return on equity and No. 1 in net profit margin among top 20 coal enterprises in China in terms of revenue in 2010. Our high production efficiency and low operating cost are attributable to the following key factors:

- our coal mines have geological and depositary conditions favorable to low-cost mining as described above;
- we have completed internal consolidations and technology upgrades in our coal mines, which have led to significant increases in production capacity, production equipment mechanization and recovery rate;
- we have leveraged our extensive experience in coal mining operations and our management expertise;

- we have implemented an effective performance-based remuneration system and a comprehensive budget control management system that allow us to control the cost of operations effectively; and
- we have established comprehensive and innovative operational management mechanisms, such as the introduction of third-party service providers, a joint venture to centralize mining equipment repair and the creation of trucking services as a separate operation unit, which reduced our staffing and related costs.

We believe production safety is a critical factor to the success of our business and operations. During the Track Record Period, we had maintained a safety record of zero fatalities per million tonnes of coal production. By comparison, the average fatalities per million tonnes of coal production for coal mines in China were 0.89, 0.75 and 0.56 for 2009, 2010 and 2011, respectively, according to the NBSC. We did not experience incidents during the Track Record Period whereby production at any of our coal mines was suspended due to safety issues regarding our own operations. We believe our high safety standards and excellent track record enable us to minimize interruptions to our operations.

We have strengthened our competitive advantage in coal transportation through significant investments in our railway and highway transportation network

A significant portion of coal produced in Inner Mongolia is transported to other provinces in China through outbound railway lines that connect to the national railway system. The transportation capacity on the national railway system is allocated by the MOR by issuing annual quotas. Such allocation does not always satisfy the need for coal transportation, and Inner Mongolia in particular has experienced constant shortage of such transportation capacity in recent years. Therefore, securing national railway transportation capacity significantly facilitates our business growth, allowing us to deliver our coal products to our customers in a cost effective and efficient manner.

Over the years, we have made significant investments in our railway and highway transportation system, and integrated our production, transportation and sales of coal. Currently, we own and operate two local railway lines and a local railway branch line with a total main line length constructed and under construction of approximately 398.3 kilometers, as well as a 122.0-kilometer tollway. In addition, we own and operate strategically located coal loading stations, as well as roads connecting such centers with coal mines. We also hold minority equity interests in four joint venture companies operating railway lines. Furthermore, we have been invited by the MOR to participate in the investment and construction of the coal transportation railway channel from west Inner Mongolia to central China. The transportation railway channel will connect various coal transportation and distribution railways and form a coal express way connecting large coal production bases in the north with inland provinces locate in central and southern China. See "— Coal Operations — Coal Transportation."

Such transportation lines and facilities form an integrated network connecting our mines to the national ground transportation system, which we believe would provide us with a competitive edge in securing allocation of transportation capacity in the national railway system, and facilitate our coal sales to our major customers in China, particularly in the more developed coastal regions. Our transportation network also enables us to reduce and control transportation costs, helps to secure the sales of our coal products and generates revenue from providing transportation services to third parties. We believe our involvement in the construction of the coal transportation railway channel from west Inner Mongolia to central China, which constitutes an essential part of the strategic transport channel of "transporting coal from northern China to southern China," will help us to secure additional transportation capacity, significantly reduce the transportation costs, and eventually increase our competitiveness in these markets.

Leveraging on our transportation network, Yitai Group secured annual quotas of national railway system transportation capacity from the MOR, based on which Yitai Group and we used a total of 27.5 million tonnes, 29.6 million tonnes and 27.4 million tonnes of such capacity for 2009, 2010 and 2011, respectively. Furthermore, the approved quota of transportation capacity from the MOR to Yitai Group for 2012 amounted to 33.0 million tonnes, while the actual transportation capacity of the national railway system to be used by us in 2012 is subject to further adjustments based on our transportation need and the consent of the MOR. We used such quotas to satisfy all our transportation needs. Such quotas were granted free of charge by the MOR to Yitai Group and by Yitai Group to us. See "— Coal Operations — Coal Transportation — Our Transportation Network."

Yitai Group has undertaken in the Non-competition Agreement and the Transportation Quota License Agreement that it will license transportation quota to us for use at nil consideration. See "Relationship with Controlling Shareholders — Competition — Non-competition Agreement" and the "Connected Transactions — Continuing Connected Transaction — Exempt Continuing Connected Transaction — 3. Transportation Quota License Agreement."

We have gained high recognition and policy support from the PRC government, and are ideally positioned in the consolidation of the PRC coal industry

The PRC government has promulgated a number of policies and regulations since 1999 to encourage the integration and reform of the domestic coal industry, such as the Coal Industry Policies, the Notice regarding Further Strengthening the Work on the Elimination of Less-advanced Production Capacities and the *Twelfth Five-year Plan on the Development of Coal Industry*. These policies and regulations were implemented to resolve certain problems arising from small local mining operations, such as low resource utilization and the lack of adequate environmental protection and safety measures, and promote the consolidation of ownership of coal resources and cultivation of 14 coal production bases in China.

In addition to the national policies that support large coal enterprises, on December 15, 2003, the Inner Mongolia government issued the *Guidance Opinion on the Acceleration of Development of Key Coal Enterprises* (the "Guidance"). According to the Guidance, Yitai Group was listed as a key coal enterprise eligible to receive focused support from the Inner Mongolia government. Such support extends to, among others, resources allocation, railway transportation, electricity supply, resources exploitation, project approval and acquisition of small coal mines. The Guidance also stipulated that the Inner Mongolia government supports Yitai Group to become a coal production base with total annual coal sales exceeding 50 million tonnes. In 2010, the total annual coal sales of Yitai Group exceeded 50 million tonnes. In May 2011, the Inner Mongolia government issued the Work Plan on the Merger and Reorganization of Coal Enterprises in Inner Mongolia (the "Work Plan"), which stated that the Inner Mongolia government would strongly encourage and support the merger and reorganization of local coal enterprises. According to the Work Plan, the merger and reorganization work will be carried out from 2011 to 2013. The goals of such merger and reorganization include the reduction of the number of coal enterprises in Inner Mongolia from 551 in 2010 to between 80 and 100 in 2013, and the formation of one to two 100-million-tonne-level coal enterprises, five to six 50-million-tonne-level coal enterprises, and 15 to 16 ten-million-tonne-level coal enterprises. Coal enterprises that reaches certain scales that are formed through merger and reorganization will enjoy a series of government support under the Work Plan, including priority in the allocation of coal resources and railway transportation capacity, as well as fiscal, tax and financial support. Ordos Coal Bureau has issued the Notice Regarding the Confirmation of 100-Million-Tonne-Level Merger Principal in the Merger and Reorganization of Coal Enterprises (E-Mei-Ju-Fa [2011] No.62) in March 2011, which confirmed that Yitai Group had been tentatively confirmed as a 100-million-tonne-level coal enterprise merger and reorganization principal. The *Twelfth Five-year Plan on the Development of Coal Industry* further promotes mergers and reorganizations of coal mining enterprises and development of large-scale enterprise groups, aiming to create ten 100-million-tone-level large coal enterprises and ten 50-million-tone-level large coal enterprises during the period from 2011 to 2015. Currently, we are engaged in preliminary discussions with certain coal enterprises regarding potential cooperation.

As the largest Local Coal Enterprise in Inner Mongolia and a major coal enterprise operating in the Shenfu — Dongsheng Coalfield, one of the 14 large coal production bases in China, we believe we are ideally positioned to leverage the current and future favorable government policies at both the national and local levels to consolidate coal resources, elevate the profitability of such consolidated coal resources, and further expand our scale.

We have completed the construction of the first coal-to-oil demonstration plant using the indirect method in China, which increased the added value of our coal products, extended our coal industrial chain, laid down a basis for our subsequent procurement of coal resources and brought us a new profit growth driver

We are the first enterprise to successfully bring indirect coal-to-oil technologies to an industrial scale in China. We commenced the construction of the demonstration phase of our coal-to-oil project with a designed annual output of 160,000 tonnes of synthetic fuels in May 2006, which successfully produced the first barrel of qualified oil product in China using the indirect coal-to-oil method on March 27, 2009. After three trial runs, the technologies have matured. All product characteristics indicators and consumption indicators have reached or surpassed designed values. In July 2010, China International Engineering Consulting Corporation organized a group of science and technology experts to conduct an on-site survey at Yitai Coal-to-oil, and reached the conclusion that the demonstration phase of the project had advanced and reliable technologies and good economic efficiency. In May 2011, we carried out the first shut-down technological transformation as previously planned, and solved a number of bottleneck issues that had been limiting the increase in production capacity. Currently, this project is in normal operation with the estimated annual production capacity of between 180,000 tonnes and 200,000 tonnes. This project commenced its operations in July 2011, and it is in full-load operation at its designed annual capacity. For 2011, revenue derived from our coal-related chemical operations were approximately RMB677.8 million.

The *Twelfth Five-year Plan on the Development of Coal Industry* has set the orderly development of advanced and demonstrative projects of modern coal-related chemical operations as one of the major tasks. Therefore, we believe that the completion of our first coal-to-oil demonstration plant is in line with China's industrial policies and development trends and gives us first-mover advantages in the coal-related chemical industries in China, which has not only increased the added value of our coal products, extended our coal industrial chain, laid down solid foundation for our expansion of coal reserves and also given us a new profit growth driver.

With our extensive marketing and sales experience, well-recognized brand name, market-oriented business strategies and solid customer relationships, we have built strong coal marketing and sales networks

We have extensive marketing and sales experience. Since our establishment in 1997, we have accumulated marketing and sales experience in the PRC coal industry for over 15 years. Moreover, through the Proposed Acquisition, we will be able to integrate Yitai Group's coal and coal-related marketing and sales networks, stable coal supply from third parties and valuable market experience with ours.

With our high-quality coal products, we have established a strong reputation in the domestic coal market. On June 2, 2006, the "Yitai" brand was recognized as a "Well-known Chinese Brand" by the SAIC, and was the first brand in the Chinese coal industry to receive such recognition. "Yitai processed coal" was awarded National Inspection Exemption by the PRC General Administration of Quality Supervision, Inspection and Quarantine in December 2006, according to the then existing rules, an honour given to products with high quality. The high brand recognition facilitates our marketing efforts and adds to our overall competitive advantages.

We adopt market-oriented business strategies. Through centralized management from our headquarters, we have integrated our well-established sales network with our rich marketing experience and strategically coordinated our sales operations and customer service initiatives, including pricing, quality control, transportation and inspection. We control ten large-scale coal loading stations along the primary coal-transporting railway lines, have arranged for storage yards and transit stations at Qinhuangdao Port, Jingtang Port and Caofeidian Port, as well as sales branches in Beijing, Tianjin, Shanghai, Guangzhou and Qinhuangdao, forming a complete network of coal sales. We provide lump coal, crushed coal and mixed coal products to reach specific coal characteristics to meet different clients' demand. We believe these efforts have not only improved our sales and marketing efficiency but have also created a cost-saving advantage.

We have established long-term relationships with many of our customers. Our high-quality thermal coal products are mainly sold to large-scale industrial customers, particularly power producers, which we regard as the focus of our marketing and sales efforts. Over the years, we have established long-term strategic cooperation relationships with large-scale power and energy companies such as Huaneng Power International, Inc., Datang International Power Generation Co., Ltd., China Guodian Corporation, Huadian Coal Industry Group Co., Ltd., China Resources Power Holdings Company Limited, Baoshan Iron & Steel Co., Ltd., Guangdong Yudean Group Co., Ltd., Shenzhen Energy Group Co., Ltd., Golden Concord Holdings Limited, Shenergy Company Ltd. and Shanghai Electric Power Co., Ltd. Our top five customers accounted for 29.6%, 30.1% and 26.1% of our total revenue for 2009, 2010 and 2011, respectively. Particularly, during past periods when coal price fluctuated significantly, we regarded the maintenance of long-term strategic cooperation relationships as our priority and remained committed to our contractual obligations, which we believe boosted our creditability and won the loyalty of our customers.

We have senior management with extensive experience in the PRC coal business and highly motivated employees

Our senior management comprises a group of highly experienced professionals in the fields of production, transportation and trading of coal, with average industry experience of over 20 years. We believe that our management team possesses in-depth knowledge critical to success in the coal industry and is capable of seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing management and production schemes and increasing our overall profit to maximize our shareholder value. In addition, we have been a listed company in the B share market in the PRC since 1997, and are broadly recognized as one of the leading reputable listed coal producers in China. We believe our management has rich experience regarding the capital market and is focused on creating shareholder value.

We believe we also have loyal, skilled and highly-motivated employees who possess extensive industry experience. Along with our business expansion and technology upgrades, we recruited industry experts to take on mid-level and senior management positions, and continuously strengthened our technical teams through bilateral and college graduates recruitment. We introduced competition mechanisms for promotions and a performance-based remuneration system. We believe that our senior management and employees demonstrate the capabilities required to ensure our sustained development and continued success.

OUR BUSINESS STRATEGIES

The PRC coal industry is currently undergoing a process of resource consolidation and technology upgrades, which favors to the expansion and development of large-scale coal producers. The *Twelfth Five-year Plan on the Development of Coal Industry* adopted the general layout plan of "control the east, stabilize the middle and develop the west," and specified the development goal of forming ten 100-million-tonne-level large coal enterprises for the five-year period from 2011 to 2015. The *Twelfth Five-year Plan on the Development of Coal Industry* also emphasized the railway construction for "transporting coal from western China to eastern China and from northern China to southern China," and clarified one of the key objectives is to develop the advanced and demonstrative projects of modern coal-related chemical operations in an orderly manner and to promote efficient and clean use of coal. We are the largest Local Coal Enterprise in Inner Mongolia and one of the largest coal enterprises in China, and we will, upon the completion of the Proposed Acquisition, own substantially all of the coal operations within Yitai Group, which has been preliminarily chosen to be a principal to carry out mergers and reorganizations to reach 100-million-tonne production level, and Yitai Group was selected as an enterprise to reach over RMB100 billion revenue for strong governmental support. Therefore, we believe we are ideally positioned to leverage the current and future favorable government policies at both the national and the local levels to achieve significant development. Moreover, with extensive operational and managerial experience in coal production, strong marketing and sales capabilities, we seek to leverage our strengths to capture future growth opportunities. In particular, we believe our reliable, sizeable and integrated transportation network would provide us with a competitive edge over our competitors. Through the construction of coal preparation plants, coal-to-oil project and coal-related chemical business, we intend to increase the added value of our coal products, extend our coal industrial chain, and achieve business growth and expansion. We plan to carry out the following strategies, subject to the obtaining of necessary approvals and licenses from the PRC government for certain projects, which we believe will enable us to further strengthen our production base, improve our market competitiveness and enhance our profitability.

Integrate and consolidate internal and external resources, increase production scale and construction of ancillary systems, create a 100-million-tonne-level energy enterprise, and enhance our core competitiveness and market position

We plan to:

- acquire the Target Business Group in accordance with the Assets Transfer Agreement;
- develop Talahao Mine and the ancillary coal preparation plant and special railway line. Talahao Mine is expected to become operational by the second half of 2013 with estimated annual output of 3.0 million tonnes in 2013 and 6.0 million tonnes in 2014. The total projected capital expenditure before the end of 2014 is RMB1,685.0 million, which does not include projected capital expenditure of RMB620 million for village moves that are planned to take place after 2013;

- consolidate and develop Bulamao Mine, which is expected to become operational in the first half of 2013 with an estimated annual output of 1.6 million tonnes in 2013 and 2014, respectively. The total projected capital expenditure before the end of 2014 is RMB324 million;

- carry out open pit strip mining at the room-and-pillar mines area in Nalinmiao by leveraging on the preferential policies on disaster management of room-and-pillar mines, so as to improve the ecological environment protection and management in mining area and to shift from passive management to active prevention, which we have submitted application to the NDRC and expect to achieve an output of 150 million tonnes of coal in the next eight years by increasing output by around 17 million tonnes per year; and

- acquire Yitai Group's 90% equity interest in Yitai Guanglian, which operates Hongqinghe Mine and the ancillary coal preparation plant and special railway line. Hongqinghe Mine is located in Dongsheng coalfield and has a total coal resource deposit of 3,219.4 million tonnes under the relevant PRC coal industry standards, which are different from the JORC Code. The Twelfth Five-year Plan on the Development of Coal Industry has identified Hongqinghe Mine as one of the mines to commence construction between 2011 and 2012. This project has a total estimated annual output of 15 million tonnes of coal and the estimated annual output for phase one is 5 million tonnes. Yitai Group has obtained the NDRC's consent to carry out preliminary preparation work, but has not obtained the NDRC's project approval as of the Latest Practicable Date. Therefore, there is no estimate as to the time of, or projected capital expenditure for, our acquisition of Yitai Group's 90% interests in Yitai Guanglian.

By leveraging and taking advantage of the coal enterprises merger and reorganization policies of the PRC government, the Inner Mongolia and Xinjiang government, we plan to carry out external consolidation and acquisition at the local, regional and cross-regional levels to increase output in the next five years. Specifically, we will:

- by leveraging Yitai Group's having been tentatively chosen to be a principal to carry out mergers and reorganizations and reach 100-million-tonne production level, actively seek opportunities in the merger and reorganization of Inner Mongolia coal enterprises to be carried out from 2012 to 2013 to consolidate coal mining rights, adjacent to our own and through acquisitions of assets and/or equity interests and secure empty zones as well as other planning zones in Inner Mongolia with conditions for development in order to further increase our coal reserves and create a 100-million-tonne-level energy enterprise;

- continue to seek government support in the allocation of resources in Inner Mongolia for coal production and coal-related chemical plants construction in order to increase our reserves; and

- open new front for energy development by leveraging opportunities in the development of the Xinjiang Region. Yitai Group has entered into a strategic cooperation framework agreement with the Xinjiang government regarding the development of coal production and conversion projects. We plan to implement projects involving coal and resources conversion projects in the Xinjiang region, and are currently carrying out coalfield geological exploration work and applications for mining rights.

By implementing our external growth strategy, we will evaluate opportunities based on a wide range of factors, including the geographic location of the mines, quality of the coal reserves, mining conditions and potential synergies with our existing business and operation. We plan to fund the above initiatives using our own capital and bank loans. Through these organic and acquisitive growth strategies, we expect to maintain rapid and sustainable growth in our coal production and achieve greater economies of scale.

In order to satisfy client demand for high quality coal products and to increase the added value of coal products sold by us, and in view of the lack of coal preparation plants in and around the Ordos area, we have constructed, and are constructing, coal preparation plants ("CPPs") that will be tailored to the coal characteristics of specific coal mines. Suancigou CPP at Suancigou Mine with a capacity of 12.0 Mtpa and Zhunge'erzhao CPP near Zhunge'erzhao coal loading station with a capacity of 10.0 Mtpa have commenced operations. Phase III of Suancigou CPP has completed civil construction, and we are constructing another two CPPs at Kaida Mine and Talahao Mine, respectively, each with a designed capacity of 6.0 Mtpa. We expect the above measures to enhance the quality of coal products both produced by us and purchased from third-party coal companies for resale, and increase our competitiveness and profitability.

Expand and upgrade our integrated transportation network and the related infrastructure and further enhance our coal transportation capacity

We plan to increase the capacity of our railway transportation, expand the coverage of our transportation network and upgrade the related infrastructure in synchronization with the expansion of our production capacity, so as to ensure efficient and timely delivery of our coal and coal-related products. To achieve this, we plan to:

- complete the construction of a second track of Phase I of Yitai Zhundong Railway Line, which is expected to be completed in 2012 and the total capital expenditure will be RMB2,263.0 million;
- proceed with the construction of a second track of Huzhun Railway Line, which is expected to be completed in 2013 and the total capital expenditure will be RMB1,840.0 million;
- plan for the construction of a second track of Phase II of Yitai Zhundong Railway Line, of which we have submitted the application to the NDRC;
- proceed with the planning, application for approval and construction of special railway lines for the coal-to-oil project and Talahao Mine at a proper time;
- improve the existing ten coal loading stations along the railway lines, including the development of the Xinghe Dispatching Station with a total warehousing and dispatching capacity of 10 million tonnes in Inner Mongolia to transport coal to markets nearby, as well as Tianjin and Hebei province; and
- as a minority shareholder, continue to participate in the relevant railway joint ventures, in particular our involvement in the investment in and construction of the railway line from west Inner Mongolia to central China, which constitutes an essential part of the strategic transport channel of "transporting coal from northern China to southern China" under the *Twelfth Five-year Plan on the Development of Coal Industry*, and seek to secure and increase the transportation capacities of the relevant railway lines allocated to us.

Through the above strategies, Huzhun Railway Line will achieve dual-track operation between Zhoujiawan and Togtoh, and Yitai Zhundong Railway Line will achieve dual-track operation between Zhoujiawan and Hushi. These two connected railways will meet the requirements for the operation of 10,000-tonne rail train units throughout and achieve significant upgrades in transportation capacity. We estimate that the carrying capacity of Yitai Zhundong Railway Line and Huzhun Railway Line will reach 64.0 Mtpa and 39.0 Mtpa, respectively in 2012, and reach 150.0 Mtpa and 128.0 Mtpa, respectively, around 2020. With the future completion of Zhunshuo, Mengji, Xin Baoshen and south Ordos railway lines, which connect to Yitai Zhundong and Huzhun railway lines and in which we hold minority interests, our railway transportation network will connect Dazhun and Daqin Railway Lines in the east, Xin Baoshen Railway Line in the west, Jingbao Railway Line and Mengji Railway Line in the north and Zhunshuo Railway Line and South Ordos Railway Line in the south, forming a network centered on the Dongsheng and Zhunge'er Coalfields and connected in all four directions. In addition, by investing and participating in the construction of the railway line from west Inner Mongolia to central China, we will further expand our transportation network to southern China, establishing a shortcut connecting the energy industry zone of west Inner Mongolia with inland provinces located in central and southern China.

Alongside the expansion of our railway transportation network, we plan to construct highways ancillary to our coal mines, as well as increase and adjust the capacities of our existing coal loading stations and build new coal loading stations. We also plan to increase the overall efficiency of our transportation network through regular maintenance and proper upgrades. In the next five years, our overall railway transportation capacity is expected to exceed 100 million tonnes.

Enhance research on, and implementation of, coal-related chemical projects, increase the added value and technology component of products, and extend our coal industrial chain

As part of our plan for expansion into downstream value chain of the coal industry in China, we will continue to leverage our abundant coal reserves and our cooperation with Synfuels China regarding the licensing of the relevant technologies and the provision of certain products to improve our coal-related chemical operations, with a focus on the development of high value-added coal product series. Based on our success in the coal-to-oil project, we plan to expand our coal-related chemical operations into the second phase in the next five years, which includes:

- Yitai Yili's 1.0 Mtpa coal-to-oil project;
- Yitai Xinjiang's 1.8 Mtpa coal-related chemical project; and
- Yitai Chemical's 1.2 Mtpa coal-related chemical project.

Although all of the three projects are at preliminary stages and have not obtained the approvals from the NDRC, we have obtained confirmation from the local arms of the NDRC approving us to begin preliminary works. For Yitai Yili's project, we have completed the detailed geological research report of Aermale in Chabuchar County and the preliminary report of Nilekewulasitai in Chabuchar County. The in-place resource is estimated to be 2.6 billion tonnes under the relevant PRC coal industry standards, which are different from the JORC Code. For Yitai Chemical's project, the Ordos Government agreed in October 2009 to reserve 6.0 billion tonnes of coal resources under the relevant PRC coal industry standards, which are different from the JORC Code. For details, please see "Business — Coal-Related Chemical Operations — Future Plans."

We believe that these coal-related chemical projects will place us at an advantageous position to obtain new coal resources under the *Twelfth Five-year Plan on the Development of Coal Industry* and the policy of the local governments of Inner Mongolia and Xinjiang, which favors the allocation of coal resources to enterprises with large-scale and technologically advanced coal conversion projects.

We will also continue to leverage our stable supply of coal to facilitate the integration of coal production and power generation in our cooperation with power generation companies.

Maximize our profitability by further improving efficiency and controlling costs in our coal operations

We view efficiency and cost control as critical elements for maximizing our profitability and maintaining our competitiveness. Over the years, we have established comprehensive cost control systems. The efficiency of our coal operations has been further improved through the consolidation of our coal mines and upgrades of our technology and equipment. In order to further improve coal operation efficiency and control costs in the future, we intend to:

- continue to utilize and develop advanced mining equipment and technology, adopt advanced mining methods based on the geologic conditions of specific coal mines and increase mechanization and recovery rate;
- further improve the coal mine budget management system and the enforcement of performance evaluation and the reward and penalty mechanism, improve our management through information technologies and control operational costs;
- strengthen the cooperation with third-party service providers and repair services providers, such as schools and hospitals, and broaden the scope of such cooperation, reduce the social functions borne by us, elevate our specialization in the mining business and ensure our efficient and low-cost operation based on precision management; and
- further increase the size of our coal mine operations through the implementation of both organic and acquisitive growth strategies to achieve greater economies of scale.

Enhance the effectiveness of our marketing and sales efforts, as well as our operational, financial and human resources management

With a broad customer base and extensive marketing experience gained from years of operation, we intend to further secure stable and long-term orders from large customers and diversify our coal product portfolio to capture profitable growth opportunities. We plan to:

- balance our coal sales by pursuing both long-term supply contracts and sales in the spot market to maintain our flexibility to capture market opportunities;
- cultivate and maintain a stable and loyal customer base, build strategic partnerships with large customers;

- diversify our product mix and develop new, high value-added coal products; and
- stabilize product quality and uplift service standards, promote and strengthen our "Yitai" brand and our reputation for quality coal in the domestic market.

Through our past experience, we have devised, and accumulated extensive experience in, a set of target management methods. We set profit targets and cost control targets for each of the coal production and sales, transportation, coal-to-oil and other business segments, and link remuneration with performance. We intend to:

- build and maintain our financial strength through careful management of key financial and operational measures such as capital expenditures and cash flows;
- enhance the target management methods and the comprehensive budget management system;
- further improve the implementation of the internal control system, including the risk alert mechanism;
- ensure strict compliance with the rules and processes regarding investment decisions and increase accountability; and
- enhance performance evaluation, optimize the remuneration and incentive system for our employees.

Continue to improve production safety and fulfil our environmental and social responsibilities

Production safety will remain our first priority. We will focus on prevention measures and take a comprehensive approach to ensure workers' health and safety, including continuous investments in production safety and the construction of production safety facilities; strict implementation of safety rules; safety education among our employees to promote awareness; and strict on-site control and process management. We and certain of our subsidiaries have obtained the occupational health and safety management system certification issued by the China Academy of Safety Science And Technology.

We believe in sustainable development and regard environmental maintenance as a major responsibility. We recently obtained ISO 14001 environmental system certification, recycle and decontaminate waste materials more effectively; ensure strict implementation of concurrent environmental impact evaluation, preservation planning and environmental protection facilities construction in relation to project construction; strengthen protection of ecosystem and water resources; further increase resources utilization rate; and rehabilitate land at our mines, carry out subsidence trough reclamation and improve vegetation along our railways and highways.

Over the years, we have received wide recognition for our efforts in fulfilling our social responsibilities. We have been supporting local education, infrastructure, cultural initiatives for ethnic minorities and other charitable causes. We will remain committed to our social responsibilities and strive for mutually beneficial relationships with all our stakeholders.

The effective implementation of the above strategies will further strengthen our production base, improve our market competitiveness and enhance our profitability. The estimated capital expenditures of certain items in our strategies, including the construction of the coal preparation plants and the expansion and upgrade of our integrated transportation network and the related infrastructure, have been included in our estimated capital expenditure for 2012, for details of which see "Financial Information — Capital Expenditures." Certain other initiatives in our business strategies, including without limitation the following, are still in the preliminary planning stage and the amount to be invested and the timing of commencement of such activities cannot be ascertained at the moment. Therefore they have not been included in our estimated capital expenditures in 2012:

- to carry out relocations of existing villages in the vicinity of Talahao Mine, which are planned to take place after 2014;
- to implement comprehensive projects in Xinjiang region and seek opportunities to consolidate adjacent coal mines;
- to construct the second phase of the coal-to-oil project and carry out coal-related chemical operations such as the production and sale of synthetic lubricating oil, synthetic wax and solvent naphtha; and
- to construct highways ancillary to our mines.

PRINCIPAL BUSINESS ACTIVITIES

Our principal operations include:

- Coal operations, which are our core business and mainly include the production, transportation and sale of coal;
- Transportation operations, through which our company and our subsidiaries provide coal transportation service to third parties, other than coal transportation service for the sale of our own coal;
- Coal-related chemical operations which mainly include the production and sale of coal-based synthetic fuels and other coal-related chemical businesses; and
- Other operations, which mainly include the development, production and sales of traditional Chinese medicine.

Please refer to "— Overview" for the contributions by each of our operating segments in terms of revenue and as a percentage of our total revenue during the Track Record Period.

COAL OPERATIONS

Our coal operations revenue is primarily generated from sales of self-produced coal and a relatively small percentage of our revenue is generated from resale of coal purchased from third-party coal companies. We purchase coal from third-party coal companies mainly to optimize our product mix, meet specific requirements of our customers and thereby maximize our profit. We sell all of our coal in the PRC. The following table sets forth information on the volume of coal sold in the periods indicated(1):

	Year ended December 31,					
	2009		2010		2011	
	Million tonnes	%	Million tonnes	%	Million tonnes	%
Self-produced coal	26.0	93.9	35.5	99.4	33.7	88.0
Coal purchased from third parties	1.7	6.1	0.2	0.6	4.6	12.0
Total	**27.7**	**100.0**	**35.7**	**100.0**	**38.3**	**100.0**

(1) As our inventory changes from time to time, self-produced coal (or coal purchased from third parties) sold in a particular year may not equal coal produced (or purchased) in that year.

Our Coal Mines

We have seven operational mines and two mines under development, all of which are underground mines. These mines are located at the Dongsheng Coalfield and the Zhunge'er Coalfield in Inner Mongolia, China. As of December 31, 2011, we had total proved and probable recoverable reserves of 1,432.9 million tonnes and marketable reserves of 1,147.1 million tonnes. Our reserves generally have geological conditions and coal characteristics favorable to low-cost mining, such as relatively thick flat-lying coal seams located at relatively shallow depths, stable ground conditions, simple geological structures and low methane gas concentration levels, which significantly reduce the difficulties and safety hazards of our mining operations. According to the Competent Person's Report, the physical mining conditions of our operational mines are generally considered among the most favorable observed by BOYD in the world coal mining industry and highly favorable to fully mechanized mining operations such as ours.

As part of our efforts to improve operating efficiency and to implement the PRC government's initiatives on improving the efficiency of resources utilization, occupational health and safety, we carried out successive consolidations and technology upgrades in our coal mines from 2005 to 2008. These consolidations and technology upgrades primarily involved consolidating two or more small coal mines or production portals into a larger coal mine or production portal, expanding or otherwise restructuring production portals, changing mine layouts, adopting the fully mechanized longwall mining method, and/or upgrading the ventilation system and other equipment used in the mining process.

All of our seven operational mines, except for Suancigou Mine, underwent such consolidation and technology upgrade, which led to increased production capacity, production equipment mechanization and recovery rate. Prior to the consolidations and technology upgrades, our mines used the traditional room-and-pillar mining method. Under the room and pillar mining method, coal is removed from a mining face while pillars are left between mining areas to support the roof. Comparatively, the room-and-pillar mining method requires less investment and incurs lower average operating costs, but is less efficient and has a much lower recovery rate than the longwall mining method. After the completion of the consolidations and technology upgrades, all of our operational mines began to use the highly mechanized longwall mining method, which enabled us to extract substantially all coal of mining faces without having to leave a significant portion of coal as pillars. Suancigou Mine began using the highly mechanized longwall mining method upon completion of its construction and therefore did not need to undergo consolidation or technology upgrade. According to the Competent Person's Report, all of our operational mines are fully mechanized, technologically advanced mining operations.

From 2006 to 2011, our coal output increased from 9.7 million tonnes to 35.1 million tonnes. Accordingly, our mechanization ratios of our mines increased from under 50% to above 95%; and the overall mining-zone recovery rates increased from under 50% to around 80%. The following table sets forth the information on our coal production using different methods:

	2006		2007		2008		2009		2010		2011	
Mine	Drill & Blast	Longwall Mining	Drill & Blast	Longwall Mining	Drill & Blast	Longwall Mining	Drill & Blast	Longwall Mining	Drill & Blast	Longwall Mining	Drill & Blast	Longwall Mining
						(million tonnes)						
Suancigou	—	—	—	0.58	—	1.46	—	6.36	—	8.18	—	8.38
Nalinmiao No. 2	3.30	—	1.77	4.49	—	6.13	—	6.90	—	8.14	—	8.12
Hongjingta No. 1	3.57	—	2.81	1.65	0.75	5.51	—	7.51	—	8.19	—	7.25
Nalinmiao No. 1	2.05	—	1.23	—	0.14	1.75	—	2.37	—	5.78	—	6.62
Yangwangou	0.06	—	0.25	—	0.40	—	—	0.25	—	1.38	—	0.97
Fuhua	—	—	—	0.04	—	0.62	—	1.21	—	1.33	—	1.37
Kaida	0.75	—	0.92	—	—	1.44	—	1.44	1.17	1.96	0.68	1.70
Subtotal	9.73	—	6.98	6.76	1.29	16.91	—	26.04	1.17	34.96	0.68	34.41
Total		**9.73**		**13.74**		**18.20**		**26.04**		**36.13**		**35.09**

Please see "— Overview — Our Coal Operations" for a table setting forth certain detailed information for each of our nine mines.

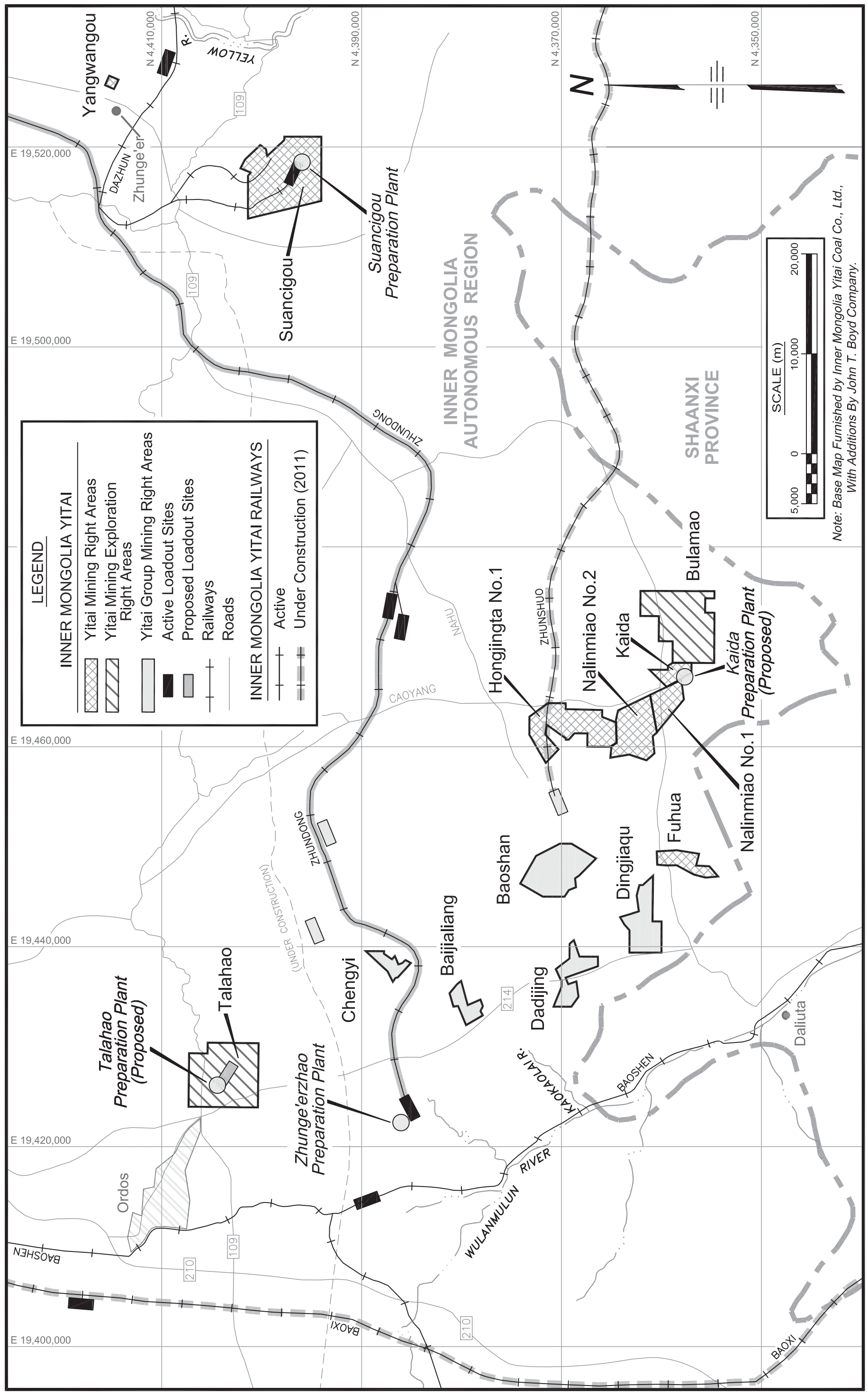
Sustaining capital based on projected raw coal output is RMB4 per tonne, which is at the lowest end of the range of likely requirements to support the projected output in the opinion of BOYD.

Our mines produce high quality thermal coal with attractive commercial characteristics, including medium to high calorific value, high volatile matter content, low sulphur content, medium to low ash content and low phosphorous content. The following table sets out their quality characteristics based on our coal test report data (as-received basis):

Quality Characteristic	Suancigou	Nalinmiao No.2	Hongjingta No.1	Nalinmiao No.1	Yangwangou	Fuhua	Kaida
Moisture content (%)	9.7	14.1	14.4	13.1	10.3	15.0	14.8
Ash content (%)	28.3	6.9	7.4	5.7	27.1	7.3	4.7
Sulfur content (%)	0.4	0.2	0.2	0.1	0.9	0.4	0.2
Volatile matter content (%)	25.9	27.9	28.1	27.8	24.2	25.5	28.5
Gross calorific value (Kcal/kg)	—	6,050	5,970	6,220	—	6,020	6,250
Net calorific value (Kcal/kg)	4,340	5,790	5,700	5,960	4,270	5,760	5,980

Note: Based upon coal quality test data from July to December 2011 provided by our Company, which may not reflect typical analysis.

The following map shows the location of our mines and the Target Mines:



Suancigou Mine

Suancigou Mine, our largest operational mine by marketable reserves and production capacity, is located in the central area of the Zhunge'er Coalfield in Inner Mongolia. It had total marketable reserves of 458.8 million tonnes as of December 31, 2011 and an assessed annual production capacity of 12 million tonnes. There are four primary coal seams with a thickness of between 3.1 and 12.7 meters. We operate

Suancigou Mine through Yitai Suancigou, our 52% subsidiary, which wholly owns Suancigou Mine. Jingneng Power and Shanxi Yudean each holds a 24% equity interest in Yitai Suancigou. Construction at Suancigou Mine was completed in August 2008, when we commenced trial production.

Suancigou Mine produces thermal coal with medium to high calorific value, medium to low sulphur content, medium ash content, high hardness and high ash melting points, a characteristic particularly attractive to many power plants in China with generators designed to use only coal of high ash melting points.

We have a coal preparation plant at Suancigou Mine, which used the dense medium cyclone method to process coal. See "— Coal Preparation Plants."

We also have a dedicated coal transportation railway line, the Suanzhou Railway Line, that directly connects the Suancigou Mine with our Yitai Zhundong Railway Line. Most of the coal produced at the Suancigou Mine will be directly loaded onto railway cars and shipped out through the Suanzhou Railway Line and further through the Yitai Zhundong Railway Line. See "— Coal Transportation."

Nalinmiao No. 2 Mine

Nalinmiao No. 2 Mine is located in the Dongsheng Coalfield, with total marketable reserves of 63.9 million tonnes as of December 31, 2011 and an assessed annual production capacity of 5.0 million tonnes. It has three primary coal seams with a thickness of between 2.4 and 6.4 meters.

Hongjingta No. 1 Mine

Hongjingta No. 1 Mine is located in the Dongsheng Coalfield, with total marketable reserves of 35.9 million tonnes as of December 31, 2011 and an assessed annual production capacity of 6.1 million tonnes. It has two primary coal seams with a thickness of between 2.4 and 5.7 meters.

Nalinmiao No. 1 Mine

Nalinmiao No. 1 Mine is located in the Dongsheng Coalfield, with total marketable reserves of 9.3 million tonnes as of December 31, 2011 and an assessed annual production capacity of 6.4 million tonnes. It has three primary coal seams with a thickness of between 1.9 and 5.9 meters.

Yangwangou Mine

Yangwangou Mine is located in the Zhunge'er Coalfield, with total marketable reserves of 5.8 million tonnes as of December 31, 2011 and an assessed annual production capacity of 1.4 million tonnes. It has two primary coal seams with a thickness of between 2.9 and 10.8 meters.

Fuhua Mine

Fuhua Mine is located in the Dongsheng Coalfield, with total marketable reserves of 2.5 million tonnes as of December 31, 2011 and an assessed annual production capacity of 1.3 million tonnes. It has one primary coal seam with a thickness of 2.0 meters.

Kaida Mine

Kaida Mine is located in the Dongsheng Coalfield, with total marketable reserves of 4.2 million tonnes as of December 31, 2011 and an assessed annual production capacity of 1.6 million tonnes. It has two primary coal seams with a thickness between 1.7 and 2.3 meters.

In April 2006, we consolidated into Kaida Mine a mine owned by Ordos Huayuan Coke Co., Ltd. (鄂爾多斯市華源煤焦有限責任公司). As a result, Ordos Huayuan Coke Co., Ltd. acquired a 30% interest in the consolidated mine while we held the remaining 70% interest. In April 2008, we purchased from Ordos Huayuan Coke Co., Ltd. its 30% interest in the mine for RMB81.4 million.

Talahao Mine and Bulamao Mine

We are developing two additional mines in the Dongsheng Coalfield, Talahao Mine and Bulamao Mine. Talahao Mine had total marketable reserves of 550.2 million tonnes as of December 31, 2011. We have obtained the confirmation letter from NDRC approving us to commence preliminary work based on an annual production capacity of 6.0 million tonnes. We have obtained all prerequisite approvals and are waiting for NDRC's approval. Currently, ground civil engineering work has began in full scale, equipment is being delivered to the site, and preparation work has completed for the engineering and construction of the three tunnels of the mine. We expect Talahao Mine to become operational by the second half of 2013, with an annual output of 6.0 million tonnes (output in 2013 is expected to be 3.0 million tonnes).

Bulamao Mine had total marketable reserves of 16.8 million tonnes as of December 31, 2011. Subject to our obtaining necessary governmental approvals and permits, we expect Bulamao Mine to become operational in 2013, with an estimated annual output of 1.6 million tonnes in 2013.

For Talahao Mine and Bulamao Mine, we have obtained approval from the MLR for the demarcation of the mining area to formulate our production plan for the purpose of applying for the mining right permits, and we plan to apply for the mining right permits from the MLR in due course. Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised that there is no material legal impediment to obtaining the relevant mining rights provided that we submit application documents in compliance with applicable laws and regulations to the MLR to apply for the grant of the relevant mining rights and the issuance of the relevant mining right permits, and that we will not need to pay a mining right price as we have already paid the exploration right price in full and there has been no subsequent investment by the government in these two mines. However, we still need to pay the mining right royalty at a rate of RMB1,000 per square kilometer per annum after we have obtained the mining rights for the two mines. We cannot legally produce coal from Talahao Mine and Bulamao Mine before obtaining the relevant mining right permits and the other relevant permits and licenses.

Coal Preparation Plants ("CPPs")

It is a common practice in the coal industry to wash coal to remove gangue material from raw coal to achieve specific thermal contents, as well as particular chemical and physical properties. In order to satisfy client demand for high quality coal products and to increase the added value of coal products sold by us, and in view of the lack of CPPs in and around the Ordos area, we have constructed, and are constructing, CPPs that will be tailored to the coal characteristics of specific coal mines. CPPs help us to better meet customer demand with customized products and thus improve the competitiveness of our coal products and our profit margin. As of the Latest Practicable Date, we operate two CPPs, and are constructing two more CPPs.

Suancigou CPP

Suancigou CPP is located at Suancigou Mine, with a capacity of washing 12.0 Mtpa of coal. Phase I of the plant, a jig-equipped plant with two jig circuits for processing coarse coal sizes, began operation in August 2008. Phase II of the plant, which uses dense media methods, began operation in February 2010. Phase III of the plant has completed civil construction, and will expand the dense media plant processing capacity to 16.0 Mtpa. The processing equipment for Phase III has not yet been purchased, as the expanded 16.0 Mtpa processing capacity will be needed only in 2013 and beyond with the increase in output at our Suancigou Mine. We plan to use Suancigou CPP to mainly wash coal produced at Suancigou Mine, and consider the capacity of Suancigou CPP to be sufficient for such purpose.

Zhunge'erzhao CPP

Zhunge'erzhao CPP is located at Zhunge'er Banner, Inner Mongolia, and is designed to wash 10.0 Mtpa of coal. In addition to its processing capacity, the facility has capability for coal storage and blending with multiple product silos. Zhunge'erzhao CPP is located adjacent to the Zhunge'erzhao loading station, where the coal products can be loaded onto our Zhundong Railway Line. This plant commenced trial operation in June 2010.

Kaida CPP and Talahao CPP

We commenced the construction of Kaida CPP at Kaida Mine in August 2010, which has a designed capacity of washing 6.0 Mtpa of coal. We expect to commence trial operation of Kaida CPP in July 2012.

We also will start the main wash building construction of Talahao CPP at Talahao Mine in April 2012, which also has a designed capacity of washing 6.0 Mtpa of coal. We expect to commence trial operation of Talahao CPP in June 2013.

Relevant Rights and Permits

Coal mining enterprises in China must obtain for each coal mine, among other things, a mining right permit, a safe production permit and a coal production permit to conduct coal mining activities. The safe production permit and the coal production permit can only be obtained after the mining right permit is granted. Registered holders of mining right permits are required to pay mining right premiums and taxes to the government.

Where residual reserves remain after the term of the mining right expires, the holders of such mining right have a pre-emptive right to apply for extensions for additional terms, according to the mineral resources regulations of the PRC and corresponding regulations. There is no minimum residual reserve requirement for the renewal of mining rights, provided that any residual reserves remain. Apart from the remaining proved and probable reserves within a mining area, there are no additional mining right premiums required or any other conditions affecting the application for extension for additional terms provided that the holder of such mining rights has fulfilled all of its obligations. If any of our mines has any residual proved and probable reserves when its mining right permit expires, we intend to submit an application to renew the mining right permit. Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised us that under the current PRC laws and regulations there would be no material legal impediments in renewing our mining rights for our operational mines when any of them expire.

The following table sets forth details of our mining right permits, safe production permits and coal production permits.

	Mining Right Permit			Safe Production Permit		Coal Production Permit	
Mine	Holder/permit number	Permit date (month/year)	Validity period	Permit date[2]	Validity period	Permit date[3]	Validity period
Suancigou	Yitai Suancigou/ C100000200912112005070 2	December 2009	From December 2009 to December 2033 (24 years)	April 2012	From April 2012 to April 2013	July 2010	From July 2010 to June 2092
	Yitai Suancigou / C1000002009121110050703	December 2009	From December 2009 to April 2038 (29 years)				
Nalinmiao No. 2	The Company/ C1500002010071120074300	July 2011	From July 2011 to July 2015 (4 years)	October 2008	From October 2008 to October 2012[4]	September 2009	From September 2009 to July 2026
Hongjingta No. 1	The Company/ 1000000610111	September 2006	From September 2006 to September 2036 (30 years)	May 2011	From May 2011 to May 2013	September 2009	From September 2009 to May 2023
Nalinmiao No. 1	The Company/ C1500002010121120092411	November 2011	From November 2011 to November 2019 (8 years)	April 2012	From April 2012 to April 2013	April 2010	From June 2009 to April 2013
Yangwangou	The Company/ C1000002009021120004801	September 2009	From September 2009 to June 2015 (6 years)	March 2011	From March 2011 to March 2013	April 2010	From April 2009 to April 2016
Fuhua	The Company/ C1500002010111120079869	June 2011	From June 2011 to November 2013 (2 years)	March 2011	From March 2011 to March 2013	April 2010	From April 2009 to April 2013
Kaida Mine	The Company/ C1500002010121120092414	June 2011	From June 2011 to June 2013 (2 years)	May 2011	From May 2011 to May 2013	April 2010	From June 2009 to December 2013
Talahao Mine[1]	N/A	To be applied	N/A	To be applied	N/A	To be applied	N/A
Bulamao Mine[1]	N/A	To be applied	N/A	To be applied	N/A	To be applied	N/A

(1) We have obtained approval from MLR for the demarcation of mining area to formulate our production plan for the purpose of applying for the mining right permits in respect of Talahao Mine and Bulamao Mine. We will apply for such mining right permits from the MLR in due course and expect to obtain them no earlier than in the second half of 2012. Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised that there is no material legal impediment to obtaining the relevant mining rights and that we

will not need to pay a mining right price provided that we submit application documents in compliance with applicable laws and regulations to the MLR to apply for the grant of the relevant mining rights and the issuance of the relevant mining right permits, as we have already paid the exploration right price in full and there has been no subsequent investment by the government in these two mines. However, we still need to pay the mining right royalty at a rate of RMB1,000 per km^2 per annum after we have obtained the mining rights for the two mines. We cannot legally produce coal from Talahao Mine and Bulamao Mine before obtaining the relevant mining right permits and the other relevant permits and licenses.

(2) Safe production permits typically have validity periods of three years and may be renewed.

(3) Coal production permits have various validity periods and may be renewed.

(4) We confirm that extension of safe production permit of Nalinmiao No. 2 Mine will be completed in line with applicable laws and regulations.

We and two of our subsidiaries, Yitai Tiedong and Huhhot Yitai Coal Sales, have obtained coal trading permits issued by Inner Mongolia Coal Industry Bureau, information concerning which is set out in the following table:

Entity	Registered number	Allowed type of operation	Validity period
Company	20152723010007	Wholesale of coal	From June 2010 to April 2013
Yitai Tiedong	20152723010008	Wholesale of coal	From June 2010 to April 2013
Huhhot Yitai Coal Sales . . .	20150104010604	Wholesale of coal	From August 2009 to December 2012

According to PRC law, coal enterprises holding coal production permits are not required to obtain coal trading permits for the sales of coal produced or processed by themselves. Therefore, we do not need to apply for coal trading permits for the Target Mines in relation to their coal production businesses.

Over-production

PRC coal enterprises are required by PRC laws and regulations not to carry out coal production in excess of the assessed annual production capacity (the "Assessed Capacity") recorded on the safe production permits and coal production permits of the relevant coal mines. Breach of such laws and regulations may result in penalties being imposed by the relevant government authorities, which may include the suspension of production of the relevant coal mine for rectification, a fine of no more than RMB2,000,000 on the coal mine or a fine of no more than RMB150,000 on the mine manager and other administrative penalties. In accordance with our internal control system, our supervising staff receive daily production reports with daily production volume information, which enables us to closely monitor and manage our coal production volume and ensure compliance with the relevant laws and regulations. We consider our internal control system to be generally effective.

Successive internal consolidations and technology upgrades have been carried out at our coal mines and the Target Mines from 2005 to 2008, which led to significant increases in their actual production capacities. However, an application for increased Assessed Capacities can only be made after the completion of the trial production period and the preparation of a production capacity assessment report by a professional firm designated by the relevant government authority and engaged by us. To prepare such a report, the professional firm needs to conduct thorough research and schedule on-site visits, and the whole process can take up to six months. Once the application is submitted, the government authority may also arrange site visits by experts for the purpose of verification, and the approval process may again take time. The trial production of our coal mines and the Target Mines after the internal consolidation and technology upgrades, as well as their production during the application process for increased Assessed Capacities, caused a total of ten, six and nine of such mines' annual production volume in certain years to exceed the relevant Assessed Capacities in 2009, 2010 and 2011, respectively, as shown in the table below.

To resolve the over production issue as described above, Yitai Group and we started to liaise with the relevant government authorities and prepare for the compilation of the relevant production capacity assessment reports in mid 2009 regarding certain of our mines and the Target Mines in order to increase the Assessed Capacities as recorded in the coal production permits. In September 2009 and April 2010, Inner Mongolia Coal Industry Bureau issued coal production permits with increased Assessed Capacities for certain of our mines and the Target Mines. The following table sets forth certain information on the Assessed Capacities as recorded in the coal production permits and actual production volumes of the Twelve Mines during the periods indicated:

Mine	2009		2010		2011		2012	
	Annual production volume	Applicable Assessed Capacity	Annual production volume	Applicable Assessed Capacity	Annual production volume	Applicable Assessed Capacity	Actual production volume*	Applicable Assessed Capacity
	(Million tonnes)							
Our operating mines	**26.0**	**27.1**	**36.1**	**33.8**	**35.1**	**33.8**	**7.6**	**33.8**
Suancigou	6.4	12.0	8.2	12.0	8.4	12.0	2.7	12.0
Nalinmiao No. 2	6.9	6.3	8.1	5.0	8.1	5.0	1.7	5.0
Hongjingta No. 1	7.5	6.1	8.2	6.1	7.3	6.1	1.5	6.1
Nalinmiao No. 1	2.4	1.2	5.8	6.4	6.6	6.4	0.8	6.4
Yangwangou	0.2	0.6	1.4	1.4	1.0	1.4	0.2	1.4
Fuhua	1.2	0.3	1.3	1.3	1.4	1.3	0.2	1.3
Kaida	1.4	0.6	3.1	1.6	2.4	1.6	0.4	1.6
Target Mines	**9.6**	**4.5**	**11.5**	**10.3**	**12.7**	**10.3**	**2.4**	**10.3**
Dadijing	3.3	1.2	3.8	3.0	4.5	3.0	0.7	3.0
Baoshan	1.5	1.2	1.8	1.9	2.2	1.9	0.6	1.9
Dingjiaqu	2.2	1.2	2.8	2.3	3.1	2.3	0.9	2.3
Chengyi	0.9	0.6	1.1	1.2	0.9	1.2	0.0	1.2
Baijialiang	1.7	0.3	2.0	1.9	2.1	1.9	0.3	1.9

* Actual production volume in 2012 refers to the actual production volume of each mine as of March 31, 2012.

During the time of the application process for increased Assessed Capacities, we continued to make technology improvements at our coal mines, and the geographical conditions for mining at certain of our coal mines improved with the progress of mining activities, which contributed to further increases in production volumes. As a result, the production volume of certain of the Twelve Mines exceeded their respective increased Assessed Capacities for 2010 or 2011. Both Yitai Group and our Group have submitted applications in March 2011 to the Ordos Coal Bureau to further increase the Assessed Capacities as recorded on the coal production permits for the Twelve Mines. However, since coal mine restructuring is under process in Inner Mongolia pursuant to the national policy, the Ordos Coal Bureau has ceased to review any new application for assessing coal production capacities and issuing coal production permits. The Inner Mongolia Coal Industry Bureau has authorized the Ordos Coal Bureau to regulate and monitor the actual production volume at mines in Ordos by issuing coal sales permits, according to which the actual production volume of a coal mine shall not exceed the limit recorded on its coal sales permit. As confirmed by the letter dated February 11, 2012 issued by the Ordos Coal Bureau, the total volume of coal that we were allowed to sell by the Ordos Coal Bureau as recorded on the coal sales permits was 26.0 million tonnes, 36.1 million tonnes and 35.1 million tonnes for 2009, 2010 and 2011, respectively, and the total volume of coal that the Target Business Group was allowed to sell by the Ordos Coal Bureau as recorded on the coal sales permits was 9.6 million tonnes, 11.5 million tonnes and 12.7 million tonnes for 2009, 2010 and 2011, respectively.

On March 16, 2012, the Inner Mongolia Coal Industry Bureau issued a confirmation letter and further confirmed that it has received Yitai Group's and our applications for increasing the Assessed Capacity of our mines through the Ordos Coal Bureau; however, since Yitai Group, our Controlling Shareholder, is undertaking its restructuring in accordance with the policies of the Inner Mongolia government to initiate the mine restructuring in Inner Mongolia, the Ordos Coal Bureau and the Inner Mongolia Coal Industry cannot review our applications and make a decision by the end of 2012, when the above-mentioned restructuring is expected to be completed; therefore, it has authorized the Ordos Coal Bureau to ratify the capacity of each of the Twelve Mines by issuing coal sales permission and approving the actual capacity of each of the Twelve Mines exceeding the current Assessed Capacities as recorded on their coal production permits. Moreover, as confirmed by the letter dated May 14, 2012 issued by the Ordos Coal Bureau, the total volume of coal that we were allowed to produce and sell by the Ordos Coal Bureau as recorded on the coal sales permits was 7.6 million tonnes for the three months ended March 31, 2012, and the total volume of coal that the Target Business Group was allowed to produce and sell by the Ordos Coal Bureau as recorded on the coal sales permits was 4.0 million tonnes for the three months ended March 31, 2012.

Our PRC legal advisors, Jingtian & Gongcheng Attorneys at Law, have advised us that under PRC regulations a higher governmental authority is legally entitled to have superior rights to supervise the administrative actions made by its subordinate bodies and to rectify any illegal or inappropriate administrative actions made by such bodies. Since the Ordos Coal Bureau and the Inner Mongolia Coal Industry Bureau are the competent governmental authorities to make decisions and issue confirmation letters discussed as above according to applicable laws, such decisions are legitimate and appropriate and would not be challenged by a higher authority. As a result, although the actual production volumes of certain of the Twelve Mines exceeded the current Accessed Capacities as recorded on their coal production permits during the Track Record Period, none of their actual production volumes exceeded the limits under their respective coal sales permits which are the actual and applicable assessed capacities authorized by the relevant governmental authorities.

Jingtian & Gongcheng Attorneys at Law have further advised us that, based on the above, because we and the Target Business Group have produced and sold coal in compliance with the coal sales permits issued by the competent authority and relevant regulatory requirements in the coal industry in China, the fact that the actual production volumes of certain of the Twelve Mines exceeded the volumes recorded on their respective coal production permits but within the limit of the volumes set forth in their respective coal sales permits is not in breach of the applicable regulations and will not cause any orders of suspension for rectification or other administrative penalties (including any monetary penalties) against us or the Target Business Group, which could materially and adversely affect our operations or the Target Business Group's operations.

Our Directors have confirmed that we will continue, and procure our Target Business Group continue to, strictly follow the volume set forth in the coal sales permits issued by the Ordos Coal Bureau during such interim period as long as the coal sales permits are effective, or the relevant increased Assessed Capacity thereafter. Going forward, we intend to strictly control our coal production by the following measures:

- We established a production committee composed of Directors (including at least one independent non-executive Director) on May 29, 2012 to (i) determine the annual planned production volumes of the relevant coal mines for the following year with reference to the Assessed Capacities and market conditions, (ii) review our actual production volumes on a quarterly basis, and (iii) consider whether we need to revise the annual planned production volumes of the relevant coal mines or to apply to increase the Assessed Capacities. The production committee currently consists of five members, namely Mr. Zhang Donghai, Mr. Ge Yaoyong, Mr. Zhang Xinrong, Mr. Lian Junhai and Mr. Xie Xianghua. Mr. Zhang Donghai is the chairman of the production committee. Please see "Directors, Supervisors, Senior Management and Employees — Board Committees — Production Committee."

- In order to assist the production committee, we plan to establish a dedicated team, upon or before the Listing, to supervise our production volume and ensure our compliance with the current PRC laws and regulations. This team will comprise senior management members and/or our Directors to monitor our production volumes regularly and report to the production committee on a quarterly basis. Currently, the production committee plans to appoint Mr. Liu Xianping, Mr. Liu Jiang, Mr. Li Feiyun, Mr. Zhang Jun, Mr. Zhang Mingliang, Mr. Qiao Yushan and Mr. Du Jie** as the members of this team.

- In addition, upon the Listing, we will provide regular training programmes to our staff to promote their awareness of the importance of monitoring daily production volumes, and to ensure that the actual production volumes of the relevant coal mines do not exceed their respective planned production volumes.

In the case that the application for further increased Assessed Capacities becomes necessary, we intend to submit such application to the relevant government authority at the earliest practicable time upon the completion of the preparation of the relevant production capacity assessment report and obtain the letter of acceptance of the application from such government authority before the new Assessed Capacity is approved. We intend to continue to closely monitor the production volumes of our coal mines based on the daily production reports, which contain production volume information, and communicate with the relevant government authority in a timely manner in the event that over-production at any of our coal mines becomes reasonably foreseeable based on our monitoring of the relevant production volumes as described above. Taking into account the relevant reasons and facts as described above in connection with our coal production, our Directors believe and the Joint Sponsors agree that the enhanced internal control measures on coal production discussed above are adequate and effective to comply with applicable laws and regulations in China.

** Mr. Liu Xianping, Mr. Liu Jiang, Mr. Li Feiyun, Mr. Zhang Jun and Mr. Zhang Mingliang are deputy general managers of the Production Department of our Company, Mr. Qiao Yushan is the head of the Suancigou Safety Supervision Station under the Safety Supervision Department of our Company, and Mr. Du Jie is the head of the Safety Supervision Department of our Company.

Our Coal Products

Our coal products primarily comprise high-quality thermal coal produced from raw coal excavated at our own mines with commercially attractive characteristics, including medium to high calorific value, high volatile matter content, low sulphur content, medium to low ash content and low phosphorous content. The major criteria to classify thermal coals are ash content, sulphur content and calorific value. According to the PRC national standard for the classification of the quality of coal for power generation, low ash content refers to ash content between 10.01% and 20.00%, ultra-low sulphur content refers to sulphur content below 0.5%, and medium-to-high calorific value refers to calorific value between 24.31mj/kg and 27.20mj/kg. According to the Competent Person's Report, the average ash content of our seven operating mines is approximately 12.5%, the average sulphur content is approximately 0.3%, and the average gross calorific value* is approximately 6,100kcal/kg (equivalent to approximately 25.55mj/kg). In addition, according to the evaluation report issued by the Beijing Research Institute of Coal Chemistry of China Coal Research Institute, our coal products are high-quality thermal coal with low ash content, low sulphur content and low phosphorous content. We also purchase a substantially smaller amount of coal from third-party coal companies. Because of these attractive characteristics, the majority of our raw coal can be sold without further processing to remove impurities. Instead, we blend different types of raw coal to adjust our products' characteristics based on our customers' needs. The China Coal Research Institute has certified that our Yitai No. 1 through Yitai No. 8 products are "high-quality thermal coal with high calorific value, low sulphur, phosphorus, ash and other hazardous content." Among these products, Yitai No. 3, No. 4 and No. 7 products constituted substantially all of our coal sold during the Track Record Period. The following table sets forth certain characteristics of these products:

Product	Calorific value (Kcal/kg)	Sulphur content (%)	Ash content (%)	Moisture content (%)	Ash fusion point (°C)	Volatile matter content (%)
Yitai No. 3	≥ 5,500	< 0.6%	≤ 12%	< 16%	1100 – 1250	22 – 30%
Yitai No. 4	≥ 5,000	< 0.7%	≤ 15%	< 16%	1100 – 1250	22 – 30%
Yitai No. 7	≥ 4,800	< 1.0%	≤ 25%	< 14%	> 1500	22 – 28%

Coal Production Process

Our mining operations involve five main processes: tunnelling and underground mine layout, extracting, conveying, coal processing and reclamation.

Tunnelling and Underground Mine Layout

When constructing an underground mine, we use inclines to reach the coal seams. These tunnels are created by drilling with roadheaders and blasting, either in the host rock or the coal seam, and are used for the underground access and haulage of coal. We also use tunnelling to construct new longwall mining work faces after we finish constructing the underground mine to ensure continuous mining operations.

Extracting

We currently use the longwall mining method at all of our mines. Longwall mining is a fully mechanized underground mining method in which the mining face is supported by a hydraulic shield while the coal is excavated by a shearer and then transported to the surface by conveyors. When mining of the longwall panel has been completed, the longwall system is moved to a new mining area. The longwall mining method can achieve high production volumes, high recovery rates, and high levels of safety and reliability as compared to the traditional mining method.

Conveying

We convey the coal we extract from our coal mines to ground storage via conveyor systems.

Coal Processing

We classify and/or blend different types of coal to adjust its coal characteristics and quality to meet customer specifications. Presently, we have four CCPs under various stages of construction, design and

* Excludes Suancigou Mine and Yangwangou Mine as relevant information is not available.

implementation to better meet customer demand with customized products and thus improve the competitiveness of our coal products and our profit margin. After processing, coal is loaded onto either trucks or railway cars for delivery.

Reclamation

We are required by the PRC laws to reclaim and restore mining sites to their prior condition after completion of mining operations. Reclamation activity typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, restoration of land features in mined-out areas, dumping sites and other mining areas, and contouring, covering and revegetation of waste rock piles and other disturbed areas. We believe that the operations of all of our mines are in compliance with environmental and reclamation requirements.

Coal Purchased Externally

In addition to selling coal produced from our mines, we purchase coal from external suppliers and sell it to our customers. Of the coal we sold in 2009, 2010 and 2011, 1.7 million tonnes, 0.2 million tonnes and 4.6 million tonnes, respectively, were purchased from external suppliers. Cost of coal purchased from external suppliers amounted to RMB269.1 million, RMB79.0 million and RMB1,837.3 million, respectively, in 2009, 2010 and 2011, or 5.1%, 1.3% and 22.7% of our cost of sales for those periods, respectively. To increase our market share and meet our clients' demand, we started to import coal in 2011 with a total volume of 1.9 million tonnes. The amount of coal we purchase from external suppliers depends mainly on our ability to meet customer demand based on our production capacity and the coal transportation capacity we receive and prevailing market prices of coal.

Third-party Service Arrangements

We engage third-party service providers to provide certain services in our coal production process. We had third-party service arrangements with six companies during the Track Record Period, which were all independent third parties. These companies are themselves coal mining companies. The services we procure from these service providers differ depending on our needs at any given mine, but generally include secondment of workers to assist us in extracting coal at our mines, renting certain production equipment to us and advising us on mining technology and coal production. The agreements that we entered into with third-party service providers typically cover the entire lifespan of the relevant coal mines. Pursuant to these agreements, we maintain the overall management of each of our mines and are responsible for the appointment of the general manager of each of our mines, mine construction, coal production, sales and transportation, production safety, maintenance and supplies, finance and accounting, formulation of production plans, geological survey, reserve management and quality control, while the service providers and their employees working at our mines provide their service under our management and report to the general managers appointed by us at our mines.

We pay the service providers service fees in consideration of their services. Such fees primarily consist of compensation for the service providers' employees working at our mines, which is subject to adjustment based on actual production output, mandatory social security and housing fund contributions for these workers, and a service fee based on the actual output at the relevant mines. These workers enter into employment contracts with the service providers and are not our employees. The aggregate fees we paid these service providers for 2009, 2010 and 2011 were RMB385.1 million, RMB572.8 million and RMB490.4 million, respectively. We have not experienced any shortage in service providers to provide services in our coal production process which materially interrupted our business operation during the Track Record Period.

We believe these third-party service arrangements provide several benefits. First, we not only reduce our operating costs as most of the workers of these service providers are experienced in coal mining and highly productive, we also get immediate access to skilled labor, which would be time consuming to train in-house. In addition, by renting certain production equipment from these service providers, we are able to reduce our capital expenditures. Moreover, we believe we will achieve cost savings because we will not need to maintain these arrangements once the economic lives of our mines run out.

Sales and Marketing

We sell all of our coal products in China. Our coal sales are primarily carried out by our centralized sales forces at our headquarters and our branch offices in Beijing, Tianjin, Shanghai, Guangzhou and Qinhuangdao. Our sales personnel periodically visit our customers to provide after-sales services.

We conduct coal sales by means of long-term sales contracts and spot market sales. The long-term sales contracts generally have minimum terms of not less than one year, with annual price determination provisions. The spot market sales generally specify the quantities and timing of purchases planned over a period of several months or less.

We generally price our products taking into account (i) prices in the relevant local coal markets; (ii) grade and quality of the coal; and (iii) the sales volume and the length and stability of relationships with customers. Depending on the sales region and the type of customer, we are typically required to deliver our products to the purchasers, if they are accessible by road or railway, or to loading ports with the purchasers paying the water freight, if further delivery by water is necessary. Accordingly, our coal prices are typically quoted as FOB or CFR. We also sell a portion of our coal at our mines at mine gate prices. Generally, the longer the distance we need to deliver our products, the higher the prices we charge for our products.

The following table sets forth selected price information (exclusive of VAT), for the periods indicated, for our sales from long-term contract sales and spot market sales:

	Year ended December 31,								
	2009			2010			2011		
	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)
Long-term contract sales*	328.9	17.6	63.5	404.7	21.7	60.8	428.3	19.0	49.6
Spot market sales	384.8	10.1	36.5	325.8	14.0	39.2	365.1	19.3	50.4
Total		27.7	100.0		35.7	100.0		38.3	100.0

* Long-term contracts include annual coal sales and purchase contracts under long-term agreements and other sales contracts longer than one year.

The following table sets forth selected price information (exclusive of VAT), for the periods indicated, for our sales by destination:

	Year ended December 31,								
	2009			2010			2011		
	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)	Price (RMB/ tonne)	Sales volume (million tonnes)	Percentage of sales volume (%)
Sales to local customers	233.3	10.4	37.5	288.6	20.6	57.7	315.4	22.5	58.7
Sales delivered to customer by railway	396.5	2.6	9.4	480.0	1.4	3.9	492.7	1.6	4.2
Sales delivered by railway to ports designated by customers	422.7	14.7	53.1	490.7	13.7	38.4	514.0	14.2	37.1
Total		27.7	100.0		35.7	100.0		38.3	100.0

The following table sets forth our coal sales in China by geographic region for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	Sales volume (million tonnes)	%	Sales volume (million tonnes)	%	Sales volume (million tonnes)	%
Eastern China(1)	8.0	28.9	6.7	18.8	6.6	17.2
Southern China(2)	3.2	11.6	3.5	9.8	3.2	8.4
Northern China(3)	16.3	58.8	24.7	69.2	27.4	71.5
Northeastern China(4)	0.2	0.7	0.8	2.2	1.1	2.9
Total	**27.7**	**100.0**	**35.7**	**100.0**	**38.3**	**100.0**

(1) Eastern China includes primarily Shanghai, Zhejiang, Jiangsu and Anhui.

(2) Southern China includes primarily Guangdong, Guangxi, Fujian and Jiangxi.

(3) Northern China includes primarily Hebei, Shandong, Tianjin and Inner Mongolia.

(4) Northeastern China includes primarily Liaoning.

We determine a customer's credit terms based on factors such as our business relationship with the customer, volume of sales, the customer's current financial position and the prevailing market conditions. We extend credit (generally for periods not exceeding 30 days) to certain major customers. For new or short-term customers, we require full payment prior to delivery. All payments by our customers are made in Renminbi. In recent years, we have not experienced any default of purchase orders or any significant payment collection issues during the Track Record Period.

In 2009, 2010 and 2011, we had approximately 269, 191 and 262 customers, respectively, with which we have had business relationships ranging from one month to as long as 15 years.

Our major customers include power producers and coal distribution companies. As of the Latest Practicable Date, Yitai Group had entered into 22 long-term agreements with customers, most of which are large scale power producers. Pursuant to the confirmation letters signed by such customers with Yitai Group and us, all rights and obligations of Yitai Group under the agreements will be transferred to us on the Listing Date. These agreements have a duration of five years, with expiration dates of December 31, 2014. These long-term agreements can be extended upon mutual agreement between the parties. The agreements typically provide that the selling prices should be either set by reference to market prices or negotiated annually. These agreements are legally binding and constitute sale and purchase commitments of the parties. Any failure to honor such sale or purchase obligations may give rise to claims for contractual breach. Detailed terms of coal sales under a long-term agreement for a particular year is typically set out in an annual contract. Certain of our sales are made by signing annual coal sales and purchase contracts under these long-term agreements. Yitai Group's sale commitments under the long-term agreements for 2010 and 2011 were 42.1 million tonnes and 48.0 million tonnes, respectively, and will be 56.4 million tonnes, 67.4 million tonnes and 77.4 million tonnes for 2012, 2013 and 2014, respectively. The actual sales volume of Yitai Group generated from the long-term agreements was 23.9 million tonnes, 27.0 million tonnes and 25.9 million tonnes for 2009, 2010 and 2011, respectively. Our actual sales volume generated from the annual coal sales and purchase contracts under the long-term agreements was 15.6 million tonnes, 17.6 million tonnes and 14.9 million tonnes for 2009, 2010 and 2011, respectively, representing 56.3%, 49.2% and 38.8% of our total sales volume for 2009, 2010 and 2011, respectively. For 2009, 2010 and 2011, 7.9%, 9.0% and 8.0%, respectively, of our total revenue was generated from sales made to our largest customer; over those periods, 29.6%, 30.1% and 26.1%, respectively, of our total revenue was generated from sales made to our five largest customers. The decrease of these percentages is mainly due to the concurrent increase in our total revenue. We expect our sales to the top five customers to represent between 30% and 40% of our total revenue in the near future, subject to any unforeseeable events that are outside our control. As of the Latest Practicable Date, none of our Directors, their associates or the Controlling Shareholders was related to or owns any interest in any of our five largest customers.

Coal Transportation

Over the years, we have made continuous investments in the railway and highway transportation system, and integrated our production, transportation and sales of coal. Through our integrated transportation network, we transport our coal products from our mines to the national ground transportation network for delivery. We then make use of the national railway system and other third-party railway lines to transport our coal to our customers or to port facilities, and the customers typically arrange seaborne freight themselves. We are generally required to pay freight charges to third-party railway lines in advance.

National Railway System

In China, coal reserves and production are primarily concentrated in the western and northern provinces, but coal consumption is primarily concentrated in the more economically developed coastal regions in China. Therefore, a significant amount of coal needs to be transported via railway from the coal producing areas in western and northern China, including Inner Mongolia, to eastern ports for seaborne shipments to the coastal regions. See "Industry Overview — Overview of PRC Coal Industry — Rapid Growth in Coal Transportation Capacity."

Despite the PRC government's efforts to increase the transportation capacity and coverage of the national railway system in recent years, the national railway system has been unable to fully satisfy the increasing need for such eastbound coal transportation. Each year, the MOR and the NDRC allocate the transportation capacity on the eastbound railway lines to major coal enterprises based on the orders that such enterprises have secured. We believe that the MOR and the NDRC primarily consider a company's transportation needs and how certain it is that our company will actually use all the capacity allocated to it in making transportation capacity allocations.

Our Transportation Network

We obtain railway capacity on the national railway system primarily through allocations of annual planned railway capacity made by the MOR and the NDRC to Yitai Group. Yitai Group also grants us additional transportation capacity that it obtains from the MOR from time to time in addition to the annual quotas originally allocated to it, subject to the national railway system's ability to meet the additional demand. See "Regulation — Coal Production — Railway Transport" and "Risk Factors — Risks Relating to Our Businesses — We may experience shortage of transportation capacity for our coal products or a significant increase in transportation costs."

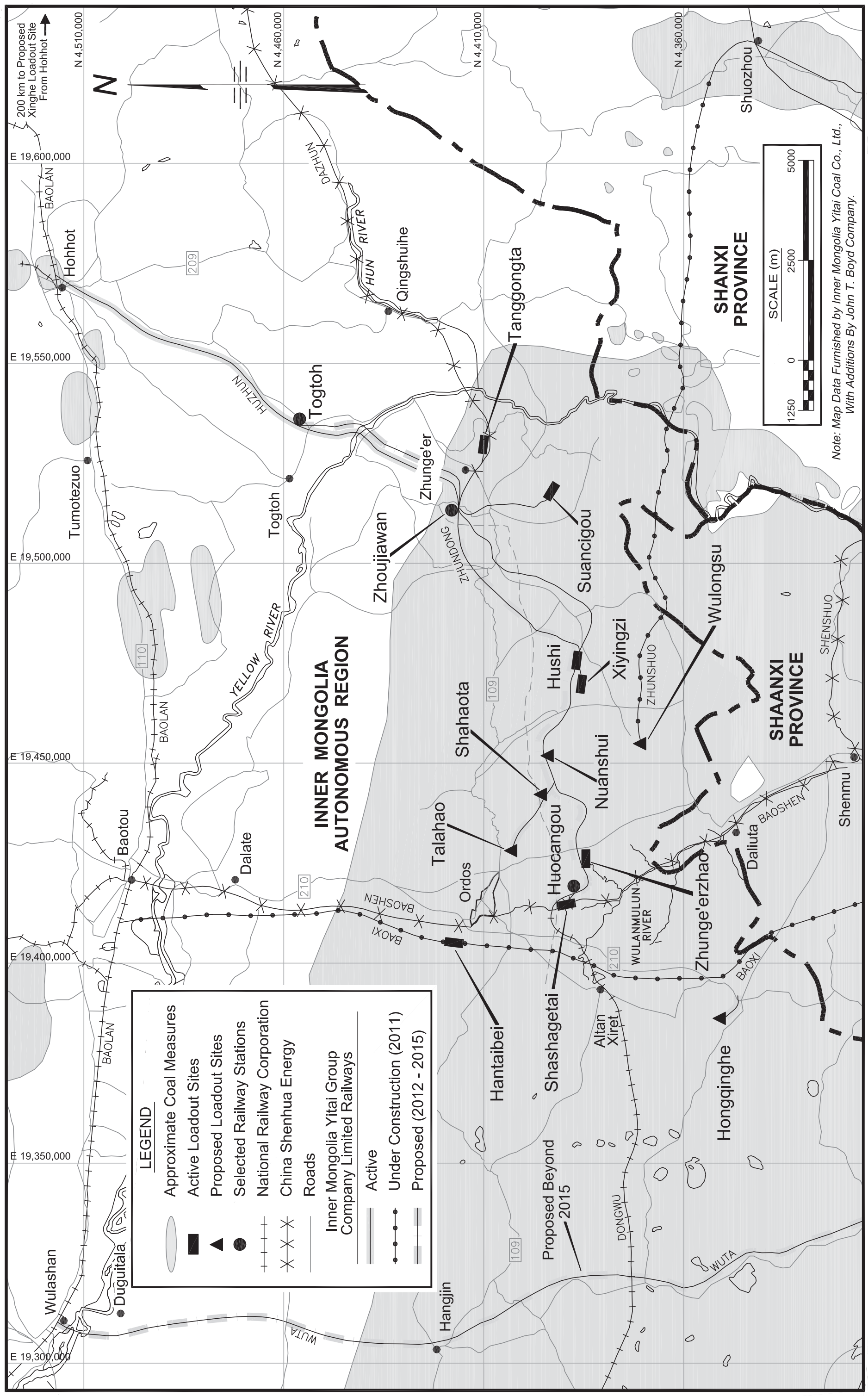
We believe our integrated transportation network provides us with a competitive edge in securing allocation of transportation capacity in the national railway system, and facilitates our coal sales to our major customers in China's developed coastal regions. Leveraging on our transportation network, Yitai Group applied for and secured annual quotas of national railway system transportation capacity from the MOR for both itself and us during the Track Record Period, based on which Yitai Group and we used a total of 27.5 million tonnes, 29.6 million tonnes and 27.4 million tonnes for 2009, 2010 and 2011, respectively. Furthermore, the approved quota of transportation capacity from the MOR to Yitai Group for 2012 amounted to 33.0 million tonnes, while the actual transportation capacity of the national railway system to be used by us in 2012 is subject to further adjustments based on our transportation needs and the consent of the MOR. We used such quotas to meet all of our transportation needs. Such quotas were granted free of charge by the MOR to Yitai Group and by Yitai Group to us. Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised that it was and will be legal for Yitai Group to allocate its transportation quotas to us free of charge. The following table sets forth information on the national railway system transportation capacities used by Yitai Group and us, respectively, for the periods indicated:

Transportation capacity of the national railway system	2009		2010		2011	
	(million tonnes)	%	(million tonnes)	%	(million tonnes)	%
Used by Yitai Group	10.7	38.9	14.0	47.3	14.1	51.5
Used by us	16.8	61.1	15.6	52.7	13.3	48.5
Total	**27.5**	**100.0**	**29.6**	**100.0**	**27.4**	**100.0**

In China, applicants for transportation quotas are generally required to open an account at the MOR. We understand from our past experience in this regard that the MOR generally grants such approval at its discretion to enterprises with sizable railway transportation needs, taking into account the overall transportation capacity of the national railway transportation system and the contractual volumes as indicated by the applying enterprises in a particular year, and in practice usually grants such quotas to parent companies to allocate among their affiliates within the same corporate group. Upon the completion of the Proposed Acquisition, our need for railway transportation is expected to increase significantly and Yitai Group is expected to cease to use such quotas because it will transfer substantially all its coal-related businesses and assets to us. Therefore, we intend to apply to open an account at the MOR and to apply for quotas in our own name after the completion of the Proposed Acquisition. Yitai Group has undertaken in the Non-competition Agreement and the Transportation Quota License Agreement that, after the completion of the Proposed Acquisition, it will (i) license all the transportation quotas to us at nil consideration; (ii) not use the transportation quotas by itself or license any transportation quota to third parties before our request is satisfied first; and (iii) apply to the MOR to change the holder of its account to us. See "Relationship with Controlling Shareholders — Competition — Non-competition Agreement" and "Connected Transactions — Continuing Connected Transaction — Exempt Continuing Connected Transaction — 3. Transportation Quota License Agreement."

Our transportation network also contributes to reduction of transportation costs, helps to secure the sales of our coal products and generates revenue from providing transportation services to third parties.

The locations of our nine mines, the Target Mines and our transportation network are shown on the map below:



Yitai Zhundong Railway Line

We operate Yitai Zhundong Railway Line through Yitai Zhundong, our wholly-owned subsidiary. Yitai Zhundong Railway Line is an electrified single track line constructed in two phases. It forms the backbone of our railway transportation network by providing a direct railway transportation route from our mines in the

Dongsheng Coalfield to Huzhun Railway Line, which further connects with the Jingbao Railway Line, and the Dazhun Railway Line, a local railway line, which further connects with the Daqin Railway Line, a major eastbound national coal transportation railway line that connects the coal production bases of northern and northwestern China with major coal loading ports and certain of our key customers in the coastal regions. Phase I of Yitai Zhundong Railway Line has an operating length of 72.6 kilometers, stretching from Hushi in the Dongsheng Coalfield eastward to Zhoujiawan Station in Zhunge'er. It began operations in 2000 and transported 29.5 million tonnes of coal in 2011.

In July 2009, we completed construction of Phase II of Yitai Zhundong Railway Line, which commenced operation in November 2011. Phase II of Yitai Zhundong Railway Line extends Yitai Zhundong Railway Line westbound from Hushi Station to Zhunge'erzhao Station. It has an operating length of 59.8 kilometers. We have been authorized to invest approximately RMB2,263 million to construct a second track between Zhoujiawan Station and Hushi Station along the existing track of Phase I of Yitai Zhundong Railway Line, with an operating length of 59.4 kilometers, to achieve dual-track operation, meet requirements for the operation of 10,000-tonne rail train units throughout, and increase its carrying capacity. Construction of this second track commenced in August 2009 and is under final testing, which is expected to be launched by the end of 2012. We except the carrying capacity of Yitai Zhundong Railway Line to reach 64.0 Mtpa, 83.0 Mtpa and 150.0 Mtpa in 2012, 2015 and 2020, respectively.

Huzhun Railway Line

We operate Huzhun Railway Line through Yitai Huzhun, our 76.46% subsidiary. Huzhun Railway Line has an operating length of 124.2 kilometers, stretching from Zhoujiawan Station in Zhunge'er northbound to Huhhot, where it connects the Jingbao Railway Line, another important eastbound national coal transportation railway line and an alternative route to the Daqin Railway Line for delivery of coal to the coastal regions. Huzhun Railway Line began operations in 2006 and transported 23.4 million tonnes of coal in 2011. We are constructing a second track of the Huzhun Railway Line, which will run from Xuejiawan to Togtoh with a total expected length of 55.5km. We expect the total investment amount to be RMB1,840.0 million. The overall carrying capacity is expected to increase significantly upon the completion of such construction. We expect the carrying capacity of Huzhun Railway Line to reach 39.0 Mtpa, 88.0 Mtpa and 128.0 Mtpa in 2012, 2015 and 2020, respectively.

Suancigou Railway Line

Suancigou Railway Line has an operating length of 26.8 kilometers, stretching from the Suancigou Mine northbound to Zhoujiawan Station on Yitai Zhundong Railway Line. Most of the coal produced at Suancigou Mine is shipped out through Suancigou Railway Line. Suancigou Railway Line began operations in 2008 and has a designed carrying capacity of 20.0 Mtpa.

Caoyang Tollway

Caoyang Tollway is 122.0 kilometers long and, together with Yitai Zhundong Railway Line, connects our mines to our coal loading stations and major third parties railway lines. Part of the coal produced at our operational mines (except for Suancigou Mine) is transported by truck through Caoyang Tollway and local roads to our Xiyingzi/Hushi coal loading station and Zhunge'erzhao coal loading station.

Minority Shareholdings in Railway Companies

To strengthen our ability to secure critical rail transportation capacity, we have also invested in several railway companies operating railway lines in Inner Mongolia, including Zhunshuo Railway Co., Ltd., New Baoshen Railway Co., Ltd., South Ordos Railway Co., Ltd. and Mengji Railway Co., Ltd. Our interests in these companies range from 9% to just below 19%. In addition, we hold a 4% equity interest in Tangshan Caofeidian Coal Port Co., Ltd., which operates the Caofeidian Port in Hebei province, a major seaport for seaborne coal transportation in northern China. We believe these investments will help us secure additional transportation capacity.

Loading Stations

We control ten operating coal loading stations which provide rail access to coal produced by ourselves and purchased from third parties. The following is a summary of our loading stations:

Station	Year Constructed	Our Ownership (%)	Throughput Capacity (mta)	Loading Railway Connection
Xiyingzi/Hushi*	2000	100/100	15.0/18.0	Zhundong
Xinghe	NA**	—**	15.0	Jining — Zhangjiakou
Hantaibei	NA**	—**	20.0	Baotou — Xi'an
Zhunge'erzhao	2008	100	30.0	Zhundong
Suancigou	2008	52	15.0	Suancigou
Tanggongta	1993	51	3.0	Dazhun
Shashagetai (Bao — Shen)	1991	100	3.0	Baotou — Shenmu
Guanniuju	2010	51	10.0	Huzhun
Jialanying	2010	100	3.0	Huzhun

* Xiyingzi and Hushi loading facilities are situated 6 km apart.

** Station is leased.

Suancigou and Zhunge'erzhao stations utilize loop tracks with batch loading capabilities. Tanggongta Station has a linear track with coal loading using an in-line batch loading arrangement. The remaining loadout stations have linear track arrangements, with end-loaders used for loading.

Supplies and Maintenance

The main supplies we purchase for our coal operations include coal, mining equipment, replacement parts, steel, cement, explosives, fuel and lubricants. We also purchase transportation services from the MOR and use third-party railway companies to transport our coal. The main supplies we purchase for our coal transportation operations are locomotives and other rolling stock, spare parts, fuel and power. For coal purchased from external suppliers, we typically settle the purchase prices three times a month, each time for the coal purchased during the previous ten days. For imported mining equipment, we are generally required to pay the full purchase price in advance. For mining equipment manufactured in China, we generally prepay a portion of the prices and pay the remaining balances in installments, for example, upon delivery of the equipment and expiration of the warranty periods. In 2009, 2010 and 2011, we had 1,044, 1,137 and 1,206 suppliers, respectively, with which we have had business relationships ranging from one month to as long as 12 years. We generally do not enter into long-term supply agreements with our suppliers and are not dependent on any single supplier. We have not experienced any shortage of supplies during the Track Record Period. During the Track Record Period, our largest suppliers included the MOR and other third-party railway companies, third-party equipment leasing companies, mining service providers and a state-owned petroleum company. For 2009, 2010 and 2011, our purchases of supplies from our five largest suppliers amounted to RMB2,239.5 million, RMB2,265.4 million and RMB2,670.0 million, respectively, representing 64.9%, 67.1% and 54.2% of our total purchases for the relevant period. During the same periods, our purchases of supplies from our single largest supplier amounted to RMB1,517.6 million, RMB1,623.1 million and RMB1,380.1 million, respectively, representing 44.0%, 48.0% and 28.0% of our total purchases for the relevant period. As of the Latest Practicable Date, none of our Directors, their associates or the controlling shareholders is related to or owns any interest in any of our five largest suppliers. We usually make payments to our suppliers in installments and settle trade payables by check or account transfer or remittance.

We use electricity in our operations. The price of electricity is under government control. We have not experienced any material disruption in electricity supply in recent years. The water we use is obtained from surface and subsurface supplies. We also reuse water discharged during our mining operations, and we filter and reuse waste water in our coal production activities. We have not experienced any significant interruptions in either power or water supply in recent years.

We emphasise scheduled and preventative maintenance throughout our coal operations in order to ensure a high level of efficiency and to minimise interruptions caused by necessary maintenance and repair.

We also have a supplies department and an equipment administration department which coordinate the purchase, usage and maintenance of mining equipment. Each of our mines has dedicated maintenance personnel responsible for periodic inspections, maintenance and repair. We have daily and regular maintenance schedules in our mines to monitor mining conditions. We have jointly established an equipment repair company, in which we hold minority equity interests, with a large-scale domestic mining equipment production company. This ensures timely and cost-efficient repair and maintenance for our large mining equipment.

TRANSPORTATION OPERATIONS

In addition to shipping our own coal, we provide railway and highway coal transportation services to third parties for a fee. The following table sets forth certain details regarding our transportation revenue.

	Year ended December 31,								
	2009			2010			2011		
Transportation Revenue	Inter-segment	External customers	Sub total	Inter-segment	External customers	Sub total	Inter-segment	External customers	Sub total
	(RMB million)								
Railway	452.9	253.0	705.9	526.6	372.5	899.1	521.9	594.8	1,116.7
Highway	173.0	281.5	454.5	58.9	62.8	121.7	14.7	9.6	24.3
Total	**625.9**	**534.5**	**1,160.4**	**585.5**	**435.3**	**1,020.8**	**536.6**	**604.4**	**1,141.0**

For 2009, 2010 and 2011, transportation services provided to our company accounted for approximately 69.1%, 61.9% and 48.5%, respectively, of our railway freight volume, with the remainder consisting of transportation services provided to third parties. The table below sets forth the freight volumes provided by Zhundong and Huzhun railway lines to us, and such volumes as a percentage of the total freight volumes of Zhundong and Huzhun railway lines, respectively, for the periods indicated.

	Year ended December 31,					
	2009		2010		2011	
	Freight volume for us (million tonnes)	% of total freight volume	Freight volume for us (million tonnes)	% of total freight volume	Freight volume for us (million tonnes)	% of total freight volume
Zhundong[(1)]	16.7	51.8	16.8	48.3	20.8	57.8
Huzhun[(2)]	7.7	62.8	11.0	52.0	8.1	34.4

(1) We hold 100% equity interest in Yitai Zhundong.

(2) We hold 76.46% equity interest in Yitai Huzhun, Inner Mongolia Mengtai Buliangou Coal Co., Ltd (內蒙古蒙泰不連溝煤炭有限公司) and Huhhot Railway Bureau (呼和浩特鐵路局), Independent Third Parties, hold 21.56% and 1.98% respectively.

We impose railway freight charges on our third-party customers, which may not exceed the applicable maximum rate per tonne per kilometre approved by the IMDRC. The maximum rates reflect the costs and expenses of each railway line and a reasonable return on investment. See "Regulation — Coal Production — Railway Transport — Freight charge." The freight charge rates for both Yitai Zhundong Railway Line and Huzhun Railway Line were RMB0.15 per tonne per kilometer during the Track Record Period and as of the Latest Practicable Date. We require our customers to pay the full freight charge in advance. Revenue from external customers of our transportation operations was RMB534.5 million, RMB435.3 million and RMB604.4 million for 2009, 2010 and 2011, respectively, representing 5.2%, 3.2% and 3.7% of our total revenue in the same periods, respectively.

We set our freight rates for trucking services primarily based on prevailing market prices and our costs. We receive payments after delivering the coal. As of December 31, 2009, we owned 421 vehicles. To reduce costs, we began disposing of these vehicles and outsourcing transportation services to third-party transportation companies. As of December 31, 2011, we did not own any vehicles.

COAL-RELATED CHEMICAL OPERATIONS

Yitai Coal-to-oil

Yitai Group obtained an approval from the IMDRC in 2005 for developing a coal-to-oil project. We carry out this project through our 80%-owned subsidiary, Yitai Coal-to-oil, in which Yitai Group holds the remaining 20% equity interest. We commenced the construction of the demonstration phase of the project with a designed annual output of 160,000 tonnes of synthetic fuels in May 2006, which successfully produced the first barrel of qualified oil product in China using the indirect coal-to-oil method on March 27, 2009. After three trial runs, the technologies have matured. All product characteristics indicators and consumption indicators have reached or surpassed designed values. As a result, we became the first enterprise to successfully use indirect coal-to-oil technologies on an industrial scale in China. In July 2010, China International Engineering Consulting Corporation organized a group of science and technology experts to conduct an on-site survey at Yitai Coal-to-oil, and reached the conclusion that the demonstration phase of the project has advanced and reliable technologies and good economic efficiency. In May 2011, we carried out the first shut-down technological transformation as previously planned, and solved a number of bottleneck issues that had been limiting the increase in production capacity. Currently, the project is in normal operation with estimated annual production capacity of 180,000 tonnes to 200,000 tonnes. This project commenced its operations in July 2011, and it is in full-load operation at its designed annual capacity.

We use the indirect conversion of coal to liquids process, where coal is first gasified to make syngas (a purified mixture of carbon monoxide and hydrogen gas). Next, catalysts are used to convert the syngas into light hydrocarbons (like ethane) which are further processed into diesel. We use technologies developed by the Institute of Coal Chemistry under the Chinese Academy of Sciences and owned by Synfuels China, a Chinese company established in 2006 based on the Institute of Coal Chemistry in which Yitai Group holds a 40.4% equity interest and is the largest Shareholder, while other shareholders include the Institute of Coal Chemistry and a group of coal enterprises. We entered into an agreement with Synfuels China in 2007 and agreed to purchase the relevant catalyst from Synfuels China. During the Track Record Period, we bought 35.2 tonnes, 99.4 tonnes and 174.4 tonnes, respectively, of catalyst from Synfuels China in 2009, 2010 and 2011 at considerations of RMB3.5 million, RMB9.9 million and RMB18.3 million, respectively. The core technologies include the high temperature slurry bed Fische-Tropsch synthesis catalyst technology and slurry bed synthesis reactor and process technology set. The research for such technologies was enlisted by the PRC government as a high-tech / new technology project, and our coal-to-oil project became the first indirect coal-to-oil project exclusively based on Chinese-developed and -owned technologies.

Yitai Chemical

Yitai Chemical is a wholly-owned subsidiary of our Company incorporated in October 2009. We intend to carry out coal-related chemical operations such as the production and sale of synthetic lubricating oil, synthetic wax and solvent naphtha through Yitai Chemical, either by itself or through a joint venture. We are in the process of applying for the allocation of coal resources, as well as relevant government approvals. We intend to further extend our coal-related business through this project.

Yitai Xinjiang

Yitai Xinjiang is a 90%-owned subsidiary of our Company incorporated in February 2012. It is primarily engaged in the production and sale of coal-related chemicals and coal technology consultation services. We intend to carry out a coal-related chemical project and further extend our coal-related business through this project.

For risks associated with our coal-related chemical operations, see "Risk Factors — Risks Relating to Our Businesses — We cannot guarantee that we will be able to obtain the relevant government approvals in time for, or will be successful when developing coal-related chemical operations."

Future Plans

By leveraging our successful launch of the coal-to-oil project, we plan to expand into the second phase of our coal-related chemical operations in the next five years, which includes:

- Yitai Yili's coal-to-oil project. Yitai Yili obtained the enterprise investment project registration and filing certificate from the XJDRC in November 2010. The main products will include diesel oil, naphtha and liquefied petroleum gas. We have completed the detailed geological research report of Aermale in Chabuchar County and the preliminary report of Nilekewulasitai in Chabuchar County. The in-place resource is estimated to be 2.6 billion tonnes under the relevant PRC coal industry standards, which are different from the JORC Code. It is still at a preliminary stage focusing on research and design. We expect to establish a 1.0 Mtpa coal-to-oil project in the next five years with an estimated capital expenditure of about RMB15.0 billion and expand the capacity up to 5.4 Mtpa eventually. However, since the overall project design is still subject to relevant governmental approvals, such as approvals from the NDRC and its local arms, detailed information regarding the project, such as the total expected capital expenditures for the whole project plan and amount committed, is not available as of the Latest Practicable Date.
- Yitai Xinjiang's coal-related chemical project. Yitai Xinjiang obtained the confirmation letter for a coal-related chemical project from the Urumqi Development and Reform Commission in February 2012. The main products will include diesel oil, naphtha and liquefied petroleum gas. Yitai Xinjiang's project is at a preliminary stage focusing on research and design. We expect to establish a 1.8 Mtpa coal-related chemical project in the next five years with an estimated capital expenditure of about RMB27.0 billion and expand the capacity up to 5.4 Mtpa eventually. However, since the overall project design is still subject to relevant governmental approvals, such as approvals from the NDRC and its local arms, detailed information regarding the project, such as the total expected capital expenditures for the whole project plan and amount committed, is not available as of the Latest Practicable Date.
- Yitai Chemicals' coal-related chemical project. Yitai Chemicals obtained the confirmation from the IMDRC in January 2011 for the preliminary work of a 1.2 Mtpa refined chemical project with an estimated capital expenditure of about RMB18.0 billion. The main products will include synthetic lubricating oil, synthetic wax and solvent naphtha. The Ordos Government agreed in October 2009 to reserve 6.0 billion tonnes of coal resources under the relevant PRC coal industry standards, which are different from the JORC Code, to this project. This project is still subject to relevant governmental approvals, such as approvals from the NDRC and its local arms.

On the whole, all of the three projects which constitute the second phase of our coal-related chemical operations are at preliminary stages and have not obtained approvals from the NDRC. As we had not obtained the necessary governmental approvals, we had not incurred material capital expenditures for our coal-related chemical projects as of the Latest Practicable Date. Once we have obtained the approvals from the NDRC, 30% of the estimated capital expenditures of about RMB60.0 billion (including RMB15.0 billion for Yitai Yili's coal-to-oil project, RMB27.0 billion for Yitai Xinjiang's coal-related chemical project and RMB18.0 billion for Yitai Chemicals' coal related chemical project) for these projects will be funded by cash generated from our operations and the rest by borrowings.

We believe that we enjoy the first-mover advantage in the coal-related chemical industry in China. Our coal-related chemical operations enable us to improve our vertical integrated operations by providing high-value added downstream coal products to the market. Furthermore, under the guidance of the *Twelfth Five-year plan on the Development of Coal Industry* relating to orderly development of advanced and demonstrative projects of modern coal-related chemical operations and by leveraging the favorable governmental policies of Inner Mongolia and Xinjiang towards the coal-related chemical industry and the advantage of the development of western China, we expect to obtain new coal resources, achieve economies of scale by expanding our coal-related chemical business, and further reduce operating costs.

OTHER OPERATIONS

Our other operations include mainly the development, production and sale of traditional Chinese medicine through our wholly-owned subsidiary, Yitai Pharmaceutical. We incorporated Yitai Pharmaceutical in 1998 to engage in Chinese medicine operations. Yitai Pharmaceutical has obtained the medicine production license and the medicine Good Manufacture Practice certificate in the PRC. As of December 31, 2011, Yitai Pharmaceutical had 359 employees, a granules production line with an annual production capacity of 30 million bags and a dripping pill production line with an annual production capacity of 600 million dripping pills, and mainly produced eight types of Chinese medicine granules and the Musk Tongxin Dripping Pill. Aggregate revenue from these operations amounted to RMB41.7 million, RMB58.4 million and RMB36.3 million for 2009, 2010 and 2011, respectively, representing 0.4%, 0.4% and 0.2% of our total revenue over the same periods, respectively.

QUALITY CONTROL

To ensure the high quality of our coal products, we have compiled a detailed quality control manual and implemented a comprehensive quality control system in accordance with applicable PRC national and industrial standards and ISO 9001. We also have a quality control department staffed with over 100 quality control personnel to implement our quality control system, which include one senior engineer, four engineers, four assistant engineers and technicians. Among these personnel, 23 are responsible for quality management and ISO9001 quality management system, and 79 are responsible for the inspection and testing of the quality of our coal products. Our centralized testing lab has been certified by Inner Mongolia Technologies Supervision Bureau, and all of the 79 personnel hold inspector certificates issued by Ordos Technologies Supervision Bureau. Substantially all of our quality control department personnel have at least seven years of experience working on coal quality control. Our quality control department performs on-site inspections and monitors internal production procedures and coal quality throughout the production, storage and transportation process. In recognition of the high quality of our coal products, the PRC General Administration of Quality Supervision, Inspection and Quarantine awarded our "Yitai processed coal" the National Inspection Exemption status in 2006.

We are subject to, among other PRC laws and regulations, the Product Quality Law of the PRC (中華人民共和國產品質量法), the Regulations on Quality Responsibility for Industrial Products (工業產品質量責任條例) and the Several Provisions of the Ministry of Coal Industry on Clarifying Quality Responsibility for Coal Products and Improving the Control of Quality of Coal Products (煤炭工業部關於明確煤炭產品質量責任和嚴格煤質管理的若干規定). Since establishment, we have not been penalized for any material violation of laws or regulations regarding product quality. We have also been in compliance with all relevant regulations.

COMPETITION

A number of factors affect the markets in which we sell our coal products. Coal prices depend primarily on the coal consumption patterns of the electric power and metallurgical industries in China, the availability, location and cost of transportation and price of coal and competing energy resources. Coal consumption patterns are affected primarily by the demand for electricity, environmental and other governmental regulations and technological developments.

We principally compete in China's domestic coal market, which is characterized by competition among a very large number of coal suppliers with no individually dominant nationwide supplier. The five and ten largest local coal producers in China accounted for only 25.1% and 35.8%, respectively, of the country's total coal production in 2010. The domestic coal market is segmented principally by location, given the significant costs associated with coal transport, and also by coal characteristics, such as calorific value, sulphur content, ash content, moisture content and volatile matter content. We compete on the basis of reliable and timely delivery, customer service, coal quality and price.

Our principal domestic competitors are a number of large coal producers located in the major coal producing provinces and regions, including Shanxi and Shaanxi Provinces and Inner Mongolia. Certain of these competitors have substantial reserves and benefit from good mining conditions, which allow for coal mining at relatively low operating costs. In addition, we compete to a certain degree with smaller coal producers located in proximity to our customers. See "Industry Overview — Overview of PRC Coal Industry — A Market-driven Pricing Mechanism and Competition" and "Risk Factors — Risks Relating to China's Coal Industry — Competition in the PRC coal industry may increase and we may not be able to compete effectively."

ENVIRONMENTAL MATTERS

We are committed to conducting our operations in a manner that complies with applicable environmental laws and regulations, and endeavor to mitigate the adverse impact of our operations on the environment. Our operations are currently subject to environmental laws and regulations relating to air and water emissions, hazardous substances and waste management. We have not had any material breaches of any environmental laws or regulations applicable to us. Our environmental protection systems and facilities comply with applicable PRC national and local environmental protection laws and regulations. We have not been subject to any penalties for breach of environmental laws or regulations. Ordos City Environment Protection Bureau and the Inner Mongolia Autonomous Region Environmental Protection Bureau also issued a confirmation on February 28, 2012 and March 23, 2012, respectively, confirming that we and our subsidiaries, since our respective incorporation, have complied with national and local laws and regulations in relation to environmental protection, have not caused environmental contamination accidents, and have no environmental protection issues that should subject us to penalties. We have not been presented with any specific demand or requirements by our customers in complying with relevant environmental protection rules in the areas in which they operate.

We have adopted a number of environmentally responsible practices in our operations to minimize the damage of our operations to the environment. Our environmental protection department develops our environmental protection plans and policies, supervises the execution of these environmental protection plans and policies by our production departments and monitors the operation of our environmental protection facilities. Our environmental department has 15 personnel, including a senior economist, an engineer, an assistant engineer and a qualified water environment supervising engineer, among which 14 personnel are qualified ISO14001 environmental management system internal inspectors. In addition to regular inspections by the relevant government authorities, we undertake routine and periodic inspections of all of our coal mines with respect to environmental protection.

The primary pollutant generated in our operations is waste water at our mines and coal dust. We generally reuse and recycle the waste water generated in our coal production process. To reduce coal dust, we use exclusively coal storage bunkers to store coal at all of our mines except for the Fuhua Mine and the Yangwangou Mine, which have relatively small marketable reserves and short remaining economic lives compared with our other mines. We store coal at the Fuhua Mine and Yangwangou Mine at stock yards and have installed windbreak nets and water spraying systems to spray recycled and treated waste water at these stock yards to reduce dust. We also use windbreak nets and water spraying systems at our coal loading stations. We will continue to explore opportunities to further increase optimization and efficiency.

We have implemented both recommendations made by BOYD in the Competent Person's Report, which include the enhancement of water spray and dust suppression at Fuhua Mine and the re-vegetation of the industrial site at Dingjiaqu Mine.

Our environmental protection expenditures have been primarily associated with installation of environmental protection facilities to comply with environmental protection laws and regulations and to upgrade our environmental protection systems. Such expenditures amounted to an aggregate of RMB607 million during the Track Record Period. Our environmental protection expenditures are expected to be approximately RMB260 million in 2012.

OCCUPATIONAL HEALTH AND SAFETY

The PRC government places significant regulatory requirements on coal mines with respect to employee safety. We regard occupational health and safety as one of our most important responsibilities and have implemented a number of measures to ensure compliance with the stringent regulatory requirements to which we are subject. We and certain of our subsidiaries have obtained the occupational health and safety management system certification issued by the China Academy of Safety Science And Technology. We have a safe production committee that is headed by the president of our board of directors. Under the safe production committee, we have seven field inspection units that conduct periodic inspections of our mines to ensure that our entire coal mining operations are in compliance with existing laws and regulations. Staff of these field inspection units report directly to the safe production committee and have broad authority with respect to occupational health and safety matters, including the authority to take corrective measures, impose fines and other disciplinary actions for violations and suspend noncompliant operations, and propose that any general manager responsible for violations be removed. The field inspection units provide daily reports to the safe production committee regarding occupational health and safety issues and provide follow-up reports the next day on remedial measures and results.

As we believe that safe practices are the best way to ensure employee safety, we organize and conduct regular training sessions for employees on accident prevention and management. We also regularly engage research and professional training institutions to provide specialized training for our senior management, engineers and key employees responsible for workplace safety. To ensure mine safety, we have installed advanced safety monitoring systems at our mines to monitor methane gas concentration levels, fire and other hazards and communication systems to ensure effective means of communication in case of accidents. In addition, we have also established an accident recording system. Once an accident happens, the relevant information, including the nature and the cause of the accident, the responsible party and remedial measures, is recorded in the accident recording system according to the results of our investigation. We have passed all periodic and other safety inspections by the relevant authorities, and none of our mines has been shut down by the government, during the Track Record Period. In addition, according to the letter dated March 16, 2012 issued by Inner Mongolia Coal Mine Safety Supervisory Bureau from the respective commencement of operation of the Twelve Mines to the date of the letter, the Twelve Mines have carried out construction, production and operation in accordance with the relevant laws, regulations and policies of the State and Inner Mongolia, there had been no recorded safety accidents, or incidents of various types including project construction, production and operation activities, and safety management that would give rise to penalties by the coal industry regulatory authorities. To the date of the letter, there had been no incidents that had led to, or might lead to, the closure or suspension of, or penalties regarding, the Twelve Mines.

Our coal mines did not have any fatalities during the Track Record Period. By comparison, the average fatalities per million tonnes of coal production for coal mines in China were 0.89, 0.75 and 0.56 for 2009, 2010 and 2011, respectively, according to the NBSC. However, our coal mining operations involve significant risks and hazards that are inherent in such activities and may not be completely eliminated by the safety measures that we have in place. These risks and hazards could result in damage to, or destruction of, properties or production facilities, personal injury, environmental damage, business interruption and possible legal liability. Although we did not experience any accident that would materially and adversely affect our operations during the Track Record Period, we had minor accidents during the Track Record Period. For example, on April 8, 2009, a semi oil storage tank of our coal-related chemical operations caught fire, which caused damage amounting to approximately RMB4.8 million, although there was no personal injury or damage to production equipment. We cannot provide any guarantee that this kind of minor accident will not happen in the future, which may disrupt our operations and divert our management's attention. Other minor accidents were insignificant. See "Risk Factors — Risks Relating to Our Businesses — Our operations may be adversely affected by operational risks and natural disasters and resulting losses for which we have limited insurance" and "Risk Factors — Risks Relating to Our Businesses — Safety accidents may occur at our mines or neighboring coal mines."

INTELLECTUAL PROPERTY

We have entered into a trademark license agreement with Yitai Group, pursuant to which Yitai Group has agreed to grant to us the right to use certain trademarks at a nominal consideration of RMB1.0 per year until the relevant trademark registration expires.

As of the Latest Practicable Date, we held 15 patents and two patent application rights. All these patents and patent application rights are owned by Yitai Pharmaceutical in relation to our pharmaceutical business.

PROPERTIES

Owned or Occupied Properties

As of March 31, 2012, we owned or occupied (i) 62 parcels of land with a total site area of approximately 23.8 million square meters, of which we have obtained land use right certificates for 57 parcels of land; and (ii) 607 buildings and units with a total gross floor area of approximately 434.8 thousand square meters, of which we have obtained building ownership certificates for approximately 349.3 thousand square meters. All of such land, buildings and units are located in the PRC.

A summary of material properties prepared by CBRE HK, an independent property valuer, is set out in "Appendix X — Statutory and General Information — Material Properties" included in this Prospectus.

Land

The land we owned or occupied may be categorized as follows:

(i) 46 parcels of granted land with a total site area of 7,594,495 square meters for which we have obtained granted land use right certificates;

(ii) 11 parcels of allocated land with a total site area of 5,030,652 square meters for which we have obtained allocated land use right certificates; and

(iii) Five parcels of land with a total site area of 11,139,024 square meters for which we have not obtained land use right certificates.

Buildings

The buildings and units we owned or occupied may be categorized as follows:

(i) 440 buildings and units with a total gross floor area of 349,309 square meters for which we have obtained building ownership certificates and the related land use right certificates;

(ii) 167 buildings and units with a total gross floor area of 85,477 square meters for which we have not obtained the building ownership certificates.

We are applying for the relevant allocated or granted land use right certificates in respect of the five parcels of land for which we have not obtained land use right certificates. Of such land, we have obtained approvals from the relevant government authorities regarding the grant of land use rights with respect to one parcel of land with a site area of 89,334 square meters, representing 0.4% of the total site area of the land we operate our business through. We are in the process of entering into a land use rights grant agreement with the relevant government authorities. This parcel of land is the site of our solar power demonstration project. Five buildings and units with a total floor area of 871 square meters for which we have not obtained building ownership certificates are located on this parcel of land. All of these buildings and units are used as ancillary facilities. We intend to apply for ownership certificates for these buildings and units after we obtain the land use rights with respect to the underlying land.

Of the remaining four parcels of land for which we are applying for land use right certificates, two parcels with a total site area of 9,788,007 square meters are used by our Huzhun Railway Line and Yitai Zhundong Railway Line, together representing 41.2% of the total site area of the land we operate our business through. 97 buildings and units with a total floor area of 29,218 square meters for which we have not obtained building ownership certificates are located on these two parcels of land. Of these 97 buildings and units, 72 are used as ancillary facilities with a total floor area of 9,207 square meters and 25 are used as offices with a total floor area of 20,011 square meters. According to a reply issued by the MLR on January 17, 2011, the State Council had approved the parcel of land used by Yitai Zhundong Railway Line with a site area of 4,873,743 square meters to be converted into land for construction, while according to a reply issued by the MLR on December 27, 2011, the State Council had approved the parcel of land used by Huzhun Railway Line with a site area of 4,914,264 square meters to be converted into land for construction, and Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised us that there are no material legal impediments to our obtaining the relevant land use right certificate.

The remaining two parcels of land for which we are applying for land use right certificates with a total site area of 1,261,683 square meters, representing 5.3% of the total site area of the land we operate our business through, are used by Kaida Mine, our Zhunge'erzhao CCP and our gas station at Zhunge'erzhao for production and ancillary purposes. 23 buildings and units with a total floor area of 15,381 square meters for which we have not obtained building ownership certificates are located on these two parcels of land. Of these 23 buildings and units, five are used for production with a total floor area of 507 square meters, three are used as offices with a total floor area of 3,081 square meters, three are used as staff quarters with a total floor area of 7,840 square meters and 12 are used as ancillary facilities with a total floor area of 3,953 square meters. We are currently applying to the relevant government authorities for land use rights certificates for these two parcels of land. We have received a letter from the IDLR dated March 19, 2012, confirming that (i) we will not be penalized again for using such construction land without approval or be ordered to return such land or restore such land to its original status, and buildings and other facilities on such land will not be subject to confiscation or compulsory removal; (ii) as of the date of this letter, the IDLR had not received any third-party claim challenging our right to use such land, it will not accept any application filed by any third-party other than us with respect to such land.

Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised that there are no material legal impediments for us to obtain the relevant title certificates of the three parcels of land used by solar power demonstration project, Huzhun Railway Line and Yitai Zhundong Railway Line abovementioned and as to the remaining two parcels of land as mentioned above representing 5.3% of the total site area of land on which we operate our business, the competent governmental authority has confirmed that we would not be penalized in any way for using such land. Therefore, the risk of us being requested to relocate is remote. We are expected to obtain valid titles for the above five parcels of land by the end of 2012. According to our Directors' best estimate, if we are unable to obtain the title certificates of the remaining two parcels of land and are requested to relocate, the total relocation cost would be approximately RMB107.0 million.

The Directors are of the view that the five parcels of land and 167 buildings and units for which we do not have title certificates, or the defective properties, are not crucial to our business and operations for the following reason. We have entered into a land grant agreement or obtained approvals from the relevant government authorities regarding the grant of land use rights or confirmation from Ordos Bureau of Land and Resources regarding our legal use of the land for all the above five parcels of land. Moreover, the buildings with respect to which we have not obtained building ownership certificates or confirmation from Ordos Bureau of Land and Resources regarding our legal use of the buildings represent approximately 9.2% of the total gross floor area of the buildings we operate our business through.

Leased Properties

In addition, we leased two units with a total gross floor area of approximately 1,901 square meters in PRC for office and staff quarters. The lessors of the leased units have obtained the building ownership certificate or the written consent of the owner of the unit. Jingtian & Gongcheng Attorneys at Law are of the view that the lease contracts are legal, binding and enforceable.

Pursuant to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, which exempted the prospectus from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all the Group's interests in land or buildings, a summary of our material properties is disclosed in "Appendix X — Statutory and General Information — Material Properties." Save as disclosed in "Appendix X — Statutory and General Information — Material Properties" in this Prospectus, our Directors confirm that none of our property interests is individually material to us in terms of income contribution or rental expense. The carrying amount of the single most valuable property interest owned by our Company is less than 15% of our total assets and no property interest owned by our Company is held by us for property activities.

INSURANCE

We carry property insurance for our coal-to-oil operations and transportation operations, as well as occupational injury, medical pension and unemployment insurance for our employees, in compliance with applicable regulations. In accordance with what we believe is customary practice for other companies that conduct the same business that we do, we do not currently maintain fire, liability or other property insurance covering our property, equipment or inventory relating to our coal operations.

Based on the assessment of the risk exposure of our operations, the Directors are of the view that our insurance coverage is adequate. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice in line with our needs and with industry practice with respect to insurance in China. See "Risk Factors — Risks Relating to Our Businesses — Our operations may be adversely affected by operational risks and natural disasters and resulting losses for which we have limited insurance."

REGULATORY COMPLIANCE

Our PRC legal advisors, Jingtian & Gongcheng Attorneys at Law, are of the view that we have been in compliance with applicable laws and regulations in all material aspects by considering the relevance of various matters to our principal business activities and whether there has been, or is likely to be, any material adverse impact on our business, results of operations and financial position. Furthermore, Jingtian & Gongcheng Attorneys at Law are of the opinion that we have obtained all necessary licenses, approvals and permits that are material for our business operations in the PRC.

LEGAL PROCEEDINGS

We are not currently involved in and have not been recently involved in any material legal or arbitration proceedings. We are not aware of any legal claims or proceedings that may have a material influence on our rights to explore or mine.

In addition, Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have confirmed that, to the best of their knowledge after due inquiry, we have not been subject to any material fines or penalties, or ordered to suspend any of our operations during the Track Record Period.

THE PROPOSED ACQUISITION AND THE TARGET BUSINESS GROUP

The Proposed Acquisition

To expand the scale of our coal business in terms of reserves and output and reduce potential competition between Yitai Group and us, we entered into an Assets Transfer Agreement with Yitai Group on May 29, 2012, pursuant to which we will acquire from Yitai Group the Target Business Group after the completion of the Global Offering at a consideration of RMB8,446.5 million, which is arrived at after arm's length negotiation and which is equal to the aggregate fair value of the Target Business Group as of December 31, 2009 as stated in a valuation report prepared by CEA. We expect to apply the net proceeds from the Global Offering to the consideration payable to Yitai Group for the Proposed Acquisition.

The Target Business Group includes substantially all of the assets and businesses of Yitai Group related to coal production, sales and transportation. The completion of the Proposed Acquisition is subject to the listing of our H Shares on the Hong Kong Stock Exchange, and the approval by the IDLR of the transfer of the relevant mining rights. Under the Assets Transfer Agreement, the Closing Date will be the last day of the calendar month immediately following the date when the necessary approval, i.e. the approval of the IDLR, is obtained. Within five months after the Closing Date or other time frame required by applicable laws, Yitai Group shall assist us in completing registration or recording procedures for the transfer of legal ownership of the assets and equity interests in the Target Business Group in accordance with PRC laws and regulations (e.g. transfer of mining rights, land use right and ownership of buildings) before the Proposed Acquisition can be completed and our Company can obtain the legal ownership of the Target Business Group. Therefore, assuming that the necessary approval was to be received within two months from the Listing Date, our Directors believe that the Proposed Acquisition could be completed within eight months from the Listing Date.

For more details on the Proposed Acquisition, the valuation report by CEA and the terms of the Assets Transfer Agreement, please see "Relationship with Controlling Shareholders — Competition — Proposed Acquisition."

The Target Business Group

The Target Business Group includes the following businesses that are currently owned by Yitai Group:

- the 73% equity interest in Yitai Baoshan, which operates Baoshan Mine and the 73% equity interest in Yitai Tongda, which operates Dingjiaqu Mine;
- each of Chengyi Mine, Dadijing Mine and Baijialiang Mine, including but not limited to the current assets, fixed assets, intangible assets and other assets; and
- other coal-related assets, including but not limited to the current assets, fixed assets, intangible assets and other assets of Dongxing Collection and Transportation Center, Xiyingzi coal loading

station, Baoshen line coal loading station, Jingtang Port transfer and transportation center, Baotou sales branch, Baotou payment center, Beijing payment center, Tanggongta payment center, Qinhuangdao office, Datong office, Tianjin office, Caofeidian office, storage and transportation assets and other assets related to coal trading, storage and transportation.

There will be transfers of management and employees of the Target Business Group to us pursuant to the Assets Transfer Agreement. For 2009, 2010 and 2011, the aggregate sales volume of coal produced at the Target Mines was 10.5 million tonnes, 10.5 million tonnes and 14.1 million tonnes, respectively, and the aggregate sales volume of coal purchased from third-party coal companies by the Target Business Group was 3.1 million tonnes, 12.0 million tonnes and 13.2 million tonnes, respectively. In addition to selling coal produced at its mines, the Target Business Group also includes coal trading business of Yitai Group by purchasing coal from third-party coal companies and reselling it through these coal loading stations and its sales network. After acquiring the Target Business Group, we intend to continue such coal trading business.

As of December 31, 2009, 2010 and 2011, the Target Business Group had net assets of RMB1,787.0 million, RMB2,263.5 million and RMB2,581.1 million, respectively. For 2009, 2010 and 2011, the Target Business Group had revenue of RMB5,274.6 million, RMB9,268.3 million and RMB10,848.9 million, respectively, and profit of RMB1,020.5 million, RMB1,965.4 million and RMB2,295.6 million, respectively. Audited financial statements of the Target Business Group for 2009, 2010 and 2011 are attached to this Prospectus as Appendix IB.

BUSINESS OF TARGET BUSINESS GROUP

The Target Business Group is primarily engaged in coal production and sales, which is substantially similar to our coal operations. It generates revenue primarily from sales of coal produced at the Target Mines and resales of coal purchased from third-party coal companies. The following table sets forth information on the volume of coal sold by the Target Business Group during the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	Million tonnes	%	Million tonnes	%	Million tonnes	%
Self-produced coal	10.5	77.2	10.5	46.7	14.1	51.6
Coal purchased from third parties	3.1	22.8	12.0	53.3	13.2	48.4
Total	**13.6**	**100.0**	**22.5**	**100.0**	**27.3**	**100.0**

The coal products sold at coal mines at mine gate prices represented 7.5%, 31.7% and 35.8%, respectively, of coal sold by the Target Business Group in 2009, 2010 and 2011. The remaining portion of coal is transported through public highway to nearby coal loading stations mainly by our transportation subsidiaries. From the loading stations, some coal products are sold and other coal products are loaded onto railway trains to be transported to customers based on the needs of customers. The Target Business Group does not have, and is not planning to build, its own highway, railway or automobile transportation capacity, except for local roads connecting the Target Mines to the nearby highways and loading stations. The customers of the Target Business Group are mainly large-scale industrial customers, particularly power producers. Certain sales of the Target Business Group are made by signing annual coal sales and purchase agreements under long-term agreements entered into between Yitai Group and major customers, and the rights and obligations of Yitai Group under these annual coal sales and purchase agreements and the long-term agreements will be transferred to our Company upon the Listing Date. Similar to us, the main supplies the Target Business Group purchases for its coal operations include coal, mining equipment, replacement parts, steel, cement, explosives, fuel and lubricants. It also purchases transportation services from third-party railway companies and trucking companies and us to transport its coal, and purchases coal-washing services from us to process its coal.

The Target Mines

The Target Mines are located in the Dongsheng Coalfield and had aggregate marketable reserves of 87.9 million tonnes as of December 31, 2011, representing approximately 7.1% of our total marketable reserves on the assumption that the Proposed Acquisition had been completed on January 1, 2011. Please see "— Overview — The Proposed Acquisition and the Target Business Group" for a table setting forth certain detailed information for each of the Target Mines.

The Target Mines produce high quality thermal coal with attractive commercial characteristics, including medium to high calorific value, high volatile matter content, low sulphur content, medium to low ash content and low phosphorous content. The following table sets out their quality characteristics. Coal quality by mine based on coal test report data provided by Yitai Group is as follows:

Quality Characteristic	Dadijing	Baoshan	Dingjiaqu	Chengyi	Baijialiang
Moisture content (%)	17.2	15.4	16.0	18.4	19.6
Ash content (%)	9.3	6.4	12.1	5.8	4.3
Sulfur content (%)	0.6	0.2	0.2	0.6	0.4
Volatile matter content (%)	27.3	27.8	27.5	26.5	29.3
Gross calorific value (Kcal/kg)	5,570	6,070	5,500	5,760	5,810
Net calorific value (Kcal/kg)	5,300	5,800	5,230	5,500	5,520

Note: Average based on coal quality test data for July-December 2011 provided by Yitai Group, which may not reflect typical analysis.

Sustaining capital based on projected raw coal output is RMB6.6 per tonne, which is at the low end of the range of likely requirements to support the projected output level in the opinion of BOYD.

Dadijing Mine

Dadijing Mine is owned by Yitai Group, and we will purchase the business in relation to Dadijing Mine. It is located in the Dongsheng Coalfield, with marketable reserves of 51.8 million tonnes as of December 31, 2011 and an assessed annual production capacity of 3.0 million tonnes. It has four primary coal seams with a thickness of between 1.5 and 3.4 meters.

Baoshan Mine

Baoshan Mine is currently owned by Yitai Baoshan. Yitai Group and Beijing Jielongda Investment Company Limited (北京傑隆達投資有限責任公司), an Independent Third Party, own 73% and 27% of Yitai Baoshan's registered capital, respectively. We will acquire from Yitai Group its 73% interest in Yitai Baoshan, and have obtained the consent of Beijing Jielongda Investment Company Limited to this transaction.

Baoshan Mine is located in the Dongsheng Coalfield, with marketable reserves of 14.6 million tonnes as of December 31, 2011 and an assessed annual production capacity of 1.9 million tonnes. It has one primary coal seam with a thickness of 3.0 meters.

Dingjiaqu Mine

Dingjiaqu Mine is currently owned by Yitai Tongda. Yitai Group and Ordos Huijiabao Investment Company Limited (鄂爾多斯市匯家寶投資有限責任公司), an Independent Third Party, own 73% and 27% of Yitai Tongda's registered capital, respectively. We will acquire from Yitai Group its 73% interest in Yitai Tongda and have obtained the consent of Ordos Huijiabao Investment Company Limited to this transaction.

Dingjiaqu Mine is located in the Dongsheng Coalfield, with total marketable reserves of 16.3 million tonnes as of December 31, 2011 and an assessed annual production capacity of 2.3 million tonnes. It has two primary coal seams with a thickness of between 1.3 and 2.5 meters.

Chengyi Mine

Chengyi Mine is owned by Yitai Group, and we will purchase the business in relation to Chengyi Mine. It is located in the Dongsheng Coalfield, with marketable reserves of 4.8 million tonnes as of December 31, 2011 and an assessed annual production capacity of 1.2 million tonnes. It has two primary coal seams with a thickness of between 1.2 and 1.7 meters.

Baijialiang Mine

Baijialiang Mine is owned by Yitai Group, and we will purchase the business in relation to Baijialiang Mine. It is located in the Dongsheng Coalfield, with marketable reserves of 0.5 million tonnes as of December 31, 2011 and an assessed annual production capacity of 1.9 million tonnes. It has one primary coal seam with a thickness of 3.2 meters.

The following table sets forth details of the mining right permits, safe production permits and coal production permits of the Target Mines.

Mine	Registered mining right permit holder/permit number	Mining right permit date (month/ year)	Mining right validity period	Safe production permit date[(1)]	Safe production permit validity period	Coal production permit date[(2)]	Coal production permit validity period
Dadijing	Yitai Group/ C1500002011061120115049	June 2011	From June 2011 to December 2018 (8 years)	May 2011	From May 2011 to May 2013	April 2010	From June 2009 to December 2023
Baoshan	Yitai Baoshan/ C1500002011071120115196	July 2011	From July 2011 to December 2018 (8 years)	May 2011	From May 2011 to May 2013	April 2010	From June 2009 to December 2025
Dingjiaqu	Yitai Tongda/ C1500002011061120115051	June 2011	From June 2011 to December 2018 (8 years)	May 2011	From May 2011 to May 2013	April 2010	From October 2009 to December 2023
Chengyi	Yitai Group/ C1500002011061120115048	June 2011	From June 2011 to December 2013 (2 years)	September 2009	From September 2009 to September 2013	April 2010	From October 2009 to April 2019
Baijialiang	Yitai Group/ C1500002011061120115050	June 2011	From June 2011 to October 2013 (2 years)	May 2011	From May 2011 to May 2013	April 2010	From June 2009 to April 2017

(1) Safe production permits typically have validity periods of three years and may be renewed.

(2) Coal production permits have various validity periods and may be renewed.

We intend to apply for these permits in our own name in connection with the Proposed Acquisition for the Target Mines. Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised us that under the current PRC laws and regulations there would be no material legal impediments to our obtaining these permits.

During the Track Record Period, the annual production volumes of certain Target Mines in certain years exceeded the relevant Assessed Capacities, for details of which see "— Coal Operations — Relevant Rights and Permits."

Target Business Group's other coal-related assets

The Target Business Group also includes other coal-related assets, including but not limited to the current assets, fixed assets, intangible assets and other assets of Dongxing Collection and Transportation Center, Xiyingzi coal loading station, Baoshen line coal loading station, Jingtang Port transfer and transportation center, Baotou sales branch, Baotou payment center, Beijing payment center, Tanggongta payment center, Qinhuangdao office, Datong office, Tianjin office, Caofeidian office, storage and transportation assets and other assets related to coal trading, storage and transportation. In addition, there will be transfer of management and employees of the Target Business Group to our Group pursuant to the Assets Transfer Agreement. The Target Business Group does not have, and is not planning to build, any coal preparation plant.

Quality Control of the Target Business Group

As the business operations of the Target Business Group are substantially similar to our coal operations, they are subject to substantially the same PRC laws and regulations regarding product quality as we are. To the best knowledge of our Directors, the Target Business Group has not been penalized for any material violation of laws or regulations regarding product quality during the Track Record Period. We intend to further review and assess the quality control mechanism of the Target Business Group and integrate the Target Business Group into our quality control system after the completion of the Proposed Acquisition.

Competition of the Target Business Group

As the Target Business Group also sells coal products produced in the Ordos region to domestic customers, we are of the view that the Target Business Group is in a similar position in terms of competition as we are. See "— Competition."

Environmental Matters of the Target Business Group

The operations of the Target Business Group are currently subject to environmental laws and regulations relating to air and water emissions, hazardous substances and waste management. To the best knowledge of our Directors, the Target Business Group has not breached any applicable environmental laws or regulations that would have a material adverse impact, and its environmental protection systems and facilities comply with applicable PRC national and local environmental protection laws and regulations. To the best knowledge of our Directors, the Target Business Group has not been presented with any specific demand or requirements by its customers in complying with relevant environmental protection rules in the areas in which if operates.

Occupational Health and Safety of the Target Business Group

The PRC government places significant regulatory requirements on coal mines with respect to employee safety, which apply to both us and the Target Business Group. To the best knowledge of our Directors, the Target Business Group has passed all periodic and other safety inspections by the relevant authorities, and none of the Target Mines has been shut down by the government, during the Track Record Period. In addition, according to the letter dated March 16, 2012 issued by the Inner Mongolia Coal Mine Safety Supervisory Bureau from the respective commencement of operation of the Twelve Mines to the date of the letter, the Twelve Mines have carried out construction, production and operation in accordance with the relevant laws, regulations and policies of the State and Inner Mongolia, there had been no safety accidents, or incidents of certain types, including project construction, production and operation activities and safety management that would give rise to penalties by the coal industry regulatory authorities. To the date of the letter, there had been no incidents that had led to, or might lead to, the closure or suspension of, or penalties regarding, the Twelve Mines. The Target Mines did not have any accidents that caused any fatalities during the Track Record Period.

Intellectual Property of the Target Business Group

The Target Business Group uses certain trademarks, which it will be able to continue to use after the completion of the Proposed Acquisition under the trademark license agreement that we have entered into with Yitai Group. The Target Business Group does not have any patent or patent application right.

Properties of the Target Mines

As of December 31, 2011, the Target Mines operated their businesses through (i) nine parcels of land with a total site area of approximately 760,112 square meters, of which all the land use right certificates have been obtained; and (ii) 108 buildings and units with a total gross floor area of approximately 47,497 square meters, of which building ownership certificates for approximately 47,459 square meters had been obtained. All of such land, buildings and units are located in the PRC. The Target Mines did not lease land or buildings as of December 31, 2011.

Land

The land the Target Mines operated its business through include nine parcels of granted land and allocated land with a total site area of approximately 760,112 square meters, for all of which granted or allocated land use right certificates have been obtained.

Buildings

The buildings and units the Target Mines operated our business through may be categorized as follows:

(i) 107 buildings and units with a total gross floor area of approximately 47,459 square meters for which building ownership certificates and the related land use right certificates have been obtained; and

(ii) One building with a total gross floor area of approximately 37.6 square meters, for which Yitai Group is applying for a building ownership certificate. Such building is used for ancillary purposes by the Target Mines. Such applications have been accepted by the relevant government authorities and Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised that there are no material legal impediments for us to obtain the relevant building ownership certificates.

Insurance by the Target Business Group

The Target Business Group carries out occupational injury, medical pension and unemployment insurance for its employees in compliance with applicable regulations. In accordance with what we believe is customary practice for other companies that conduct the same business as the Target Business Group, the Target Business Group does not currently maintain fire, liability or other property insurance covering its property, equipment or inventory relating to its operations.

We intend to further review and assess the risk exposure of the Target Business Group and its employees and make necessary and appropriate adjustments to its and our insurance practices after the completion of the Proposed Acquisition in line with our needs and with industry practice.

Regulatory Compliance of the Target Business Group

Our PRC legal advisors, Jingtian & Gongcheng Attorneys at Law, are of the view that the Target Business Group has been in compliance with applicable laws and regulations in all material aspects by considering the relevance of various matters to its principal business activities and whether there has been, or is likely to be, any material adverse impact on its business, results of operations and financial position. Furthermore, Jingtian & Gongcheng Attorneys at Law are of the opinion that the Target Business Group has obtained all necessary licenses, approvals and permits that are material for its business operations in the PRC.

Legal Proceedings Involving the Target Business Group

To the best knowledge of the Directors, the Target Business Group is not currently involved in and has not been recently involved in any legal or arbitration proceedings that may cause a material adverse impact on the business and financial performance of the Target Business Group. To the best knowledge of the Directors, we are not aware of any legal claims or proceedings that may have a material adverse influence on the Target Business Group's exploration rights or mining rights.

In addition, Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have confirmed that, to the best of their knowledge after due inquiry, the Target Business Group has not been subject to any material fines or penalties, or ordered to suspend its operations during the Track Record Period.

PRICE SENSITIVE INFORMATION

We will release price sensitive information in Hong Kong and China simultaneously after the Listing under the Listing Rules.