ERNST & YOUNG
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22nd Floor CITIC Tower
I Tim Mei Avenue Central
Hong Kong

29 June 2012

The Directors
Inner Mongolia Yitai Coal Company Limited
China International Capital Corporation Hong Kong Securities Limited
BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information relating to Inner Mongolia Yitai Coal Company Limited (內蒙古伊泰煤炭股份有限公司, the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009, 2010 and 2011 (the "Relevant Periods"), prepared on the basis set out in note 2.1, for inclusion in the Prospectus of the Company dated 29 June 2012 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company was incorporated on 23 September 1997 in Inner Mongolia with limited liability under the Company Law of the People's Republic of China (the "PRC"). All companies now comprising the Group have adopted 31 December as their financial year end for financial reporting purposes. The financial statements of these companies were prepared in accordance with the relevant accounting principles and financial regulations in the PRC applicable to these companies and all of which were not audited by us. Particulars of the Company and its subsidiaries, jointly-controlled entity and associates are set out in note 1 below.

The Directors of the Company (the "Directors") have prepared the consolidated financial statements which include the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for the Relevant Periods, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as of 31 December 2009, 2010 and 2011, and a summary of significant accounting policies and other explanatory information, in accordance with the relevant accounting principles and financial regulations in the PRC (the "PRC Financial Statements"), for which the Directors are solely responsible. The PRC Financial Statements have been audited by Da Hua Certified Public Accountants (大華會計師事務所, "Dahua"), a certified public accounting firm registered in the PRC.

The financial information set out in this report, including the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for the Relevant Periods, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as of 31 December 2009, 2010 and 2011, and a summary of significant accounting policies and other explanatory information, (collectively referred to as the "Financial Information") has been prepared, based on the PRC Financial Statements after making such adjustments as appropriate to comply with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB").

The Directors are responsible for the preparation of the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

It is our responsibility to form an independent opinion, based on our examination, of the Financial Information and to report our opinion thereon. For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong

Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

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

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

In our opinion, for the purpose of this report, the Financial Information during the Relevant Periods gives a true and fair view of the consolidated results and cash flows of the Group for each of the years ended 31 December 2009, 2010 and 2011 and of the state of affairs of the Company and of the Group as of 31 December 2009, 2010 and 2011 in accordance with IFRSs.

Consolidated statements of comprehensive income

	Notes	Year ended 31 December 2009 RMB '000	2010 RMB '000	2011 RMB '000
REVENUE	6	10,252,164	13,853,824	16,515,775
Cost of sales		(5,235,013)	(5,998,736)	(8,100,906)
Gross profit		5,017,151	7,855,088	8,414,869
Other income	6	132,032	152,180	349,929
Selling and distribution costs		(627,316)	(705,181)	(717,676)
Administrative expenses		(524,926)	(790,163)	(1,009,022)
Other expenses		(65,319)	(99,911)	(64,376)
Finance income	7	36,309	25,540	34,090
Finance costs	8	(279,646)	(171,853)	(285,327)
Exchange gains, net		25,187	6,813	17,740
Share of losses of a jointly controlled entity		(312)	(23)	—
Share of profits of associates		558	2,599	19,799
PROFIT BEFORE TAX	9	3,713,718	6,275,089	6,760,026
Income tax expense	11	(565,330)	(959,085)	(1,010,762)
PROFIT FOR THE YEAR		3,148,388	5,316,004	5,749,264
Other comprehensive income		—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,148,388	5,316,004	5,749,264
Profit and total comprehensive income attributable to:				
Owners of the company	13	3,042,888	5,014,647	5,463,964
Non-controlling interests		105,500	301,357	285,300
		3,148,388	5,316,004	5,749,264
Basic earnings per share attributable to ordinary equity holders of the Company (RMB)				
—For profit for the year	13	2.08	3.43	3.73

Consolidated statements of financial position

	Notes	As of 31 December 2009	2010	2011
		RMB '000	RMB '000	RMB '000
NON-CURRENT ASSETS				
Property, plant and equipment	15	15,623,305	17,698,215	20,371,039
Investment properties	14	38,004	36,068	33,725
Prepaid land lease payments.	16	158,349	228,628	265,806
Mining rights	17	235,306	226,435	218,130
Other Intangible assets	18	19,142	16,861	17,467
Investments in a jointly-controlled entity	21	4,942	4,918	—
Investments in associates	22	200,782	279,636	353,026
Available-for-sale investments	23	1,338,839	2,108,132	2,870,590
Other non-current assets	19	20,460	18,025	17,597
Deferred tax assets	24	47,417	27,398	101,317
Total non-current assets		17,686,546	20,644,316	24,248,697
CURRENT ASSETS				
Inventories	25	316,368	460,117	676,716
Trade and bills receivables	26	668,527	573,247	751,430
Prepayments, deposits and other receivables	27	659,948	454,043	835,994
Restricted cash	28	15,039	27,124	20,305
Cash and short-term deposits	28	3,275,435	3,715,161	3,535,470
Total current assets		4,935,317	5,229,692	5,819,915
CURRENT LIABILITIES				
Trade and bills payables	29	269,855	279,434	543,485
Other payables and accruals	30	2,147,287	1,946,256	1,886,382
Interest-bearing loans and borrowings	31	1,752,622	918,596	2,206,190
Income tax payable		236,615	320,825	161,345
Total current liabilities		4,406,379	3,465,111	4,797,402
NET CURRENT ASSETS		528,938	1,764,581	1,022,513
TOTAL ASSETS LESS CURRENT LIABILITIES		18,215,484	22,408,897	25,271,210
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	31	7,367,786	7,011,811	6,100,594
Other non-current liabilities		96,144	100,570	387,236
Total non-current liabilities		7,463,930	7,112,381	6,487,830
NET ASSETS		10,751,554	15,296,516	18,783,380
EQUITY				
Issued capital	32	732,000	1,464,000	1,464,000
Reserves		8,042,584	10,085,474	13,355,636
Proposed final dividends	12	732,000	2,196,000	2,196,000
Equity attributable to owners of the company		9,506,584	13,745,474	17,015,636
Non-controlling interests		1,244,970	1,551,042	1,767,744
Total Equity		10,751,554	15,296,516	18,783,380

Consolidated statements of changes in equity

	Attributable to owners of the company								
	Issued capital	Capital Reserve*	Statutory Surplus reserve*	Safety and maintenance fund*	Retained earnings*	Proposed final dividends (note 12)	Total	Non-controlling interests	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2009	732,000	792,764*	705,899*	342,930*	3,322,651*	732,000	6,628,244	817,490	7,445,734
Total comprehensive income for the year	—	—	—	—	3,042,888	—	3,042,888	105,500	3,148,388
Disposal of non-controlling interests	—	568,505	—	—	—	—	568,505	244,091	812,596
Capital contributions from non- controlling shareholders	—	—	—	—	—	—	—	76,690	76,690
Transfer from retained earnings	—	—	342,556	—	(342,556)	—	—	—	—
Appropriation to safety and maintenance fund	—	—	—	(342,930)	342,930	—	—	—	—
Proposed 2009 final dividends	—	—	—	—	(732,000)	732,000	—	—	—
2008 final dividends declared	—	—	—	—	—	(732,000)	(732,000)	—	(732,000)
Others	—	(1,053)	—	—	—	—	(1,053)	1,199	146
At 31 December 2009 and 1 January 2010	732,000	1,360,216*	1,048,455*	—*	5,633,913*	732,000	9,506,584	1,244,970	10,751,554
Profit for the year	—	—	—	—	5,014,647	—	5,014,647	301,357	5,316,004
Acquisition of non-controlling interests	—	(43,757)	—	—	—	—	(43,757)	(64,993)	(108,750)
2009 final dividends conversion to share capital	732,000	—	—	—	(732,000)	—	—	—	—
Capital contributions from non-controlling shareholders	—	—	—	—	—	—	—	69,708	69,708
Transfer from retained earnings	—	—	460,794	—	(460,794)	—	—	—	—
Proposed 2010 final dividends	—	—	—	—	(2,196,000)	2,196,000	—	—	—
2009 final dividends declared	—	—	—	—	—	(732,000)	(732,000)	—	(732,000)
At 31 December 2010	1,464,000	1,316,459*	1,509,249*	—*	7,259,766*	2,196,000	13,745,474	1,551,042	15,296,516

* These reserve accounts comprise the consolidated reserves of RMB8,042,584,000 as of 31 December 2009 and RMB10,085,474,000 as of 31 December 2010 in the consolidated statements of financial position.

Consolidated statements of changes in equity (continued)

	Attributable to owners of the company								
	Issued capital	**Capital reserve***	**Statutory surplus reserve***	**Safety and maintenance fund***	**Retained earnings***	**Proposed final dividends (note 12)**	**Total**	**Non-controlling interests**	**Total equity**
	RMB '000	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**
At 31 December 2010 and 1 January 2011	1,464,000	1,316,459*	1,509,249*	—*	7,259,766*	2,196,000	13,745,474	1,551,042	15,296,516
Total comprehensive income for the year	—	—	—	—	5,463,964	—	5,463,964	285,300	5,749,264
Capital contributions from non- controlling shareholders	—	2,740	—	—	—	—	2,740	164,682	167,422
Appropriation to safety and maintenance fund	—	—	—	4,795	(4,795)	—	—	—	—
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(233,280)	(233,280)
Transfer from retained earnings	—	—	513,587	—	(513,587)	—	—	—	—
Proposed 2011 final dividends	—	—	—	—	(2,196,000)	2,196,000	—	—	—
2010 final dividends declared	—	—	—	—	—	(2,196,000)	(2,196,000)	—	(2,196,000)
Others	—	(542)	—	—	—	—	(542)	—	(542)
At 31 December 2011	1,464,000	1,318,657*	2,022,836*	4,795*	10,009,348*	2,196,000	17,015,636	1,767,744	18,783,380

* These reserve accounts comprise the consolidated reserves of RMB13,355,636,000 as of 31 December 2011 in the consolidated statements of financial position.

Consolidated statements of cash flows

	Notes	Year ended 31 December 2009	2010	2011
		RMB '000	RMB '000	RMB '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		3,713,718	6,275,089	6,760,026
Adjustments for:				
Finance costs	8	279,646	171,853	285,327
Exchange gains		(25,187)	(6,813)	(17,740)
Finance income	7	(36,309)	(25,540)	(34,090)
Share of profits and losses of associates and a jointly-controlled entity		(246)	(2,576)	(19,799)
Depreciation of property, plant and equipment	15	513,135	602,401	789,366
Depreciation of investment properties	14	1,876	2,312	2,343
Amortisation of prepaid land lease payments	16	14,645	11,991	10,611
Amortisation of mining rights	17	8,005	8,871	8,305
Amortisation of intangible assets	18	2,839	2,835	4,599
Amortisation of other non-current financial assets	19	2,499	3,191	3,672
Impairment/(reversal of impairment) of trade and bills receivables	26	(9,571)	(6,303)	(29,062)
Impairment/(reversal of impairment) of other receivables	27	26,866	(46,200)	2,136
Reversal of Impairment of inventories		—	—	(55)
Reversal of impairment of property, plant and equipment	15	(345)	—	—
Gain on disposal of property, plant and equipment, and intangible assets		(9,281)	(23,680)	(7,794)
Gain on disposal of unlisted investments	6	(1,170)	—	(1,589)
(Increase)/decrease in inventories		60,245	(143,749)	(216,544)
Decrease in trade and bills receivables		153,703	101,583	(149,121)
(Increase)/decrease in prepayments, deposits and other receivables		(25,540)	35,290	(91,365)
Increase/(decrease) in trade and bills payables		(135,747)	9,579	264,051
Increase in other payables and accruals		4,219	246,009	392,955
Cash generated from operations		4,538,000	7,216,143	7,956,232
Income taxes paid		(813,405)	(854,856)	(1,244,162)
Net cash flows from operating activities		3,724,595	6,361,287	6,712,070

Consolidated statements of cash flows (continued)

	Notes	Year ended 31 December 2009 RMB '000	2010 RMB '000	2011 RMB '000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		(3,971,434)	(3,524,215)	(4,027,573)
Additions to prepaid land lease payments	16	(58,669)	(85,551)	(54,416)
Additions to intangible assets	18	(118)	(554)	(5,205)
Additions to other non-current financial assets	19	—	(756)	(3,244)
Proceeds from disposals of items of property, plant and equipment and intangible assets		98,431	436,567	119,802
Investments in a jointly- controlled entity, associates and available-for-sale investments		(765,630)	(848,893)	(819,524)
Interest received	7	36,309	25,540	34,090
Proceeds from disposal of shares in subsidiaries, associates, a jointly-controlled entity		937,558	213,193	9,940
Decrease/(increase) in cash in restricted bank deposits	28(a)	(15,039)	(12,085)	6,819
Movement in fixed deposits	28	(1,913)	(3,401)	(13,541)
Dividends received from an associate		—	522	—
Others		(634)	(499)	—
Net cash flows used in investing activities		(3,741,139)	(3,800,132)	(4,752,852)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from non- controlling shareholders		76,690	69,708	167,421
Acquisition of non-controlling interests	34	—	(108,750)	(500)
Proceeds from loans		4,282,550	1,911,011	1,905,000
Repayment of loans		(3,910,719)	(3,091,619)	(1,510,882)
Interest paid		(335,229)	(173,233)	(284,208)
Dividends paid to non-controlling interests		—	—	(233,280)
Dividends paid		(732,000)	(732,000)	(2,196,000)
Net cash flows from/(used in) financing activities		(618,708)	(2,124,883)	(2,152,449)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(635,252)	436,272	(193,231)
Effect of foreign exchange rate changes, net		—	53	—
Cash and cash equivalents at beginning of year	28	3,905,687	3,270,435	3,706,760
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	3,270,435	3,706,760	3,513,529

Statements of financial position

	Notes	As of 31 December 2009	2010	2011
		RMB '000	RMB '000	RMB '000
NON-CURRENT ASSETS				
Property, plant and equipment	15	3,532,529	3,635,778	4,795,857
Investment properties	14	38,004	36,068	33,725
Prepaid land lease payments	16	95,543	88,704	137,448
Mining rights	17	79,602	72,161	66,610
Intangible assets	18	10,342	9,049	12,287
Investments in subsidiaries	20	3,913,071	4,315,840	5,117,704
Investments in a jointly-controlled entity	21	6,400	6,377	—
Investments in associates	22	185,790	217,643	242,109
Available-for-sale investments	23	1,318,514	2,033,607	2,771,675
Deferred tax assets	24	35,437	9,425	3,426
Total non-current assets		9,215,232	10,424,652	13,180,841
CURRENT ASSETS				
Inventories	25	319,057	437,864	541,598
Trade and bills receivables	26	590,078	510,542	669,445
Prepayments, deposits and other receivables	27	477,201	1,183,990	1,188,877
Restricted cash	28	11,842	8,658	17,076
Cash and short-term deposits	28	1,865,385	2,176,065	2,272,541
Total current assets		3,263,563	4,317,119	4,689,537
CURRENT LIABILITIES				
Trade and bills payables	29	145,188	173,123	375,472
Other payables and accruals	30	837,412	931,498	1,151,126
Interest-bearing loans and borrowings	31	834,950	20,000	80,000
Income tax payable		187,863	334,186	152,148
Total current liabilities		2,005,413	1,458,807	1,758,746
NET CURRENT ASSETS		1,258,150	2,858,312	2,930,791
TOTAL ASSETS LESS CURRENT LIABILITIES		10,473,382	13,282,964	16,111,632
NON-CURRENT LIABILITIES				
Interest bearing loans and borrowings	31	992,300	120,000	80,000
Financial guarantee contract	20	288,745	127,205	88,945
Other non-current liabilities		15,274	19,192	18,977
Total non-current liabilities		1,296,319	266,397	187,922
NET ASSETS		9,177,063	13,016,567	15,923,710
EQUITY				
Issued capital	32	732,000	1,464,000	1,464,000
Reserves	33	7,713,063	9,356,567	12,263,710
Proposed final dividends	12	732,000	2,196,000	2,196,000
Total Equity		9,177,063	13,016,567	15,923,710

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company conducted initial public offering of domestic listed foreign shares (the "B shares") in the Shanghai Stock Exchange on 8 August 1997. Upon the completion of the B shares offering, the Company was incorporated as a joint stock company with limited liability on 23 September 1997, with a registered capital of RMB366,000,000, 54.64% of which was held by Inner Mongolia Yitai Group Co., Ltd. ("Yitai Group") and 45.36% of which was held by the public investors of the B shares. On 16 September 2007, the Company increased the issued share capital to RMB732,000,000 through the conversion of capital reserve and proposed dividends. On 5 May 2010, the Company increased the issued share capital to RMB1,464,000,000 through the conversion of proposed dividends.

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

In the opinion of the Directors, the parent company of the Company is Yitai Group and the ultimate holding company is Inner Mongolia Yitai Investment Co., Ltd., an enterprise incorporated in Inner Mongolia, the PRC, which equity interests are held via a trust agreement by 31 individuals, comprising the senior management members and key technicians of Yitai Group, on behalf of a group of employees of Yitai Group.

Particulars of principal subsidiaries, jointly-controlled entity and associates

As of the date of this report, the Company had investments in the following principal subsidiaries, jointly-controlled entity and associates, all of which are private companies with limited liability, the particulars of which are set out below:

Company name	Notes	Place and date of incorporation/ operations	Nominal value of issued and fully paid-up capital	Percentage of equity interest attributable to the Company 31 December 2009	2010	2011	Principal activities
			RMB'000	%	%	%	
Subsidiaries							
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	(1)	Inner Mongolia, the PRC 5 October 1998	1,496,000	96.0	100.0	100.0	Railway transportation
Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司)	(1)	Inner Mongolia, the PRC 20 May 1998	358,400	95.9	95.9	100.0	Pharmaceuticals
Inner Mongolia Yitai Coal-to-oil Co., Ltd.(內蒙古伊泰煤製油有限責任公司)	(1)	Inner Mongolia, the PRC 17 March 2006	1,500,000	80.0	80.0	80.0	Coal-to-oil production
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	(1)	Inner Mongolia, the PRC 18 September 2007	1,080,000	52.0	52.0	52.0	Coal mining
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	(1)	Inner Mongolia, the PRC 26 February 2003	1,360,000	75.7	75.7	76.5	Railway transportation
Ordos Yitai Motor Transport Co., Ltd. (鄂爾多斯市伊泰汽車運輸有限公司)	(1)	Inner Mongolia, the PRC 1 December 2004	38,560	100.0	100.0	100.0	Motor transportation
Inner Mongolia Yitai Motor Transport Co., Ltd. (內蒙古伊泰汽車運輸有限責任公司)	(1)	Inner Mongolia, the PRC 20 March 2007	5,000	100.0	100.0	100.0	Motor transportation

Company name	Notes	Place and date of incorporation/ operations	Nominal value of issued and fully paid-up capital	Percentage of equity interest attributable to the Company 31 December 2009	2010	2011	Principal activities
			RMB'000	%	%	%	
Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司)	(1)	Inner Mongolia, the PRC 3 September 2008	123,000	51.0	51.0	51.0	Storage and transportation
Huhhot Yitai Coal Sales Co., Ltd. (呼和浩特市伊泰煤炭銷售有限公司)	(1)	Inner Mongolia, the PRC 3 September 2009	50,000	100.0	100.0	100.0	Coal wholesale
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	(1)	Xinjiang, the PRC 24 September 2009	100,000	100.0	100.0	100.0	Coal technology development and consulting
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	(1)	Inner Mongolia, the PRC 29 October 2009	100,000	100.0	100.0	100.0	Chemical production and sale
Yitai Xinjiang Zhundong Energy Co., Ltd. (伊泰新疆准東能源有限公司)	(1)	Xinjiang, the PRC 9 August 2010	100,000	—	100.0	100.0	Coal technology development and consulting
Yitai Share (Hong Kong) Co., Ltd. (伊泰（股份）香港有限公司)		Hong Kong The PRC 27 June 2011	18,903	—	—	100.0	Coal imports and international trade
Jointly-controlled entity							
Inner Mongolia Taihe Energy Co., Ltd. (內蒙古泰河能源有限責任公司)	(4)	Inner Mongolia, the PRC 17 April 2006	16,000	40.0	40.0	—	Oil shale sale and production
Associates							
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)	(8)	Inner Mongolia, the PRC 3 September 2002	15,000	26.7	26.7	—	Eco-heating equipment sale and production
Inner Mongolia Yitai Solar Energy Co., Ltd. (內蒙古伊泰太陽能光熱有限責任公司)	(8)	Inner Mongolia, the PRC 3 April 2006	8,300	40.0	—	—	Solar energy
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)	(2)	Inner Mongolia, the PRC 5 February 2007	100,000	24.0	31.5	31.5	Mine equipment production and sale
Inner Mongolia Jingtai Electric Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	(3)	Inner Mongolia, the PRC 29 November 2007	570,000	29.0	29.0	29.0	Gangue Power Plant construction
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)	(5)	Inner Mongolia, the PRC 12 October 2006	218,300	30.0	39.0	39.0	Chemical equipment production and sale
Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊政煤田滅火工程有限責任公司)	(6)	Inner Mongolia, the PRC 14 July 2010	50,000	—	30.0	30.0	Coal mine fire-proof project, land restoration, and ecological treatment.
Ordos Lianke Qingjie Energy Technology Co., Ltd. (鄂爾多斯市聯科清潔能源技術有限公司)	(7)	Inner Mongolia, the PRC 27 January 2011	150,000	—	—	20.0	Research and development of coal-related chemical technology

All the above subsidiaries are directly held by the Company.

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

All the above companies are limited liability companies.

Notes:

(1) The statutory accounts of these subsidiaries for the years ended 31 December 2009, 2010 and 2011 were audited by 大華會計師事務所, a certified public accounting firm registered in the PRC.

(2) The statutory accounts of this associate for the year ended 31 December 2009 and 2010 were audited by 中審亞太會計師事務所有限公司, a certified public accounting firm registered in the PRC. While the statutory accounts of this associate for the years ended 31 December 2011 were audited by 德勤華永會計師事務所有限公司, a certified public accounting firm registered in PRC.

(3) The statutory accounts of this associate for the years ended 31 December 2009, 2010 and 2011 were audited by 北京興華會計師事務所有限責任公司, a certified public accounting firm registered in the PRC.

(4) The statutory accounts of this Joint-controlled entity for the year ended 31 December 2009 and 2010 was audited by 烏拉特後旗烏拉特邊城聯合會計師事務所, a certified public accounting firm registered in the PRC.

(5) The statutory accounts of this associate for the year ended 31 December 2009 was audited by 內蒙古東審會計師事務所有限責任公司, a certified public accounting firm registered in the PRC. While the statutory accounts of this associate for the years ended 31 December 2010 and 2011 were audited by 中瑞嶽華會計師事務所, a certified public accounting firm registered in PRC.

(6) The statutory accounts of this associate for the year ended 31 December 2010 was audited by 內蒙古東審會計師事務所有限責任公司, a certified public accounting firm registered in the PRC. While the statutory accounts of this associate for the years ended 31 December 2011 were audited by 鄂爾多斯市金天平聯合會計師事務所, a certified public accounting firm registered in PRC.

(7) The statutory accounts of this associate for the year ended 31 December 2011 was audited by 中瑞嶽華會計師事務所, a certified public accounting firm registered in PRC.

(8) No audited financial statements were issued for these companies as they are not required to issue audited accounts under the statutory requirements of their place of incorporation.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB, and the International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The Financial Information has been prepared on the historical cost basis, except for the revaluation of certain financial assets at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[4]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[1]
IFRS 10	*Consolidated Financial Statements*[1]
IFRS 11	*Joint Arrangements*[1]
IFRS 12	*Disclosure of Interests in Other Entities*[1]
IFRS 13	*Fair Value Measurement*[1]
IAS 1 Amendments	Amendments to IAS 1: *Changes to the Presentation of Other Comprehensive Income*[2]
IAS 27(Revised)	*Separate Financial Statements*[1]
IAS 28(Revised)	*Investments in Associates*[1]
IAS 12 Amendments	*Income Taxes*[3]
IAS 19 Amendments	*Employee Benefits*[1]
IAS 32 Amendments	*Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 January 2015
5 Effective for annual periods beginning on or after 1 January 2014

The Group is in the process of making an assessment of the impact of these new, revised and amended IFRSs and IFRIC upon initial application. So far, these new and revised IFRS are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The business combinations involving entities or businesses under common control are accounted for using merger accounting. Merger accounting involves incorporating the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The acquisition method is used to account for the acquisition of subsidiaries by the Group.

Basis of consolidation from 1 January 2010

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Basis of consolidation prior to 31 December 2009

In comparison to the above mentioned requirements which were applied on a prospective basis, the following differences applied:

- Non-controlling interests represented the portion of profit or loss and net assets that were not held by the Group and were presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduces to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as of the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 31 December 2009

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Subsidiaries

A subsidiary is an entity, whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. The Group's investments in jointly-controlled entities are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in profit or loss and reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in profit or loss and reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to other expenses in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

Where parts of an item of property, plant and equipment, other than mining structures, have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress representing buildings and other assets under construction is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Exploration and evaluation expenditure

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralization in existing coal bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognized at fair value. They are subsequently stated at cost less accumulated impairment. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life of 20 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

Intangible assets

Intangible assets, primarily comprising computer software, acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The useful lives of intangible assets are assessed to be finite and are amortised over the useful economic lives. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments represent upfront prepayments made for the land use rights. Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms ranging from 40 to 70 years.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instrument in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in profit or loss. These net fair value changes does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or cost that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income. The loss arising from impairment is recognised in other expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. They are included in current assets if they mature within 12 months of the end of the reporting period. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income. The loss arising from impairment is recognised in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in other expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividends income, respectively and are recognised in other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flow is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in other expenses. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that the investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortisation cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs.

Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related coals. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and investments in jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and investments in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

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

(b) from the rendering of services, when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the Group;

(c) 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

(d) 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, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the loan costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. Contributions to these plans are expensed as incurred.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment provision of receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Impairment of non-financial assets

The Group has to exercise judgements 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.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from 'Construction in progress' to 'Mining structures'. Some of the criteria will include, but are not limited, to the following:

- The level of capital expenditure compared to the construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce coals in saleable form (within specifications)
- Ability to sustain ongoing production of coals

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Current income tax

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

Deferred tax assets

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

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of items of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is based on historical experience of the Group with similar assets that are used in a similar way. 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.

Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (3.24%), and changes in discount rates (10%). Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment.* Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

Coal reserve and resource estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its coal reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and this require complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the coal segment is the mining and sale of coal products;

(b) the transportation segment provides road and railway transportation services to coal companies;

(c) the coal-related chemical segment is to produce and sell coal-based synthetic fuel;

(d) the "others" segment comprises, principally, the development, production and sale of traditional Chinese medicine.

Management monitors the results of its operating segments separately for the purpose of making decision about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit and is measured consistently with the Group's profit in the consolidated financial statements.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2009	Coal	Transportation	Coal-related chemical	Others	Consolidated
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Segment revenue:					
External customers	9,676,001	534,446	—	41,717	10,252,164
Intersegment	47,807	625,922	—	—	673,729
	9,723,808	1,160,368	—	41,717	10,925,893
Reconciliation					
Elimination of intersegment sales					(673,729)
Total revenue					10,252,164
Segment results:					
Profit/(loss) before tax	3,585,258	178,517	(1,278)	(21,059)	3,741,438
Income tax expense	(534,548)	(31,394)	603	9	(565,330)
	3,050,710	147,123	(675)	(21,050)	3,176,108
Reconciliation					
Elimination of intersegment results					(27,720)
Net profit for the year					3,148,388
Segment assets	12,565,634	6,346,302	3,765,829	101,230	22,778,995
Elimination of intersegment receivables					(129,412)
Unrealized profit included in assets					(27,720)
Total assets					22,621,863
Segment liabilities	5,432,326	3,784,196	2,695,017	88,182	11,999,721
Elimination of intersegment payables					(129,412)
Total liabilities					11,870,309
Other segment information:					
Interest income	33,206	3,083	—	20	36,309
Interest expense	(243,988)	(35,634)	—	(24)	(279,646)
Depreciation and amortisation	(444,554)	(88,979)	—	(9,466)	(542,999)
Share of losses of a jointly-controlled entity	(312)	—	—	—	(312)
Share of profits and (losses) of associates	(636)	—	1,194	—	558
Reversal/(provision) of impairment recognised in profit or loss	(10,255)	(5,506)	(2,413)	1,224	(16,950)
Investments in associates	183,609	—	17,173	—	200,782
Investment in a jointly-controlled entity	4,942	—	—	—	4,942
Capital expenditure*	2,407,952	1,496,435	848,583	1,491	4,754,461

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

Year ended 31 December 2010	Coal	Transportation	Coal-related chemical	Others	Consolidated
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Segment revenue:					
External customers	13,360,091	435,287	—	58,446	13,853,824
Intersegment	58,797	585,531	—	—	644,328
	13,418,888	1,020,818	—	58,446	14,498,152
Reconciliation					
Elimination of intersegment sales					(644,328)
Total revenue					13,853,824
Segment results:					
Profit/(loss) before tax	6,119,734	229,500	1,570	(16,918)	6,333,886
Income tax expense	(915,992)	(43,488)	395	—	(959,085)
	5,203,742	186,012	1,965	(16,918)	5,374,801
Reconciliation					
Elimination of intersegment results					(58,797)
Net profit for the period					5,316,004
Segment assets	14,209,052	7,709,871	4,348,577	131,525	26,399,025
Elimination of intersegment receivables					(466,220)
Unrealized profit included in assets					(58,797)
Total assets					25,874,008
Segment liabilities	3,190,747	4,854,061	2,863,543	135,361	11,043,712
Elimination of intersegment payables					(466,220)
Total liabilities					10,577,492
Other segment information:					
Interest income	24,816	565	142	17	25,540
Interest expense	(111,387)	(60,466)	—	—	(171,853)
Depreciation and amortisation	(452,657)	(158,481)	(14,084)	(6,379)	(631,601)
Share of losses of a jointly-controlled entity	(23)	—	—	—	(23)
Share of profits and (losses) of associates	4,806	—	(2,207)	—	2,599
Reversal/(provision) of impairment recognised in profit or loss	52,361	2,358	(1,580)	(636)	52,503
Investments in associates	215,175	—	64,461	—	279,636
Investment in a jointly-controlled entity	4,918	—	—	—	4,918
Capital expenditure*	1,114,118	1,529,779	558,572	5,745	3,208,214

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

Year ended 31 December 2011	Coal	Transportation	Coal-related chemical	Others	Consolidated
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Segment revenue:					
External customers	15,197,276	604,369	677,848	36,282	16,515,775
Intersegment	220,253	536,672	—		756,925
	15,417,529	1,141,041	677,848	36,282	17,272,700
Reconciliation					
Elimination of intersegment sales					(756,925)
Total revenue					16,515,775
Segment results:					
Profit/(loss) before tax	6,404,417	371,746	29,052	(31,572)	6,773,643
Income tax expense	(979,458)	(29,749)	(1,555)	—	(1,010,762)
	5,424,959	341,997	27,497	(31,572)	5,762,881
Reconciliation					
Elimination of intersegment results					(13,617)
Net profit for the year					5,749,264
Segment assets	16,714,552	9,067,339	4,949,052	111,001	30,841,944
Elimination of intersegment receivables					(759,715)
Unrealized profit included in assets					(13,617)
Total assets					30,068,612
Segment liabilities	3,585,595	5,217,260	3,188,684	53,408	12,044,947
Elimination of intersegment payables					(759,715)
Total liabilities					11,285,232
Other segment information:					
Interest income	31,009	2,099	937	45	34,090
Interest expense	(99,344)	(104,661)	(81,322)	—	(285,327)
Depreciation and amortisation	(552,212)	(195,397)	(65,714)	(5,573)	(818,896)
Share of profits and (losses) of associates	20,428	—	(629)	—	19,799
Reversal/(provision) of impairment recognised in profit or loss	14,269	6,051	5,040	1,621	26,981
Investments in associates	235,060	—	117,966	—	353,026
Investment in a jointly-controlled entity	—			—	—
Capital expenditure*	1,865,566	1,270,568	452,123	5,426	3,593,683

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

The Group's revenue from external customers is derived solely from its operation in mainland China, and no non-current assets of the Group are located outside mainland China.

During the year ended 31 December 2009, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for that year.

During the year ended 31 December 2010, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for that year.

During the year ended 31 December 2011, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for that year.

6. REVENUE AND OTHER INCOME

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

	Group		
	Year ended 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Revenue			
Sale of goods	9,717,718	13,418,537	15,911,406
Rendering of services	534,446	435,287	604,369
	10,252,164	13,853,824	16,515,775
Other income			
Gain on disposal of unlisted investments	1,170	—	1,589
Gain on disposal of property, plant and equipment, and intangible assets	9,281	23,680	7,794
Income from the sale of other materials	39,046	931	463
Income from the rendering of other services	70,851	105,197	138,810
Payables waived	2,455	—	—
Government grants	6,579	15,759	14,863
Indemnities received	2,650	350	903
Compensation received*	—	—	180,919
Others	—	6,263	4,588
	132,032	152,180	349,929

* It represents the amount received from an unrelated, third-party coal mining company in 2011 as compensation for the dismantlement of certain mining properties and the consequent business disruption caused to us arising from the agreed construction of a railway and other related facilities by this company on one of the Group's mines.

7. FINANCE INCOME

The Group's finance income is as follows:

	Group		
	Year ended 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Interest income	36,309	25,540	34,090

8. FINANCE COSTS

The Group' finance costs are as follows:

	Group		
	Year ended 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Interest on bank loans	563,686	495,487	540,626
Less: Interest capitalised	(284,040)	(323,634)	(255,299)
	279,646	171,853	285,327

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Group Year ended 31 December 2009 RMB '000	2010 RMB '000	2011 RMB '000
Cost of inventories sold		4,855,789	5,741,439	7,809,976
Cost of services provided		379,224	257,297	290,930
Depreciation of investment properties	14	1,876	2,312	2,343
Depreciation of property, plant and equipment	15	513,135	602,401	789,366
Amortisation of prepaid land lease payments	16	14,645	11,991	10,611
Amortisation of mining rights	17	8,005	8,871	8,305
Amortisation of intangible assets	18	2,839	2,835	4,599
Amortisation of other non-current assets	19	2,499	3,191	3,672
Total depreciation and amortisation		542,999	631,601	818,896
Reversal of impairment of trade and bills receivables	26	(9,571)	(6,303)	(29,062)
Impairment/(reversal of impairment) of other receivables	27	26,866	(46,200)	2,136
Reversal of impairment of property, plant and equipment	15	(345)	—	—
Reversal of impairment of inventories		—	—	(55)
Gain on disposal of unlisted investments		1,170	—	1,589
Gain on disposal of property, plant and equipment and intangible assets		9,281	23,680	7,794
Employee benefit expense (including directors' and supervisors' remuneration — note 10)				
Wages, salaries and other employees' benefits		489,630	720,838	888,663
Pension scheme contributions (defined contribution scheme)		23,132	43,541	43,735
Auditors' remuneration		9,900	8,970	8,024

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Details of Directors' remuneration are as follows:

	Group Year ended 31 December 2009 RMB '000	2010 RMB '000	2011 RMB '000
Salaries and allowances	8,435	8,594	8,991
Discretionary bonuses	1,933	2,078	2,267
Pension	211	242	400
Total	10,579	10,914	11,658

The names of the Directors and their remuneration for the Relevant Periods are as follows:

	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Year ended 31 December 2009				
Directors:				
Zhang Donghai	1,785	527	27	2,339
Qi Wenbin	1,185	403	27	1,615
Liu Chunlin	1,185	414	27	1,626
Li Chengcai	1,185	403	27	1,615
Ge Yaoyong	885	100	27	1,012
Zhang Dongsheng	908	—	—	908
Liu Huaikuan	29	—	—	29
Xie Xianghua	50	—	—	50
Lian Junhai	50	—	—	50
SongJianzhong	21	—	—	21
Supervisors:				
Li Wenshan	1,001	—	27	1,028
Bai Zailiang	7	—	—	7
Sui Guoqing	7	—	—	7
Zhang Ruilian	29	17	15	61
Zhang Mingliang	33	22	19	74
Deng Yuxin	68	47	15	130
Yuan Bin	7	—	—	7
	8,435	1,933	211	10,579

	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Year ended 31 December 2010				
Directors:				
Zhang Donghai	1,812	562	32	2,406
Qi Wenbin	1,212	435	32	1,679
Liu Chunlin	1,212	446	32	1,690
Li Chengcai	1,212	435	32	1,679
Ge Yaoyong	912	131	32	1,075
Xie Xianghua	50	—	—	50
Lian Junhai	50	—	—	50
Zhang Dongsheng	912	—	32	944
Song Jianzhong	50	—	—	50
Supervisors:				
Li Wenshan	1,027	—	32	1,059
Bai Zailiang	7	—	—	7
Sui Guoqing	7	—	—	7
Zhang Ruilian	29	8	—	37
Zhang Mingliang	7	—	—	7
Deng Yuxin	88	61	18	167
Yuan Bin	7	—	—	7
	8,594	2,078	242	10,914

	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Year ended 31 December 2011				
Directors:				
Zhang Donghai	1,830	523	41	2,394
Qi Wenbin	120	2	6	128
Liu Chunlin	1,220	402	41	1,663
Zhang Dongsheng	927	12	41	980
Ge Yaoyong	1,077	98	41	1,216
Kang Zhi	695	122	34	851
Zhang Xinrong	635	427	34	1,096
Lv Guiliang	635	39	34	708
Li Chengcai	120	2	6	128
Tan Guoming	—	120	—	120
Song Jianzhong	—	68	—	68
Xie Xianghua	—	68	—	68
Lian Junhai	—	68	—	68
Supervisors:				
Bai Zailiang	—	1	—	1
Li Wenshan	1,139	7	41	1,187
Yuan Bin	—	1	—	1
Sui Guoqing	—	1	—	1
Zhang Mingliang	125	7	16	148
Deng Yuxin	13	1	3	17
Zhang Ruilian	4	1	3	8
Wang Sanmin	164	77	22	263
Ji Zhifu	154	82	19	255
Han Zhanchun	133	78	18	229
Wang Yongliang	—	30	—	30
Wu Qu	—	30	—	30
	8,991	2,267	400	11,658

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid employees

The five highest paid employees during the year ended 2009, 2010 and 2011, were all the directors or supervisors.

No emoluments were paid by the Company to the Directors, supervisors or the five highest paid employees as an inducement to join or upon joining the Company or as compensation for loss of office.

11. INCOME TAX EXPENSE

	Note	Group		
		Year ended 31 December		
		2009	2010	2011
		RMB '000	RMB '000	RMB '000
Income tax				
Current tax — mainland China		599,274	939,066	1,084,681
Deferred income tax	24	(33,944)	20,019	(73,919)
Total tax charge for the year		565,330	959,085	1,010,762

PRC corporate income tax ("CIT") was provided at a rate of 25% on the taxable income as reported in the statutory accounts of the companies comprising the Group, which were prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

The Company and its certain subsidiaries are entitled to a preferential CIT rate of 15% for the 10 years ended 31 December 2010 based on the following issued documents:

i) Caishui (2001) No. 202 issued by the Treasury Department of the National Taxation Department, which was related to the notice of the preferential tax rate in the Western Development.

ii) Guonei Shuiwai (2003) No. 11 issued by the Inner Mongolia Taxation Department, which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

iii) Ordos Guoshui (2003) No. 57 issued by the Ordos National Taxation Department, which was related to the approval given to the Company to enjoy tax benefits resulted from the Western Development.

According to Caishui (2011) No. 58 issued by Ministry of Finance, General Administration of Customs and State Administration of Taxation, selected entities in Western China that falling into Catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄, "CEIWC") can enjoy the preferential income tax rate of 15% from 1 January 2011 to 31 December 2020.

According to the notice (2011) No. 2 issued by Inner Mongolia State Administration Taxation of China, selected entities in Inner Mongolia that had enjoyed the preferential tax rate before 2010 in the Western Development and falling into Encouraged Projects in the Guidance Catalogue for Industry Structural Adjustment (產業結構調整指導目錄 (2011)) are entitled to a preferential tax rate of 15% to prepay tax in the year ending 31 December 2011.

By the date of the report, CEIWC has not been promulgated. According to Caishui (2012) No.12 issued by State Administration of Taxation, before CEIWC is promulgated, selected entities falling into Encouraged Projects in the Guidance Catalogue for Industry Structural Adjustment (2011) are entitled to a preferential tax rate of 15%. If CEIWC is promulgated and the Companies mentioned above are not meet the condition of CEIWC, then income tax should be redeclared according to the applicable tax rate.

No provision for Hong Kong profits tax has been made in the Financial Information as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rates to the tax expense at the Group's effective income tax rates for each of the Relevant Periods is as follows:

	Group		
	Year ended 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Profit before tax	3,713,718	6,275,089	6,760,026
Tax at the statutory income tax rate of 25% for the year ended 31 December 2009, 2010 and 2011	928,430	1,568,772	1,690,007
Effect of lower tax rate	(340,157)	(626,032)	(663,893)
Entertainment expenses not deductible for tax purposes	1,977	10,254	10,366
Tax losses not recognised	17,331	8,983	11,136
Tax losses utilised from previous years	—	(11,866)	(45,151)
Others	(42,251)	8,974	8,297
Tax charge at the Group's effective rate	565,330	959,085	1,010,762

12. PROPOSED FINAL DIVIDENDS

	Group/Company		
	Year ended 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Proposed final dividends	732,000	2,196,000	2,196,000

The proposed final cash dividends for the year ended 31 December 2009 were based on RMB1.0 per ordinary share, and has been declared in March 2010, and paid in May 2010. The proposed final dividends for the year ended 31 December 2010 were based on RMB1.5 per ordinary share, and has been declared in February 2011, and paid in June 2011. The proposed final dividends for the year ended 31 December 2011 were based on RMB1.5 per ordinary share, and has been declared in May 2012.

13. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

		Group		
		Year ended 31 December		
	Note	2009	2010	2011
		RMB '000	RMB '000	RMB '000
Earnings				
Profit for the year attributable to ordinary equity holders of the Company		3,042,888	5,014,647	5,463,964
Shares				
Weighted average number of ordinary shares in issue during the year (in thousand)	32	1,464,000	1,464,000	1,464,000

The calculation of the basic earnings per share amount is based on the profit for the Relevant Periods attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the Relevant Periods.

The Company declared a shares bonus of 10 shares per 10 shares in March 2010. After the issuance of the shares bonus, the ordinary shares of the Company in issue increased to 1,464,000,000.

The Company had no dilutive potential ordinary shares for the Relevant Periods, hence no diluted earnings per share amount is presented.

14. INVESTMENT PROPERTIES

	Note	Group/Company As of 31 December 2009	2010	2011
		RMB '000	RMB '000	RMB '000
Cost:				
At 1 January		16,538	39,113	39,361
Additions		39,113	848	—
Disposals		(16,538)	(600)	—
At 31 December		39,113	39,361	39,361
Depreciation:				
At 1 January		(3,805)	(1,109)	(3,293)
Additions	9	(1,876)	(2,312)	(2,343)
Disposals		4,572	128	—
At 31 December		(1,109)	(3,293)	(5,636)
Carrying amount at 31 December		38,004	36,068	33,725

Included in the Group's and the Company's investment properties are buildings situated in mainland China, which are leased to third parties under operating leases.

In the opinion of management, the carrying amounts of the Company's investment properties approximate to their fair values.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Cost:									
At 1 January 2009	**1,532,514**	**458,284**	**1,305,553**	**409,725**	**3,407,154**	**469,405**	**172,153**	**4,808,959**	**12,563,747**
Additions	16,432	570,543	526,799	202,443	87,520	—	85,247	3,206,690	4,695,674
Transfers	200,586	176,871	227,681	—	264,256	22,047	—	(891,441)	—
Disposals/written off	(61,518)	—	(22,213)	(128,422)	(826)	—	(5,924)	—	(218,903)
At 31 December 2009	**1,688,014**	**1,205,698**	**2,037,820**	**483,746**	**3,758,104**	**491,452**	**251,476**	**7,124,208**	**17,040,518**
Additions	89,302	—	199,341	56,586	68,879	3,088	84,081	2,620,832	3,122,109
Transfers	574,522	78,675	413,698	4,726	72,018	40,607	81,266	(1,265,512)	—
Disposals/written off	(104,394)	(2,096)	(5,696)	(104,239)	(14,843)	(3,244)	(21,420)	(347,897)	(603,829)
At 31 December 2010	**2,247,444**	**1,282,277**	**2,645,163**	**440,819**	**3,884,158**	**531,903**	**395,403**	**8,131,631**	**19,558,798**
Additions	437,997	—	220,494	141,441	63,037	—	112,763	2,558,330	3,534,062
Transfers	714,027	174,059	2,750,529	—	2,152,283	64,326	6,828	(5,862,052)	—
Disposals/written off	(1,330)	—	(1,365)	(25,768)	(70,423)	—	(23,661)	—	(122,547)
At 31 December 2011	**3,398,138**	**1,456,336**	**5,614,821**	**556,492**	**6,029,055**	**596,229**	**491,333**	**4,827,909**	**22,970,313**

Group

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Depreciation and impairment:									
At 1 January 2009	**(177,887)**	**(97,644)**	**(151,606)**	**(204,110)**	**(247,226)**	**(84,275)**	**(85,284)**	**—**	**(1,048,032)**
Depreciation charged for the year	(56,340)	(33,804)	(174,531)	(96,787)	(80,444)	(23,876)	(47,353)	—	(513,135)
Disposals	18,711	—	5,225	115,546	346	—	3,781	—	143,609
Reversal of impairment	—	—	—	—	—	—	345	—	345
At 31 December 2009	**(215,516)**	**(131,448)**	**(320,912)**	**(185,351)**	**(327,324)**	**(108,151)**	**(128,511)**	**—**	**(1,417,213)**
Depreciation charged for the year	(79,200)	(37,162)	(249,437)	(47,465)	(99,903)	(26,162)	(63,072)	—	(602,401)
Disposals	38,133	—	2,525	101,207	1,976	1,740	13,450	—	159,031
At 31 December 2010	**(256,583)**	**(168,610)**	**(567,824)**	**(131,609)**	**(425,251)**	**(132,573)**	**(178,133)**	**—**	**(1,860,583)**
Depreciation charged for the year	(102,283)	(41,746)	(340,646)	(61,281)	(129,438)	(27,607)	(86,365)	—	(789,366)
Disposals	472	—	1,140	23,635	17,139	—	8,289	—	50,675
At 31 December 2011	**(358,394)**	**(210,356)**	**(907,330)**	**(169,255)**	**(537,550)**	**(160,180)**	**(256,209)**	**—**	**(2,599,274)**

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Net carrying amount									
At 1 January 2009	1,354,627	360,640	1,153,947	205,615	3,159,928	385,130	86,869	4,808,959	11,515,715
At 31 December 2009	1,472,498	1,074,250	1,716,908	298,395	3,430,780	383,301	122,965	7,124,208	15,623,305
At 31 December 2010	1,990,861	1,113,667	2,077,339	309,210	3,458,907	399,330	217,270	8,131,631	17,698,215
At 31 December 2011	3,039,744	1,245,980	4,707,491	387,237	5,491,505	436,049	235,124	4,827,909	20,371,039

As of the date of this report, the Group is in the process of applying for or changing the registration of the title certificates for certain of its buildings with an aggregate net carrying amount of approximately RMB78,120,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as of 31 December 2011.

Company

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Cost:									
At 1 January 2009	**833,710**	**190,451**	**486,677**	**74,365**	**—**	**382,607**	**63,378**	**795,681**	**2,826,869**
Additions	—	—	521,687	28,684	—	—	60,850	827,037	1,438,258
Transfers	225,861	154,542	160,354	—	—	20,867	—	(561,624)	—
Disposals/written off	(61,436)	—	(16,827)	(7,266)	—	—	(5,093)	—	(90,622)
At 31 December 2009	**998,135**	**344,993**	**1,151,891**	**95,783**	**—**	**403,474**	**119,135**	**1,061,094**	**4,174,505**
Additions	—	—	147,412	47,235	—	—	41,419	550,175	786,241
Transfers	311,722	—	221,687	—	—	40,607	—	(574,016)	—
Disposals/written off	(83,869)	—	(5,096)	(6,466)	—	(3,244)	(8,478)	(333,663)	(440,816)
At 31 December 2010	**1,225,988**	**344,993**	**1,515,894**	**136,552**	**—**	**440,837**	**152,076**	**703,590**	**4,519,930**
Additions	410,999	—	158,524	37,238	—	—	33,632	877,170	1,517,563
Transfers	2,641	—	248,128	—	—	64,325	—	(315,094)	—
Disposals/written off	(1,330)	—	(1,365)	(3,765)	—	—	(17,713)	—	(24,173)
At 31 December 2011	**1,638,298**	**344,993**	**1,921,181**	**170,025**	**—**	**505,162**	**167,995**	**1,265,666**	**6,013,320**

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Depreciation and impairment:									
At 1 January 2009	**(130,135)**	**(94,188)**	**(118,349)**	**(33,046)**	**—**	**(64,240)**	**(30,575)**	**—**	**(470,533)**
Depreciation charged for the year	(29,747)	(29,014)	(91,696)	(14,235)	—	(20,660)	(18,695)	—	(204,047)
Disposals	18,690	—	5,224	5,742	—	—	2,948	—	32,604
At 31 December 2009	**(141,192)**	**(123,202)**	**(204,821)**	**(41,539)**	**—**	**(84,900)**	**(46,322)**	**—**	**(641,976)**
Depreciation charged for the year	(42,210)	(28,996)	(146,804)	(18,343)	—	(22,516)	(26,657)	—	(285,526)
Disposals	29,325	—	2,434	4,831	—	1,740	5,020	—	43,350
At 31 December 2010	**(154,077)**	**(152,198)**	**(349,191)**	**(55,051)**	**—**	**(105,676)**	**(67,959)**	**—**	**(884,152)**
Depreciation charged for the year	(57,507)	(26,055)	(183,725)	(27,636)	—	(22,512)	(28,451)	—	(345,886)
Disposals	472	—	1,140	3,299	—	—	7,664	—	12,575
At 31 December 2011	**(211,112)**	**(178,253)**	**(531,776)**	**(79,388)**	**—**	**(128,188)**	**(88,746)**	**—**	**(1,217,463)**

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Net carrying amount									
At 1 January 2009	703,575	96,263	368,328	41,319	—	318,367	32,803	795,681	2,356,336
At 31 December 2009	856,943	221,791	947,070	54,244	—	318,574	72,813	1,061,094	3,532,529
At 31 December 2010	1,071,911	192,795	1,166,703	81,501	—	335,161	84,117	703,590	3,635,778
At 31 December 2011	1,427,186	166,740	1,389,405	90,637	—	376,974	79,249	1,265,666	4,795,857

16. PREPAID LAND LEASE PAYMENTS

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Carrying amount at 1 January	126,076	168,212	240,714
Additions	58,669	85,551	54,416
Disposal	(1,888)	(1,058)	(7,922)
Amortisation for the year	(14,645)	(11,991)	(10,611)
Carrying amount at 31 December	168,212	240,714	276,597
Current portion included in prepayments, deposits and other receivables	(9,863)	(12,086)	(10,791)
Non-current Portion	158,349	228,628	265,806

The carrying amount of the Group's prepaid land lease payments represents land use rights in mainland China with land held under the following lease terms:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Long term leases (≥50 years)	86,888	166,555	165,279
Medium term leases (<50 years)	81,324	74,159	111,318
	168,212	240,714	276,597

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Carrying amount at 1 January	66,368	102,300	95,461
Additions	43,998	59	53,416
Disposal	(1,888)	(1,058)	—
Amortisation for the year	(6,178)	(5,840)	(5,714)
Carrying amount at 31 December	102,300	95,461	143,163
Current portion included in prepayments, deposits and other receivables	(6,757)	(6,757)	(5,715)
Non-current portion	95,543	88,704	137,448

The carrying amount of the Company's prepaid land lease payments represents land use rights in mainland China with land held under the following lease terms:

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Long term leases (≥50 years)	46,090	43,909	51,775
Medium term leases (<50 years)	56,210	51,552	91,388
	102,300	95,461	143,163

17. MINING RIGHTS

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Cost as of 1 January, net of accumulated amortisation	243,311	235,306	226,435
Additions	—	—	—
Amortisation for the year	(8,005)	(8,871)	(8,305)
Cost as of 31 December, net of accumulated amortisation	235,306	226,435	218,130
As of 31 December:			
Cost	292,806	292,806	292,806
Accumulated amortisation	(57,500)	(66,371)	(74,676)
Net carrying amount	235,306	226,435	218,130

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Cost as of 1 January, net of accumulated amortisation	85,635	79,602	72,161
Additions	—	—	—
Disposal	—	—	—
Amortisation for the year	(6,033)	(7,441)	(5,551)
Cost as of 31 December, net of accumulated amortisation	79,602	72,161	66,610
As of 31 December:			
Cost	132,976	132,976	132,976
Accumulated amortisation	(53,374)	(60,815)	(66,366)
Net carrying amount	79,602	72,161	66,610

18. OTHER INTANGIBLE ASSETS

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Cost as of 1 January, net of accumulated amortisation	21,863	19,142	16,861
Additions	118	554	5,205
Amortisation for the year	(2,839)	(2,835)	(4,599)
Cost as of 31 December, net of accumulated amortisation	19,142	16,861	17,467
As of 31 December:			
Cost	23,963	24,517	29,722
Accumulated amortisation	(4,821)	(7,656)	(12,255)
Net carrying amount	19,142	16,861	17,467

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Cost as of 1 January, net of accumulated amortisation	11,656	10,342	9,049
Additions	75	75	5,181
Amortisation for the year	(1,389)	(1,368)	(1,943)
Cost as of 31 December, net of accumulated amortisation	10,342	9,049	12,287
As of 31 December:			
Cost	12,885	12,960	18,141
Accumulated amortisation	(2,543)	(3,911)	(5,854)
Net carrying amount	10,342	9,049	12,287

The intangible assets primarily comprise of computer software.

19. OTHER NON-CURRENT ASSETS

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Cost as of 1 January, net of accumulated amortisation	22,959	20,460	18,025
Additions	—	756	3,244
Amortisation for the year	(2,499)	(3,191)	(3,672)
Cost as of 31 December, net of accumulated amortisation	20,460	18,025	17,597
As of 31 December:			
Cost	27,793	28,549	31,793
Accumulated amortisation	(7,333)	(10,524)	(14,196)
Net carrying amount	20,460	18,025	17,597

	Group		
	As of 31 December		
Analysed into:	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Water use right	15,008	14,171	13,941
Others	5,452	3,854	3,656
	20,460	18,025	17,597

Water use right was the payment to local water resources bureau to obtain the use right of water.

20. INVESTMENTS IN SUBSIDIARIES

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Unlisted investments, at cost	3,624,326	4,188,635	5,028,759
Financial guarantee contracts	288,745	127,205	88,945
	3,913,071	4,315,840	5,117,704

Particulars of the principal subsidiaries of the Company are set out in note 1.

The amounts of the financial guarantee contracts included in the Investments in subsidiaries represented the fair value of the recognised obligation of financial guarantees granted to the subsidiaries. For details of the financial guarantees, please refer to note 38.

21. INVESTMENTS IN A JOINTLY-CONTROLLED ENTITY

	Group			Company		
	As of 31 December			As of 31 December		
	2009	2010	2011	2009	2010	2011
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Unlisted investment, at cost	—	—	—	6,400	6,377	—
Share of net assets	4,942	4,918	—	—	—	—
	4,942	4,918	—	6,400	6,377	—

Particulars of the principal jointly-controlled entities of the Company are set out in note 1.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Share of the jointly-controlled entity's' assets and liabilities:			
Current assets	232	208	—
Non-current assets	4,710	4,710	—
Current liabilities	—	—	—
Non-current liabilities	—	—	—
Net assets	4,942	4,918	—
Share of the jointly-controlled entity's results:			
Revenue	—	—	—
Cost of sales	—	—	—
Administrative expenses	(325)	(24)	—
Finance costs	13	1	—
Profit before income tax	(312)	(23)	—
Income tax expense	—	—	—
Loss for the year from continuing operations	(312)	(23)	—

22. INVESTMENTS IN ASSOCIATES

	Group			Company		
	As of 31 December			As of 31 December		
	2009	2010	2011	2009	2010	2011
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Unlisted investments, at cost	—	—	—	185,790	217,643	242,109
Share of net assets	200,782	279,636	353,026	—	—	—
	200,782	279,636	353,026	185,790	217,643	242,109

Particulars of the principal associates are set out in note 1.

The following table illustrates the summarised financial information of the Group's associates:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Share of the associates' assets and liabilities:			
Current assets	115,325	137,886	336,081
Non-current assets	705,632	816,617	859,977
Current liabilities	(445,375)	(319,367)	(484,587)
Non-current liabilities	(174,800)	(355,500)	(358,445)
Equity	200,782	279,636	353,026
Share of the associates' results:			
Revenue	125,619	175,674	310,164
Profit	558	2,599	19,799
Carrying amount of the investment	200,782	279,636	353,026

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Unlisted equity investments, at cost	1,338,839	2,108,132	2,870,590

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Unlisted equity investments, at cost	1,318,514	2,033,607	2,771,675

Particulars of the principal available-for-sale investments of the Group are set as follows:

	Percentage of equity interest attributable to the Group	Group		
		As of 31 December		
		2009	2010	2011
		RMB '000	RMB '000	RMB '000
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9.0%	630,000	900,000	1,440,000
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	15.0%	382,800	382,800	382,800
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	19.0%	142,200	521,400	675,790
Nanbu Railway Co., Ltd. (南部鐵路有限責任公司)	10.0%	115,000	200,000	200,000
Others	—	68,839	103,932	172,000
		1,338,839	2,108,132	2,870,590

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of each reporting period as such investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

24. DEFERRED TAX ASSETS

Group

The movements in deferred tax during the Relevant Periods are as follows:

	Note	Group		
		Year ended 31 December		
		2009	2010	2011
		RMB '000	RMB '000	RMB '000
At 1 January, net		13,473	47,417	27,398
Deferred tax credited/(charged) to profit or loss	11	33,944	(20,019)	73,919
At 31 December, net		47,417	27,398	101,317

The principal components of the Group's deferred income tax are as follows:

Deferred tax assets:

	Note	Provision	Deferred compensation	Payables and accruals	Others	Total
		RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2009		13,165	—	—	308	13,473
Credited to the consolidated statements of comprehensive income during the year		2,832	—	15,980	15,132	33,944
At 31 December 2009 and 1 January 2010		15,997	—	15,980	15,440	47,417
Charged to the consolidated statements of comprehensive income during the year		(4,849)	—	(15,125)	(45)	(20,019)
At 31 December 2010		11,148	—	855	15,395	27,398
Credited/(Charged) to the consolidated statements of comprehensive income during the year		(7,722)	43,183	(885)	39,313	73,919
At 31 December 2011		3,426	43,183	—	54,708	101,317

Deferred tax assets have not been recognised in respect of the following items:

	Group		
	31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Tax losses	17,331	8,983	11,136

The above tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Company

The movements in deferred tax during the Relevant Periods are as follows:

	Company		
	Year ended 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
At 1 January, net	12,554	35,437	9,425
Deferred tax credited/(charged) to profit or loss during the year	22,883	(26,012)	(5,999)
At 31 December, net	35,437	9,425	3,426

The principal components of the Company's deferred income tax are as follows:

Deferred tax assets:

	Provision	Payables and accruals	Others	Total
	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2009	12,439	—	115	12,554
Credited to the statement of comprehensive income during the year	1,213	11,036	10,634	22,883
At 31 December 2009 and 1 January 2010	13,652	11,036	10,749	35,437
Charged to the statement of comprehensive income during the year	(4,233)	(11,036)	(10,743)	(26,012)
At 31 December 2010 and 1 January 2010	9,419	—	6	9,425
Charged to the statement of comprehensive income during the year	(5,993)	—	(6)	(5,999)
At 31 December 2011	3,426	—	—	3,426

25. INVENTORIES

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Materials and supplies	229,207	201,142	427,345
Work-in-progress	5,122	2,273	8,921
Finished goods	85,045	259,708	243,401
Less: Provision for impairment	(3,006)	(3,006)	(2,951)
	316,368	460,117	676,716

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Materials and supplies	219,563	174,566	295,315
Finished goods	99,494	263,298	246,283
	319,057	437,864	541,598

26. TRADE AND BILLS RECEIVABLES

Group

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Trade receivables	702,874	573,813	708,276
Less: Provision for impairment	(35,365)	(29,062)	—
	667,509	544,751	708,276
Bills receivable	1,018	28,496	43,154
	668,527	573,247	751,430

Company

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Trade receivables	621,135	536,886	637,445
Less: Provision for impairment	(31,057)	(26,844)	—
	590,078	510,042	637,445
Bill receivables	—	500	32,000
	590,078	510,542	669,445

The Group requires most of its customers to pay in advance and makes provision for the doubtful trade receivables balance at the end of each reporting period. The carrying amounts of trade receivables and bills receivable approximate to their fair values.

The maximum exposure to credit risk at the end of each reporting period during the Relevant Periods is the carrying value of the Group's total trade receivables.

Bill receivables are bills of exchange with maturity of less than six months.

An aged analysis of the Group's trade and bills receivables, net of provisions, is as follows:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Within six months	664,878	568,240	725,724
Over six months but within one year	3,649	5,007	20,880
Over one year but within two years	—	—	4,826
Over two years but within three years	—	—	—
Over three years	—	—	—
	668,527	573,247	751,430

Movements in the Group's provision for impairment of trade receivables are as follows:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
At 1 January	44,981	35,365	29,062
Reversal of impairment for the year	(9,571)	(6,303)	(29,062)
Amount written off as uncollectible	(45)	—	—
At 31 December	35,365	29,062	—

An aged analysis of the Company's trade and bills receivables, net of provisions, is as follows:

Company

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Within six months	590,078	510,542	669,445
Over six months but within one year	—	—	—
Over one year but within two years	—	—	—
Over two years but within three years	—	—	—
Over three years	—	—	—
	590,078	510,542	669,445

Movements in the Company's provision for impairment of trade receivables are as follows:

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
At 1 January	41,900	31,057	26,844
Reversal of impairment for the year	—	(4,213)	(26,844)
Amount written off as uncollectible	(10,843)	—	—
At 31 December	31,057	26,844	—

The trade receivables of the Group and the Company that are not considered to be impaired at the end of each reporting period are receivables that were neither past due nor impaired, which relate to a large number of diversified customers for whom there was no recent history of default.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Amounts due from related parties:			
Jointly-controlled entity	238	293	—
Associates	10,216	96	2,571
Yitai Group	32,452	2,573	—
	42,906	2,962	2,571
Advances to suppliers	365,668	333,275	627,290
Prepayments	95,523	78,131	84,907
Staff advances	23,784	13,866	22,018
Deposits	11,555	10,203	90,543
Other receivables	187,416	36,310	31,505
	726,852	474,747	858,834
Less: Provision for impairment	(66,904)	(20,704)	(22,840)
	659,948	454,043	835,994

Movements in the provision for impairment of other receivables are as follows:

Group

	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
At 1 January	40,118	66,904	20,704
Impairment for the year	26,877	4,653	10,196
Reversal of impairment	(11)	(50,853)	(8,060)
Written off	(80)	—	—
At 31 December	66,904	20,704	22,840

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Amounts due from related parties:			
Jointly-controlled entity	238	293	—
Subsidiaries	72,906	890,242	681,105
	73,144	890,535	681,105
Advances to suppliers	174,044	241,747	337,589
Prepayments	38,826	35,199	82,241
Staff advances	12,525	10,906	20,833
Deposits	11,555	7,158	85,579
Other receivables	245,264	34,393	25,430
	555,358	1,219,938	1,232,777
Less: Provision for impairment	(78,157)	(35,948)	(43,900)
	477,201	1,183,990	1,188,877

Movements in the provision for impairment of other receivables are as follows:

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
At 1 January	59,246	78,157	35,948
Impairment/(Reversal of impairment) for the year	18,991	(42,209)	7,952
Written off	(80)	—	—
At 31 December	78,157	35,948	43,900

28. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED BANK DEPOSITS

		Group		
		As of 31 December		
	Notes	2009	2010	2011
		RMB '000	RMB '000	RMB '000
Cash and bank balances		3,285,474	3,733,884	3,533,834
Time deposits		5,000	8,401	21,941
		3,290,474	3,742,285	3,555,775
Less: Restricted cash	(a)	(15,039)	(27,124)	(20,305)
		3,275,435	3,715,161	3,535,470
Denominated in RMB	(b)	3,275,395	3,713,471	3,534,774
Denominated in other currencies		40	1,690	696
		3,275,435	3,715,161	3,535,470

	Notes	Company		
		As of 31 December		
		2009	2010	2011
		RMB '000	RMB '000	RMB '000
Cash and bank balances		1,872,227	2,176,322	2,281,216
Time deposits		5,000	8,401	8,401
		1,877,227	2,184,723	2,289,617
Less: Restricted cash	(a)	(11,842)	(8,658)	(17,076)
		1,865,385	2,176,065	2,272,541
Denominated in RMB	(b)	1,865,347	2,174,376	2,271,847
Denominated in other currencies		38	1,689	694
		1,865,385	2,176,065	2,272,541

Notes:

(a) As of 31 December 2009, 31 December 2010 and 31 December 2011, the Group's bank balances of approximately RMB15,039,000, RMB11,871,000 and RMB20,305,000 were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection is fulfilled and accepted by the competent government entities.

As of 31 December 2010, the Group's bank balances of approximately RMB15,253,000 were also deposited at banks as a guarantee fund for loans of foreign currency. Such guarantee deposit has been released in January 2011.

(b) The RMB is not freely convertible into other currencies, however, under mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the restricted bank deposits approximate to their fair values.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise the following:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Cash at banks and on hand	3,270,435	3,706,760	3,513,529

29. TRADE AND BILLS PAYABLES

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Trade payables to third parties	258,458	279,434	520,067
Trade payables to associates	11,397	—	4,771
Trade payables to Yitai Group	—	—	18,647
	269,855	279,434	543,485

An aged analysis of the Group's trade and bills payables, based on the invoice dates, as of the end of each reporting period is as follows:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Within six months	219,038	209,643	466,287
Over six months but within one year.	35,551	35,220	62,473
Over one year but within two years	13,108	25,798	6,028
Over two years but within three years	2,157	8,736	8,133
Over three years	1	37	564
	269,855	279,434	543,485

The trade payables are non-interest-bearing and have an average credit term of 30 to 90 days. The credit terms granted by the related parties are similar to those offered by the related parties to their major customers.

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Trade payables to third parties	145,188	173,123	356,825
Trade payables to associates	—	—	—
Trade payables to Yitai Group	—	—	18,647
	145,188	173,123	375,472

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Within six months	112,314	142,449	300,688
Over six months but within one year	32,219	10,606	60,836
Over one year but within two years	616	19,471	5,876
Over two years but within three years	38	560	8,072
Over three years	1	37	—
	145,188	173,123	375,472

30. OTHER PAYABLES AND ACCRUALS

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Advances from customers	119,143	330,028	397,226
Accrued salaries, wages and benefits	130,492	224,155	262,290
Other tax payables	174,855	77,955	(15,491)
Accrued interest payable	21,968	20,588	21,707
Payables for property, plant and equipment	1,670,623	1,229,390	1,062,108
Accruals	27,684	56,656	90,513
Amounts due to Yitai Group	—	—	13,001
Amounts due to associates	162	234	814
Other payables	2,360	7,250	54,214
	2,147,287	1,946,256	1,886,382

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Advances from customers	84,543	289,548	343,491
Accrued salaries, wages and benefits	75,956	115,253	157,846
Other taxes payable	194,016	4,148	(31,604)
Accrued interest payable	2,780	254	340
Payables for property, plant and equipment	414,443	418,285	533,459
Accruals	26,407	46,950	70,613
Amounts due to subsidiaries	25,135	54,654	72,367
Other payables	14,132	2,406	4,614
	837,412	931,498	1,151,126

The above amounts are unsecured, interest-free and have no fixed terms of repayment.

31. INTEREST-BEARING LOANS AND BORROWINGS

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Current:			
Bank loans — secured by guarantees	400,000	193,244	218,000
Bank loans — unsecured	930,000	200,000	650,000
Total bank loans	1,330,000	393,244	868,000
Current portion of long term bank loans — secured by guarantees	337,672	505,352	1,258,190
Current portion of long term bank loans — unsecured	84,950	20,000	80,000
Total current portion of long term bank loans	422,622	525,352	1,338,190
Total current loans	1,752,622	918,596	2,206,190
Non-current:			
Bank loans — secured by guarantees	6,515,486	6,391,811	5,520,594
Bank loans — unsecured	852,300	620,000	580,000
Total non-current loans	7,367,786	7,011,811	6,100,594
Total loans	9,120,408	7,930,407	8,306,784
Denominated in RMB	8,746,250	7,589,800	8,026,600
Denominated in USD	51,768	51,459	43,977

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Current:			
Bank loans — secured by guarantees	—	—	—
Bank loans — unsecured	730,000	—	—
Total bank loans	730,000	—	—
Current portion of long term bank loans — secured by guarantees	20,000	—	—
Current portion of long term bank loans — unsecured	84,950	20,000	80,000
Total current portion of long term bank loans	104,950	20,000	80,000
Total current loans	834,950	20,000	80,000
Non-current:			
Bank loans — secured by guarantees	140,000	—	—
Bank loans — unsecured	852,300	120,000	80,000
Total non-current loans	992,300	120,000	80,000
Total loans	1,827,250	140,000	160,000
Denominated in RMB	1,827,250	140,000	160,000

The ranges of the effective interest rates on the Group's and the Company's loans are as follows:

	As of 31 December		
	2009	2010	2011
	%	%	%
Group			
Fixed-rate loans	3.80-7.47	2.20-7.29	3.80-9.09
Floating-rate loans	4.86-7.83	4.86-6.40	5.76-7.05
Company			
Fixed-rate loans	4.37-7.47	4.89-5.31	N/A
Floating-rate loans	4.86-7.83	4.86-6.40	6.40-6.90

The maturity profile of the loans as of the end of the reporting period is as follows:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	1,752,622	918,596	2,206,190
In the second year	521,054	1,107,352	1,131,190
In the third to fifth years, inclusive	2,416,713	2,256,057	2,204,317
Beyond five years	4,430,019	3,648,402	2,765,087
	9,120,408	7,930,407	8,306,784

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	834,950	20,000	80,000
In the second year	122,500	40,000	40,000
In the third to fifth years, inclusive	765,050	80,000	40,000
Beyond five years	104,750	—	—
	1,827,250	140,000	160,000

Certain loans were supported by guarantees provided from the following parties:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Yitai Group	529,196	60,000	404,000
Independent third parties	—	—	31,452
Other related parties	1,329,186	1,365,255	665,222
	1,858,382	1,425,255	1,100,674

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Yitai Group	160,000	—	—
Independent third parties	—	—	—
	160,000	—	—

In the opinion of the Directors, the Group's and the Company's carrying amounts of current loans and non-current loans based on market rates approximate to their fair values at each end of the reporting period.

32. ISSUED CAPITAL

	Group/Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Fully paid-up registered capital	732,000	1,464,000	1,464,000

The Company was incorporated on 23 September 1997 with an initial registered share capital of RMB366,000,000 divided into 366,000,000 shares with a par value of RMB1 each.

On 16 September 2007, the Company increased the issued share capital to RMB732,000,000 through the conversion of capital reserve and proposed dividends.

On 5 May 2010, the Company increased the issued share capital to RMB1,464,000,000 through the conversion of proposed dividends.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(b) Company

	Capital reserve	Statutory surplus reserve	Safety and maintenance fund	Retained earnings	Proposed final dividends (note 12)	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
As of 1 January 2009	**125,414**	**705,899**	**329,832**	**3,905,572**	**732,000**	**5,798,717**
Comprehensive income for the year	—	—	—	3,337,590	—	3,337,590
Transferred from retained earnings	—	342,556	—	(342,556)	—	—
Appropriation to safety and maintenance fund	—	—	(329,832)	329,832	—	—
Others	40,756	—	—	—	—	40,756
2008 final dividends paid	—	—	—	—	(732,000)	(732,000)
Proposed 2009 final dividends	—	—	—	(732,000)	732,000	—
As of 31 December 2009 and 1 January 2010	**166,170**	**1,048,455**	**—**	**6,498,438**	**732,000**	**8,445,063**
Comprehensive income for the year	—	—	—	4,571,504	—	4,571,504
Transferred from retained earnings	—	460,794	—	(460,794)	—	—
2009 final dividends paid	—	—	—	—	(732,000)	(732,000)
2009 final dividends conversion into share capital	—	—	—	(732,000)	—	(732,000)
Proposed 2010 final dividends	—	—	—	(2,196,000)	2,196,000	—
As of 31 December 2010 and 1 January 2011	**166,170**	**1,509,249**	**—**	**7,681,148**	**2,196,000**	**11,552,567**
Comprehensive income for the year	—	—	—	5,103,185	—	5,103,185
Transferred from retained profits	—	513,587	—	(513,587)	—	—
2010 final dividends paid	—	—	—	—	(2,196,000)	(2,196,000)
Proposed 2011 final dividends	—	—	—	(2,196,000)	2,196,000	—
Others	(42)	—	—	—	—	(42)
As of 31 December 2011	**166,128**	**2,022,836**	**—**	**10,074,746**	**2,196,000**	**14,459,710**

34. ACQUISITION AND DISPOSAL OF NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Acquisition of Non-controlling interests in subsidiaries

During the year ended 31 December 2010, the Group acquired the non-controlling interests in subsidiaries as follows:

i) On 23 June 2010, the Group entered into a purchase agreement with Inner Mongolia Ruyi Co., Ltd. (內蒙古如意實業股份有限公司) to acquire the equity interests of 4% in Inner Mongolia Yitai Zhundong Railway Co., Ltd. at cash considerations of RMB108,750,000. After the acquisition, the Company held 100% of the total equity interest of Inner Mongolia Yitai Zhundong Railway Co., Ltd..

During the year ended 31 December 2011, the Group acquired the non-controlling interests in subsidiaries as follows:

ii) On 10 June 2011, the Group entered into a purchase agreement with Liu Shun (劉順) to acquire the equity interests of 4.14% in Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司) at the cash consideration of RMB500,000. After the acquisition, the Company held 100% of the total equity interest of in Inner Mongolia Yitai Pharmaceutical Co., Ltd..

Disposal of interests in subsidiaries

During the year ended 31 December 2009, the disposals of minority interests in subsidiaries for the Group were as follows:

i) On 31 May 2009, the Group entered into an agreement with Shanxi Yudean and Beijing Jingneng Thermal Power Co., Ltd. (北京京能熱電股份有限公司) to dispose of the equity interests of 9% and 9% in Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. for cash consideration of RMB402,800,000 and RMB402,800,000 respectively. After the disposal, the Group then held a 52% equity interest in Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.

ii) On 30 June 2009, the Group entered into an agreement with Ordos Dongchen Coal Co., Ltd. (鄂爾多斯市東辰煤炭有限責任公司), and Ordos Dinghua Resource Development Co., Ltd. (鄂爾多斯市鼎華資源開發有限責任公司) to dispose of the equity interests of 30% and 19% in Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. for cash considerations of RMB 79,805,500 and RMB 50,543,500 respectively. After the disposal, the Group then held 51% equity interest in Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd.

35. OPERATING LEASE ARRANGEMENTS

As lessee

At the end of each reporting period during the Relevant Periods, the Group had no significant future minimum lease payments under non-cancellable operating leases.

36. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period during the Relevant Periods:

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Contracted, but not provided for:			
Property, plant and equipment	1,574,087	2,295,036	1,497,085
Available-for-sale investments	823,120	358,920	168,530
	2,397,207	2,653,956	1,665,615

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Contracted, but not provided for:			
Property, plant and equipment	310,517	363,559	517,479
Available-for-sale investments	729,625	319,625	153,625
	1,040,142	683,184	671,104

37. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in this report, the Group had the following material transactions with related parties during the Relevant Periods:

		Group		
		Year ended 31 December		
	Note	2009	2010	2011
		RMB '000	RMB '000	RMB '000
Sales of goods to Yitai Group	(i)*	186,326	102,311	140,449
Sales of goods to an associate	(i)*	3,156	163,546	198,665
Provision of services to Yitai Group	(i)*	437,990	248,160	638,626
Purchase of services from Yitai Group	(i)#	120,253	113,519	133,432
Purchase of goods from Yitai Group	(i)#	57,063	—	—

Note:

(i) In the opinion of the Directors, the transactions between the Group and the related parties were conducted in the ordinary and usual course of business and on normal commercial terms, the pricing terms were at the prevailing market prices.

* In the opinion of directors, the related party transactions will continue after the listing of H shares of the Company on Hong Kong Stock Exchange and the completion of the Proposed Acquisition (as defined in the Prospectus).

In the opinion of directors, the related party transactions will not continue after the listing of H shares of the Company on Hong Kong Stock Exchange and the completion of the Proposed Acquisition.

(b) Outstanding balances with related parties

	Note	Group As of 31 December 2009 RMB '000	2010 RMB '000	2011 RMB '000
Trade and bills receivables	(i)	66,511	6,730	10,000
Prepayments, deposits and other receivables	(i)	42,906	2,962	2,571
Trade payables	(i)	(11,397)	—	(23,418)
Other payables and accruals	(i)	(162)	(234)	(13,815)

(i) The above balances are unsecured, non-interest bearing and repayable on demand.

(c) Guarantees received from related parties

As of 31 December 2009, 31 December 2010 and 31 December 2011, bank loans of RMB1,858,382,000, RMB1,425,255,000 and RMB1,069,222,000 were guaranteed by the related parties respectively.

(d) Guarantees given to banks for loans of related parties

As of 31 December 2009, 31 December 2010 and 31 December 2011, guarantees of RMB110,200,000, RMB19,552,000 and RMB17,056,000 were given to banks for loans of related parties.

38. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for as of the end of the reporting period during the Relevant Periods:

	Group As of 31 December 2009 RMB '000	2010 RMB '000	2011 RMB '000
Guarantees given to banks in connection with loans granted to associates	110,200	19,552	17,056
	110,200	19,552	17,056

	Company As of 31 December 2009 RMB '000	2010 RMB '000	2011 RMB '000
Guarantees given to banks in connection with loans granted to subsidiaries	5,394,776	5,649,907	5,896,111
Guarantees given to banks in connection with loans granted to associates	110,200	19,552	17,056
	5,504,976	5,669,459	5,913,167

39. FINANCIAL INSTRUMENTS BY CATEGORY

	Group		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Financial assets			
Available-for-sale investments	1,338,839	2,108,132	2,870,590
Loans and receivables			
Trade and bills receivables	668,527	573,247	751,430
Financial assets included in prepayments, deposits and other receivables	254,106	53,138	56,094
Restricted cash	15,039	27,124	20,305
Cash and short-term deposits	3,275,435	3,715,161	3,535,470
Financial liabilities			
Financial liabilities at amortised cost			
Trade and bills payables	269,855	279,434	543,485
Financial liabilities included in other payables and accruals	2,028,144	1,616,228	1,489,156
Interest-bearing bank and other borrowings	9,120,408	7,930,407	8,306,784

	Company		
	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Financial assets			
Available-for-sale investments	1,318,514	2,033,607	2,771,675
Loans and receivables			
Trade and bills receivables	590,078	510,542	669,445
Financial assets included in prepayments, deposits and other receivables	330,933	935,834	727,368
Restricted cash	11,842	8,658	17,076
Cash and short-term deposits	1,865,385	2,176,065	2,272,541
Financial liabilities			
Financial liabilities at amortised cost			
Trade and bills payables	145,188	173,123	375,472
Financial liabilities included in other payables and accruals	752,869	641,950	807,635
Interest-bearing bank and other borrowings	1,827,250	140,000	160,000

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The carrying amounts of the Group's financial instruments approximated to their fair values as of the end of each reporting period. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, commodity price risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

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 the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate loans) and the Group's and the Company's equity.

	Group	
	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
		RMB '000
Year ended 31 December 2011	100	(70,429)
	(100)	70,429
Year ended 31 December 2010	100	(75,372)
	(100)	75,372
Year ended 31 December 2009	100	(77,883)
	(100)	77,883

	Company	
	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
		RMB '000
Year ended 31 December 2011	100	(800)
	(100)	800
Year ended 31 December 2010	100	(1,400)
	(100)	1,400
Year ended 31 December 2009	100	(10,973)
	(100)	10,973

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Commodity price risk

The Group is exposed to commodity price risk through fluctuations of the price of coal sold by the Group. The Group has accepted the exposure to commodity price risk and has not used forward contracts to eliminate the commodity price exposures on individual transactions.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and the Group has available funding through an adequate amount of committed credit facilities to meet its commitments.

The table below summarises the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments.

Group

Year ended 31 December 2011	On demand	Less than 1 year	1 to 5 Years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest bearing bank and other borrowings	—	2,652,175	4,511,978	3,642,957	10,807,110
Trade and bills payables	543,485	—	—	—	543,485
Other payables and liabilities	54,214	1,434,942	—	—	1,489,156
	597,699	4,087,117	4,511,978	3,642,957	12,839,751

Year ended 31 December 2010	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest bearing bank and other borrowings	—	1,312,207	4,586,410	4,836,282	10,734,899
Trade and bills payables	279,434	—	—	—	279,434
Other payables and liabilities	7,250	1,608,978	—	—	1,616,228
	286,684	2,921,185	4,586,410	4,836,282	12,630,561

Year ended 31 December 2009	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest bearing bank and other borrowings	—	2,308,828	4,297,785	5,581,384	12,187,997
Trade and bills payables	258,458	11,397	—	—	269,855
Other payables and liabilities	2,360	2,025,784	—	—	2,028,144
	260,818	4,346,009	4,297,785	5,581,384	14,485,996

Company

Year ended 31 December 2011	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest bearing bank and other borrowings	—	91,020	88,460	—	179,480
Trade and bills payables	375,472	—	—	—	375,472
Other payables and liabilities	4,614	803,021	—	—	807,635
Guarantees given to banks in connection with facilities granted to subsidiaries	88,945	—	—	—	88,945
	469,031	894,041	88,460	—	1,451,532

Year ended 31 December 2010	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest bearing bank and other borrowings	—	28,000	129,600	—	157,600
Trade and bills payables	173,123	—	—	—	173,123
Other payables and liabilities	2,406	639,544	—	—	641,950
Guarantees given to banks in connection with facilities granted to subsidiaries	127,205	—	—	—	127,205
	302,734	667,544	129,600	—	1,099,878

Year ended 31 December 2009	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest bearing bank and other borrowings	—	898,533	1,003,254	111,449	2,013,236
Trade and bills payables	145,188	—	—	—	145,188
Other payables and liabilities	14,132	738,737	—	—	752,869
Guarantees given to banks in connection with facilities granted to subsidiaries	288,745	—	—	—	288,745
	448,065	1,637,270	1,003,254	111,449	3,200,038

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by capital. Net debt includes interest-bearing bank loans, trade, bills and other payables, accruals, less cash and cash equivalents. Capital represents the equity attributable to owners of the parent.

At the end of each of reporting period during the Relevant Periods, the Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of each of the Relevant Periods were as follows:

Group

	As of 31 December		
	2009	2010	2011
	RMB '000	RMB '000	RMB '000
Interest-bearing bank loans	9,120,408	7,930,407	8,306,784
Trade and bills payables	269,855	279,434	543,485
Other payables and accruals	2,028,144	1,616,228	1,489,156
Less: Cash and cash equivalent	(3,275,435)	(3,715,161)	(3,535,470)
Net debt	8,142,972	6,110,908	6,803,955
Equity attributable to owners of the company.	9,506,584	13,745,474	17,015,636
Gearing ratio	0.86	0.44	0.40

41. EVENTS AFTER THE REPORTING PERIOD

The Company has entered into an assets transfer agreement with Yitai Group on 29 May 2012, pursuant to which Yitai Group agreed to transfer, and the Company agreed to acquire, the Target Business Group at an aggregate consideration of RMB8,446.5 million. The Company intends to use the net proceeds of the Global Offering to fund the amount of consideration payable to Yitai Group for the Proposed Acquisition.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2011.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong