You should read the following discussion and analysis in conjunction with our audited consolidated financial information set forth in the Accountants' Report included as Appendix IA to this Prospectus and the notes thereto, the audited combined financial information of the Target Business Group set forth in the Accountants' Report included as Appendix IB to this Prospectus and the notes thereto and the unaudited pro forma combined financial information of our Group and the Target Business Group set forth in Appendix IIA to this Prospectus and the notes thereto. Our reporting accountants have reviewed our unaudited interim financial statements, including the notes thereto, which have been prepared on the same basis as our audited consolidated financial statements. The unaudited interim consolidated financial statements include all normal and recurring adjustments that we consider necessary to fairly present our financial condition and results of operations as of the dates and for the periods indicated as included in Appendix III to this Prospectus.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements."

Unless otherwise indicated, all financial data, whether presented on a consolidated basis or by segment, are presented net of intersegment transactions (i.e., intersegment and other intra-group transactions have been eliminated).

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables present the selected historical consolidated financial information of our Group and the selected historical combined financial information of the Target Business Group for the periods indicated. The selected summary consolidated and combined statements of comprehensive income information, operating segment information and cash flows information for 2009, 2010 and 2011, and the selected summary consolidated and combined statements of financial position information as of December 31, 2009, 2010 and 2011 are derived from, and should be read in conjunction with, the consolidated and combined financial information set forth in the Accountants' Reports included as Appendix IA and Appendix IB to this Prospectus, respectively. The selected summary consolidated statements of comprehensive income information and cash flow information for the three months ended March 31, 2011 and 2012, and the selected summary consolidated statement of financial position information as of March 31, 2012 of our Group are derived from, and should be read in conjunction with the Unaudited Interim Financial Information included in Appendix III to this Prospectus. The selected historical consolidated financial information has been prepared in accordance with IFRS.

Our Group

Consolidated statements of comprehensive income

	Year ended December 31,			Three months ended March 31,	
	2009	2010	2011	2011	2012
				(unaudited)	
			RMB million		
Revenue	10,252.2	13,853.8	16,515.8	3,210.2	5,371.7
Cost of sales	(5,235.0)	(5,998.7)	(8,100.9)	(1,342.2)	(3,034.7)
Gross profit	5,017.2	7,855.1	8,414.9	1,868.0	2,337.0
Other income	132.0	152.2	349.9	54.2	101.4
Selling and distribution costs	(627.3)	(705.2)	(717.7)	(171.5)	(175.7)
Administrative expenses	(524.9)	(790.2)	(1,009.0)	(145.1)	(178.0)
Other expenses	(65.4)	(99.9)	(64.4)	26.8	(22.3)
Finance income	36.3	25.5	34.1	5.9	8.7
Finance costs	(279.7)	(171.9)	(285.3)	(42.7)	(98.7)
Exchange gains, net	25.2	6.9	17.7	1.2	0.6
Share of losses of a jointly-controlled entity	(0.3)	—	—	—	—
Share of profits and losses of associates	0.6	2.6	19.8	(2.6)	2.5
Profit before tax	3,713.7	6,275.1	6,760.0	1,594.2	1,975.5
Income tax expense	(565.3)	(959.1)	(1,010.7)	(236.0)	(303.0)
Profit for the year/period	3,148.4	5,316.0	5,749.3	1,358.2	1,672.5
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/ period	3,148.4	5,316.0	5,749.3	1,358.2	1,672.5
Profit and total comprehensive income attributable to:					
Owners of our Company	3,042.9	5,014.6	5,464.0	1,311.0	1,525.6
Non-controlling interests	105.5	301.4	285.3	47.2	146.9
	3,148.4	5,316.0	5,749.3	1,358.2	1,672.5
Basic earnings per share attributable to ordinary equity holders of our Company (RMB)					
— For profit for the year/period	2.08	3.43	3.73	0.90	1.04

Consolidated statements of financial position

	As of December 31,			As of March 31,
	2009	2010	2011	2012
				(unaudited)
	RMB million			
Non-current assets				
Property, plant and equipment	15,623.3	17,698.3	20,371.0	20,580.5
Investment properties	38.0	36.1	33.7	33.1
Prepaid land lease payments	158.3	228.6	265.8	265.4
Mining rights	235.3	226.4	218.1	216.9
Intangible assets	19.1	16.9	17.5	17.3
Investment in a jointly-controlled entity	4.9	4.9	—	—
Investments in associates	200.8	279.6	353.0	355.5
Available-for-sale investments	1,338.8	2,108.1	2,870.6	2,889.6
Other non-current assets	20.6	18.0	17.7	25.0
Deferred tax assets	47.4	27.4	101.3	90.4
Total non-current assets	17,686.5	20,644.3	24,248.7	24,473.7
Current assets				
Inventories	316.4	460.1	676.7	660.9
Trade and bills receivables	668.5	573.2	751.4	1,095.0
Prepayments, deposits and other receivables	660.0	454.0	836.0	1,419.4
Restricted cash	15.0	27.2	20.3	20.3
Cash and short-term deposits	3,275.4	3,715.2	3,535.5	3,811.1
Total current assets	4,935.3	5,229.7	5,819.9	7,006.7
Current liabilities				
Trade and bills payables	269.9	279.4	543.5	630.4
Other payables and accruals	2,147.2	1,946.3	1,886.4	2,052.1
Interest-bearing loans and borrowings	1,752.6	918.6	2,206.2	2,070.0
Income tax payable	236.6	320.8	161.3	347.2
Total current liabilities	4,406.3	3,465.1	4,797.4	5,099.7
Net current assets	**529.0**	**1,764.6**	**1,022.5**	**1,907.0**
Total assets less current liabilities	**18,215.5**	**22,408.9**	**25,271.2**	**26,380.7**
Non-current liabilities				
Interest-bearing loans and borrowings	7,367.8	7,011.8	6,100.6	5,569.5
Other non-current liabilities	96.1	100.6	387.2	317.8
Total non-current liabilities	7,463.9	7,112.4	6,487.8	5,887.3
Net assets	**10,751.6**	**15,296.5**	**18,783.4**	**20,493.4**
Equity				
Issued capital	732.0	1,464.0	1,464.0	1,464.0
Reserves	8,042.6	10,085.5	13,355.6	14,881.2
Proposed final dividends	732.0	2,196.0	2,196.0	2,196.0
Equity attributable to owners of our Company	**9,506.6**	**13,745.5**	**17,015.6**	**18,541.2**
Non-controlling interests	1,245.0	1,551.0	1,767.8	1,952.2
Total equity	**10,751.6**	**15,296.5**	**18,783.4**	**20,493.4**

Operating segment information

	Year ended December 31,			Three months ended March 31,
	2009	2010	2011	2012
				(unaudited)
	RMB million			
Revenue from operations				
Coal	9,676.0	13,360.1	15,197.3	4,786.3
Transportation	534.5	435.3	604.4	211.3
Coal-related chemical	—	—	677.8	367.4
Others	41.7	58.4	36.3	6.7
Total revenue from operations	10,252.2	13,853.8	16,515.8	5,371.7
Depreciation and amortization				
Coal	444.6	452.7	552.2	147.5
Transportation	89.0	158.5	195.4	60.7
Coal-related chemical	—	14.0	65.7	37.6
Others	9.4	6.4	5.6	2.1
Total depreciation and amortization	543.0	631.6	818.9	247.9
Capital expenditure				
Coal	2,408.0	1,114.1	1,865.6	181.0
Transportation	1,496.4	1,529.8	1,270.6	216.6
Coal-related chemical	848.6	558.6	452.1	58.2
Others	1.5	5.7	5.4	0.1
Total capital expenditure	4,754.5	3,208.2	3,593.7	455.9

Revenue from our transportation operations decreased by 18.6% from RMB534.5 million in 2009 to RMB435.3 million in 2010 primarily due to a decrease in the volume of coal our trucking subsidiaries transported for our customers as they downsized their fleets. Revenue from our transportation operations increased by 38.8% from RMB435.3 million in 2010 to RMB604.4 million in 2011 and increased by 99.7% from RMB105.8 million for the three months ended March 31, 2011 to RMB211.3 million for the three months ended March 31, 2012, primarily due to an increase in the volume of coal that our railway lines transported for customers and an increase in the rate of the platform fee on our railway lines. We commenced the operations of the coal-to-oil project in July 2011, and generated revenue of approximately RMB677.8 million and RMB367.4 million for 2011 and the three months ended March 31, 2012, respectively. Revenue from our other operations increased by 40.0% from RMB41.7 million in 2009 to RMB58.4 million in 2010 and decreased by 37.8% from RMB58.4 million in 2010 to RMB36.3 million in 2011, primarily due to an increase and decrease in the revenue generated from our Chinese medicine business in 2010 and 2011, respectively. Revenue from our other operations increased by 28.3% from RMB5.3 million for the three months ended March 31, 2011 to RMB6.7 million for the three months ended March 31, 2012, primarily due to an increase in the revenue generated from our pharmaceutical business.

Selected consolidated cash flows information

	Year ended December 31,			Three months ended March 31,	
	2009	2010	2011	2011	2012
				(unaudited)	
	RMB million				
Net cash flows from operating activities	3,724.6	6,361.3	6,712.1	853.2	2,055.0
Net cash flows used in investing activities	(3,741.1)	(3,800.1)	(4,752.9)	(592.4)	(1,039.5)
Net cash flows from/(used in) financing activities	(618.7)	(2,124.9)	(2,152.5)	276.5	(736.3)

The Target Business Group

Combined statements of comprehensive income

	Year ended December 31,		
	2009	2010	2011
		RMB million	
Revenue	5,274.6	9,268.3	10,848.9
Cost of goods sold	(3,614.7)	(6,358.9)	(7,515.2)
Gross profit	1,659.9	2,909.4	3,333.7
Other income	55.1	118.3	128.5
Selling and distribution expenses	(299.7)	(372.8)	(423.4)
Administrative expenses	(120.2)	(122.7)	(158.1)
Other expenses	12.3	(20.6)	28.7
Finance income	7.0	13.7	4.2
Finance costs	(0.4)	(0.4)	(0.4)
Profit before tax	1,314.0	2,524.9	2,913.2
Income tax expense	(293.5)	(559.5)	(617.6)
Profit for the year	1,020.5	1,965.4	2,295.6
Other comprehensive income	—	—	—
Total comprehensive income for the year	1,020.5	1,965.4	2,295.6
Attributable to:			
Owner of the Target Business Group	928.3	1,792.8	2,035.0
Non-controlling interests	92.2	172.6	260.6
	1,020.5	1,965.4	2,295.6

Combined statements of financial position

	As of December 31,		
	2009	2010	2011
	RMB million		
Non-current assets			
Property, plant and equipment	1,145.7	1,051.4	1,054.7
Prepaid land lease payments	47.2	60.3	58.9
Mining rights	279.4	258.2	235.8
Intangible assets	0.5	0.3	0.3
Deferred tax assets	23.4	21.2	11.0
Total non-current assets	1,496.2	1,391.4	1,360.7
Current assets			
Inventories	157.8	181.9	338.5
Trade and bills receivables	209.7	549.0	675.7
Prepayments, deposits and other receivables	98.9	135.6	110.5
Restricted bank deposits	11.0	7.0	7.1
Cash and cash equivalents	760.6	1,122.5	917.2
Total current assets	1,238.0	1,996.0	2,049.0
Current liabilities			
Trade and bills payables	155.5	229.4	237.3
Other payables and accruals	755.5	820.3	542.6
Taxes payable	30.5	68.1	42.3
Total current liabilities	941.5	1,117.8	822.2
Net current assets	296.5	878.2	1,226.8
Total assets less current liabilities	1,792.7	2,269.6	2,587.5
Non-current liabilities			
Other non-current liabilities	5.7	6.0	6.4
Total non-current liabilities	5.7	6.0	6.4
Net assets	1,787.0	2,263.6	2,581.1
Equity			
Equity attributable to owner of the Target Business Group	1,638.5	1,942.3	2,377.2
Minority interests	148.5	321.3	203.9
Total equity	1,787.0	2,263.6	2,581.1

Selected combined cash flows information

	Year ended December 31,		
	2009	2010	2011
	RMB million		
Net cash flows from operating activities	1,980.3	1,852.4	1,932.4
Net cash flows used in investing activities	(413.8)	(1.5)	(159.6)
Net cash flows from/(used in) financing activities	(1,280.0)	(1,489.0)	(1,978.1)

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. See the section headed "Business" for a further description of our business operations. We manage our operations and report our financial results according to the following four separate business segments:

- *Coal operations.* Coal operations are our core business and mainly include the production, transportation and sales of coal. We generate our coal operations revenue primarily from sales of coal extracted from our mines and, to a substantially lesser extent, from resales of coal purchased from third-party coal companies. We sell all of our coal in China and our customers are primarily power generation companies. Our revenue from coal operations increased by 38.1% from RMB9,676.0 million in 2009 to RMB13,360.1 million in 2010 and further increased by 13.8% to RMB15,197.3 million in 2011.

- *Transportation operations.* We provide road and railway transportation services to third-party coal companies, including Yitai Group. Coal transported for external customers, including Yitai Group, constituted 30.9%, 38.1% and 51.5% of the total volume of coal we transported for 2009, 2010 and 2011, respectively. In 2009, 2010 and 2011, we generated revenue of RMB534.5 million, RMB435.3 million and RMB604.4 million from our transportation operations, respectively, which accounted for 5.2%, 3.2% and 3.7% of our total revenue in those periods, respectively.

- *Coal-related chemical operations.* Our coal-related chemical operations include primarily our coal-to-oil project. We commenced the operations of the coal-to-oil project in July 2011 and generated revenue of approximately RMB677.8 million for 2011.

- *Other operations.* We also engage in other operations, which mainly include the development, production and sales of traditional Chinese medicine. In 2009, 2010 and 2011, our revenue from these other operations was RMB41.7 million, RMB58.4 million and RMB36.3 million, respectively, which accounted for 0.4%, 0.4% and 0.2% of our total revenue in those periods, respectively.

Our total revenue increased by 35.1% from RMB10,252.2 million in 2009 to RMB13,853.8 million in 2010, and further increased by 19.2% to RMB16,515.8 million in 2011. Our profit increased by 68.8% from RMB3,148.4 million in 2009 to RMB5,316.0 million in 2010, and further increased by 8.2% to RMB5,749.3 million in 2011.

With a view to expanding the scale of our coal business in terms of reserves and output and reducing 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 the Target Business Group from Yitai Group. For a discussion of the financial condition and results of operations of the Target Business Group, see "— Financial Information of Target Business Group."

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by the price and the sales volume of our principal product, coal, and by a number of other factors, including but not limited to those described below.

Pricing of Our Coal Products

We generally price our coal products taking into account (i) the prevailing market prices; (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 for 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 distances we need to deliver our products, the higher the prices we charge for our products. The following table shows selected historical operating data with respect to our coal sales for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2009	2010	2011	2012
				(unaudited)
Sales volume (million tonnes)	27.7	35.7	38.3	11.7
Average selling price (RMB per tonne)(1)	349.3	374.2	396.8	409.1
Revenue (RMB million)	9,676.0	13,360.1	15,197.3	4,786.3

(1) Average selling price is calculated by dividing revenue for the period by the sales volume for the period.

Domestic coal prices in China are largely market driven. The main factors affecting domestic thermal coal prices are the supply of, and demand for, thermal coal in the PRC, which in turn are affected by the global economy as well as international coal prices. Demand for thermal coal in the PRC is largely driven by electricity consumption. In China, as a result of strong economic growth, electricity consumption increased from 3,659.5 billion Kwh in 2009 to 4,692.8 billion Kwh in 2011, according to the China Electricity Council, representing a CAGR of 13.2%. Thermal coal is the main raw material for power generation, and the domestic price of thermal coal increased significantly in recent years until late 2008, when it began to decline as the growth of the PRC economy slowed down due to the global economic downturn. With the gradual recovery of the PRC economy, thermal coal prices have also gradually recovered. However, any future slowdown in the global and the PRC economy could result in reduced demand and prices for our coal products, which would have an adverse effect on our business and results of operations. Since March 31, 2012, we have not experienced any significant fluctuations in the selling prices of our coal products when compared with the monthly average selling prices of the first three months of 2012.

Sales Volume of Coal

In 2009, 2010 and 2011, the sales volume of our coal was 27.7 million tonnes, 35.7 million tonnes and 38.3 million tonnes, representing a CAGR of 17.6%. The main factors affecting the sales volume of our coal include:

- market demand for our coal;
- our coal production capacity; and
- coal transportation capacity.

Market demand for our coal. We sell our coal mainly to power producers and coal distribution companies in China. China's power industry accounts for more than half of the domestic coal consumption. According to the China Electricity Council, at the end of 2011, China's total installed electricity generation capacity was 1,055.8 GW, 72.5% of which was generated by coal-fired power plants. According to the China Coal Resources website, the coal-fired power industry in China consumed 1,468.1 million tonnes and 1,868.7 million tonnes of coal, respectively, in 2009 and 2011, representing a CAGR of 12.8%. However, electricity consumption and, consequently, demand for thermal coal declined significantly in late 2008 because of the global economic downturn. With the gradual recovery of the global and the PRC economy, demand for thermal coal has also gradually recovered. Any significant fluctuation in the demand for thermal coal in the future could have a material adverse effect on our results of operations. Since March 31, 2012, we have not experienced any significant fluctuations in the sales volume of our coal products when compared with the monthly average sales volume of the first three months of 2012.

Our coal production capacity. Growth in the production volume of our coal products has largely been driven by our capital investment in the expansion of existing mines and construction of new mines. To expand production capacity, we carried out consolidations and technology upgrades from 2005 to 2008 at our mines, including Nalinmiao No. 2 Mine, Hongjingta No. 1 Mine, Nalinmiao No. 1 Mine, the Yangwangou Mine, the Fuhua Mine and the Kaida Mine. The Suancigou Mine, our largest mine in terms of marketable reserves and production capacity, was commissioned in August 2008. In 2009, 2010 and 2011, we produced 26.0 million tonnes, 36.1 million tonnes and 35.1 million tonnes of coal, respectively. To further expand our coal production, we entered into an Asset Transfer Agreement with Yitai Group on May 29, 2012, pursuant to which we will purchase the Target Business Group. See "Business — the Proposed Acquisition and the Target Business Group." In 2009, 2010 and 2011, the Target Business Group produced 9.6 million tonnes, 11.5 million and 12.7 million tonnes of coal, respectively. We intend to continue to expand our production capacity in the future. For a discussion of our production expansion strategy, see "Business — Our Business Strategies — 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."

Coal transportation capacity. We primarily use the national railway system to transport our products to our customers and major ports in China's coastal regions. The transportation capacity of the national railway system is allocated by the MOR annually. Yitai Group has applied, and will continue to apply after the Listing, to the MOR annually for itself and on our behalf for transportation quotas and license such transportation quotas to us at nil consideration for transporting Yitai Group's and our coal products. See "Connected Transaction — Continuing Connected Transaction — Exempt Continuing Connected Transaction — 3 Transportation Quota License Agreement." As a result, the availability of transportation capacity on the national railway system and the sufficiency of the transportation quota allocated to Yitai Group by the MOR directly affect our coal sales volume. The MOR allocates the transportation capacity based on general demand, an applicant's needs and other factors, including the applicant's ability to fully utilize any quota allocated to it. As such, we believe that our integrated transportation system, which enhances our ability to transport our coal from our mines to the national railway system, provides Yitai Group with a competitive edge in securing allocation of transportation capacity in the national railway system. Although there has been a shortage of national railway capacity for coal transportation in the past several years, we have not experienced any railway transportation capacity shortage or delay which materially affected the sales or delivery of our products. See "Business — Our Competitive Strengths — We have strengthened our competitive advantage in coal transportation through significant investments in our railway and highway transportation network." 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**

Our sales of coal are also dependent on transportation capacities of third-party port facilities to the extent our coal is delivered by water. The availability of port facilities is primarily affected by general demand. We expect that increases in our coal sales volume will continue to be the main driver of our revenue growth in the future. Such increases, however, may be affected by the receipt by us of sufficient transportation capacity on the national railway system and at third-party port facilities.

Cost of Sales

Cost of sales directly affects our gross margin. Cost of sales comprises primarily transportation costs, cost of coal purchased from external suppliers, resource and management fees, service fees, depreciation and amortization expenses, labor costs, costs of repairs and maintenance, materials and other costs.

Transportation costs, consisting of roadway and railway transportation expenses we pay carriers who deliver our coal, are the largest component of our cost of sales. For 2009, 2010 and 2011, our transportation costs were RMB2,607.7 million, RMB2,548.0 million and RMB2,414.2 million, respectively, representing 49.8%, 42.5% and 29.8% of our cost of sales over those periods, respectively. Factors affecting our transportation costs include primarily the locations of our customers, which determine the delivery distances, the type of transportation methods we use, fuel prices and railway freight charge rates. The NDRC sets railway freight charge rates of the national railway system. The freight charge of the national railway system for thermal coal consists of two rates: one based on both tonnage and transportation distance plus one based on tonnage only regardless of transportation distance. The NDRC has increased the charge rates of the national railway system five times since 2007, from RMB0.0434 per tonne per kilometer plus RMB9.30 per tonne to RMB0.0454 per tonne per kilometer plus RMB9.30 per tonne effective November 5, 2007, further to RMB0.0484 per tonne per kilometer plus RMB9.60 per tonne effective July 1, 2008, further to RMB0.0537 per tonne per kilometer plus RMB10.50 per tonne effective December 13, 2009, further to RMB0.0553 per tonne per kilometer plus RMB10.80 per tonne effective April 1, 2011, and further to RMB0.0629 per tonne per kilometer plus RMB12.20 per tonne effective May 20, 2012. As we sell most of our coal to customers in China's coastal regions, transportation costs will continue to be an important factor affecting our profit margin. Any significant increase in fuel prices or railway freight charge rates will have a material adverse effect on our results of operations.

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 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. As the Target Business Group also purchases coal from external suppliers and resells the coal, depending on market conditions, such as market demand for and prevailing market prices of coal, and the transportation capacity we receive, we may purchase more coal from external suppliers after we complete the Proposed Acquisition. Of the coal sold by the Target Business Group in 2009, 2010 and 2011, 3.1 million tonnes, 12.0 million tonnes and 13.2 million tonnes were purchased from external suppliers, respectively, the cost of which was RMB747.2 million, RMB2,684.5 million and RMB3,728.9 million, respectively. Although coal purchased from external suppliers only constitutes a relatively small portion of our coal sales volume each year, because the average unit operating cost of coal produced by ourselves is significantly lower than the unit purchase cost of coal purchased externally, any significant increase in the volume or purchase prices of coal purchased from external suppliers could have an adverse effect on our gross margin.

The other components of our cost of sales, such as resource and management fees, service fees, depreciation and amortization expenses, labor costs, costs of repairs and maintenance, generally correlate with our production capacity and output. As our production capacity and output grew over the Track Record Period, these costs and expenses also increased. We expect these cost items to continue to increase in line with the expansion of our operations. For a further discussion of our cost of sales, see "— Description of Components of Results of Operations — Cost of Sales."

Taxation

We are subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which we are domiciled and operate. The statutory PRC corporate income tax rate is 25% of an enterprise's taxable income, as reported in its statutory accounts, which are prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes. Our Company and our subsidiary Yitai Zhundong were entitled to a preferential corporate income tax rate of 15% in 2009, 2010 and 2011 and Yitai Suancigou in 2010 and 2011. Pursuant to the "Great Western Development" policy of the PRC Government, our Company and certain of our subsidiaries enjoyed a preferential corporate income tax rate of 15% for the ten years ended December 31, 2010. In July 2011, the Inner Mongolia State Tax Bureau issued an announcement (the "IMSTB Announcement"), pursuant to which an Inner Mongolia enterprise that previously enjoyed preferential tax treatment under the "Great Western Development" policy may continue to enjoy the preferential corporate income tax rate of 15%, provided that (i) over 70% of such enterprise's revenue is derived from its principal businesses; (ii) such principal businesses belong to the "encouraged" category of the Industry Structure Guidance Index issued by the NDRC; and (iii) the enterprise has obtained a confirmation from the competent state tax bureau. Further, in July 2011, the MOF, the PRC General Administration of Customs and the SAT jointly issued the Notice on the Tax Policies Relating to the

Further Implementation of Great Western Development Strategy (the "SAT Notice"), according to which an enterprise in western China shall enjoy a corporate income tax of 15% from January 1, 2011 to December 31, 2020, provided that (i) over 70% of such enterprise's revenue is derived from its principal businesses; and (ii) such principal businesses belong to the "encouraged" category of the Western Area Encouraged Industries Catalog to be issued by the PRC Government. We believe that we are eligible to continue to enjoy the preferential tax treatment according to the IMSTB Announcement and the SAT Notice, and are applying for the confirmation stipulated in the IMSTB Announcement. However, there is no assurance that we will obtain such confirmation in time, or at all. For 2009, 2010 and 2011, our effective tax rates were 15.2%, 15.3% and 15.0%, respectively. We intend to continue to apply for preferential tax treatment. However, there is no assurance that we will receive such treatment. Any modification or termination of the foregoing tax incentives currently applicable to us and our subsidiaries will affect our financial condition and results of operations.

Similarly, the Target Business Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Target Business Group are domiciled and operate. Yitai Baoshan and Yitai Tongda were both entitled to a preferential corporate income tax rate of 15% in 2009, 2010 and 2011. Yitai Baoshan and Yitai Tongda believe that they are eligible to continue to enjoy the preferential tax treatment according to the IMSTB Announcement and the SAT Notice, and are applying for the confirmation stipulated in the IMSTB Announcement. However, there is no assurance that they will obtain such confirmation in time, or at all. The effective income tax rates applicable to the Target Business Group for 2009, 2010 and 2011 were 22.3%, 22.2% and 21.2%, respectively. Yitai Baoshan and Yitai Tongda intend to continue to apply for preferential tax treatment. However, there is no assurance that their application will be granted. Any modification or termination of the foregoing tax incentives currently applicable to the Target Business Group will affect its financial condition and results of operations and, after the completion of the Proposed Acquisition, our financial condition and results of operations.

General Economic Conditions of the PRC

Our results of operations and financial condition have been and will continue to be significantly affected by the financial performance of our customers and the general economic condition in the PRC. Most of our current and target customers are PRC power generation companies, whose success is dependent on electricity consumption in China, which in turn is affected by China's economic condition and economic measures implemented by the PRC government. China's economic growth in recent years has led to an increase in electricity consumption. According to the China Electricity Council, electricity consumption in China grew from 3,659.5 billion Kwh in 2009 to 4,692.8 billion Kwh in 2011, representing a CAGR of 13.2%. Demand for electricity and coal is expected to continue increasing along with the PRC's continued economic growth. The rate of increase, however, could be affected by an economic slowdown. The economic growth in the PRC experienced a slowdown in late 2008 and early 2009 as a result of the global economic downturn. As a result, demand for electricity and coal grew at a slower pace during that period of time. While the PRC economy has since improved and stabilized in part because of the PRC government's stimulus program, any future economic downturn would have a material adverse impact on our results of operations and financial condition.

Policies and Regulations of the PRC Coal Industry

Our business and results of operations could be materially affected by changes in the policies, laws and regulations relating to the PRC coal industry, which include, among others, the following:

- the granting and renewal of coal exploration rights and mining rights;
- the granting of coal production permits and safe production permits;
- the collection of resources tax, mining right usage fees, mineral resources compensatory fees and coal price adjustment levy;
- resource recovery rate requirements;
- environmental, safety and health standards;
- allocation of the coal transportation capacity on the national railway system;
- pricing of coal transportation services;
- the adoption of temporary measures to limit increases in coal prices; and

- taxes, duties and fees.

The liabilities, compliance costs, obligations and requirements associated with these laws and regulations may be significant and any significant changes in these laws and regulations may have a material adverse effect on our operations. For example, the Inner Mongolia government began to require coal enterprises to contribute to a coal price-regulation fund (煤炭價格調節基金) managed by it in 2009. We must contribute RMB15 for each tonne of coal we produce. For additional information regarding PRC regulations, see "Regulations."

Anticipated Capital Expenditures

We intend to spend approximately RMB3,244.9 million as capital expenditures in 2012 primarily to expand our railway transportation capacity, carry out further technology upgrades at our mines, improve our coal-to-oil project and expand our coal production, without taking into account the Proposed Acquisition. See "— Capital Expenditures." The costs associated with these expansion and improvement plans may change and the revenue we expect to derive from them may be insufficient to cover our costs, the occurrence of any of which could have a material adverse effect on our results of operations.

Financing Arrangements

We finance a significant portion of our business operations and capital projects with short-term and long-term borrowings from banks in China. As of December 31, 2009, 2010 and 2011, our outstanding short-term and long-term borrowings amounted to RMB9,120.4 million, RMB7,930.4 million and RMB8,306.8 million, respectively, and our finance costs for 2009, 2010 and 2011, respectively were RMB279.7 million, RMB171.9 million and RMB285.3 million. See "— Indebtedness." Since a substantial majority of our borrowings have variable interest rates, any significant increase in interest rates on such borrowings would significantly impact our results of operations. For a discussion of the effect of interest rate fluctuation on our results of operations, see "— Market Risks — Interest Rate Risk." In addition, our ability to pay interest payable on our borrowings, to repay and/or refinance borrowings due, and to obtain additional borrowings to finance our operations will materially affect our results of operations.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our results of operations and financial condition are based on our audited consolidated financial information, which has been prepared in accordance with IFRS. Our results of operations and financial condition are sensitive to accounting methods, assumptions and estimates that underlie the preparation of our consolidated financial information. We base our assumptions and estimates on historical experience and on various other assumptions that we currently believe to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as facts, circumstances and conditions change or as a result of different assumptions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our audited consolidated financial information. Our principal accounting policies are set forth in detail in Note 3 of the Accountants' Report included as Appendix IA to this Prospectus. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our audited consolidated financial information.

Impairment of Non-financial Assets

Our management exercises judgment in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continuing use of the asset or disposal; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could materially affect the net present value result in the impairment test.

Impairment of Financial Assets — carried at Amortized Cost

The impairment provision for doubtful debts is based on our ongoing evaluation, both individually and collectively, of the objective evidence of impairment for such financial assets. If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amounts of debtors together with any associated provision allowance are written off when there is no realistic prospect of future recovery.

Current Income Tax

Our Group is subject to income taxes in numerous jurisdictions in PRC. Judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

Deferred Tax Assets

Deferred tax assets are recognized for certain deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilized. Management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with tax planning opportunities.

Useful Lives and Residual Values of Items of Property, Plant and Equipment

Except for mining structures, depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, as follows:

Buildings	5 to 20 years
Plant and machinery	3 to 20 years
Motor vehicles	4 to 8 years
Railway	8 to 45 years
Road	20 years
Office equipment and others	3 to 5 years

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on a unit-of-production basis over the economically recoverable reserves of the mine concerned. In determining the useful lives and residual values of items of property, plant and equipment, our management periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the item of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is based on historical experience of our management with similar assets that are used in a similar way. Depreciation amounts will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at least at the end of each reporting period, based on changes in circumstances.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

- from the rendering of services, when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to us;
- interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- dividend income, when the shareholders' right to receive payment has been established.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the loan costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds.

DESCRIPTION OF COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We derive a substantial majority of our revenue from our coal operations. In addition, we also generate revenue from our transportation operations, coal-related chemical operations and other operations, which primarily consist of the production and sale of traditional Chinese medicine. Our revenue is presented net of intersegment sales. The table below presents, for the periods indicated, our revenue from operating segments in terms of amount and as a percentage of our total revenue:

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**

Our coal operations generate revenue primarily through sales of coal produced at our seven mines and, to a substantially lesser extent, through the resale of coal purchased from third-party coal companies. There is no significant difference in the selling prices for these two types of coal. We derive revenue from our transportation operations by providing railway and roadway coal transportation services to third parties, including Yitai Group, through our Yitai Zhundong Railway Line and Huzhun Railway Line and our trucking subsidiaries, Ordos Yitai Transport and Yitai Transport. We commenced the operations of our coal-related chemical business in July 2011 and generated revenue of RMB677.8 million for 2011. We also receive a limited amount of revenue from the production and sale of Chinese traditional medicine and other operations.

Cost of Sales

Cost of sales comprises primarily transportation costs, cost of coal purchased from external suppliers, resource and management fees, service fees, depreciation and amortization expenses, labor costs, costs of repairs and maintenance, materials and other costs. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	RMB million	(%)	RMB million	(%)	RMB million	(%)
Transportation costs	2,607.7	49.8	2,548.0	42.5	2,414.2	29.8
Cost of coal purchased from external suppliers	269.1	5.1	79.0	1.3	1,837.3	22.7
Resource and management fees	697.6	13.3	1,367.6	22.8	1,364.2	16.8
Service fees	385.1	7.4	572.8	9.5	490.4	6.0
Depreciation and amortization	336.8	6.4	435.0	7.2	469.0	5.8
Labor costs	218.5	4.2	297.0	5.0	338.3	4.2
Repairs and maintenance	211.1	4.0	141.8	2.4	167.7	2.1
Materials	191.0	3.7	179.0	3.0	188.3	2.3
Others(1)	318.1	6.1	378.5	6.3	831.5	10.3
Total	5,235.0	100.0	5,998.7	100.0	8,100.9	100.0

(1) Consisted primarily of business taxes and surcharges, land requisition and resettlement expenses, and other miscellaneous costs.

Transportation costs were the main component of our cost of sales, representing 49.8%, 42.5% and 29.8% of our cost of sales in 2009, 2010 and 2011. Transportation costs mainly include road and railway transportation expenses we pay to carriers who deliver our coal. Transportation cost per tonne of coal products sold was RMB94.1, RMB71.4 and RMB63.0 for the three years ended December 31, 2011, respectively. 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 costs, increased during the same period. For the years ended December 31, 2009, 2010 and 2011, the sales volume of coals 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.

In addition to selling the coal produced from our mines, we purchase coal from external suppliers and then sell it to our customers. Cost of coal purchased from external suppliers, including Yitai Group, represented 5.1%, 1.3% and 22.7% of our cost of sales in 2009, 2010 and 2011, respectively. The significant increase in cost of coal purchased from external suppliers in 2011 was primarily due to an increase in the volume of coal purchased from external suppliers as a result of our efforts to increase our market share. 6.1%, 0.6% and 12.0% of the coal we sold in 2009, 2010 and 2011, or 1.7 million tonnes, 0.2 million tonnes and 4.6 million tonnes, respectively, during the same periods, were purchased from external coal companies.

Resource and management fees include primarily production safety related expenses, resources compensation fees and reclamation and environmental protection expenses. Resource and management fees constituted 13.3%, 22.8% and 16.8% of our cost of sales in 2009, 2010 and 2011, respectively. Resource and management fees increased significantly as a percentage of our cost of sales from 2009 to 2010 primarily because the Inner Mongolia government began to require coal enterprises to contribute to the coal price-regulation fund established by it in July 2009. We are required to contribute RMB15 for each tonne of coal we produce. We expect resource and management fees to increase generally in line with the growth of our coal output.

Service fees represent fees we pay to third-party service providers in relation to services rendered for assisting us in extracting coal at our mines. Service fees constituted 7.4%, 9.5% and 6.0% of our cost of sales in 2009, 2010 and 2011, respectively. Our service fees have increased over the Track Record Period and are expected to increase generally in line with the growth of our coal output.

Depreciation and amortization expenses constituted 6.4%, 7.2% and 5.8% of our cost of sales in 2009, 2010 and 2011, respectively. As we expanded our operations and acquired more property, plant and equipment in recent years, our depreciation and amortization expenses had showed a general trend of increase. We expect that our depreciation and amortization costs will continue to increase as we expand our operations.

Other Income

Other income comprises primarily income from the sales of other materials (mainly spare materials for coal production), income from rendering of other services, including primarily tolls collected on our Caoyang Tollway and income from mining services we provide to third parties including Yitai Group, government grants and gains on disposal of property, plant and equipment and intangible assets. Government grants primarily consist of government grants, awards, subsidies and similar incentives that we periodically receive from various PRC government authorities for rewarding our achievements and encouraging our involvement in certain projects promoted by the government. Government grants are generally granted on a case-by-case basis and are not recurring. Some government grants may only be used for designated purposes and may not otherwise be used. We have fulfilled all the conditions of the government grants we have received. We do not receive government grants on a regular basis, and the amounts that we have received in the past have tended to fluctuate significantly.

Selling and Distribution Costs

Our selling and distribution costs primarily consist of port expenses, staff cost (salary and compensation for our sales and marketing staff), office expense, handling fees, depreciation and amortization, and other miscellaneous expenses. The following table sets forth a breakdown of our selling and distribution costs for the periods indicated:

	Year ended December 31					
	2009		2010		2011	
	RMB million	(%)	RMB million	(%)	RMB million	(%)
Port expenses	341.5	54.4	332.7	47.2	297.3	41.4
Staff cost	140.8	22.5	173.8	24.6	197.2	27.5
Office expense	47.0	7.5	59.6	8.5	68.7	9.6
Handling fees	39.8	6.3	54.4	7.7	57.6	8.0
Depreciation and amortization	30.9	4.9	38.2	5.4	53.6	7.5
Others	27.3	4.4	46.5	6.6	43.3	6.0
Total	**627.3**	**100.0**	**705.2**	**100.0**	**717.7**	**100.0**

Port expenses represent the fees we pay to port facilities when coal is transported through ports and constitute the largest component of our selling and distribution costs, representing 54.4%, 47.2% and 41.4%, respectively, of our total selling and distribution costs for 2009, 2010 and 2011.

Administrative Expenses

Administrative expenses primarily consist of staff cost (salary and compensation for our general management and administrative staff), depreciation and amortization, office expense, environmental compensation expenditure and other miscellaneous expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	RMB million	(%)	RMB million	(%)	RMB million	(%)
Staff cost	153.4	29.2	298.5	37.8	396.9	39.3
Office expense	119.3	22.7	189.3	24.0	228.2	22.6
Depreciation and amortization	86.0	16.4	96.5	12.2	135.1	13.4
Environmental compensation expenditure	12.4	2.4	27.4	3.4	30.1	3.0
Others(1)	153.8	29.3	178.5	22.6	218.7	21.7
Total	**524.9**	**100.0**	**790.2**	**100.0**	**1,009.0**	**100.0**

(1) Others include primarily repairs and maintenance, professional service fees, research and development expense and business tax.

Other Expenses

The following table sets forth a breakdown of other expenses:

	Year ended December 31,		
	2009	2010	2011
	RMB million		
Bank charges	4.3	4.1	6.7
Impairment of assets	15.1	(52.5)	(25.9)
Others	46.0	148.3	83.6
Total	**65.4**	**99.9**	**64.4**

Impairment of assets includes allowance for doubtful debts, slow-moving stock, and fixed assets impairment.

Others mainly consist of charitable donations and losses on disposal of assets.

Finance Income

Finance income primarily consists of bank interest income from our bank deposits.

Finance Costs

Finance costs primarily consist of interest payments made for bank loans. Finance costs increased by 66.0% from RMB171.9 million in 2010 to RMB285.3 million in 2011, primarily because (i) the interest on the loan used to finance the construction of the coal-to-oil project and Phase II of the Yitai Zhundong Railway Line was no longer capitalized but was accounted for as finance costs after the commencement of the operations of these projects in 2011 and (ii) an increase in banking loans for our subsidiaries' needs for working capital.

Exchange Gain, Net

Exchange gain consists of net foreign exchange losses or gains, which primarily arise from our borrowings from the Kuwait Fund for Arab Economic Development that are denominated in Kuwait dinars.

Share of Losses of a Jointly-controlled Entity

We shared profits and losses of Inner Mongolia Taihe Energy Co., Ltd. ("Taihe," 內蒙古泰河能源有限責任公司), our jointly-controlled entity, in proportion to our equity ownership of it. Taihe engaged in oil shale sales and production, and we owned 40% of its equity interest from 2009 to 2010.

Share of Profits and Losses of Associates

We share profits and losses of our associates in proportion to our equity ownership of such associates. An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which we have a long-term interest of generally not less than 20% of the equity voting rights and over which we are in a position to exercise significant influence. Our associates during the Track Record Period mainly included Inner Mongolia Xinnuo Eco-Heating Technology Development Co., Ltd. (內蒙古新諾生態供暖科技發展有限公司), Inner Mongolia Yitai Solar Energy Co., Ltd. (內蒙古伊泰太陽能光熱有限責任公司), Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯天地華潤煤礦裝備有限責任公司), Jingtai Power, Avic Liming Jinhuaji Petrochemical Equipment (Inner Mongolia) Co., Ltd. (中航黎明錦化機石化裝備（內蒙古）有限公司), Yizheng Fire-proof and Ordos Lianke Qingjie Energy Technology Co. Ltd. (鄂爾多斯市聯科清潔能源技術有限公司).

Income Tax Expenses

We are subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which we are domiciled and operate. The statutory PRC corporate income tax rate is 25% of an enterprise's taxable income, as reported in its statutory accounts, which are prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Our Company and our subsidiary Yitai Zhundong were entitled to a preferential corporate income tax rate of 15% during the Track Record Period pursuant to preferential tax treatment granted by the Inner Mongolia National Taxation Department and Ordos Local Taxation Bureau, respectively. Yitai Suancigou was entitled to the same preferential treatment in 2010 and 2011. Jingtian & Gongcheng Attorneys at Law, our PRC legal advisors, have advised us that these authorities are the appropriate competent authorities to grant the preferential tax treatment.

Our Directors confirm that we have made all the required tax filings under the relevant tax laws and regulations in the relevant jurisdictions where we conduct our business and have paid all outstanding tax liabilities, and that we are not subject to any dispute or potential dispute with the tax authorities.

We intend to continue to apply for preferential tax treatment for our Company and our subsidiaries in the future. However, we cannot assure you that we will continue to receive preferential tax treatment. Any change in, or termination of, the preferential tax treatment may result in a significant increase in our tax liability, which would have a material adverse effect on our business, results of operations and financial condition.

No provision for Hong Kong profits tax has been made in the financial information as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

Our effective income tax rates for 2009, 2010 and 2011 were 15.2%, 15.3% and 15.0%, respectively.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, information relating to certain income and expense items from our consolidated statements of comprehensive income:

	Year ended December 31,						Three months ended March 31,	
	2009		2010		2011		2011	2012
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Amount
							(unaudited)	
	(RMB million, except percentage data)							
Revenue	**10,252.2**	**100.0**	**13,853.8**	**100.0**	**16,515.8**	**100.0**	**3,210.2**	**5,371.7**
Cost of sales	(5,235.0)	(51.1)	(5,998.7)	(43.3)	(8,100.9)	(49.0)	(1,342.2)	(3,034.7)
Gross profit	**5,017.2**	**48.9**	**7,855.1**	**56.7**	**8,414.9**	**51.0**	**1,868.0**	**2,337.0**
Other income	132.0	1.3	152.2	1.1	349.9	2.1	54.2	101.4
Selling and distribution costs	(627.3)	(6.1)	(705.2)	(5.1)	(717.7)	(4.3)	(171.5)	(175.7)
Administrative expenses	(524.9)	(5.1)	(790.2)	(5.7)	(1,009.0)	(6.1)	(145.1)	(178.0)
Other expenses	(65.4)	(0.6)	(99.9)	(0.7)	(64.4)	(0.5)	26.8	(22.3)
Finance income	36.3	0.3	25.5	0.2	34.1	0.2	5.9	8.7
Finance costs	(279.7)	(2.7)	(171.9)	(1.2)	(285.3)	(1.7)	(42.7)	(98.7)
Exchange gain, net	25.2	0.2	6.9	—	17.7	0.1	1.2	0.6
Share of profit and loss of Jointly- Controlled entities	(0.3)	—	—	—	—	—	—	—
Share of profit and loss of associates	0.6	—	2.6	—	19.8	0.1	(2.6)	2.5
Profit before tax	**3,713.7**	**36.2**	**6,275.1**	**45.3**	**6,760.0**	**40.9**	**1,594.2**	**1,975.5**
Income tax expense	(565.3)	(5.5)	(959.1)	(6.9)	(1,010.7)	(6.1)	(236.0)	(303.0)
Profit for the year/period	**3,148.4**	**30.7**	**5,316.0**	**38.4**	**5,749.3**	**34.8**	**1,358.2**	**1,672.5**
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income for the year/period	3,148.4	30.7	5,316.0	38.4	5,749.3	34.8	1,358.2	1,672.5
Attributable to:								
Owners of our Company	3,042.9	29.7	5,014.6	36.2	5,464.0	33.1	1,311.0	1,525.6
Non-controlling interests	105.5	1.0	301.4	2.2	285.3	1.7	47.2	146.9

Year Ended December 31, 2011 Compared With Year Ended December 31, 2010

Revenue

Our total revenue increased by 19.2% from RMB13,853.8 million in 2010 to RMB16,515.8 million in 2011. This increase was primarily attributable to an increase in revenue from our coal operations and revenue generated from our coal-related chemical operations.

Revenue generated from our coal operations increased by 13.8% from RMB13,360.1 million in 2010 to RMB15,197.3 million in 2011, primarily due to an increase in both sales volume and selling prices of our coal products. In 2011, we sold approximately 38.3 million tonnes of coal, compared to approximately 35.7 million tonnes in 2010, representing an increase of 7.3%, primarily due to increased market demand for our coal products. The average selling price of our coal products increased by 6.0% from RMB374.2 per tonne in 2010 to RMB396.8 per tonne in 2011.

Revenue from our transportation operations increased by 38.8% from RMB435.3 million in 2010 to RMB604.4 million in 2011, primarily due to an increase in the volume of coal that our railway lines transported for customers and an increase in the rate of the platform fee on our railway lines.

We commenced our coal-related chemical operations in July 2011. Revenue from our coal-related chemical operations was RMB677.8 million in 2011.

Revenue from our other operations decreased by 37.8% from RMB58.4 million in 2010 to RMB36.3 million in 2011, primarily due to a decrease in the revenue generated from our Chinese medicine business.

Cost of sales

Cost of sales increased by 35.0% from RMB5,998.7 million in 2010 to RMB8,100.9 million in 2011. The increase was primarily due to a significant increase in cost of coal purchased from external suppliers from RMB79.0 million in 2010 to RMB1,837.3 million in 2011, primarily because we sold approximately 0.2 million tonnes of coal purchased from external suppliers in 2010, compared with approximately 4.6 million tonnes of coal purchased from external suppliers in 2011, which was primarily due to an increase in market demand for our coal products.

Gross profit

As a result of the foregoing, our gross profit increased by 7.1% from RMB7,855.1 million for 2010 to RMB8,414.9 million for 2011. Our gross profit margin decreased from 56.7% for 2010 to 51.0% for 2011, primarily due to an increase in the proportion of the sales of coal purchased from third parties, which had a lower gross profit margin than the sales of self-produced coal products. The gross profit margin for the sales of coal from third parties decreased from 19.1% for 2010 to 11.9% for 2011, primarily because we started to import coal in 2011, which had a much lower gross profit margin than coal purchased locally. The percentage of sales of coal purchased from third parties to total sales of coal was 0.8% and 15.5% for 2010 and 2011, respectively. However, the gross profit margin for the sales of self-produced coal products increased slightly from 60.0% for 2010 to 60.4% for 2011, primarily due to an increase in the market prices of coal products.

Other income

Other income increased by 129.9% from RMB152.2 million in 2010 to RMB349.9 million in 2011.

Selling and distribution costs

Selling and distribution costs increased by 1.8% from RMB705.2 million in 2010 to RMB717.7 million in 2011, primarily due to increases in staff cost and office expense as a result of our business expansion, partially offset by a decrease in port expenses due to a decrease in the sales volume of coal that was delivered through ports.

Administrative expenses

Administrative expenses increased by 27.7% from RMB790.2 million in 2010 to RMB1,009.0 million in 2011, primarily due to increases in staff cost and office expense as a result of our business expansion.

Other expenses

Other expenses decreased by 35.5% from RMB99.9 million in 2010 to RMB64.4 million in 2011, primarily due to a significant decrease in donations.

Finance income

Finance income increased by 33.7% from RMB25.5 million in 2010 to RMB34.1 million in 2011, mainly due to an increase in interest income as a result of an increase in interest rates on bank deposits.

Finance costs

Finance costs increased by 66.0% from RMB171.9 million in 2010 to RMB285.3 million in 2011, primarily because (i) the interest on the loan used to finance the construction of the coal-to-oil project and Phase II of Yitai Zhundong Railway Line was no longer capitalized but was accounted for as finance costs after the commencement of the operations of these projects in 2011 and (ii) an increase in bank loans for our subsidiaries' needs for working capital.

Exchange gain, net

Net exchange gain increased by 156.5% from RMB6.9 million in 2010 to RMB17.7 million in 2011, primarily due to the appreciation of the Renminbi against the Kuwait dinar.

Share of losses of a jointly-controlled entity

Share of losses of jointly-controlled entities was RMB23,086.9 in 2010 and nil in 2011.

Share of profits of associates

Share of profits of associates increased from RMB2.6 million in 2010 to RMB19.8 million in 2011, primarily due to increased profits generated by Jingtai Power and Yizheng Fire-proof.

Income tax expenses

Income tax expense increased by 5.4% from RMB959.1 million in 2010 to RMB1,010.7 million in 2011 as a result of an increase in our taxable income. Our effective income tax rates decreased from 15.3% in 2010 to 15.0% in 2011.

Profit for the year

As a result of the foregoing, our profit for the year increased by 8.2% from RMB5,316.0 million in 2010 to RMB5,749.3 million in 2011. Our net profit margin decreased from 38.4% in 2010 to 34.8% in 2011.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company increased by 9.0% from RMB5,014.6 million in 2010 to RMB5,464.0 million in 2011.

Profit and total comprehensive income attributable to non-controlling interests

Profit and total comprehensive income attributable to non-controlling interests decreased by 5.3% from RMB301.4 million in 2010 to RMB285.3 million in 2011, primarily due to a decrease in the profit generated by Yitai Suancigou.

Year Ended December 31, 2010 Compared With Year Ended December 31, 2009

Revenue

Our total revenue increased by 35.1% from RMB10,252.2 million in 2009 to RMB13,853.8 million in 2010. This increase was attributable to an increase in revenue from our coal operations and, to a substantially lesser extent, an increase in revenue from our other operations, partially offset by a decrease in revenue from our transportation operations.

Revenue generated from our coal operations increased by 38.1% from RMB9,676.0 million in 2009 to RMB13,360.1 million in 2010. This increase was attributable to an increase in both the sales volume of our coal products and the selling prices of our coal products. In 2010, we sold approximately 35.7 million tonnes of coal, compared to approximately 27.7 million tonnes in 2009, representing an increase of 28.9%, as we captured growth in market demand by increasing our coal output. Due to increased demand primarily driven by the recovery of the PRC economy, the average selling price of our coal increased from RMB349.3 per tonne in 2009 to RMB374.2 per tonne in 2010.

Revenue from our transportation operations decreased by 18.6% from RMB534.5 million in 2009 to RMB435.3 million in 2010 primarily due to a decrease in the volume of coal our trucking subsidiaries transported for our customers as they downsized their fleets.

Revenue from our other operations increased by 40.0% from RMB41.7 million in 2009 to RMB58.4 million in 2010 primarily due to our increased sales volume of Chinese medicine products.

Cost of sales

Cost of sales increased by 14.6% from RMB5,235.0 million in 2009 to RMB5,998.7 million in 2010. The increase was primarily due to the following factors:

- Increases in resource and management fees, service fees and labor costs in an aggregate amount of RMB936.2 million primarily due to our increased coal output and mandatory contributions to the coal price-regulation fund (煤炭價格調節基金) set by the Inner Mongolia government. Of the approximately 35.7 million tonnes of coal we sold in 2010, approximately 35.5 million tonnes was produced at our mines, as compared to approximately 26.0 million tonnes out of 27.7 million tonnes for the previous year. The Inner Mongolia government began requiring coal companies to contribute to the fund in July 2009. The contribution rate applicable to us is RMB15 per tonne of thermal coal produced.
- Cost of coal purchased from external suppliers decreased by 70.6% from RMB269.1 million in 2009 to RMB79.0 million in 2010, primarily because we sold substantially less coal that was purchased from external suppliers as we were able to meet our customers' needs by increasing our own coal output. Of all the coal we sold in 2010, approximately 0.2 million tonnes was purchased from external suppliers, as compared to 1.7 million tonnes for the previous year.
- Transportation costs decreased by 2.3% from RMB2,607.7 million in 2009 to RMB2,548.0 million in 2010 primarily due to a decrease in the sales volume of coal that was delivered via railway and ports. The increase in our total sales volume of coal was attributable to increased sales to our local customers for which we incurred no or relatively low transportation costs.

Gross profit

As a result of the foregoing, our gross profit increased by 56.6% from RMB5,017.2 million for 2009 to RMB7,855.1 million for 2010. Our gross profit margin increased from 48.9% for 2009 to 56.7% for 2010, primarily due to increases in both of the gross profit margins for the sales of self-produced coal products and coal purchased from third parties. The gross profit margin for the sales of self-produced coal products increased from 56.4% for 2009 to 60.0% for 2010, and the gross profit margin for the sales of coal purchased from third parties increased from 17.6% for 2009 to 19.1% for 2010, which was primarily due to an increase in the market prices of coal products. In addition, the increase in our gross profit margin was partially due to a decrease in the percentage of sales of coal purchased from third parties to total sales of coal from 4.9% for 2009 to 0.8% for 2010, which had lower profit margin than the self-produced coal.

Other income

Other income increased by 15.3% from RMB132.0 million in 2009 to RMB152.2 million in 2010. This increase was primarily due to increases in tolls collected on our Caoyang Tollway. We collected more tolls on our Caoyang Tollway as a result of an increase in traffic volume.

Selling and distribution costs

Selling and distribution costs increased by 12.4% from RMB627.3 million in 2009 to RMB705.2 million in 2010, primarily due to our business growth and increased sales volume.

Administrative expenses

Administrative expenses increased by 50.5% from RMB524.9 million in 2009 to RMB790.2 million in 2010, primarily due to increased office expense and staff cost driven by our business growth.

Other expenses

Other expenses increased by 52.8% from RMB65.4 million in 2009 to RMB99.9 million in 2010 primarily due to our increased charitable donations and loss on disposal of property, plant and equipment, partially offset by a reversal of impairment of assets.

Finance income

Finance income decreased by 29.8% from RMB36.3 million in 2009 to RMB25.5 million in 2010, mainly due to our decreased bank deposits in 2010.

Finance costs

Finance costs decreased by 38.5% from RMB279.7 million in 2009 to RMB171.9 million in 2010, primarily due to our overall decreased loan balance.

Exchange gain

Exchange gain decreased by 72.6% from RMB25.2 million in 2009 to RMB6.9 million in 2010.

Share of losses of a jointly-controlled entity

Share of losses of jointly-controlled entities was RMB0.3 million in 2009 compared with RMB23,086.9 in 2010.

Share of profits and losses of associates

Share of profits of associates increased from RMB0.6 million in 2009 to RMB2.6 million in 2010 primarily due to increased profits generated by Jingtai Power in 2010.

Income tax expenses

Income tax expense increased by 69.7% from RMB565.3 million in 2009 to RMB959.1 million in 2010. The effective income tax rates applicable to us in 2009 and 2010 were 15.2% and 15.3%, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by 68.8% from RMB3,148.4 million in 2009 to RMB5,316.0 million in 2010. Our net profit margin increased from 30.7% to 38.4% over the same period.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company increased by 64.8% from RMB3,042.9 million in 2009 to RMB5,014.6 million in 2010.

Profit and total comprehensive income attributable to non-controlling interests

Profit and total comprehensive income attributable to non-controlling interests increased by 185.7%, from RMB105.5 million in 2009 to RMB301.4 million in 2010, primarily due to an increase in Yitai Suancigou's and Yitai Huzhun's profits in 2010.

Three Months Ended March 31, 2012 Compared With Three Months Ended March 31, 2011

Revenue

Revenue increased by 67.3% from RMB3,210.2 million for the three months ended March 31, 2011 to RMB5,371.7 million for the three months ended March 31, 2012, primarily attributable to an increase in revenue from our coal operations and our coal-related chemical operations.

Revenue generated from our coal operations increased by 54.4% from RMB3,099.1 million for the three months ended March 31, 2011 to RMB4,786.3 million for the three months ended March 31, 2012, primarily due to increases in both sales volume and selling prices of our coal products.

Revenue generated from our transportation operations increased by 99.7% from RMB105.8 million for the three months ended March 31, 2011 to RMB211.3 million for the three months ended March 31, 2012, primarily due to an increase in the volume of coal that our railway lines transported for customers and an increase in the rates of the platform fee on our railway lines.

Revenue generated from our coal-related chemical operations increased significantly from nil for the three months ended March 31, 2011 to RMB367.4 million for the three months ended March 31, 2012, since our coal-related chemical operations commenced in July 2011.

Revenue generated from our other operations increased by 28.3% from RMB5.3 million for the three months ended March 31, 2011 to RMB6.7 million for the three months ended March 31, 2012, primarily due to an increase in the revenue generated from our pharmaceutical business.

Cost of sales

Cost of sales increased by 126.1% from RMB1,342.2 million for the three months ended March 31, 2011 to RMB3,034.7 million for the three months ended March 31, 2012. The increase was primarily due to an increase in cost of coal purchased from external suppliers as a result of our business growth.

Gross profit

As a result of the foregoing, our gross profit increased by 25.1% from RMB1,868.0 million for the three months ended March 31, 2011 to RMB2,337.0 million for the three months ended March 31, 2012. Our gross profit margin decreased from 58.2% for the three months ended March 31, 2011 to 43.5% for the three months ended March 31, 2012, primarily due to an increase in the contribution of sales of coal purchased from third parties, which has lower gross profit margins than the self-produced coal.

Other income

Other income increased by 87.1% from RMB54.2 million for the three months ended March 31, 2011 to RMB101.4 million for the three months ended March 31, 2012.

Selling and distribution costs

Selling and distribution expenses slightly increased by 2.4% from RMB171.5 million for the three months ended March 31, 2011 to RMB175.7 million for the three months ended March 31, 2012.

Administrative expenses

Administrative expenses increased by 22.7% from RMB145.1 million for the three months ended March 31, 2011 to RMB178.0 million for the three months ended March 31, 2012, primarily due to an increase in depreciation of property, plant and equipment and office expense as a result of our business expansion.

Other expenses

We booked the reversal of other expenses of RMB26.8 million for the three months ended March 31, 2011, primarily due to reversal of provision for bad debts. Other expenses for the three months ended March 31, 2012 was RMB22.3 million, of which, RMB20.7 million was donation expenses incurred.

Finance income

Finance income increased by 47.5% from RMB5.9 million for the three months ended March 31, 2011, to RMB8.7 million for the three months ended March 31, 2012, primarily due to an increase in both interest rates and the average deposit balance.

Finance costs

Finance costs increased by 131.1% from RMB42.7 million for the three months ended March 31, 2011, to RMB98.7 million for the three months ended March 31, 2012, primarily due to an increase in interest costs as a result of a decrease in capitalization of interest for certain construction projects.

Exchange gains, net

Exchange gains decreased by 50.0% from RMB1.2 million for the three months ended March 31, 2011, to RMB0.6 million for the three months ended March 31, 2012, primarily due to the appreciation of the Renminbi against the Kuwait dinar.

Share of profits/losses of associates

Share of losses of associates was RMB2.6 million for the three months ended March 31, 2011. Share of profits of associates was RMB2.5 million for the three months ended March 31, 2012, primarily due to the profits generated by Yizheng Fire-proof starting from the first quarter of 2012.

Income tax expense

Income tax expense increased by 28.4% from RMB236.0 million for the three months ended March 31, 2011, to RMB303.0 million for the three months ended March 31, 2012, primarily due to an increase in our taxable income as a result of our business growth.

Profit for the period

As a result of the foregoing, our profit for the period increased by 23.1% from RMB1,358.2 million for the three months ended March 31, 2011, to RMB1,672.5 million for the three months ended March 31, 2012. Our net profit margin decreased from 42.3% for the three months ended March 31, 2011, to 31.1% for the three months ended March 31, 2012.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company increased 16.4% from RMB1,311.0 million for the three months ended March 31, 2011, to RMB1,525.6 million for the three months ended March 31, 2012.

Profit and total comprehensive income attributable to non-controlling interests

Profit and total comprehensive income attributable to non-controlling interests increased 211.2% from RMB47.2 million for the three months ended March 31, 2011, to RMB146.9 million for the three months ended March 31, 2012, primarily due to a significant increase in the profit generated by Yitai Suancigou.

LIQUIDITY AND CAPITAL RESOURCES

We fund our operations primarily through cash flows from operations and short-term and long-term borrowings. Our primary use of funds has been capital expenditures, working capital and repayment of short-term and long-term borrowings. Any significant decrease in demand for, or pricing of, our products or a significant decrease in the availability of bank loans may adversely impact our liquidity. We did not conduct any fund raising activities during the Track Record Period.

Our current assets divided by current liabilities, or current ratio, was 1.1, 1.5 and 1.2 as of December 31, 2009, 2010 and 2011, respectively. Our current assets less inventories divided by current liabilities, or quick ratio, was 1.0, 1.4 and 1.1 as of December 31, 2009, 2010 and 2011, respectively.

	As of December 31,			As of March 31,	As of April 30,
	2009	2010	2011	2012	2012
				(unaudited)	(unaudited)
		RMB million			
Current assets					
Inventories	316.4	460.1	676.7	660.9	682.7
Trade and bills receivables	668.5	573.2	751.4	1,095.0	886.0
Prepayments, deposits and other receivables	660.0	454.0	836.0	1,419.4	1,842.6
Restricted cash	15.0	27.2	20.3	20.3	20.7
Cash and short-term deposits	3,275.4	3,715.2	3,535.5	3,811.1	3,319.6
Total current assets	4,935.3	5,229.7	5,819.9	7,006.7	6,751.6
Current liabilities					
Trade and bills payables	269.9	279.4	543.5	630.4	750.8
Other payables and accruals	2,147.2	1,946.3	1,886.4	2,052.1	1,864.7
Interest-bearing loans and borrowings	1,752.6	918.6	2,206.2	2,070.0	1,855.0
Income tax payable	236.6	320.8	161.3	347.2	155.1
Total current liabilities	4,406.3	3,465.1	4,797.4	5,099.7	4,625.6
Net current assets/(liabilities)	529.0	1,764.6	1,022.5	1,907.0	2,126.0

Net Current Assets

As of April 30, 2012, our net current assets were RMB2,126.0 million, consisting of current assets of RMB6,751.6 million and current liabilities of RMB4,625.6 million. Our current assets mainly included cash and short-term deposits of RMB3,319.6 million prepayments, deposit and other receivable of RMB1,842.6 million inventories of RMB682.7 million and trade and bills receivable of RMB886.0 million. Trade and bills receivables decreased from RMB1,095.0 million as of March 31, 2012 to RMB886.0 million as of April 30, 2012, primarily due to our improved collection of trade receivables. Prepayments, deposits and other receivables increased from RMB1,419.4 million as of March 31, 2012 to RMB1,842.6 million as of April 30, 2012, primarily due to an increase in prepayments for coal purchased from external suppliers. Our current liabilities mainly included interest-bearing loans and borrowings of RMB2,070.0, other payables and accruals of RMB1,864.7 million, trade and bills payable of RMB750.8 million and income tax payable of RMB155.1 million.

As of March 31, 2012, our net current assets were RMB1,907.0 million, consisting of current assets of RMB7,006.7 million and current liabilities of RMB5,099.7 million. Our current assets mainly included cash and short-term deposits of RMB3,811.1 million, prepayments, deposits and other receivables of RMB1,419.4 million, inventories of RMB660.9 million and trade and bills receivables of RMB1,095.0 million. Our current liabilities mainly included interest-bearing loans and borrowings of RMB2,070.0, other payables and accruals of RMB2,052.1 million, trade and bills payable of RMB630.4 million and income tax payable of RMB347.2 million.

As of December 31, 2011, our net current assets were RMB1,022.5 million, consisting of current assets of RMB5,819.9 million and current liabilities of RMB4,797.4 million. Our current assets mainly included cash and short-term deposits of RMB3,535.5 million, prepayments, deposits and other receivables of RMB836.0 million, inventories of RMB676.7 million and trade and bills receivables of RMB751.4 million. Our current liabilities mainly included interest-bearing loans and borrowings of RMB2,206.2, other payables and accruals of RMB1,886.4 million, trade and bills payable of RMB543.5 million and income tax payable of RMB161.3 million.

Cash Flows

Our primary uses of cash are to invest in mines, production facilities and equipment, repay our indebtedness, and fund working capital and normal recurring expenses. As of December 31, 2011, we had cash and cash equivalents of RMB3,513.5 million and approximately RMB27,080.0 million of unutilized bank credit facilities. The following table sets forth our cash flows for these periods indicated:

	Year ended December 31,			Three months ended March 31,
	2009	2010	2011	2012
				(unaudited)
		RMB million		
Net cash flows from operating activities	3,724.6	6,361.3	6,712.1	2,055.0
Net cash flows used in investing activities	(3,741.1)	(3,800.1)	(4,752.9)	(1,039.5)
Net cash flows used in financing activities	(618.7)	(2,124.9)	(2,152.5)	(736.3)
Net increase/(decrease) in cash and cash equivalents	(635.2)	436.3	(193.3)	279.2
Effect of foreign exchanges, net	—	—	—	—
Cash and cash equivalents at beginning of year/period	3,905.7	3,270.5	3,706.8	3,513.5
Cash and cash equivalents at end of year/period	3,270.5	3,706.8	3,513.5	3,792.7

Net cash flows from operating activities

In 2011, we generated net cash from operating activities of RMB6,712.1 million, which was primarily attributable to profit before tax of RMB6,760.0 million and depreciation of property, plant and equipment of RMB789.4 million, primarily due to our business growth, partially offset by an increase in inventories of RMB216.6 million.

In 2010, we generated net cash from operating activities of RMB6,361.3 million, which was primarily attributable to profit before tax of RMB6,275.1 million, an increase in other payables and accruals of RMB246.0 million and a decrease in trade and bills receivables of RMB101.6 million, partially offset by an increase in inventories of RMB143.7 million. The increase in other payables and accruals was mainly due to an increase in the prepayments for our coal as we required more customers to pay in advance. The decrease in trade and bills receivables was mainly due to (i) improved recoverability of our receivables as a result of the recovery of the PRC economy from the economic slowdown and strong demand for our coal and (ii) our requirement for more customers to pay in advance. The increase in inventories was mainly because we increased our inventories in response to increased demand for our coal products.

In 2009, we generated net cash from operating activities of RMB3,724.6 million, which was primarily attributable to profit before tax of RMB3,713.7 million, a decrease in trade and bills receivables of RMB153.7 million and a decrease in inventories of RMB60.2 million, partially offset by a decrease in trade and bills payables of RMB135.7 million. The decrease in trade and bills receivables was mainly due to fewer sales during late 2009 than in late 2008 driven by lower coal sales prices in late 2009. The decrease in inventories was mainly due to our increased sales volume of coal in late 2009 driven by the generally colder weather in the winter of 2009 as compared with the winter of 2008. The decrease in trade and bills payables was mainly because we purchased significantly less coal from external suppliers as our production capacity increased.

Net cash flow used in investing activities

Net cash used in investing activities was RMB4,752.9 million in 2011. The amount reflects cash used in the purchase of property, plant and equipment in the amount of RMB4,027.6 million, mainly due to the construction of a second track of Phase I of Yitai Zhundong Railway Line, Talahao Mine and a second track of the Huzhun Railway Line. The amount also reflects investments in a jointly-controlled entity, associates and available-for-sale investments of RMB819.5 million, including primarily our investments in Ordos Lianke Qingjie Energy Technology Co., Ltd. (鄂爾多斯市聯科清潔能源技術有限公司), Avic Liming Jinhuaji Petrochemical Equipment (Inner Mongolia) Co., Ltd., Zhunshuo Railway Co., Ltd., MengJi Railway Co., Ltd., Mianyang Technology Property Investment Fund, and Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司).

Net cash used in investing activities was RMB3,800.1 million in 2010. The amount reflects cash used in the purchase of property, plant and equipment in the amount of RMB3,524.2 million, mainly related to the construction of Phase II of Yitai Zhundong Railway Line, our coal preparation plants, and the Suancigou Mine, the electrification of the Huzhun Railway Line, and technology upgrades at our other mines. The amount also reflected our investments in a jointly-controlled entity and associates and available-for-sale investments in an aggregate amount of RMB848.9 million, including primarily our investments in Mengji Railway Co., Ltd., Zhunshuo Railway Co., Ltd., Nanbu Railway Co., Ltd., Avic Liming Jinhuaji Petrochemical Equipment (Inner Mongolia) Co., Ltd. and Yizheng Fire-proof, partially offset by proceeds from disposals of property, plant and equipment and intangible assets of RMB436.6 million and the consideration we received in early 2010 for our transfer of an additional 9% equity interest in Yitai Suancigou to each of Jingneng Power and Shanxi Yudean respectively in 2009 and our disposal of equity interests in Inner Mongolia Yitai Solar Energy Co., Ltd. (內蒙古伊泰太陽能光熱有限責任公司), an associate of our Company, in an aggregate amount of RMB213.2 million.

Net cash used in investing activities was RMB3,741.1 million in 2009. The amount reflects the cash used in the purchase of property, plant and equipment in the amount of RMB3,971.4 million, mainly related to the construction of our coal-to-oil project, Phase II of Yitai Zhundong Railway Line, our coal preparation plants, the Suancigou Mine, the electrification of the Huzhun Railway Line, and technology upgrades at our other mines. The amount also reflected the acquisition of equity interest in Nanbu Railway Co., Ltd., Xin Baoshen Railway Co., Ltd., Tangshan Caofeidian Coal Port Co., Ltd., Mengji Railway Co., Ltd. and Mianyang Technology Property Investment Fund in an aggregate amount of RMB765.6 million, partially offset by proceeds we received from disposals of equity interest in Yitai Suancigou and Yitai Tiedong in an aggregate amount of RMB937.6 million.

Net cash flow from/used in financing activities

Net cash used in financing activities was RMB2,152.5 million in 2011. The amount reflects primarily dividends paid of RMB2,196.0 million and repayment of loans of RMB1,510.9 million, partially offset by proceeds from bank borrowings of RMB1,905.0 million.

Net cash used in financing activities was RMB2,124.9 million in 2010. The amount reflects primarily repayment of loans in the amount of RMB3,091.6 million, dividends paid of RMB732.0 million, interest paid of RMB173.2 million and the consideration of RMB108.8 million we paid to acquire a 4% equity interest in Yitai Zhundong from Ruyi Company, partially offset by proceeds from bank borrowings in the amount of RMB1,911.0 million.

Net cash outflow from financing activities was RMB618.7 million in 2009. The amount reflects primarily repayment of loans in the amount of RMB3,910.7 million, dividends paid in the amount of RMB732.0 million and interest paid in the amount of RMB335.2 million, partially offset by proceeds from bank borrowings in the amount of RMB4,282.6 million and capital contributions from non-controlling shareholders in the amount of RMB76.7 million.

TRADE RECEIVABLES, INVENTORIES AND TRADE PAYABLES

Turnover

The following table sets forth the turnover days of our trade receivables, inventories and trade payables for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
Turnover days of trade and bills receivables[(1)]	26.4	16.4	14.6
Turnover days of inventories[(2)]	24.2	23.6	25.6
Turnover days of trade and bills payables[(3)]	23.5	16.7	18.5

(1) Turnover days of trade and bills receivables for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables by revenue for the relevant period and then multiplied by 365 days.

(2) Turnover days of inventories for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of inventory by cost of sales for the relevant period and then multiplied by 365 days.

(3) Turnover days of trade and bills payables for a certain period is derived by dividing the arithmetic mean of opening and closing balances of trade and bills payables by cost of sales for the relevant period and then multiplied by 365 days.

The turnover days of trade and bills receivables decreased from 26.4 days in 2009 to 16.4 days in 2010, primarily due to improved recoverability of our trade receivables as our customers' financial condition generally improved, driven in part by the recovery of the PRC economy. The turnover days of trade and bills receivables decreased to 14.6 days in 2011, primarily due to the prompt collection of trade receivables and requests for more prepayments. The turnover days of inventory stayed relatively stable in 2009 and 2010 at 24.2 days and 23.6 days, respectively, and increased to 25.6 days in 2011, primarily due to an increase in the average balance of our inventory. The turnover days of trade and bills payables decreased from 23.5 days in 2009 to 16.7 days in 2010, primarily due to a decrease in our trade and bills payables as we purchased less coal from external suppliers. The turnover days of trade and bills payables increased to 18.5 days in 2011, primarily due to a significant increase in the average balance of our trade and bills payables as a result of increased purchase of coal from external suppliers which, among others, included imported coal.

Subsequent settlement of trade receivables and trade payables and subsequent usage of inventories

The following table sets out information regarding the subsequent settlement of trade receivables and trade payables and subsequent usage of inventories:

	Balance as of December 31, 2011	Subsequent settlement/usage as of April 30, 2012
	RMB'000	RMB'000
Trade and bills receivables	751,430	725,724
Trade and bills payables	543,485	397,828
Inventories	676,716	606,044

CAPITAL EXPENDITURES

We incurred capital expenditures for the construction, expansion and technology upgrade of our mines, coal preparation plants and railway lines. Our capital expenditures were RMB4,754.5 million, RMB3,208.2 million and RMB3,593.7 million in 2009, 2010 and 2011, respectively. Capital expenditures during these periods were primarily related to property, plant and equipment and intangible assets and were funded with cash from operating activities and bank borrowings.

The following table sets forth our capital expenditures during the periods indicated:

	Year ended December 31,		
	2009	2010	2011
	RMB million		
Coal operations	2,408.0	1,114.1	1,865.6
Transportation operations	1,496.4	1,529.8	1,270.6
Coal-related chemical operations	848.6	558.6	452.1
Other operations	1.5	5.7	5.4
Total	4,754.5	3,208.2	3,593.7

Our expected capital expenditures for 2012 were approximately RMB3,244.9 million without taking into account the Proposed Acquisition as of December 31, 2011. 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 Target Business Group's expected capital expenditures for 2012 were approximately RMB135.8 million as of December 31, 2011. Assuming that the Proposed Acquisition is completed in 2012 and without taking into account the consideration for the Proposed Acquisition, our expected aggregate capital expenditure for 2012 would be RMB3,380.7 million. As of December 31, 2011, we had capital commitments for acquisition of property, plant and equipment of RMB1,497.1 million.

CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables primarily comprise advances to suppliers and other receivables less provision for impairment. As of December 31, 2009, 2010 and 2011, advances to suppliers amounted to RMB365.7 million, RMB333.3 million and RMB627.3 million, respectively. Advances to suppliers are mainly prepayments for mine and other equipment. It is common practice for equipment suppliers to require customers to prepay a portion of the purchase price. We have not experienced any forfeiture of advances to suppliers.

As of December 31, 2009 and 2010 and 2011, provision for impairment of prepayments, deposits and other receivables was RMB66.9 million, RMB20.7 million and RMB22.8 million, respectively. The provision was mainly for receivables aged over one year without satisfactory evidence of full recovery.

Other Non-current Liabilities

Other non-current liabilities comprise government loans and provisions for mine rehabilitation and reclamation. The government provided us with these government loans to assist us in constructing our railway lines, and these loans are interest-free and do not have a maturity date and we are not required to repay them at any specific date. As of December 31, 2009, 2010 and 2011, we had other non-current liabilities of RMB96.1 million, RMB100.6 million and RMB387.2 million, respectively.

According to the relevant PRC laws and regulations applicable to land rehabilitation, such as the *Land Rehabilitation Rules* (《土地復墾條例》), with respect to any damage caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises shall restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as appropriate to the local conditions. In the event that the mining enterprise is unable to rehabilitate or the rehabilitation does not comply with the relevant requirements, the mining enterprise shall pay a fee for land rehabilitation. Therefore, most of the mining companies decide to provide for rehabilitation/reclamation fees. However, there is no prevailing industrial standard on how to calculate the rehabilitation/reclamation fees. Our Group engaged independent experts to conclude their valuation reports for the rehabilitation/reclamation expenditures. According to our accounting policy, we record the present value of estimated costs to restore operating locations in the period in which the obligation is incurred. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. The provisions for mine rehabilitation/reclamation for our operating mines as of December 31, 2009, 2010 and 2011 were RMB33.0 million, RMB34.4 million and RMB 36.0 million, respectively. Based on the recoverable reserves of our Group's operating mines as of December 31, 2011, the provision for mine rehabilitation and reclamation per tonne of coal reserve was approximately RMB 0.05.

Available-for-sale Investments

Our available-for-sale investments comprise primarily equity securities issued by non-public railway companies in the PRC. They are measured at cost less impairment at the end of each reporting period as such investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

The following table sets forth certain information regarding our available-for-sale investments:

	Percentage of equity interest attributable to our Group	As of December 31,		
		2009	2010	2011
		RMB million		
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9.0%	630.0	900.0	1,440.0
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	15.0%	382.8	382.8	382.8
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	19.0%	142.2	521.4	675.8
Nanbu Railway Co., Ltd. (南部鐵路有限責任公司)	10.0%	115.0	200.0	200.0
Others	—	68.8	103.9	172.0
		1,338.8	2,108.1	2,870.6

We invested in these railway companies to expand and upgrade our integrated transportation. Prior to our investments in them, these railway companies were independent third parties to us.

NON-TRADE BALANCES WITH RELATED PARTIES AND GUARANTEES GRANTED FROM/TO RELATED PARTIES

As of December 31, 2011, we did not have any non-trade balances with related parties.

INDEBTEDNESS

Borrowings

Our consolidated borrowings as of December 31, 2009, 2010 and 2011, March 31, 2012 and April 30, 2012, for the purpose of calculating the indebtedness of our Company, were as follows:

	As of December 31,			As of March 31,	As of April 30,
	2009	2010	2011	2012	2012
				(unaudited)	(unaudited)
			RMB million		
Bank loans secured by guarantees	7,253.1	7,090.4	6,996.8	7,019.5	6,801.5
Unsecured bank loans	1,867.3	840.0	1,310.0	620.0	688.0
Total	9,120.4	7,930.4	8,306.8	7,639.5	7,489.5

As our operations generated sufficient cash flows, we reduced our borrowings in 2010. The increase in borrowings as of December 31, 2011 was primarily related to our construction of the second track of phase I of the Yitai Zhundong Railway Line.

Our borrowings generally contain terms and conditions that are customary for commercial bank loans. Our borrowings during the Track Record Period, the three months ended March 31, 2012, and the four months ended April 30, 2012, bore the effective interest rates as follows:

	As of December 31,			As of March 31,	As of April 30,
	2009	2010	2011	2012	2012
				(unaudited)	(unaudited)
			%		
Fixed-rate borrowings	3.80-7.47	2.20-7.29	3.80-9.09	3.80-6.56	3.80-6.56
Floating-rate borrowings	4.86-7.83	4.86-6.40	5.76-7.05	6.27-7.05	6.06-7.05

The maturity profile of our interest-bearing borrowings as of December 31, 2009, 2010 and 2011, March 31, 2012, and April 30, 2012, was as follows:

	As of December 31,			As of March 31,	As of April 30,
	2009	2010	2011	2012	2012
				(unaudited)	(unaudited)
			RMB million		
Bank loans repayable:					
Within one year or on demand	1,752.6	918.6	2,206.2	2,070.0	1,855.0
In the second year	521.1	1,107.3	1,131.2	649.0	614.0
In the third to fifth years, inclusive	2,416.7	2,256.1	2,204.3	2,126.4	2,086.5
Beyond five years	4,430.0	3,648.4	2,765.1	2,794.1	2,934.0
	9,120.4	7,930.4	8,306.8	7,639.5	7,489.5

Most of our borrowings are denominated in Renminbi. Our foreign-currency loans primarily comprise loans that Yitai Huzhun and Yitai Zhundong borrowed from the Kuwait Fund for Arab Economic Development, commonly known as the Kuwait Fund. The Kuwait Fund is Kuwait's agency for the provision and administration of financial and technical assistance to Arab and other developing countries in developing their economies. Yitai Zhundong raised a loan of 9.25 million Kuwait dinars from the Kuwait Fund in August 2000 for the construction of the Yitai Zhundong Railway Line. The loan bears interest at 3.8% per annum, has a term of 16 years, including a three-year grace period for repayment, and is repayable in 26 semi-annual equal installments over the term of the loan. Yitai Huzhun raised a loan of 10.8 million Kuwait dinars from the Kuwait Fund in April 2006 for the construction of the Huzhun Railway Line. The loan bears interest at 3.8% per annum, has a term of 18 years, including a four-year grace period, and is repayable in 28 semi-annual equal installments over the term of the loan. As required by the relevant PRC foreign exchange regulations, the loans were converted into U.S. dollars. As of December 31, 2011, the aggregate outstanding balance of these loans was approximately US$44.0 million. Our Directors confirm that there has been no delay or default in repayment of bank and other borrowings and we have never experienced any difficulties in obtaining banking facilities.

Our gearing ratios were 0.86, 0.44 and 0.40 as of December 31, 2009, 2010 and 2011, respectively. The gearing ratio is net loans divided by capital. Net loans include interest-bearing bank loans, trade and bill payables and other payables and accruals (net of advances from customers) less cash and cash equivalents. Capital represents equity attributable to owners of our company. As of December 31, 2009, 2010, 2011 and April 30, 2012, RMB529.2 million, RMB60.0 million, RMB404.0 million, and RMB404.0 million respectively, of our total borrowings was guaranteed by Yitai Group and certain of its subsidiaries. Except for the guarantee provided by Yitai Group to Yitai Coal-to-oil according to equity proportion, all other guarantees provided by Yitai Group and its subsidiaries to us will be released or withdrawn prior to or upon the Listing Date. See "Connected Transactions — Continuing Connected Transaction — Exempt Continuing Connected Transactions."

As of April 30, 2012, which is the latest practicable date of our indebtedness statement, our total long-term and short-term borrowings were RMB7,489.5 million. As of December 31, 2011, we had RMB8,306.8 million of utilized bank credit facilities and RMB27,080.0 million of unutilized bank credit facilities. Our Directors confirm that there has been no material change in our indebtedness or contingencies since April 30, 2012 up to the date of the Prospectus. We have not had any material covenants related to our outstanding debt since April 30, 2012 to the date of this Prospectus, and we do not have any plan to raise material external debt financing as of the date of this Prospectus.

CAPITAL COMMITMENTS

The table below sets forth a breakdown of our capital commitments as of the dates indicated:

	As of December 31,			As of March 31,	As of April 30,
	2009	2010	2011	2012	2012
			RMB million		
Contracted, but not provided for					
Property, plant and equipment	1,574.1	2,295.0	1,497.1	1,539.1	1,365.2
Available-for-sale investments	823.1	359.0	168.5	168.5	168.5
	2,397.2	2,654.0	1,665.6	1,707.6	1,533.7

The capital commitments described above primarily related to the construction, expansion and technology upgrade of our mines, coal preparation plants and railway lines. We intend to fund these commitments with cash generated from our operations and bank borrowings.

Our Directors confirm that there has been no material change in our capital commitments since April 30, 2012 up to the date of this Prospectus.

CONTINGENT LIABILITIES

As of December 31, 2009, 2010, 2011 and April 30, 2012, the undiscounted maximum amount of potential future payments under guarantees given to banks in respect of banking facilities granted to the parties below were as follows:

	As of December 31,			As of April 30,
	2009	2010	2011	2012
		RMB million		
Guarantees given to banks in connections with loans granted to associates	110.2	19.6	17.1	16.4
	110.2	19.6	17.1	16.4

Our Directors confirm that there has been no material change in our contingent liabilities since April 30, 2012 up to the date of this Prospectus.

LAWSUITS AND OTHER PROCEEDINGS

We are not currently involved in, and have not been involved in during the Track Record Period, any material legal or arbitration proceedings.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2012, being the date of our most recent financial statements, we did not have any off-balance sheet arrangements.

MARKET RISKS

We are exposed to various types of market risks in the ordinary course of our business, mainly foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. As our exposure to these risks is kept to a minimum, we have not used any derivatives and other instruments for hedging purposes. We do not hold or issue derivative financial instruments for trading purposes. The board reviews and approves policies for managing each of these risks and they are summarized below.

Foreign Exchange Risk

All of our revenues and substantially all of our expenses are denominated in Renminbi. Our exposure to foreign exchange risk primarily relates to cash and cash equivalents denominated in U.S. dollars as a result of borrowings by Yitai Huzhun and Yitai Zhundong from the Kuwait Fund for Arab Economic Development, commonly known as the Kuwait Fund, and our dividend payments in U.S. dollars for Shareholders holding our B shares. As of December 31, 2011, the aggregate outstanding balance of our loans from the Kuwait Fund was approximately US$44.0 million. See "— Indebtedness — Borrowings." In addition, to the extent that we need to convert HK dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the HK dollar would have an adverse effect on the Renminbi amount we receive from such conversion. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. As of the Latest Practicable Date, we had not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk.

Interest Rate Risk

Interest rate risk is the risk of fluctuations of fair values on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in us facing cash flow interest rate risk, and fixed interest rate instruments will result in us facing fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our profit before tax (through the impact on floating rate borrowings).

	Increase/(Decrease) in Basis Points	Increase/(Decrease) in Profit Before Tax
		RMB million
Year ended December 31, 2011	100	(70.4)
	(100)	70.4
Year ended December 31, 2010	100	(75.4)
	(100)	75.4
Year ended December 31, 2009	100	(77.9)
	(100)	77.9

Commodity Price Risk

We are exposed to commodity price risk through fluctuations in the price of coal as a substantial majority of our revenue and profit is generated from sales of thermal coal in China. For additional information regarding the average selling price of our coal products during the Track Record Period, please see "—Significant Factors Affecting Our Results of Operations — Pricing of Our Coal Products." We do not enter into any derivative instruments or futures to hedge any price fluctuations of coal. Therefore, fluctuations of thermal coal prices could have a significant effect on our revenue and profit for a given period. See "Risk Factors—Risks Relating to China's Coal Industry—Our business and results of operations are susceptible to the cyclical nature of coal markets and are vulnerable to fluctuations in coal prices."

Credit Risk

The credit risk of our other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts has not been significant.

Since we trade only with recognized and creditworthy third parties, there is no requirement for collateral.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet our commitments. Our principal strategies include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that we have a reasonable level of capital to support our business.

OPERATING COSTS

The following table sets forth our estimated average operating costs per tonne of run-of-mine coal, that is coal which comes from the mine prior to beneficiation or any other treatment, produced at our mines for the periods indicated:

	Operating Costs (RMB/ROM tonne)*					
Category	2009	2010	2011	2012	2013	2014
Cash operating costs	60	75	78	79	84	86
Non-cash operating costs	6	7	7	9	10	11
Total operating costs	**67**	**81**	**85**	**88**	**94**	**98**

The estimated average operating costs include labor, benefits, materials, supplies, power, water, maintenance, engineering, development expenses, exploration, face moves, village moves, resource fees, coal management fees, administration and other miscellaneous expenses. A breakdown of average cash operating costs of our mines on a composite basis is as follows:

	Cash Operating Costs (RMB/ROM tonne)*					
Category	2009	2010	2011	2012	2013	2014
Materials / Supplies / Maintenance	7	7	7	8	11	13
Power / Fuel	3	3	3	2	3	4
Salary & Welfare	6	8	9	10	11	13
Production Fees**	45	57	59	58	58	57
Total cash operating costs	**60**	**75**	**78**	**79**	**84**	**86**

* Average composite costs include a weighted average of drill and blast with fully mechanized output achieved with fully mechanized longwall face methods.

** Include coal washing expense where applicable.

Note: Figures may not add due to rounding.

The average cash 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 cash 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 cash operating costs of most of our operating mines increased from 2010 to 2011 primarily due to the increase in relocation compensation.

For more information, see "Appendix V — Competent Person's Report."

DEPLETION RATES

The depletion rate represents the rate of exhaustion of reserves of a mine. In the context of this Prospectus, the depletion rate of a mine refers to the exhaustion rate of marketable reserves as of December 31, 2011, on the basis of aggregate projected output from 2012 to 2014. The following table sets forth the depletion rates of our mines:

Mine	Marketable Reserves (Mt) As of December 31, 2011*	2012 to 2014 Projected Output (Mt)**	2012 to 2014 Depletion Rate (%)
Mines in operation			
Suancigou	458.8	38.3	8
Nalinmiao No.2***	63.9	24.6	39
Hongjingta No.1***	35.9	22.6	63
Nalinmiao No.1***	9.3	11.8	100
Yangwangou	5.8	4.2	73
Fuhua	2.5	3.9	100
Kaida***	4.2	4.6	100
Mines under development			
Talahao	550.2	9.0	2
Bulamao	16.8	3.2	19

* Reflect BOYD's reserve estimation which only includes minable reserves suitable for the fully mechanized long wall mining method.

** Reflect the Company's projections which include fully mechanized long wall mining and drill and blast mining operations where applicable.

*** Reserve and output from open pit mining operations excluded.

WORKING CAPITAL CONFIRMATION

Taking into account our cash generated from operating activities, the net proceeds of the Global Offering and our credit facilities maintained with our banks and financial institutions, we are satisfied that our Group will have available sufficient working capital for 125% of the Group's present requirements, that is, for at least 12 months following the date of this Prospectus.

PROFIT FORECAST FOR THE SIX MONTHS ENDING JUNE 30, 2012

We believe that, on the bases and assumptions as set forth in Appendix IV and in the absence of unforeseen circumstances, our forecast consolidated profit attributable to the owners of our company for the six months ending June 30, 2012 under IFRS will not be less than RMB3,095.0 million. On the basis of the prospective financial information and the number of shares expected to be issued, our forecast consolidated profit attributable to the owners of our company per share for the six months ending June 30, 2012 would be approximately RMB1.90, on a pro forma fully diluted basis under IFRS.

INTERIM REPORT

As the profit forecast appearing in this Prospectus covers a period which ends at a half year-end of our Company on June 30, 2012, our Company's interim report for the six months ending June 30, 2012 will be audited pursuant to Rule 11.18 of the Hong Kong Listing Rules if the H Shares are listed on the main board of the Hong Kong Stock Exchange.

DIVIDEND POLICY

We distributed dividends in the aggregate amounts of RMB732.0 million and RMB2,196.0 million and declared dividends in the aggregate amount of RMB2,196.0 million for 2009, 2010 and 2011, respectively, representing RMB1.00, RMB1.50 and RMB1.50 per Share, respectively. The accumulated retained profits after the implementation of the 2011 profit distribution plan will be shared by new and existing shareholders of our Company. In addition to cash dividends, we distributed bonus shares as dividends to our Shareholders for 2009, which consisted of ten Shares for every ten Shares of our Company held by such Shareholder. Payment of such dividends was funded entirely out of cash generated from our operations.

The following table sets out the dividend payout ratio (calculated based on dividend per share divided by earnings per share) for 2009, 2010 and 2011:

	Year ended December 31,		
	2009	2010	2011
		(%)	
Dividend payout ratio	24.1*	43.8	40.2

* The earnings per share for the Track Record Period are calculated based on the number of shares after the bonus shares were distributed in 2009.

We cannot guarantee dividends will be paid in the future. After the completion of the Global Offering, we will declare dividends, if any, denominated in RMB with respect to H Shares on a per Share basis and will pay such dividends in HK Dollars. Any final dividends for a financial year will be subject to the discretion of our Directors and our Shareholders' approval, as well as the applicable PRC laws and regulations. Under the PRC Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and distributions. The holders of our H Shares will share proportionately on a per Share basis in all dividends and other distributions we declare.

In addition to cash, dividends may be distributed in the form of Shares. Any distribution of Shares, however, must be approved by special resolution of the Shareholders in accordance with our Articles of Association.

The declaration of dividends is subject to the discretion of our Board of Directors and the approval of our Shareholders, which we expect will take into account factors such as the following:

- our financial results;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to us;
- taxation considerations;
- possible effects on our creditworthiness;
- statutory and regulatory restrictions; and
- any other factors our Board of Directors may deem relevant.

In accordance with the applicable requirements of the PRC Company Law, we may only distribute dividends after we have made allowance for:

- recovery of accumulated losses, if any;
- allocations to a statutory common reserve fund equivalent to 10% of our after-tax profit attributable to equity holders of our Company, as determined under PRC accounting rules and regulations; and
- allocations to a discretionary common reserve fund as approved by our Shareholders in a Shareholders' meeting.

Allocations to the statutory common reserve fund are currently 10% of our after-tax profit attributable to equity holders of our Company for the fiscal year determined in accordance with PRC accounting rules and regulations. When the accumulated allocations to the statutory common reserve fund reach 50% of our Company's registered capital, we will no longer be required to make allowances for allocation to the statutory common reserve fund.

Under PRC law, dividends may be paid only out of distributable profits, which are our retained earnings, as determined in accordance with PRC accounting rules and regulations and IFRS, whichever is lower, less allocations to the statutory and discretionary common reserve fund. We will not ordinarily pay any dividends in a year in which we do not have any distributable profits.

Subject to the above factors, we currently expect to distribute no less than 30% of our net distributable profit for the following two financial years ending December 31, 2012 and 2013.

DISTRIBUTABLE RESERVES

As of December 31, 2011, our reserves available for distribution to our equity holders amounted to approximately RMB12,263.7 million.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since December 31, 2011 (being the date to which our Company's latest consolidated financial results were prepared, as set forth in the Accountants' Report included as Appendix IA to this Prospectus) up to the date of the Prospectus.

FINANCIAL INFORMATION OF TARGET BUSINESS GROUP

As part of our strategy to integrate internal and external resources, increase production volume and enhance our core competitiveness and market position, as well as eliminate competition with our Controlling Shareholders and reduce connected transactions, we have entered into an Assets Transfer Agreement dated May 29, 2012 with Yitai Group, pursuant to which we will purchase from Yitai Group the Target Business Group after the completion of the Global Offering for an aggregate purchase price of RMB8,446.5 million. The total payment made by our Company in connection with the Proposed Acquisition may be subject to adjustment. See "Business — the Proposed Acquisition and the Target Business Group" and "Relationship with our Controlling Shareholders — Proposed Acquisition."

The Target Business Group engages in the production and sale of coal and coal trading in China.

Basis of Presentation

The Target Business Group is owned by Yitai Group. Yitai Group is principally engaged in the production and sale of coal and coal trading as well as coal chemical production and property development.

The Target Business Group had not been incorporated in the Track Record Period. The business of the Target Business Group was either carried out by the subsidiaries or the business divisions or branches controlled by Yitai Group. The combined financial information of the Target Business Group for the periods presented herein had been prepared as if the Target Business Group had been in place as a separate stand-alone entity throughout the periods presented.

While the Target Business Group has not operated as a separate entity, the financial statements are not necessarily indicative of results that would have occurred if the Target Business Group had been a separate stand-alone entity during the periods presented, nor is it indicative of future results of the Target Business Group. Income taxes have been determined as if the Target Business Group were a separate taxable entity for all the periods presented.

All intra-group balances, income and expenses, unrealized gains and losses, and dividends resulting from intra-group transactions are eliminated in full. Accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the policies adopted by the Target Business Group.

For more information about the Target Business Group, see "Business — The Proposed Acquisition And The Target Business Group—The Target Business Group."

Significant Factors Affecting the Results of Operations of the Target Business Group

The Target Business Group is primarily engaged in coal production and sales, which are substantially similar to our coal operations. Accordingly, the results of operations of the Target Business Group are also primarily affected by the significant factors affecting our results of operations. For details regarding these factors, see "— Significant Factors Affecting Our Results of Operations."

Combined Results of Operations

The following table sets forth, for the periods indicated, information relating to certain income and expense items from the combined statements of comprehensive income of the Target Business Group:

	Year ended December 31,					
	2009		2010		2011	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	(RMB million, except percentage data)					
Revenue	5,274.6	100.0	9,268.3	100.0	10,848.9	100.0
Cost of goods sold	(3,614.7)	(68.5)	(6,358.9)	(68.6)	(7,515.2)	(69.3)
Gross profit	1,659.9	31.5	2,909.4	31.4	3,333.7	30.7
Other income	55.1	1.0	118.3	1.3	128.5	1.2
Selling and distribution expenses	(299.7)	(5.7)	(372.8)	(4.0)	(423.4)	(3.9)
Administrative expenses	(120.2)	(2.3)	(122.7)	(1.3)	(158.1)	(1.5)
Other expenses	12.3	0.3	(20.6)	(0.3)	28.7	0.3
Finance income	7.0	0.1	13.7	0.1	4.2	0.0
Finance costs	(0.4)	(0.0)	(0.4)	(0.0)	(0.4)	(0.0)
Profit before tax	1,314.0	24.9	2,524.9	27.2	2,913.2	26.8
Income tax expense	(293.5)	(5.6)	(559.5)	(6.0)	(617.6)	(5.7)
Profit for the year	1,020.5	19.3	1,965.4	21.2	2,295.6	21.1

Description of Components of Results of Operations

Revenue

The Target Business Group 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 shows selected historical operating data with respect to coal sales by the Target Business Group for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
Sales volume (million tonnes)	13.6	22.5	27.3
Average selling price (RMB per tonne)	387.8	411.9	397.4
Revenue (RMB million)	5,274.6	9,268.3	10,848.9

Cost of goods sold

The cost of goods sold includes primarily transportation costs, cost of coal purchased from external suppliers, comprehensive mining cost, service fees and depreciation, etc. The following table sets forth a breakdown of the cost of goods sold for the Target Business Group for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	RMB million	(%)	RMB million	(%)	RMB million	(%)
Transportation costs	2,014.1	55.7	2,611.5	41.1	2,625.0	34.9
Cost of coal purchased from external suppliers	747.2	20.7	2,684.5	42.2	3,728.9	49.6
Comprehensive mining cost	304.9	8.4	431.4	6.8	459.7	6.2
Service fees	254.5	7.0	300.7	4.7	295.4	3.9
Labor cost	63.8	1.8	85.9	1.4	107.5	1.4
Repair and maintenance	36.3	1.0	27.2	0.4	67.5	0.9
Depreciation & amortization	118.3	3.3	131.9	2.1	149.4	2.0
Materials	43.1	1.2	45.0	0.7	47.9	0.6
Others	32.5	0.9	40.8	0.6	33.9	0.5
Total	**3,614.7**	**100.0**	**6,358.9**	**100.0**	**7,515.2**	**100.0**

Transportation costs are a major component of the cost of goods sold, representing approximately 55.7%, 41.1% and 34.9% respectively, of the total cost of goods sold for 2009, 2010 and 2011, respectively. Transportation costs mainly include railway and roadway transportation expenses charged by carriers who deliver the coal.

In addition to selling coal produced from the Target Mines, the Target Business Group purchases coal from external suppliers and resells the coal to its customers. The cost of coal purchased from external suppliers is another major component of the cost of goods sold, representing 20.7%, 42.2% and 49.6% in 2009, 2010 and 2011, respectively. Of the coal sold by the Target Business Group in 2009, 2010 and 2011, 3.1 million tonnes, 12.0 million tonnes and 13.2 million tonnes, respectively, was purchased from external suppliers. The amount of coal that the Target Business Group purchases and resells depends on a number for factors, such as market conditions and its production capacity.

Comprehensive mining costs represent mine resource taxes, mine safety fees, production maintenance fees, coal price-regulation fund contributions and other related tax surcharges, and generally grows in line with the production capacity and output of the Target Business Group. The Target Business Group produced 9.6 million tonnes, 11.5 million tonnes and 12.7 million tonnes of coal in 2009, 2010 and 2011, respectively. Comprehensive mining costs decreased to 6.8% as a percentage of the cost of goods sold in 2010 as the Target Business Group purchased and resold more coal from external suppliers to meet increased demand. The mandatory contributions to the coal price-regulation fund that came into effect in 2009 have also contributed to the increase in comprehensive mining costs. The Target Business Group is required to contribute RMB15 for each tonne of thermal coal it produces.

Service fees are fees paid to third-party service providers in relation to services rendered for assisting the Target Business Group in extracting coal at the Target Mines. Service fees increased generally in line with the increase in the output of the Target Mines during the Track Record Period.

Other income

Other income mainly represents income from renting mining equipment to service providers that provide production services to the Target Business Group and income from platform services, such as coal storage and loading.

Selling and distribution expenses

Selling and distribution expenses primarily consist of port expenses, transportation expenses, sales staff costs, office expenses and depreciation and amortization.

Port expenses, consisting of fees paid to port facilities for coal storage and handling, are the main component of selling and distribution expenses of the Target Business Group, representing 68.2%, 71.0% and 67.8% of total selling and distribution expenses for 2009, 2010 and 2011, respectively.

Transportation fees, including primarily fees charged by shipping companies that deliver coal at ports or by water, represented 20.3%, 14.6% and 18.0% of total selling and distribution expenses for 2009, 2010 and 2011, respectively.

Administrative expenses

Administrative expenses primarily consist of administrative staff costs, office expenses, depreciation and amortization, environmental compensation expenditures and other miscellaneous expenses. Administrative staff costs comprised the single largest component of administrative expenses and represented 49.6%, 49.4% and 58.0% of the total administrative expenses for 2009, 2010 and 2011, respectively.

Other expenses

Other expenses primarily consist of impairment provisions for accounts receivable and other receivables, bank charges and other expenses.

Finance income

Finance income primarily consists of bank interest income from the Target Business Group's bank deposits.

Finance costs

Finance costs represent interest expense for interest bearing debts.

Income tax expenses

The Target Business Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Target Business Group are domiciled and operate.

Under the relevant PRC corporate income tax laws and regulations, the companies of the Target Business Group which are incorporated in the PRC, namely Yitai Baoshan and Yitai Tongda, were subject to a statutory corporate income tax rate of 25% for 2008. Yitai Baoshan and Yitai Tongda were both entitled to a preferential corporate income tax rate of 15% in 2009 and 2010 pursuant to preferential tax treatment granted by the Inner Mongolia Local Taxation Department, which is the appropriate competent authority to grant preferential tax treatment. Yitai Baoshan and Yitai Tongda believe that they are eligible to continue to enjoy preferential tax treatment according to the IMSTB Announcement and the SAT Notice, and are applying for the confirmation stipulated in the IMSTB Announcement. However, there is no assurance that they will obtain such confirmation in time, or at all.

No provision for Hong Kong profits tax has been made as the Target Business Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

The effective income tax rates applicable to the Target Business Group for 2009, 2010 and 2011 were 22.3%, 22.2% and 21.2%, respectively.

Year Ended December 31, 2011 Compared With Year Ended December 31, 2010

Revenue

Revenue increased by 17.1% from RMB9,268.3 million in 2010 to RMB10,848.9 million in 2011, primarily due to an increase in the sales volume of the Target Business Group's coal products from 22.5 million tonnes in 2010 to 27.3 million tonnes in 2011, representing an increase of 21.3%, partially offset by a slight decrease in average selling price. The average selling price of the Target Business Group's coal decreased slightly from RMB411.9 per tonne in 2010 to RMB397.4 per tonne in 2011, primarily due to an increase in the percentage of coal sold at the mine or loading stations, which had lower selling prices than coal shipped to ports.

Cost of goods sold

Cost of goods sold increased by 18.2% from RMB6,358.9 million in 2010 to RMB7,515.2 million in 2011, primarily driven by the increase in the sales volume of the Target Business Group's coal products. Cost of coal purchased from external suppliers increased from RMB2,684.5 million in 2010 to RMB3,728.9 million in 2011, primarily due to an increase in the volume of coal sold by the Target Business Group that was purchased from external suppliers from 12.0 million tonnes in 2010 to approximately 13.2 million tonnes in 2011. The unit cost of coal purchased from external suppliers increased from RMB223.7 per tonne in 2010 to RMB282.5 per tonne in 2011. Transportation costs increased from RMB2,611.5 million in 2010 to RMB2,625.0 million in 2011, primarily due to the increase in the sales volume of the Target Business Group's coal products. However, transportation costs did not increase in proportion to the overall increase in sales volume as approximately half of the additional sales were to local customers and cost less to deliver. The Target Business Group's average transportation costs decreased from RMB116.3 per tonne in 2010 to RMB96.0 per tonne in 2011. Moreover, due to the increased output of the Target Business Group, comprehensive mining costs and service fees also increased in 2011, which further contributed to the increase in cost of goods sold. Comprehensive mining costs increased from RMB431.4 million in 2010 to RMB459.7 million in 2011. Service fees decreased from RMB300.7 million in 2010 to RMB295.4 million in 2011. Cost of goods sold as a percentage of revenue increased from 68.6% in 2010 to 69.3% in 2011.

Gross profit

As a result of the foregoing, gross profit of the Target Business Group increased by 14.6% from RMB2,909.4 million in 2010 to RMB3,333.7 million in 2011. Gross profit margin decreased from 31.4% in 2010 to 30.7% in 2011.

Other income

Other income increased from RMB118.3 million in 2010 to RMB128.5 million in 2011, primarily due to an increase in platform services provided by the Target Business Group.

Selling and distribution expenses

Selling and distribution expenses increased by 13.6% from RMB372.8 million in 2010 to RMB423.4 million in 2011, mainly due to increased port expenses and transportation costs. Port expenses increased by 8.4% from RMB264.6 million in 2010 to RMB286.9 million in 2011, primarily due to an increase in the volume of coal shipped to and handled at ports from 14.0 million tonnes in 2010 to 14.2 million tonnes in 2011. Similarly, transportation costs increased from RMB54.3 million in 2010 to RMB76.4 million in 2011, primarily due to an increase in the volume of coal transported by water.

Administrative expenses

Administrative expenses increased by 28.9% from RMB122.7 million in 2010 to RMB158.1 million in 2011, primarily due to an increase in labor costs as a result of the growth of the Target Business Group's business.

Other expenses

Other expenses were RMB20.6 million in 2010, mainly attributable to impairment provisions for accounts receivable and other receivables, as compared to a gain of RMB28.7 million in 2011, which was primarily attributable to reversals of impairment provisions for accounts receivable and other receivables in 2011.

Finance income

Finance income decreased from RMB13.7 million in 2010 to RMB 4.2 million in 2011, primarily due to a decrease in the balance of bank deposits.

Finance costs

Finance costs remained stable at RMB0.4 million in 2010 and 2011.

Income tax expense

Income tax expense increased by 10.4% from RMB559.5 million in 2010 to RMB617.6 million in 2011, primarily due to an increase in the Target Business Group's profit before tax. The effective income tax rates applicable to the Target Business Group in 2010 and 2011 were 22.2% and 21.2%, respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by 16.8% from RMB1,965.4 million in 2010 to RMB2,295.6 million in 2011. Profit margin remained stable at 21.2% in 2010 and 2011.

Year Ended December 31, 2010 Compared With Year Ended December 31, 2009

Revenue

Revenue increased by 75.7% from RMB5,274.6 million in 2009 to RMB9,268.3 million in 2010, primarily due to an increase in the sales volume of the Target Business Group's coal products and, to a lesser extent, an increase in its average selling price in 2010. In 2010, the Target Business Group sold approximately 22.5 million tonnes of coal, compared to approximately 13.6 million tonnes in 2009, representing an increase of 65.4%. The average selling price of the Target Business Group's coal increased slightly from RMB387.8 per tonne in 2009 to RMB411.9 per tonne in 2010.

Cost of goods sold

Cost of goods sold increased by 75.9% from RMB3,614.7 million in 2009 to RMB6,358.9 million in 2010 primarily due to the increase in the sales volume of the Target Business Group's coal products. Cost of coal purchased from external suppliers increased by 259.3% from RMB747.2 million in 2009 to RMB2,684.5 million in 2010 primarily due to a significant increase in the volume of coal sold by the Target Business Group that was purchased from external suppliers from approximately 3.1 million tonnes in 2009 to approximately 12.0 million tonnes in 2010. The unit cost of coal purchased from external suppliers, however, decreased slightly from RMB241.0 per tonne in 2009 to RMB223.7 per tonne in 2010. Transportation costs increased from RMB2,014.1 million in 2009 to RMB2,611.5 million in 2010 primarily due to the increase in the sales volume of the Target Business Group's coal products. However, transportation costs did not increase in proportion to the overall increase in sales volume as the increase was primarily attributable to increased sales to the Target Business Group's local customers in 2010 which incurred lower transportation costs. The Target Business Group's average transportation costs decreased from RMB148.1 per tonne in 2009 to RMB116.1 per tonne in 2010. Comprehensive mining costs and service fees increased significantly in 2010, which further contributed to the increase in cost of goods sold. Comprehensive mining costs increased from RMB304.9 million in 2009 to RMB431.4 million in 2010 primarily due to the increased output of the Target Business Group and the mandatory contributions to the coal price-regulation fund managed by the Inner Mongolia government. Service fees increased from RMB254.5 million in 2009 to RMB300.7 million in 2010, also due to the increased coal output of the Target Business Group.

Gross profit

As a result of the foregoing, gross profit of the Target Business Group increased by 75.3% from RMB1,659.9 million in 2009 to RMB2,909.4 million in 2010. Gross profit margin stayed relatively stable at 31.5% in 2009 and 31.4% in 2010.

Other income

Other income increased from RMB55.1 million in 2009 to RMB118.3 million in 2010, primarily due to an increase in platform services provided by the Target Business Group.

Selling and distribution expenses

Selling and distribution expenses increased by 24.4%, from RMB299.7 million in 2009 to RMB372.8 million in 2010, primarily due to the increase in the sales volume of the Target Business Group's coal.

Administrative expenses

Administrative expenses increased slightly from RMB120.2 million in 2009 to RMB122.7 million in 2010. As a percentage of revenue, administrative expenses decreased from 2.3% in 2009 to 1.3% in 2010.

Other expenses

Other expenses amounted to RMB20.6 million in 2010 as compared to a gain of RMB12.3 million in 2009, mainly attributable to increased impairment of assets.

Finance income

Finance income increased by 95.7% from RMB7.0 million in 2009 to RMB13.7 million in 2010, primarily due to increased bank deposits in 2010.

Finance costs

Finance costs were RMB0.4 million in each of 2009 and 2010.

Income tax expense

Income tax expense increased by 90.6% from RMB293.5 million in 2009 to RMB559.5 million in 2010, primarily due to an increase in the Target Business Group's profit before tax. The effective income tax rates applicable to the Target Business Group for in 2009 and 2010 were 22.3% and 22.2%, respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by 92.6% from RMB1,020.5 million in 2009 to RMB1,965.4 million in 2010. Profit margin increased from 19.3% in 2009 to 21.2% in 2010.

Net Current Assets

	As of December 31,		
	2009	2010	2011
	RMB million		
Current assets			
Inventories	157.8	181.9	338.5
Trade and bills receivables	209.7	549.0	675.7
Prepayments, deposits and other receivables	98.9	135.6	110.5
Restricted bank deposits	11.0	7.0	7.1
Cash and cash equivalents	760.6	1,122.5	917.2
Total current assets	1,238.0	1,996.0	2,049.0
Current liabilities			
Trade and bills payables	155.5	229.4	237.3
Other payables and accruals	755.5	820.3	542.6
Taxes payable	30.5	68.1	42.3
Total current liabilities	941.5	1,117.8	822.2
Net current assets	**296.5**	**878.2**	**1,226.8**

As of December 31, 2011, the net current assets of the Target Business Group were RMB1,226.8 million, consisting of current assets of RMB2,049.0 million and current liabilities of RMB822.2 million. The current assets mainly included cash and cash equivalents of RMB917.2 million, trade and bills receivable of RMB675.7 million, inventories of RMB338.5 million and prepayments, deposits, other receivables of RMB110.5 million. The current liabilities mainly included other payables and accruals of RMB542.6 million and trade and bills payable of RMB237.3 million.

Cash Flows

The primary uses of cash of the Target Business Group are to invest in mines, production facilities and equipment, and fund working capital and recurring expenses in the ordinary course of business. As of December 31, 2011, the Target Business Group had cash and cash equivalents of RMB917.2 million. The following table sets forth the cash flows of the Target Business Group in 2009, 2010 and 2011:

	Year ended December 31,		
	2009	2010	2011
		RMB million	
Net cash flows from operating activities	1,980.3	1,852.4	1,932.4
Net cash flows used in investing activities	(413.8)	(1.5)	(159.6)
Net cash flows from/(used in) financing activities	(1,280.0)	(1,489.0)	(1,978.1)
Net increase in cash and cash equivalents	286.5	361.9	(205.3)
Cash and cash equivalents at beginning of year/period	474.1	760.6	1,122.5
Cash and cash equivalents at end of year/period	760.6	1,122.5	917.2

Net cash flows from operating activities

In 2011, the Target Business Group generated net cash from operating activities of RMB1,932.4 million, primarily attributable to profit before tax of RMB2,913.2 million, an increase in trade and bills payables of RMB7.9 million, primarily due to the increase in the amount of coal that was purchased from external suppliers, partially offset by income tax paid of RMB633.2 million, a decrease in other payables and accruals of RMB254.6 million, primarily due to a decrease in value-added tax payable, a decrease in payables for equipment purchased and repayment of project construction fees, and an increase in inventories of RMB156.6 million, primarily due to the increased value of the inventories as a larger amount of the inventories were coal purchased from external suppliers.

In 2010, the Target Business Group generated net cash from operating activities of RMB1,852.4 million, primarily attributable to profit before tax of RMB2,524.9 million and an increase in trade and bills payables of RMB73.9 million, partially offset by an increase in trade and bills receivables of RMB357.2 million. The increase in trade and bills payables was primarily due to the increase in the amount of coal that was purchased from external suppliers. The increase in trade and bills receivables was primarily attributable to increased sales of coal by the Target Business Group.

In 2009, the Target Business Group generated net cash from operating activities of RMB1,980.3 million, primarily attributable to profit before tax of RMB1,314.0 million, an increase in other payables and accruals of RMB449.0 million, a decrease in trade and bills receivable of RMB244.7 million, and a decrease in inventories of RMB55.1 million. The increase in other payables and accruals was due mainly to deposits paid by contractors to the Target Business Group in connection with their services to prevent coal seams from self-igniting and/or extinguish coal seam fires. The decrease in trade and bills receivable was due mainly to decreased sales by the Target Business Group. The decrease in inventories was due mainly to increased sales in late 2009 mainly because of the generally colder weather in the winter of 2009.

Net cash flows used in investing activities

Net cash used in investing activities in 2011 was RMB159.6 million, primarily including cash paid for the purchase of property, plant and equipment and construction in progress of RMB163.7 million relating to the construction of the Target Mines.

Net cash used in investing activities in 2010 was RMB1.5 million and mainly reflected cash paid for the purchase of prepaid land lease payments of RMB23.9 million, partially offset by bank interest income of RMB13.7 million and proceeds from disposal of property, plant and equipment, intangible assets and other long term assets of RMB6.7 million.

Net cash used in investing activities in 2009 was RMB413.8 million and mainly reflected cash paid for the purchase of property, plant and equipment in the amount of RMB371.0 million primarily relating to the construction of the Target Mines and prepaid land lease payments of RMB39.0 million for land use rights for the Target Mines.

Net cash flows from/(used in) financing activities

Net cash used in financing activities in 2011 was RMB1,978.1 million, primarily including the distribution to the owners of the Target Business Group, including Yitai Group, in the amount of RMB1,600.1 million.

Net cash used in financing activities in 2010 was RMB1,489.0 million. It reflects the distribution to the owners of the Target Business Group, including Yitai Group.

Net cash used in financing activities was RMB1,280.0 million in 2009. It mainly reflects the distribution to owners of the Target Business Group, including Yitai Group, in the amount of RMB1,275.9 million.

Trade receivables, inventories and trade payables turnover

The following table sets forth the turnover days of the trade receivables, inventories and trade payables of the Target Business Group for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
Turnover days of trade and bills receivables(1)	22.6	14.9	20.6
Turnover days of inventories(2)	18.7	9.7	12.6
Turnover days of trade and bills payables(3)	14.4	11.0	11.3

(1) Turnover days of trade and bills receivables for a certain period are derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables by revenue for the relevant period and then multiplying by 365 days.
(2) Turnover days of inventories for a certain period are derived by dividing the arithmetic mean of the opening and closing balances of inventory by cost of sales for the relevant period and then multiplying by 365 days.
(3) Turnover days of trade and bills payables for a certain period are derived by dividing the arithmetic mean of opening and closing balances of trade and bills payables, by cost of sales for the relevant period and then multiplying by 365 days.

The turnover days of trade and bills receivables decreased from 22.6 days in 2009 to 14.9 days in 2010 primarily due to improved recoverability of the Target Business Group's trade and bills receivables as the financial condition of the Target Business Group's customers generally improved, driven in part by the recovery of the PRC economy. The turnover days of trade and bills receivables increased to 20.6 days in 2011, primarily due to the Target Business Group's large trade and bills receivables due to its increased sales of coal in 2011. The turnover days of inventories decreased from 18.7 days in 2009 to 9.7 days in 2010 primarily due to the strong demand for coal. The turnover days of inventories increased to 12.6 days in 2011 primarily due to the increased value of Target Business Group's inventories as a larger amount of its inventories was purchased from external suppliers in 2011. The turnover days of trade and bills payables decreased from 14.4 days in 2009 to 11.0 days in 2010 primarily because the Target Business Group paid for coal purchased from external suppliers more promptly due to the strong demand for coal. The turnover days of trade and bills payables increased to 11.3 days in 2011, primarily due to an increase in the value of the Target Business Group's inventories as a significant portion of the inventories was coal sourced from external suppliers.

Operating Costs

The following table sets forth our estimated average operating costs per tonne of run-of-mine coal, that is, coal which comes from the mine prior to beneficiation or any other treatment, produced at Target Mines for the periods indicated:

	Operating Costs (RMB/ROM tonne)*					
Category	2009	2010	2011	2012	2013	2014
Cash operating costs	75	76	81	82	86	89
Non-cash operating costs	8	9	8	9	10	11
Total operating costs	**82**	**85**	**89**	**91**	**96**	**100**

The estimated average operating costs include labor, benefits, materials, supplies, power, water, maintenance, engineering, development expenses, exploration, face moves, village moves, resource fees, coal management fees, administration and other miscellaneous expenses. A breakdown of average cash operating costs of Target Mines on a composite basis is as follows:

	Cash Operating Costs (RMB/ROM tonne)*					
Category	2009	2010	2011	2012	2013	2014
Materials / Supplies / Maintenance	6	6	8	7	7	7
Power / Fuel	2	3	3	3	3	3
Salary & Welfare	7	8	9	10	10	10
Production fees	60	60	62	62	65	68
Total cash operating costs	**75**	**76**	**81**	**82**	**86**	**89**

* Average composite costs include a weighted average of drill and blast with fully mechanized output achieved with fully mechanized longwall face methods.

Note: Figures may not add up due to rounding.

For more information, see "Appendix V — Competent Person's Report."

Depletion Rates

The depletion rate represents the rate of exhaustion of reserves of a mine. In the context of this Prospectus, depletion rate of a mine refers to the exhaustion rate of marketable reserves as of December 31, 2011 on the basis of aggregate projected output from 2012 to 2014. The following table sets forth the depletion rates of the Target Mines:

		2012 to 2014	
Mine	Marketable Reserves (Mt) As of December 31, 2011*	Projected Output (Mt)**	Depletion Rate (%)
Dadijing***	51.8	11.2	22
Baoshan	14.6	6.6	45
Dingjiaqu	16.3	9.0	55
Chengyi	4.8	3.6	75
Baijialiang	0.5	0.8	100

* Reflect BOYD's reserve estimation which only includes minable reserves suitable for fully mechanized long wall mining method.

** Reflect Yitai Group's projections which include fully mechanized long wall mining and drill and blast mining operations where applicable.

*** Reserve and output from open pit mining operations excluded.

PRO FORMA FINANCIAL INFORMATION

We have prepared certain unaudited pro forma combined financial statements as if the Proposed Acquisition had occurred on January 1, 2011. Our unaudited pro forma combined financial statements have been prepared using the procedures and adjustments described in the notes to the unaudited pro forma financial statements in Appendix IIA to this Prospectus. Neither these adjustments nor the resulting pro forma combined financial statements have been audited in accordance with the IFRS.

Our pro forma combined financial statements are not necessarily representative of our financial condition, results of operations and changes in liquidity and capital resources as they would have appeared in our financial statements had the Proposed Acquisition occurred during the periods indicated below. Our pro forma combined financial statements were prepared based on the assumption that the acquisition of the Target Business Group is deemed a business combination involving entities under common control since our Company and the Target Business Group have been ultimately controlled by Yitai Group both before and after the acquisition, and that control is not transitory. As a result, the acquisition is to be accounted for using merger accounting. The adjustments include (i) the recognition of the consideration of RMB8,446.5 million in cash, and such consideration eliminates the owner's equity of the enlarged group and reflects the effect of the issue and listing of our H Shares on the Hong Kong Stock Exchange, which is one of the conditions precedent to the completion of the Proposed Acquisition; and (ii) our receipt of the estimated net proceeds from the Global Offering of approximately HK$7,307.4 million (RMB5,933.6 million), after deducting the underwriting commissions and other estimated offering expenses payable by us, assuming that the Over-allotment Option is not exercised and 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 difference between the consideration of RMB8,446.5 million and the net assets of the Target Business Group is accounted for as a deemed distribution in our pro forma combined financial statements. Our pro forma net assets 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, if the acquisition had taken place on January 1, 2011, without considering the net proceeds from the Global Offering and other pro forma adjustments.

In addition, these financial statements are not necessarily indicative of what our financial condition, results of operations and changes in liquidity and capital resources will be in future years. Investors should not place undue reliance on the pro forma financial information. This information should be read in conjunction with the section headed "Risk Factors," the other disclosure under this "Financial Information" section and our audited consolidated financial statements and the notes thereto and the audited combined financial statements of the Target Business Group and the notes thereto included elsewhere in this Prospectus.

The following tables present (i) our unaudited pro forma combined income statements for the year ended December 31, 2011 and (ii) our unaudited pro forma combined statement of financial position as of December 31, 2011 as if the Proposed Acquisition had occurred on January 1, 2011. Such pro forma financial information is more fully presented in Appendix IIA to this Prospectus and should be read in conjunction with the related notes thereto.

	Year ended December 31, 2011			
	Company(1)	The Target Business Group(2)	Pro forma adjustment	Pro forma enlarged
	RMB million (A)	RMB million (B)	RMB million (C)	RMB million (A)+(B)+(C)
Revenue	16,515.8	10,848.9	(361.8)(3)	27,002.9
Gross profit	8,414.9	3,333.7	519.3	12,267.9
Profit before tax	6,760.0	2,913.2	184.2	9,857.4
Income tax expense	(1,010.7)	(617.6)	—	(1,628.3)
Profit for the year	5,749.3	2,295.6	184.2	8,229.1

(1) The balances are extracted from the audited consolidated financial information of our Company as of the date or for the period presented as set out in Appendix IA to this Prospectus.
(2) The balances are extracted from the audited financial information of the Target Business Group as of the date or for the period presented as set out in Appendix IB to this Prospectus.
(3) The adjustment represents the elimination of transactions or balances between our Company and the Target Business Group.

	As of December 31, 2011			
	Company(1)	The Target Business Group(2)	Pro forma adjustment	Pro forma enlarged
	RMB million (A)	RMB million (B)	RMB million (C)	RMB million (A)+(B)+(C)
Non-current assets	24,248.7	1,360.7	184.2	25,793.6
Current assets	5,819.9	2,049.0	(2,544.7)(3)(4)(5)	5,324.2
Current liabilities	4,797.4	822.2	(31.7)(3)	5,587.9
Non-current liabilities	6,487.8	6.4	—	6,494.2
Net assets	18,783.4	2,581.1	(2,328.8)	19,035.7

(1) The balances are extracted from the audited consolidated financial information of our Company as of the date or for the period presented as set out in Appendix IA to this Prospectus.
(2) The balances are extracted from the audited financial information of the Target Business Group as of the date or for the period presented as set out in Appendix IB to this Prospectus.
(3) The adjustment represents the elimination of transactions or balances between the Group and the Target Business Group.
(4) The adjustment reflects the effect of the issue and listing of our H Shares on the Hong Kong Stock Exchange, which is one of the conditions precedent to the completion of the Proposed Acquisition, and our receipt of 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, assuming that the Over-allotment Option is not exercised and 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. This adjustment is based on the assumption of the Directors and, because of its hypothetical nature, it does not provide any assurance that the issue and listing of our H Shares will take place or that the amount of net proceeds from the Global Offering will be equal to HK$7,307.4 million.

(5) The acquisition of the Target Business Group is considered as a business combination involving entities under common control because our Company and the Target Business Group are ultimately controlled by Yitai Group both before and after the acquisition, and that control is not transitory. As a result, the acquisition is to be accounted for using merger accounting. The adjustment represents the recognition of the acquisition consideration of RMB8,446.5 million in cash, and such consideration reduces the owner's equity in the enlarged group.

Revenue

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma revenue of our Company would have increased by 63.5% to RMB27,002.9 million for 2011. The increase reflects the inclusion of revenue of the Target Business Group after eliminating transactions and balances between our Company and the Target Business Group.

Gross Profit

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma gross profit of our Company would have increased by 45.8% to RMB12,267.9 million for 2011. The increase reflects the inclusion of gross profits of the Target Business Group. The pro forma gross profit margin of our Company, however, would have decreased from 51.0% to 45.4% for 2011 due to the Target Business Group's lower gross profit margin during the period. The Target Business Group's gross profit margin was lower than our gross profit margin primarily because a larger 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.

Profit Before Tax

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma profit before tax of our Company would have increased by 45.8% to RMB9,857.4 million for 2011. The increase reflects the inclusion of profit before tax of the Target Business Group.

Taxation

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma tax expense of our Company would have increased by 61.1% to RMB1,628.3 million for 2011. This increase reflects the inclusion of tax expenses of the Target Business Group. Our pro forma effective tax rate would have increased from 15.0% to 16.5% for 2011.

Profit for the Year

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma profit of our Company would have increased by 43.1% to RMB8,229.1 million for 2011. The pro forma profit margin, however, would have decreased from 34.8% to 30.5% in 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 primarily because a larger 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.

Non-current Assets

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma non-current assets of our Company would have increased by RMB1,544.9 million to RMB25,793.6 million as of December 31, 2011 as a result of the inclusion of non-current assets of the Target Business Group.

Current Assets

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma current assets of our Company would have decreased by RMB495.7 million to RMB5,324.2 million as of December 31, 2011 as a result of the inclusion of (i) the current assets of the Target Business Group after eliminating balances between our Company and the Target Business Group and (ii) the estimated net proceeds from the Global Offering.

Current Liabilities

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma current liabilities of our Company would have increased by RMB790.5 million to RMB5,587.9 million as of December 31, 2011 as a result of the inclusion of current liabilities of the Target Business Group after eliminating the balances between our Company and the Target Business Group.

Non-current Liabilities

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma non-current liabilities of our Company would have increased by RMB6.4 million to RMB6,494.2 million as of December 31, 2011 as a result of the inclusion of non-current liabilities of the Target Business Group.

Net Assets

Assuming the Proposed Acquisition had occurred on January 1, 2011, the pro forma net assets of our Company would have increased by RMB252.3 million to RMB19,035.7 million as of December 31, 2011, as a result of the inclusion of (i) the net assets of the Target Business Group after eliminating balances between our Company and the Target Business Group and (ii) the estimated net proceeds from the Global Offering.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of our Company which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2011. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of our Company had the Global Offering been completed as of December 31, 2011 or at any future dates.

	Adjusted consolidated net tangible assets of our Company attributable to the equity holders of our Company as of December 31, 2011(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB million	RMB million	RMB million	RMB	HK$
Based on the Offer Price of HK$43.00 for each Offer Share	16,998	5,273	22,271	13.69	16.86
Based on the Offer Price of HK$53.00 for each Offer Share	16,998	6,594	23,592	14.50	17.86

(1) The adjusted consolidated net tangible assets of our Company attributable to the equity holders of our Company as of December 31, 2011 are extracted from the Accountants' Report set out in Appendix IA to this Prospectus, which is based on the audited consolidated net assets of our Company attributable to the equity holders of our Company as of December 31, 2011 of RMB17,015.6 million with an adjustment for intangible assets as of December 31, 2011 of RMB17.5 million.

(2) The estimated net proceeds from the Global Offering are based on an indicative Offer Price of HK$43.00 (equivalent to RMB34.92) and HK$53.00 (equivalent to RMB43.04) per H Share, respectively (after deducting the underwriting fees and other related expenses), and does not take into account any H Shares which may be issued pursuant to the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the conversion of Renminbi into HK dollars was made at the rate of RMB0.8120 to HK$1.00, the exchange rate prevailing on June 20, 2012 set by PBOC for foreign exchange transactions.

(3) The unaudited pro forma net tangible assets per Share are arrived at by dividing the unaudited pro forma adjusted net tangible assets by 1,626,667,000 Shares, being the number of shares in issue assuming that the Global Offering has been completed on December 31, 2011, but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the H Shares been listed on the Hong Kong Stock Exchange on that date.