



内蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 3948



2012 INTERIM REPORT



*For identification purposes only

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I. IMPORTANT NOTICE

- (1) The Board of Directors, and the Supervisory Committee of the Company and its Directors, supervisors and senior management warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.
- (2) All of the Company's Directors attended the Board meeting
- (3) Da Hua Certified Public Accountants Co., Ltd (大華會計師事務所有限公司) had issued a standard unqualified auditor's report on the Company's 2012 interim financial statements prepared under the China Accounting Standards for Business Enterprises (中國企業會計準則) under the China CPA Auditing Standards. Ernst & Young Certified Public Accountants had issued a standard unqualified independent auditor's report on the Company's 2012 interim financial statements prepared under International Financial Reporting Standards in accordance with the Hong Kong Standards of Auditing.
- (4) The Company's Chairman
Senior Management responsible for finance and accounting
Head of Financial Department (accounting chief)

Zhang Donghai
Lv Guiliang
Yang Yonggang

The Company's Chairman, Mr. Zhang Donghai, Senior Management responsible for finance and accounting, Mr. Lv Guiliang, and Head of Financial Department (accounting chief), Mr. Yang Yonggang, warrant the truthfulness and completeness of the financial report set out in the interim report.

- (5) Were there any non-operational funds appropriated by controlling shareholders and its connected parties?

No
- (6) Did the Company provide third-party guarantees in violation of stipulated decision-making procedures?

No

II. CORPORATE PROFILE

(1) Corporate information

Legal name of the Company in Chinese	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰煤炭
Legal name of the Company in English	INNER MONGOLIA YITAI COAL CO., LTD.
English abbreviation of the legal name of the Company	IMYCC/ Yitai Coal
Legal representative	Zhang Donghai
Members of the Board	<p><i>Executive Directors</i></p> <p>Zhang Donghai Liu Chunlin Ge Yaoyong Zhang Dongsheng Kang Zhi Zhang Xinrong Lv Guiliang</p> <p><i>Independent Non-executive Directors</i></p> <p>Xie Xianghua Lian Junhai Song Jianzhong Tam Kwok Ming, Banny</p>
Members of the Supervisory Committee	Li Wenshan Zhang Mingliang Wang Sanmin Ji Zhifu Han Zhanchun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Jian Qing'e Lee Mei Yi



II. CORPORATE PROFILE (*CONTINUED*)

(2) Contact persons and contact method

	Board Secretary/Joint Company Secretary
Name	Jian Qing'e
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	(86 477) 8565735
Facsimile	(86 477) 8565415
E-mail	jianqe@vip.sina.com
	Securities Department of the Company
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	(86 477) 8565731/5734
Facsimile	(86 477) 8565415
E-mail	ir@yitaicoal.com

(3) Basic Information

Registered address	North Tianjiao Road, Dongsheng District Ordos, Inner Mongolia
Postal code of the registered address	017000
Office address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the Office address	017000
Principal place of business in Hong Kong	Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong
Website of the Company	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

II. CORPORATE PROFILE (CONTINUED)

(4) Information disclosure and place of inspection

Newspaper selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Website designated by CSRC for publishing the B share interim report	http://www.sse.com.cn
Website designated by HKEx for publishing the H share interim report	http://www.hkexnews.hk
Place of inspection of the Company's interim report	Securities department and principal place of business in Hong Kong

(5) Basic information on the Company's listed shares

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



II. CORPORATE PROFILE (CONTINUED)

(6) Other Information

		B share/Domestic	H share/Overseas
Auditor	Name	Da Hua Certified Public Accountants Co., Ltd.	Ernst & Young Certified Public Accountants
	Signing Auditor	Gong Xinping, Li Hongyi	
	Address	12 th Floor, Building No.7, Block No. 16, Xi Si Huan Zhong Road, (西四環中環)Haidian District, Beijing	22 nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Legal Advisor	Name	Jingtian & Gongcheng Attorneys at Law	Clifford Chance
	Address	34 th Floor, Tower 3, China Central Place, 77 Jianguo Road, Beijing	28 th Floor, Jardine House, One Connaught Place, Central, Hong Kong
Share Registrar and Transfer Office	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36 th Floor, China Insurance Building, 166 Lu Jia Zui Dong Lu, Pudong New Area, Shanghai	Shops 1712-1716, 17 th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

(7) Key Business Data

Unit: million tonnes

	January to June 2012	January to June 2011	Increase/Decrease
Coal production	17.2	17.5	-1.7%
Coal sales volume	27.0	18.1	49.2%
Local sales at mines	10.1	7.5	34.7%
Local sales at loading facilities	4.5	3.7	21.6%
Sales via direct rail access	0.6	0.7	-14.3%
Sales at ports	11.7	6.2	88.7%
Transportation capacity			
Huzhun Railway Line	12.9	11.8	9.3%
Zhundong Railway Line	19.1	17.7	7.9%
Coal-related chemical production	0.08	0.07	14.3%

II. CORPORATE PROFILE (CONTINUED)

(8) Major financial data and indicators

1. Major accounting data and financial indicators

Unit: RMB'000 Currency: RMB

	As at the end of the reporting period	As at the end of last year	Increase/ decrease as compared with the end of last year (%)
Total assets	33,320,316	30,068,612	10.81%
Equity attributable to owners of the Company	18,013,573	17,015,636	5.86%
Equity attributable to owners of the Company per share (<i>yuan/share</i>)	12.30	11.62	5.85%

	Reporting Period (January-June)	The same period of last year	Increase / decrease over the same period of last year
Profit before tax	4,059,066	3,596,288	12.87%
Profit and total comprehensive income attributable to the owners of the Company	3,193,937	2,928,992	9.05%
Basic earnings per share attributable to ordinary equity holders of the Company (<i>RMB</i>)	2.18	2.00	9.00%
Net cash flow generated from operating activities	2,667,872	2,862,403	-6.80%
Net cash flow per share generated from operating activities (<i>yuan/share</i>)	1.82	1.96	-7.14%



II. CORPORATE PROFILE (CONTINUED)

(8) Major financial data and indicators (Continued)

2. Differences of net profit attributable to owners of the Company and net assets attributable to owners of the Company between PRC accounting standards and International Accounting Standards (“IAS”)

- (1) Accounting differences arising from preparation in accordance with IFRSs and the PRC Accounting Standards

Unit: RMB'000

	Net profit attributable to owners of the Company		Net assets attributable to owners of the Company	
	Reporting Period (January-June)	The same period of last year Unaudited	As at the end of the reporting period	As at the end of last year
As prepared under PRC Accounting Standards	3,209,815	2,947,357	17,869,399	16,853,595
Items and amounts adjusted under IFRSs:				
Unutilised safety fund	2,487	—	—	—
Depreciation difference	(18,365)	(18,365)	144,174	162,041
Under IFRSs	<u>3,193,937</u>	<u>2,928,992</u>	<u>18,013,573</u>	<u>17,015,636</u>

III. CHAIRMAN'S STATEMENT

Dear shareholders,

In the first half of 2012, the downturn of China's macro economy led to a weak coal demand in the downstream industries, which eased the basically balanced supply and demand dynamics in the coal market and pushed the high coal price to fall. The coal price further declined as cheaper imported coal aggravated domestic coal markets. Under this background, the Company strictly implemented its overall arrangement and deployment with systematic arrangement of production and rationalised transportation. It also standardised corporate operation by strengthening operation and management, thus managed to maintain production safety and the solid and stable growth of coal transportation and sales for greater profitability. On behalf of the Board of Directors, I am pleased to present shareholders the 2012 interim results of Yitai Coal.



Operating performance continues to grow

In the first half of this year, except for a decrease in the production capacity of raw coal which was attributable to the relocation of certain mines' working faces, we outperformed our business goals with sound growth momentum in coal sales, railway transportation and coal-related chemical business.

As at 30 June 2012, the Company's output aggregated 17.2 million tonnes of raw coal, representing a 1.7% decrease from the same period of last year, while coal sales aggregated 27.0 million tonnes, representing a 49.2% increase over the same period of last year. Zhundong Railway Line had dispatched an aggregate of 19.1 million tonnes of coal, up 7.9% as compared with the same period of last year. Huzhun Railway Line had dispatched an aggregate of 12.9 million tonnes of coal, representing an increase of 9.3% over the same period of last year. Yitai Coal-to-oil Company had produced 100,000 tonnes of various oil products and chemical products such as diesel, naphtha and white oil, representing a year-on-year increase of 14.3%. During the reporting period, the Company's revenue from sales amounted to RMB12,614.24 million, representing an increase of 75.06% over the same period last year. Profit and comprehensive income attributable to owners of the Company amounted to RMB3,193.94 million, representing an increase of 9.05% over the same period last year.



III. CHAIRMAN'S STATEMENT (CONTINUED)

Carrying forward Construction of Key Projects Steadily

The Company had made steady progress in the handling of approval procedures and engineering construction for all its key projects. An application has been filed with the NDRC for approval of Talahao Mine with an annual productivity of 6,000,000 tonnes. The “three connections and one leveling” construction of the mine was completed, while the mine construction will begin following the approval for the project is obtained. The ground civil engineering work of the coal mine and coal preparation plant have already commenced. As at the end of the reporting period, an aggregate of RMB725.65 million had been invested in the project of establishing a second track for Huzhen Railway, taking up 30% of the preliminarily estimated amount of investment. An aggregate of RMB182.72 million was invested in Dalu coal-chemical special line (大路煤化工專用線), taking up 96% of the preliminary estimated amount of investment.

New achievements in production safety

In adherence to the production safety principle of “safety-foremost with prevention-oriented and comprehensive treatment”, the Company tightened the supervision of production safety. As at the end of the reporting period, the Company maintained the record of zero fatalities per million tonnes of raw coal production. Production safety of Zhundong Railway had been maintained for consecutive 4,215 days without any injuries, casualties or incidents or major transportation accidents. As for Huzhun Railway, there had been no significant transportation incidents or more serious incidents for 1,986 days, and no ordinary transportation incidents had occurred for 1,067 days.

The second half of the year: successful issue of the Company's H shares accelerated implementation of the Company's development strategy

On 12 July 2012, the Company was successfully listed in Hong Kong. The Company will use the raised proceeds for acquisition of the Group's relevant businesses and assets, including those of five operating coal mines and certain coal mines. Upon completion of the acquisitions, more comprehensive corporate governance will be in place and the problem of peer competitions and connected transactions will be properly settled. The Company's resources reserves and production and sales volume will increase significantly.

In the second half of this year, the Company will speed up in advancing the Company's development strategy. It will refine its corporate governance, achieve business goals, maintain production safety and steadily carry forward construction of key projects, with a view to fulfilling its social responsibility.

The successful issuance of H shares marked an important milestone in the Company's development. The new starting point in business heralded another round of high-speed growth of the Company. We will continue to put efforts in building a more international and innovative Yitai Coal so as to create a larger and broader room for the Company's development in the journey ahead, and strive to increase returns for our shareholders.

IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(I) Changes in share capital

Unit: Share

	Prior to the change		Changes (+,-)				After the change		
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Capitalisation of surplus reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	800,000,000	54.64						800,000,000	54.64
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	800,000,000	54.64						800,000,000	54.64
Including: Domestic non-state-owned legal person shares	800,000,000	54.64						800,000,000	54.64
Domestic natural person shares									
4. Foreign shares									
Including: Foreign legal person shares									
Foreign natural person shares									
II. Tradable shares not subject to selling restrictions	664,000,000	45.36						664,000,000	45.36
1. RMB-denominated ordinary shares									
2. Domestic listed foreign shares	664,000,000	45.36						664,000,000	45.36
3. Overseas listed foreign shares									
4. Others									
III. Shares in total	1,464,000,000	100.00						1,464,000,000	100.00

Note: As at 30 June 2012 (end of this reporting period), since the Company was not listed on The Stock Exchange of Hong Kong Limited, there was no change in share capital of the Company at the end of the reporting period.

The Company issued 162,667,000 H shares on July 12, 2012, and 336,500 H shares on 8 August 2012 under over-allotment option, which totaled 163,003,500 H shares. As at the date of the report, the total share capital of the Company was 1,627,003,500 shares.



IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(II) Information on shareholders and ultimate controller

1. Number of shareholders and their shareholdings

Unit: Share

Total number of shareholders at the end of the reporting period 87,064

Shareholding of the Top Ten Shareholders

Name of shareholder	Nature of shareholder	Shareholding Percentage (%)	Total number of shares held	Change during the reporting period	Class of shares	Number of non-tradable shares held	Number of shares pledged or frozen
Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)	Domestic non-state-owned legal person	54.64	800,000,000		Non-tradable	800,000,000	Nil
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	Foreign legal person	7.45	109,010,089.00	29,280,089	Tradable		Unknown
FTIF TEMPLETON ASIAN GROWTH FUND 5496	Foreign legal person	2.53	37,030,724	568,799	Tradable		Unknown
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	Foreign legal person	1.00	14,662,779	-5,593,607	Tradable		Unknown
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.78	11,423,644	1,513,189	Tradable		Unknown
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	Foreign legal person	0.67	9,777,923	-2,454,691	Tradable		Unknown
FIRST SHANGHAI SECURITIES LTD.	Foreign legal person	0.45	6,537,129	-1,562,588	Tradable		Unknown
SCBHK A/C GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION - A/C "C"	Foreign legal person	0.41	5,991,758	-400,564	Tradable		Unknown
FTIF TEMPLETON BRIC FUND	Foreign legal person	0.37	5,367,913	-714,000	Tradable		Unknown
ABU DHABI INVESTMENT AUTHORITY	Foreign legal person	0.37	5,355,733	385,933	Tradable		Unknown

IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

(II) Information on shareholders and ultimate controller (Continued)

1. Number of shareholders and their shareholdings (Continued)

Shareholdings of the Top Ten Holders of Tradable Shares

Name of shareholder	Number of tradable shares held	Class and number shares
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	109,010,089	Domestic listed foreign shares
FTIF TEMPLETON ASIAN GROWTH FUND 5496	37,030,724	Domestic listed foreign shares
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	14,662,779	Domestic listed foreign shares
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	11,423,644	Domestic listed foreign shares
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	9,777,923	Domestic listed foreign shares
FIRST SHANGHAI SECURITIES LTD.	6,537,129	Domestic listed foreign shares
SCBHK A/C GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION - A/C "C"	5,991,758	Domestic listed foreign shares
FTIF TEMPLETON BRIC FUND	5,367,913	Domestic listed foreign shares
ABU DHABI INVESTMENT AUTHORITY	5,355,733	Domestic listed foreign shares
SCBHK A/C KG INVESTMENTS ASIA LIMITED	4,975,638	Domestic listed foreign shares

Details of the above shareholders who are connected to each other or acting in concert

Among the top ten shareholders of the Company, Yitai (Group) HK Co., Ltd. is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares of the Company. Apart from the aforesaid, the Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.



IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

(II) Information on shareholders and ultimate controller (Continued)

2. Changes in the controlling shareholder and the ultimate controllers of the Company

During the reporting period, there was no change in the controlling shareholder or the ultimate controllers of the Company.

3. Substantial shareholders' interests in shares and underlying shares

The Company's shares were not listed on the Stock Exchange as at 30 June 2012. Accordingly, no disclosure of interests or short positions in any shares or underlying shares of the Company was required to be made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2012.

As at 12 July 2012 (the "Listing Date"), the following interest of 5% or more of the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%) ^{3,4}	Percentage of the total issued shares (%) ^{3,4}
Atlantis Capital Holdings Limited	H Shares	Interest of controlled corporation	Long position	9,016,800	5.54	0.55
Bank of America Corporation	H Shares	Interests held jointly with another person	Long position	25,968,500	15.96	1.59
			Short position	3,219,000	1.98	0.19
BNP Paribas S.A.	H Shares	Interests held jointly with another person	Long position	24,400,000	15	1.49
			Short position	24,400,000	15	1.49
China Datang Corporation	H Shares	Interest of controlled corporation	Long position	18,031,100	11.08	1.10
China International Capital Corporation (Hong Kong) Limited	H Shares	Interests held jointly with another person	Long position	24,400,000	15	1.49
			Short position	24,400,000	15	1.49

IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

(II) Information on shareholders and ultimate controller (Continued)

3. Substantial shareholders' interests in shares and underlying shares (Continued)

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%) ^{3,4}	Percentage of the total issued shares (%) ^{3,4}
China International Capital Corporation Hong Kong Securities Limited	H Shares	Interests held jointly with another person	Long position	24,400,000	15	1.49
			Short position	24,400,000	15	1.49
China International Capital Corporation Limited	H Shares	Interests held jointly with another person	Long position	24,400,000	15	1.49
			Short position	24,400,000	15	1.49
Credit Suisse AG	H Shares	Interest of controlled corporation	Long position	24,400,000	15	1.49
			Short position	24,400,000	15	1.49
Credit Suisse Group AG	H Shares	Interest of controlled corporation	Long position	24,400,000	15	1.49
			Short position	24,400,000	15	1.49
Credit Suisse (Hong Kong) Limited	H Shares	Interests held jointly with another person	Long position	24,400,000	15	1.49
			Short position	24,400,000	15	1.49
Datang International (Hong Kong) Limited	H Shares	Beneficial owner	Long position	18,031,100	11.08	1.10
Datang International Power Generation Co., Ltd.	H Shares	Interest of controlled corporation	Long position	18,031,100	11.08	1.10
Great Huazhong Energy Co. Ltd	H Shares	Beneficial owner	Long position	13,584,000	8.35	0.83
Inner Mongolia Yitai Group Co., Ltd.	Non-overseas-listed-foreign shares	Beneficial owner/Interest of controlled corporation	Long position	933,728,287 ¹	63.77	57.40



IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

(II) Information on shareholders and ultimate controller (Continued)

3. Substantial shareholders' interests in shares and underlying shares (Continued)

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of	Percentage
					the relevant shares in issue (%) ^{3,4}	of the total issued shares (%) ^{3,4}
Inner Mongolia Yitai Investment Co., Ltd.	Non-overseas-listed-foreign shares	Interest of controlled corporation	Long position	933,728,287 ²	63.77	57.40
Liu Yang	H Shares	Interest of controlled corporation	Long position	9,016,800	5.54	0.55
Macquarie Group Limited	H Shares	Interests held jointly with another person	Long position	24,400,000	14.99	1.49
Poseidon Sports Limited	H Shares	Beneficial owner	Long position	10,000,000	6.15	0.61
Reignwood International Investment (Group) Company Limited	H Shares	Interest of controlled corporation	Long position	9,015,500	5.54	0.55
UBS AG	H Shares	Beneficial owner	Long position Short position	24,490,320 3,219,000	15.06 1.98	1.50 0.19
Yitai Group (Hong Kong) Co., Ltd.	Non-overseas-listed-foreign shares	Beneficial owner	Long position	133,728,287	9.13	8.22
Inner Mongolia Man Shi Investment Group Limited (內蒙古滿世投資集團有限公司)	H Shares	Beneficial owner	Long position	14,160,500	8.70	0.87

IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

(II) Information on shareholders and ultimate controller (Continued)

3. Substantial shareholders' interests in shares and underlying shares (Continued)

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%) ^{3,4}	Percentage of the total issued shares (%) ^{3,4}
Inner Mongolia Ordos Investment Holding Group Co., Ltd. (內蒙古鄂爾多斯投資控股集團有限公司)	H Shares	Beneficial owner	Long position	13,561,300	8.33	0.83
Ordos Vanzip Project Construction Company Limited (鄂爾多斯市萬正建設工程有限責任公司)	H Shares	Beneficial owner	Long position	14,160,500	8.70	0.87
Ordos Hongrui Trade Company Limited (鄂爾多斯市弘瑞商貿有限責任公司)	H Shares	Beneficial owner	Long position	13,584,000	8.35	0.83
CITIC Sandwich (Shanghai) Investment Centre (Limited Partnership) (中信夾層(上海)投資中心(有限合夥))	H Shares	Beneficial owner	Long position	8,771,600	5.39	0.53

Notes:

1. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (Hong Kong) Co., Ltd., and is thus deemed to be interested in all of the 133,728,287 B shares held by Yitai Group (Hong Kong) Co., Ltd. Inner Mongolia Yitai Group Co., Ltd. directly holds 800,000,000 Domestic Shares.
2. Inner Mongolia Yitai Investment Co., Ltd. holds 99.54% of the registered capital of Inner Mongolia Yitai Group Co., Ltd. and is thus deemed to be interested in all of the 933,728,287 shares directly or indirectly held by Inner Mongolia Yitai Group Co., Ltd..
3. According to the Articles of Association, the Company has two classes of shares, consisting of: (i) "non-overseas-listed shares" which include Domestic Shares and B Shares; and (ii) H Shares.
4. The percentage shareholdings are rounded to the nearest two decimal place.



IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS *(CONTINUED)*

(II) Information on shareholders and ultimate controller *(Continued)*

Save as disclosed above, as at the Listing Date, no person, other than the directors and supervisors of the Company whose interests are set out in the section headed “Directors’, Supervisors’ and Chief Executives’ Interests and Short Positions in Shares and Underlying Shares” below, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

(III) Purchase, redemption or sale of listed securities of the Company

Neither the Group nor its subsidiaries purchased, disposed or redeemed any listed shares of the Company from the Listing Date to the date of this announcement.

V. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in the shareholding interests of directors, supervisors and senior management

During the reporting period, there was no change in the shareholding interests of directors, supervisors and senior management.

(II) Directors’, Supervisors’ and Chief Executives’ interests and short positions in shares and underlying shares

As mentioned above, the Company’s shares were listed on the Stock Exchange on 12 July 2012, which is after 30 June 2012 (end of this reporting period). Accordingly, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the “SFO”) and Section 352 of the SFO were not applicable to the Company’s directors, supervisors and chief executives as at 30 June 2012.

On the Listing Date, the interests of the directors, supervisors and chief executives of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

V. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

(II) Directors', Supervisors' and Chief Executives' interests and short positions in shares and underlying shares (Continued)

Long positions in the shares of associated corporation of the Company

Name of director / supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	10,903,593	1.51
		Interest of spouse	500,000	0.06
		Interest as a trustee	20,437,872 ¹	2.84
Mr Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,000,000	0.83
		Interest as a trustee	20,428,000 ¹	2.84
Mr Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	51,250	0.007
		Interest as a trustee	20,428,000 ¹	2.84
Mr Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	148,947	0.02
		Interest as a trustee	20,428,000 ¹	2.84
Mr Kang Zhi	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,606,644	0.36
		Interest as a trustee	20,428,000 ¹	2.84
Mr Zhang Xinrong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,808,514	0.39
		Interest of spouse	114,871	0.01
		Interest as a trustee	20,428,000 ¹	2.84
Mr Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30



V. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

(II) Directors', Supervisors' and Chief Executives' interests and short positions in shares and underlying shares (Continued)

Name of director / supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Supervisors:				
Mr Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.55
		Interest as a trustee	20,428,000 ¹	2.84
Mr Zhang Mingliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	899,053	0.12
Mr Wang SanMin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	500,000	0.06
Mr Ji Zhifu	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03
Mr Han Zhanchun	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03

Note 1: Pursuant to a trust agreement entered into by 31 individuals and a group of employees of Inner Mongolia Yitai Group Co., Ltd., the directors and supervisors listed above together with other members of the 31 individuals hold the entire issued share capital of Inner Mongolia Yitai Investment Co., Ltd. on behalf of a group of employees comprised of 2,300 individuals. Our PRC legal advisors opined that the trust arrangement is valid and binding under the PRC laws.

Save as disclosed above, as at the Listing Date, none of the directors, supervisors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

V. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

(III) New appointment or dismissal of directors, supervisors and senior management of the Company

During the reporting period, there was no new appointment or dismissal of directors, supervisors and senior management staff in the Company.

(IV) Employees

Details of Employees as at 30 June 2012

Total number of in-service employees	5,272
Number of employees retired for whom the Company has to pay pension	27

Specialty

Category	Number of Employees
Production	1,746
Transportation, sales and marketing	1,876
Technician	512
Accounts and finance	195
Administration	943

Educational Background

Category	Number of Employees
Postgraduate	87
Undergraduate	1,423
College graduate and secondary technical school	1,905
Below secondary technical school	1,857



VI. REPORT OF DIRECTORS

(I) Discussion and analysis on the overall operations during the reporting period

During the first half of 2012, leveraging a precise judgment of the macro-economic dynamics, the Company grasped opportunities in an environment with favorable industrial policies. Under the leadership of the Board of Directors and the management of the Company, adhering to the concept of “operation in good faith”, the Company strictly implemented its overall arrangement and deployment with systematic arrangement of production and rationalised transportation. It also regulated corporate operation and tightened operational management, thus managed to maintain a safe production as well as sound and stable momentum of coal transportation and sales, which translated into greater profitability. In accordance with IFRSs, revenue from sales of the Company was RMB12,614.24 million, representing an increase of 75.06% over the same period of last year; profit and total comprehensive income attributable to owners of the Company amounted to RMB3,193.94 million, representing an increase of 9.05% as compared with the same period of last year. Basic earnings per share of the Company were RMB2.18, representing an increase of 9.00% over the same period of last year. Shareholders’ equity per share attributable to owners of the Company amounted to RMB12.30 per share, representing an increase of 5.85% over the same period of last year.

In the first half of 2012, the Company produced an aggregate of 17.2 million tonnes of coal, representing a decrease of 1.7% from the same period of last year, primarily due to the impact on the output of the relevant period by production suspension for repair and maintenance during Spring Festival and the relocation of mine faces. During the first half of the year, the Company sold 27.0 million tonnes of coal in aggregate, representing an increase of 49.2% over the same period last year. The sales revenue of coal amounted to RMB11,484.53 million, representing an increase of 67.5% over the same period of last year. The aggregate coal-to-oil production of oil products and chemicals such as diesel, naphtha and white oil by the Company was 0.1 million tonnes, representing a year-on-year increase of 14.3%.

1. Review of overall operation and principal results of the Company

(1) Analysis on consolidated results of operations of the Company

Unit: RMB million

Item	For the six months ended 30 June, 2012	For the six months ended 30 June, 2011	Changes	Percentage of change
Revenue	12,614.24	7,205.63	5,408.61	75.06%
Cost of sales	7,820.12	2,962.00	4,858.12	164.01%
Gross profit	4,794.12	4,243.63	550.49	12.97%
Gross profit margin	38.01%	58.89%	—	-20.88%
Profit before tax	4,059.07	3,596.29	462.78	12.87%
Profit for the period	3,447.73	3,046.35	401.38	13.18%
Profit attributable to owners of the Company	3,193.94	2,928.99	264.95	9.05%
Basic earnings per share (RMB per share)	2.18	2.00	0.18	9.00%

VI. REPORT OF DIRECTORS (CONTINUED)

(I) Discussion and analysis on the overall operations during the reporting period (Continued)

1. Review of overall operation and principal results of the Company (Continued)

(1) Analysis on combined results of operations of the Company (Continued)

Results of operation of four segments of the Company, namely coal operation, transportation operation, coal-related chemical operation and other operation, for the six months ended 30 June 2012 and for the six months ended 30 June 2011 and changes thereof are set out as follows:

Unit: RMB million

	Revenue net of intersegment sales			Net profit for the period		
	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Changes (%)	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Changes (%)
Coal operation	11,484.53	6,854.96	67.54%	3,112.01	2,810.33	10.73%
Transportation operation	456.55	326.85	39.68%	270.87	213.03	27.15%
Coal-related chemical operation	658.59	—*	—	80.69	4.55	1,673.41%
Other operation	14.57	23.82	-38.83%	-15.84	-5.15	-207.57%
Elimination of inter segment results	—	—	—	—	23.59	—
Total	12,614.24	7,205.63	75.06%	3,447.73	3,046.35	13.18%

* Coal-related chemical operation did not start commercial operation as at 30 June 2011.



VI. REPORT OF DIRECTORS (*CONTINUED*)

(I) Discussion and analysis on the overall operations during the reporting period (*Continued*)

1. Review of overall operation and principal results of the Company (*Continued*)

(1) Analysis on combined results of operations of the Company (*Continued*)

1) Revenue

For the six months ended 30 June 2012, the Company's revenue increased by 75.06% from RMB7,205.63 million for the six months ended 30 June 2011 to RMB12,614.24 million, mainly attributable to an increase in the revenue from coal operation and coal-related chemical operation.

For the six months ended 30 June 2012, the revenue from coal operation of the Company increased by 67.54% from RMB6,854.96 million for the six months ended 30 June 2011 to RMB 11,484.53 million, mainly attributable to the increase of sale of trading coal.

For the six months ended 30 June 2012, revenue from transportation operation of the Company increased by 39.68% from RMB326.85 million for the six months ended 30 June 2011 to RMB456.55 million, mainly attributable to an increase in the volume of coal that the Company's railway lines transported for customers and an increase in the rate of the platform fee on the Company's railway lines.

As the coal-to-oil pilot project of the Company officially commenced commercial operation in July 2011, the revenue from the Company's coal-related chemical operation increased notably from RMB nil for the six months ended 30 June 2011 to RMB658.59 million.

For the six months ended 30 June 2012, the revenue from other operation of the Company decreased by 38.83% from RMB23.82 million for the six months ended 30 June 2011 to RMB14.57 million, mainly attributable to a decrease in the revenue generated from the Company's medicine business.

2) Cost of sales

For the six months ended 30 June 2012, the Company's cost of sales increased by 164.01% from RMB2,962.00 million for the six months ended 30 June 2011 to RMB7,820.12 million, mainly attributable to an increase in the cost of coal purchased from external suppliers.

VI. REPORT OF DIRECTORS (CONTINUED)

(I) Discussion and analysis on the overall operations during the reporting period (Continued)

1. Review of overall operation and principal results of the Company (Continued)

(1) Analysis on combined results of operations of the Company (Continued)

3) Gross profit

As a result of the foregoing, the Company's gross profit increased by 12.97% from RMB4,243.64 million for the six months ended 30 June 2011 to RMB4,794.12 million for the six months ended 30 June 2012. The Company's gross profit margin decreased from 58.89% for the six months ended 30 June 2011 to 38.01%, mainly attributable to the fact that the sales of coal purchased from external suppliers increased in proportion to the total sales while external coals had lower gross profit margins than that of self-produced coals.

4) Capital structure

As of 30 June 2012, the Group's gearing ratio was 42%, representing a increase of 2 percentage points as compared with the beginning of the year.

(2) Analysis of segment operation of the Company

1) Coal production

A breakdown of production costs of the Company by cost items

Unit: RMB yuan/tonne

Cost item	From January to June 2012	From January to June 2011
Salary and Welfare	10.6	7.6
Materials/ Supplies and Maintenance	9.4	4.8
Power/ Fuel	3.1	2.6
Depreciation	6.8	6.1
Production Fees	52.7	59.9
Total	82.6	81.0



VI. REPORT OF DIRECTORS (*CONTINUED*)

(I) Discussion and analysis on the overall operations during the reporting period (*Continued*)

1. Review of overall operation and principal results of the Company (*Continued*)

(2) Analysis of segment operations of the Company (*Continued*)

1) Coal production (*Continued*)

Adhering to the principle of production safety by strictly following the principle of “safety-foremost with prevention-oriented and comprehensive treatment”, the Company enhanced its inspection over production safety by developing a more comprehensive management system of production safety and the production safety system of coal mines. With an emphasis on safety and quality standards of coal mines, it continuously deepened efforts in improving production safety. Through a series of inspection and rectification activities which effectively eliminated potential hazards, it laid a solid foundation for production safety and reliable operation of equipment in coal mines. Meanwhile, the Company actively liaised with Inner Mongolia Autonomous Region Economic and Information Technology Commission of on the undertaking of the task of national emergency coal reserve base, and obtained relevant approval and support. At the end of the reporting period, the Company maintained a good record of zero fatality rate per million tonnes of raw coal output.

During the first half of 2012, leveraging systematic tunneling and optimised coal mining designs, the Company solved the problem of continuity in mining and enhanced the efficiency of installment and removal of FM face (綜採工作面). By separating mining and transportation in the mining process together with renovation and installment of the main section of screening system of lump coal on the ground of coal mines, the Company boosted the mining efficiency of coal mines. Under the premise of output guaranteed, cost controlled and production safety ensured, the output of the commercial coal of the Company reached 17.2 million tonnes and the cost of coal per tonne was merely RMB82.6 per tonne during first half of the year.

VI. REPORT OF DIRECTORS (*CONTINUED*)

(I) Discussion and analysis on the overall operations during the reporting period (*Continued*)

1. Review of overall operation and principal results of the Company (*Continued*)

(2) Analysis of segment operations of the Company (*Continued*)

1) Coal production (*Continued*)

In respect of mine construction, the evaluation report on energy saving of Talahao Mine was reviewed by NDRC during the first half of the year. 17 supporting files prerequisite for the approval were all examined and approved while the consultation document has been reported to NDRC for approval. The “three connections and one leveling” project of mines had also been completed. The Company is waiting for approval to commence the construction of the shaft, for which full preparation has been made. Currently, civil construction of coal mines and coal processing plants are in progress.

As for the technical overhaul projects, the designated mining area for resources integration in respect of the mining rights for the combination of the coal mines at Bulamao and Kaida had been approved by the Inner Mongolia Development and Reform Commission as authorised by the NDRC. At the present stage, surface and mining facilities are ready for tunneling construction immediately after the project is approved.

Since the infrastructure project of Kaida coal washing plant (凱達洗煤廠) had been basically completed, it is expected to commence production by the end of the year.

The Company launched open pit mining to recover dead coal resources at old room-and-pillar mining area of Nalinmiao, while its proposal of strengthening geological disaster management of old room-and-pillar mining area at coalfields (coal mines) had been approved by National Energy Administration.



VI. REPORT OF DIRECTORS (CONTINUED)

(I) Discussion and analysis on the overall operations during the reporting period (Continued)

1. Review of overall operation and principal results of the Company (Continued)

(2) Analysis of segment operations of the Company (Continued)

2) Coal transportation and sales

① Table of a breakdown of sales by destinations

Yitai	From January to June 2012		From January to June 2011	
	Volume (million tonnes)	Unit price RMB/tonnes	Volume (million tonnes)	Unit price RMB/tonnes
Local sales at mines	10.1	292	7.5	318
Sales at loading facilities	4.5	354	3.7	264
Sales via direct rail access	0.6	528	0.7	481
Sales at ports	11.7	564	6.2	509
Total	<u>27.0</u>		<u>18.1</u>	

② Table of a breakdown of sales by long-term contracts and the spot market

Yitai	From January to June 2012		From January to June 2011	
	Volume (million tonnes)	Unit price RMB/tonnes	Volume (million tonnes)	Unit price RMB/tonnes
Long-term contracts	15.6	445	9.2	429
Spot market	11.4	400	8.9	326
Total	<u>27.0</u>		<u>18.1</u>	

VI. REPORT OF DIRECTORS (*CONTINUED*)(I) Discussion and analysis on the overall operations during the reporting period (*Continued*)1. Review of overall operation and principal results of the Company (*Continued*)(2) Analysis of segment operations of the Company (*Continued*)2) Coal transportation and sales (*Continued*)

- ③ Table of a breakdown of sales by self-produced coal and coal purchased externally

Yitai	From January to June 2012	From January to June 2011
	Volume	Volume
	(million tonnes)	(million tonnes)
Self-produced coal	17.2	17.8
Coal purchased externally	9.6	0.3

- ④ Table of a breakdown of coal sales by areas

Yitai	From January to June 2012		From January to June 2011	
	Sales volume	Percentage	Sales volume	Percentage
	(million tonnes)		(million tonnes)	
Eastern China	7.5	27.8%	2.7	14.9%
Southern China	2.3	8.5%	1.7	9.4%
Northern China	16.8	62.2%	13.3	73.5%
Northeastern China	0.4	1.56%	0.4	2.2%
Total	27.0	100%	18.1	100%



VI. REPORT OF DIRECTORS (CONTINUED)

(I) Discussion and analysis on the overall operations during the reporting period (Continued)

1. Review of overall operation and principal results of the Company (Continued)

(2) Analysis of segment operations of the Company (Continued)

2) Coal transportation and sales (Continued)

⑤ Table of a breakdown of coal sales by railway dispatching capacity

Unit: million tonnes

Company-owned railways	From January to June 2012		From January to June 2011	
	Total throughput	Freight volume for the Company	Total throughput	Freight volume for the Company
Zhundong Railway Line	19.1	9.9	17.7	9.5
Huzhun Railway Line	12.9	5.1	11.8	4.6

As requested by NDRC, the prices of coal for thermal electricity in major contracts entered into in 2012 shall not be more than 5% higher than last year. Strictly adhering to the principle prescribed by Fa Gai Dian [2011] No. 299, the Company fully liaised and collaborated with all of its clients. As a result, all prices of major contracts were 5% higher than the price for 2011.

VI. REPORT OF DIRECTORS (*CONTINUED*)

(I) Discussion and analysis on the overall operations during the reporting period (*Continued*)

1. Review of overall operation and principal results of the Company (*Continued*)

(2) Analysis of segment operations of the Company (*Continued*)

2) Coal transportation and sales (*Continued*)

⑤ By railway dispatching capacity (*Continued*)

In the first half of 2012, affected by the government's macro control and transformation of the economic structure, China's economic growth had moderated as a whole and electricity consumption of the industrial sector saw less notable growth as compared with the same period last year. Against this backdrop, the overall demand for coal was weak. As southern China tended to have more rainfall and thus substantially relied on hydropower generation, coal consumption decreased. Starting from May, the temperatures of Eastern China and Southern China were lower than that for the same period of past years, resulting in a decrease in consumption of civil electricity as compared with the same period last year. In addition, beset by a gloomy international economy, the price of imported coal continued to fall as compared with the same period last year, resulting in a significant increase in the volume of imported coal and thereby casting a blow against China's coal market. Since late May, the coal market plummeted and the coal price continued to drop, which distorted the supply and demand balance of the coal market. Facing such market scenario, the Company timely adjusted the sales strategy as follows: 1) strived to improve product and service quality and actively communicated and liaised with users so as to ensure fulfillment of contracts entered into the year; 2) kept abreast of market dynamics and aware of the needs of the market and our customers, fully capitalising our existing large coal washing plants to enhance coal quality whilst expanding the output of its coal product mix through simple overhaul of techniques such as screening; 3) took full advantage of the stable demand of existing users and sound transportation capacity of the railways to explore new markets and seek new profit growing points.

(3) Coal-related chemical business

The devices of Dalu Coal-to-oil Company (大路煤製油公司) ran for a total of 168 days in the first half of the year and produced an aggregate of 0.08 million tonnes of various oil products and chemical products, representing a year-on-year growth of 14.3%. Phase II of the coal-related chemical project has completed application and filing work, and is currently subject to approval.



VI. REPORT OF DIRECTORS (CONTINUED)

(I) Discussion and analysis on the overall operations during the reporting period (Continued)

2. Operation and results of the Company's major controlled companies

(1) Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)

During the reporting period, Inner Mongolia Yitai Zhundong Railway Co., Ltd. (hereafter as "Zhundong Railway Company") dispatched an aggregate of 19.1 million tonnes of coal, representing an increase of 7.9% as compared with the same period last year. Production safety had been maintained for consecutive 4,215 days without injuries, casualties or incidents or major transportation accidents.

Phase I of Zhundong Railway Line is in the process of final trial run and is expected to commence operation by the end of the year. The document for application of constructing a second track for Phase II of Zhundong Railway Line has been filed with the municipal Development and Reform Commission (市發改委). After the report escalated to the Development and Reform Commission of the autonomous region (自治區發改委), an ultimate approval of the application is expected to be issued.

The environmental assessment of the special railway line of Talahao Mine had been obtained preliminary approval from the environmental protection department of the autonomous region (自治區環保廳) and the project application report had been submitted to the autonomous region branch of NDRC (自治區發展和改革委員會). The special railway line of Talahao Mine had been commented and reviewed by China International Engineering Consulting Corporation. Relevant evaluation report on energy conservation of the project had been prepared and had been reviewed by a team of experts (專家組).

(2) Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古呼准鐵路有限公司)

Inner Mongolia Huzhun Railway Co., Ltd. (hereafter as "Huzhun Railway Company") convened the annual general meeting for year 2011 on 20 April 2012, at which the proposal in relation to the change of the company's name was considered and approved. Pursuant to which, the company's name was changed from "Inner Mongolia Huzhun Railway Co., Ltd." to "Inner Mongolia Yitai Huzhun Railway Co., Ltd.", while the change of business registration was completed on 18 May 2012. As at 30 June 2012, Huzhun Railway had dispatched an aggregate of 12.9 million tonnes of coal, representing an increase of 9.3% as compared with the same period of last year. There had been no significant or more serious transportation incidents for 1,986 days, and no ordinary transportation incidents had occurred for 1,067 days.

As at 30 June 2012, an aggregate of RMB725.65 million had been invested in the project of establishing a second track of investment for Huzhun Railway, taking up 30% of the preliminarily estimated amount. As at 30 June 2012, an aggregate of RMB182.72 million had been invested for the construction of the Dalu coal-chemical exclusive line (大路煤化工專用線), taking up 96% of the preliminary estimated amount of investment.

VI. REPORT OF DIRECTORS (*CONTINUED*)

(I) Discussion and analysis on the overall operations during the reporting period (*Continued*)

2. Operating and results of the Company's major controlling companies (*Continued*)

(3) Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)

During the reporting period, Inner Mongolia Yitai Coal-to-oil Co., Ltd. (hereafter as "Coal-to-oil Company") produced an aggregate of 80,000 tonnes of all kinds of oil products and chemical products such as diesel, naphtha and white oil (液體石蠟), representing a year-on-year growth of 14.3%. The revenue and net profit amounted to RMB658.59 million and RMB80.69 million, respectively. During the reporting period, Coal-to-oil Company had conducted two down shifts which eliminated all sorts of potential hazards in device operations and in turn laid foundation for safe and stable device operations within long cycles. As at 30 June 2012, relevant devices had operated for 168 days in aggregate.

(4) 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)

During the reporting period, through equipment overhaul and optimisation of mining techniques, Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. enhanced both the stability of the operation of its coal mining equipment and its coal mining efficiency whilst ensuring production safety. It produced 6.52 million tonnes of raw coal and sold 5.04 million tonnes of commodity coal in the first half of 2012.

(5) Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)

Yitai Yili Energy Co., Ltd. has conducted the bidding and tender work for different packages of techniques and design for the Yili Energy Project, and held the preliminary review meeting of the feasibility study report in Beijing on 31 March. In light of the changes in the construction scale of the project, Synfuels China Co., Ltd. (中科合成油工程有限公司) submitted the overall design so revised on 26 March 2012. The company also planned to upgrade the overall design as the project gradually progresses. On 29 May 2012, the company convened the inauguration meeting for the basic construction design of Phase I Construction of the coal-to-oil project of Yitai Yili Energy Co., Ltd. in Beijing.



VI. REPORT OF DIRECTORS (CONTINUED)

(I) Discussion and analysis on the overall operations during the reporting period (Continued)

2. Operating and results of the Company's major controlling companies (Continued)

(6) Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)

Inner Mongolia Yitai Chemical Co., Ltd. (hereafter as "Yitai Chemical Company") obtained approval from Inner Mongolian Housing and Urban Development Department (內蒙古住房和城市建設廳) for the site selection of the project of 1.2 Mtpa refined chemical project in March 2012. During the reporting period, Yitai Chemical Company entered into a feasible research and construction design contract in respect of the change of title of water for 1.2 Mtpa refined chemical project of Yitai Chemical (伊泰化工120萬噸/年精細化學品項目水權轉換工程可研設計合同) with Inner Mongolia Water Resources and Hydropower Survey and Design Institute. The feasibility research report in respect of the water supply project had been prepared by Design Institute of Yellow River Management Committee (黃河管理委員會設計院). Thus far, the municipal Water Resources Bureau (市水利局) is assigning experts to review the feasibility research report of the water supply project. The Water Resources Department of Inner Mongolia (內蒙古水利廳) had completed verification of water resources for 1.2 Mtpa refined chemicals and review of switch of the title of water.

(7) Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司)

Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (hereafter as "Yitai Tiedong Storage and Transportation Company") convened an extraordinary general meeting for 2012 on 12 February 2012, at which the proposal in respect of the change of the Company's registered capital from RMB123 million to RMB169 million was considered and approved, while the change of business registration was completed on 6 March 2012. During the reporting period, Yitai Tiedong Storage and Transportation Company completed the renovation and expansion work of the station and proceeded to the late stage of full inspection upon delivery.

VI. REPORT OF DIRECTORS (CONTINUED)

(II) Review of the operating environment and prospect

1. Review of the macro economic environment

In the first half of the year, a target GDP growth rate of 7.5% was set for year 2012 in the Report on the Work of the Government of NPC and CPPCC for 2012 (2012年兩會政府工作報告). As the control over the real estate industry remained intact, the domestic economy was barely sanguine as a whole. Meanwhile, as the effect of the macro control policy upheld since 2011 has gradually take its toll, the real economy has become more gloomy. Slackened economic growth and decelerated growth of prices curbed demand for energy.

The second half of the year is expected to see greater instability and uncertainties in global economic operations. Given a weak economic growth, China has introduced various measures to maintain growth, which is expected to stimulate actual economic growth starting from the third quarter. Beset by the resumption of operations, mounting daily consumption and the need of increasing inventories of downstream plants, coal markets in coastal regions will be all the more robust, which will help drive the coal price upwards to a certain extent.

2. Business review

In light of a slow economic growth, the growth of all sectors of the coal downstream industry witnessed a significant slowdown as compared with the same period last year. Coupled with a slowdown in the release of coal production capacity and a severe lack of demand, the dynamics of supply and demand of the coal market, which was fundamentally stable in the first half of the year, had eased and the high coal price saw a modest decline.

As compared with the same period last year, the decrease in price in the international market of both thermal coal and coking coal (煉焦煤) were much more significant than the domestic market and imported coal, given its competitive prices, were imported in bulk which has, to a great extent, alleviated the problem of a lack of coal supply. Meanwhile, such imports also cast a blow on the domestic coal market, especially those along the coastal regions, which in turn eased demand conflicts between and supply and forced the coal price to drop.



VI. REPORT OF DIRECTORS (*CONTINUED*)

(II) Review of the operating environment and prospect (*Continued*)

3. Prospect for the second half of 2012

As the coal dispatching capacities of ports in northern China (北方港口) is strengthened and given the traffic adjustments and rationalized operations of railways such as the Daqin Line with reference to market demand and coal inventory levels of ports for more stable transportation, the coal inventory levels of ports in northern China and downstream power plants will be moderate, which will neither pose pressure on downstream coal consumption, nor will it lead to coal port congestion problems. These will help to basically balance the supply and demand in coastal coal markets and stabilize coal prices.

Under the impact of the high downstream inventory level, and with railway and port dispatching governed by the actual demand as well as a stable coal demand, the coal market trading price is expected to remain stable and operate at a steady pace fundamentally in the second half of the year. The price of imported coals will remain high. Coupled with limitations on coal prices, the coal price will be continuously stable.

(III) Major risks the Company faces and relevant impacts

1. Risks of volatilities in the economy. As a company which operates in the upstream energy industry, the company's development is closely related to the condition of the national economy. Any changes in market demand and supply will directly translate into fluctuations in coal prices, and such price fluctuations will directly pose a relatively big impact on the performance of the Company.
2. Policy risks. Any changes in China's macro-economic policy and industry policies will expose the Company to production and operational risks. China has adopted policies to encourage the development of eligible coal-to-oil producers, and yet prudently review their operations. On coal industry development, it adopted the "Integration-Based, New Construction-Supplemented" policy (「整合為主·新建為輔」) and exercised control on the scale of fixed assets investment, making it more difficult for new coal mines and coal-to-oil projects to pass the review procedure. China's control and interference of coal prices will directly affect the income and benefits of the Company. The cessation of mining rights approval will also pose adverse impact on the Company's access to backup resources.

VI. REPORT OF DIRECTORS (CONTINUED)

(III) Major risks the Company faces and relevant impacts (Continued)

3. Safety risks. Coal mining is an underground mining operation. Though the Company is highly mechanized with high production safety, the extension of the service life of mines and deeper mining and caving will put safety management to test. Meanwhile, as the Company moves beyond the coal industry to the coal chemical industry, the risk of production safety will further increase.
4. Risks of cost increase. As China furthered its effort in energy saving, emission reduction, environmental management and production safety, coupled with the surge in prices of mining materials and personnel salary, as well as the increase in compensation fees for land acquisitions and relocations for coal mines, the external cost of the Company will rise and the operations and production of the Company will be affected to a certain extent.

(IV) Company's investments

1. Use of proceeds

During the reporting period, the Company had neither raised proceeds nor used proceeds raised in previous periods.

2. Projects not funded by raised proceeds

Unit: RMB

Name of the project	Amount of the project	Progress of the project
Talahao Mine Project (塔拉壕煤礦工程)	518,924,824.83	
Coal-to-oil Project Construction (煤制油項目工程)	243,302,298.32	100%
Zhulong's Second Track Project (准東一期複線工程)	2,016,808,857.19	85%
Huzhun Railway's Second Track Project (呼准鐵路二線工程)	725,653,568.81	30%
Total	<u>3,504,689,549.15</u>	



VI. REPORT OF DIRECTORS (CONTINUED)

(VIII) Formulation and execution of the cash dividend policy during the reporting period

Requirements for the profit sharing policy of the Company, especially the cash dividend policy, have been specified under the Articles of Association of the Company. The Company will, pursuant to the Notice on the Further Implementation of Matters Relevant to Cash Dividend by Listed Companies (Zhengjianfa [2012] No. 37) (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)) issued by the CSRC and the Notice on the Implementation of Matters Relevant to Cash Dividend by Listed Companies (Neizhengjianfa [2012] No.105) (《關於落實上市公司現金分紅有關事項的通知》(內證監函[2012]105號)) issued by Inner Mongolia Bureau, revise and refine the cash dividend policy set out in the Articles of Association of the Company at the 13th Meeting of the 5th Session of the Board of Directors to be held on 27 August 2012 and subsequent general meetings, with a view to laying down more specific and comprehensive profit sharing policy, especially cash dividend policy, in the Articles of Association.

The Company's implementation of cash dividend for 2011: the profit sharing proposal for 2011 was considered and approved at the 5th meeting of the 5th Session of the Board of Directors held on 23 February 2012 and the 2011 annual general meeting held on 8 May 2012. For specific details of the implementation proposal, please see the announcement on the implementation of profit sharing for year 2011 (Lin 2012-No.015) published on 29 June 2012. As at 17 July 2012, all dividends had been distributed.

(IX) Contingent liabilities

On 30 June 2012, the amount of guarantees given to banks in connection with loans granted to associates by the Company was RMB15,808,000.

VII. INVESTOR RELATIONS

1. Share price performance

On January 4, 2012, the price of our B shares closed at US\$4.886 while the SSE Composite Index closed at 2169.39 points. On June 29, 2012, the price of our B shares closed at US\$5.646, up 15.55% while the SSE Composite Index closed at 2225.43 points, up 2.58%.

2. Interaction and communication

Maintaining investor relations is an ongoing strategic practice of the Company. The Company's management of investor relations, on the basis of ensuring standardised and sufficient information disclosure, is illustrated by the holding of investors exchange meetings on the occasion of general meetings, enhancing face-to-face communication and exchanges with shareholders while all members of the Company's Board and management attend relevant meetings, making extensive communication with investors and analysts by means of accepting visits and interviews from investors, holding of briefings, our management's visits to investors, organisation of domestic and overseas roadshows and reverse roadshows wherein the Company's operating status and development strategy are explained in detail, as well as increasing our transparency by organising investors' visits to investment projects.

As regards information disclosure channels, in addition to timely and accurate disclosure of regular reports and ad hoc reports on designated newspapers and websites, we also disclose in a timely manner all the regular reports, ad hoc reports, industry information and significant information of the Company on our website where an investor relations column has been set up to offer online replies to investors' questions. Through such effective communication channels with shareholders, we have, by various means, kept investors informed of the Company's affairs in a timely, accurate and all-round way, thus boosting their investment enthusiasm and confidence, maintaining harmonious and stable investor relations and building a positive corporate image.

3. Prospects for the second half of 2012

In 2012, Yitai will continue to adhere to its principles of transparency, integrity, fairness and openness and maintain close communication with the capital market and enhance the capital market's understanding and recognition of the Company, so as to achieve a harmonious development between maximising the interests of shareholders and enhancing the Company's inherent value.



VIII. SIGNIFICANT EVENTS

(I) Corporate governance

1. Basic information on corporate governance

During the reporting period, in accordance with the requirements of domestic and overseas regulatory documents, the Company revised a series of systems including the Articles of Association, the Administrative Measures for Financial Instruments (《金融工具管理辦法》), the rules of procedure for various committees under the Board, the Detailed Rules on the Work of General Manager (《總經理工作細則》), the Working System for Independent Directors (《獨立董事工作制度》), the System of the Company on External Guarantee Management (《公司對外擔保管理制度》), the System on Information Disclosure Management, the Internal Control System of the Company (《公司內部控制制度》), and the Administrative Measures for Controlled Subsidiaries (《控股子公司管理辦法》), and formulated the Rules of Procedure for the Production Committee (《生產委員會議事規則》) and the Detailed Implementation Rules on the Management of Connected Transactions (《關聯交易管理實施細則》), thus establishing and optimising our internal control system and further enhancing our corporate governance level.

In accordance with the requirements of the notices from the Ministry of Finance, the China Securities Regulatory Commission (“CSRC”), the National Audit Office, the China Banking Regulatory Commission (“CBRC”), and the China Insurance Regulatory Commission (“CIRC”) concerning the issuance of the “Basic Rules for Internal Control of Companies” (Cai Kuai [2008] No. 7) and the “Supporting Guidelines on Internal Control” (Cai Kuai [2010] No. 11), the Company held the sixth meeting of the fifth session of the Board on March 29, 2012 at which the Overall Work Plan of the Company for Implementation of Internal Control Standards (《公司實施內部控制規範整體工作方案》) was considered and approved, a leading group on building the internal control system and its office were established, and First Huida Risk Management Corp. in Beijing was engaged to provide relevant services. However, as the Company wished to take this opportunity to fully revamp its corporate governance and internal controls, Roland Berger Strategy Consultants was ultimately chosen by way of tender as the Company’s internal control consultants, and therefore the Overall Work Plan of the Company for Implementation of Internal Control Standards previously prepared by First Huida Risk Management Corp. and approved at the sixth meeting of the fifth session of the Board became no longer enforceable. On June 12, 2012, Roland Berger began to take charge of the Company’s internal control work and formulated the new Overall Work Plan for Internal Control Standards. It has already started such preliminary work as collection of basic materials, interviews on the status of the internal control system and questionnaires and surveys about the internal control system. The design of the internal control system is expected to be completed by September 21, 2012. The Company will, in compliance with the “Basic Rules for Internal Control of Companies” issued by the Ministry of Finance and the other four ministries and commissions as well as the relevant regulations of the CSRC and the stock exchanges on internal control, continuously improve its internal control system by leveraging the strength of internal control consultants to identify, prevent and control risks in a timely manner, and establish scientific mechanisms for decision-making, execution and monitoring, so as to ensure smooth achievement of the Company’s production and operation objectives, and sustained and effective implementation of relevant control policies and procedures.

VIII. SIGNIFICANT EVENTS (CONTINUED)

(I) Corporate governance (Continued)

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

As provided for in A.1.8 of the Corporate Governance Code (renamed in April 2012) set out in Appendix 14 to the Hong Kong Listing Rules, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has positively negotiated with insurance companies in accordance with the code provisions, and expects to complete such insurance cover as required under the relevant provisions in a short period of time.

From the Listing Date to the date of this announcement, save as disclosed above, the Company has established a corporate governance system according to the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and has strictly complied with the principles and code provisions as set out in the Corporate Governance Code.

3. Audit Committee

The Company has established the audit committee in accordance with the requirements of the Hong Kong Listing Rules, which consists of the four independent non-executive Directors and is chaired by Mr. Lian Junhai. On 27 August 2012, the audit committee reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2012, the interim report for 2012, and the audited interim financial statements for the six months ended 30 June 2012.

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

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct regarding securities transactions by Directors, supervisors and relevant employees (as defined in the "Corporate Governance Code") of the Company. Having made specific enquiries, the Company confirmed that all the Directors had fully complied with the Model Code from the Listing Date to the date of this announcement.

Except for their own service contracts, none of the Directors and supervisors of the Company had any direct or indirect individual beneficial interest in any material contracts to which the Company or any of its subsidiaries is a party as at 30 June 2012.



VIII. SIGNIFICANT EVENTS (*CONTINUED*)

(II) Implementation of the profit distribution plan during the reporting period

According to the resolutions passed at the 2011 annual general meeting, the Company's profit distribution plan for 2011 is: to distribute a cash dividend of RMB15 per 10 shares (tax inclusive) to all the shareholders based on a total share capital of 1,464,000,000 shares, amounting to RMB2,196 million in total, and the remaining distributable profit shall be retained for future distribution and shared by all the new and existing shareholders. The dividend for holders of B shares is declared in RMB and paid in US dollars; the exchange rate of US dollars against RMB shall be calculated with reference with the median rate announced by the People's Bank of China on the first working day after the date when the resolution on dividend distribution is approved at the general meeting.

On June 29, 2012, the Company published a dividend distribution announcement on Shanghai Securities News and Hong Kong Commercial Daily respectively, stating that the last trading day, the ex-dividend date, the record date and the dividend payment date for B shares are July 6, July 9, July 11, and July 17 of 2012 respectively. The cash dividend for holders of B shares shall be transferred in full by the Company to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, which will distribute such dividends to relevant shareholders. The dividend on corporate legal person shares shall be distributed by the Company directly.

(III) Preliminary Plans for Profit Distribution and Transfer of Public Reserve into Share Capital (capitalisation issue) for the First Half of 2012

The Company will not distribute interim dividends for 2012, and had no preliminary plans for transfer of public reserve into share capital for the first half of 2012.

(IV) Material Litigation and Arbitration

During the reporting period, the Company was not involved in any material litigation or arbitration.

(V) Insolvency or Restructuring Related Matters

During the reporting period, the Company did not have any insolvency or restructuring related matters.

VIII. SIGNIFICANT EVENTS (CONTINUED)

(VI) Equity Held by the Company in Other Listed Companies and Equity Investment in Financial Institutions

1. Shareholding in non-listed financial institutions

Name of the investee	Closing book value (RMB)	Accounting Item	Source of shareholding
Mianyang Technology Property Investment Fund (Limited Partnership) (綿陽科技城產業 投資基金(有限合夥))	100,000,000.00	Long-term equity investment	Capital contribution
Total	100,000,000.00	/	/

As approved by the eighteenth meeting of the fourth session of the Board of the Company, the Company contributed RMB100 million to subscribe for Mianyang Technology Property Investment Fund with initial capital contribution of RMB10 million by way of limited partnership. The Company's liability toward the fund company is limited to the amount of its capital contribution. The Company has paid up its share of RMB100 million. Mianyang Technology Property Investment Fund is controlled by CITIC Securities Company Limited and established by way of promotion by CITIC Private Equity Funds Management Co., Ltd as a general partner, with a target fund size of RMB9 billion, a continuance term of 12 years and expected minimum yield of 10% per annum.



VIII. SIGNIFICANT EVENTS (CONTINUED)

(VII) Assets Transaction

1. Asset acquisitions

Unit: yuan Currency: RMB

Counterparty or ultimate controller	Assets acquired	Date of purchase	Cost of the assets acquisition	Whether it is a connected transaction (if yes, please illustrate the pricing principle)	The pricing principle of the asset acquisition	Whether the entitlement of the assets concerned has been fully transferred or not
Huhhot Railway Bureau	40.5% equity interest in Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	23 April 2012	318,654,000	No	Agreement	No
Inner Mongolia Mengtai Coal Electricity Group Co., Ltd.*	10% equity interest in Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	23 April 2012	78,680,000	No	Agreement	No

Ordos Dama Railway Co., Ltd. (hereafter as "Dama Railway") (鄂爾多斯大馬鐵路有限責任公司) was established on July 8, 2010, with a registered capital of RMB786.8 million and paid-up capital of 157.368 million. Dama Railway was held as to 45%, 30%, 15% and 10% respectively by Huhhot Railway Bureau, Jungar Banner Zhengtong Railway Investment Co., Ltd. (准格爾旗政通鐵路投資有限責任公司), Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司), and Ordos Xintie Logistics Co., Ltd. (鄂爾多斯市鑫鐵物流有限責任公司). On April 23, 2012, the Company entered into equity transfer agreements with Huhhot Railway Bureau and Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. respectively to acquire 40.5% and 10% equity interests in Dama Railway, for an aggregate consideration of RMB397.334 million. As a result of the said equity acquisition, the Company will hold 50.5% equity interests in Dama Railway. At present, the Company is going through change of registration procedures in respect of such equity transfer with the bureau of industry and commerce.

2. Asset disposals

During the reporting period, the Company didn't have any asset disposals.

VIII. SIGNIFICANT EVENTS (CONTINUED)

(VIII) Material Connected Transactions of the Company During the Reporting Period

1. Significant Related Party Transactions

During the reporting period, the Company had entered into the following significant transactions with related parties:

	30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Sales of goods to the Yitai Group	65,754	52,204
Sales of goods to an associate	102,447	75,452
Provision of services to the Yitai Group	383,759	218,456
Purchase of services from the Yitai Group	48,599	58,498
Purchase of goods from the Yitai Group	23,502	400

(IX) Material Contracts and Their Implementation

1. Custody, contracting and leasing matters which contributed 10% or more to the Company's total profit during the period

(1) Custody

The Company had no custody matter during the reporting period.

(2) Contracting

The Company was not involved in any contracting activities during the reporting period.

(3) Leasing

The Company was not involved in any leasing activities during the reporting period.



VIII. SIGNIFICANT EVENTS (CONTINUED)

(IX) Material Contracts and Their Implementation (Continued)

2. Guarantee

Unit: RMB Currency: RMB

External Guarantees of the Company (excluding those for controlled subsidiaries)

Guarantor	Relations between the guarantor and the Company		Amount of guarantee	Date of guarantee		Date of expiry	Type of guarantee	Whether guarantee is completed	Whether guarantee is overdue	Overdue amount	Whether any counter-guaranteed or not		Whether the guaranteed is a connected party	Relations
	The guaranteed			(agreement signing date)	Date of commencement						guaranteed	guaranteed is a		
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tiandi Huarun Mine Equipment Co., Ltd.	4,608,000	27 February 2009	27 February 2009	26 February 2016	Joint liability guarantee	No	No	No	Yes	Associate company		
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tiandi Huarun Mine Equipment Co., Ltd.	11,200,000	30 November 2009	30 November 2009	29 November 2019	Joint liability guarantee	No	No	No	Yes	Associate company		

Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)	0
Total balance of guarantees at the end of the reporting period (excluding those for subsidiaries) (A)	15,808,000

Guarantees of the Company for Controlled Subsidiaries

Total amount of guarantees for controlled subsidiaries occurring during the reporting period	68,814,000.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	5,664,184,682.65

Total Guarantee Amount (including those for controlled subsidiaries)

Total guarantee (A+B)	5,679,992,682.65
Percentage of total guarantee in the Company's net assets (%)	28.51
Including:	
Amount of guarantees for shareholders, de facto controller and their connected parties (C)	0
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	0
Amount of total guarantees in excess of 50% of net assets (E)	0
Total of the above three items (C+D+E)	0

VIII. SIGNIFICANT EVENTS (CONTINUED)

(IX) Material Contracts and Their Implementation (Continued)

3. Entrusted wealth management and entrusted loan

(1) Entrusted wealth management

The Company was not involved in entrusted wealth management during the reporting period.

(2) Entrusted loan

Unit: RMB

Name of borrower	Amount of entrusted loan	Term	Interest rate	Overdue or not	Connected transaction or not	Term extended or not	Litigation involved or not	Whether the loan capital comes from raised funds	Relations
Inner Mongolia Yitai Zhundong Railway Co., Ltd.	200,000,000	1 year	6.56%	No	No	No	No	No	Wholly-owned subsidiary

4. Other material contract

During the reporting period, the Company didn't have any other material contracts.

(X) Fulfillment of Undertakings

No undertaking of the Company, its controlling shareholder or de facto controller occurred in or subsisted to the reporting period.



VIII. SIGNIFICANT EVENTS (CONTINUED)

(XI) Appointment or Termination of Appointment of Auditors

Change of accounting firm:

	Original appointee	Current appointee
Name of domestic accounting firm		Da Hua Certified Public Accountants Co., Ltd.
Term of audit of domestic accounting firm		2
Name of overseas accounting firm		Ernst & Young Certified Public Accountants
Term of audit of overseas accounting firm		2

The fifth meeting of the fifth session of the Board and the 2011 annual general meeting of the Company both considered and approved the reappointment of Da Hua Certified Public Accountants Co., Ltd. as the Company's domestic auditors for 2012, and the appointment of Ernst & Young Certified Public Accountants as the Company's overseas auditors for 2012 should the Company issue H shares and be listed in 2012.

(XII) Punishment on the Company and Its Directors, Supervisors, Senior Management, Shareholders and the De Facto Controller and Relevant Rectifications

During the reporting period, none of the Company, its Directors, supervisors, senior management members, shareholders, or de factor controller was subject to any investigation, administrative punishment or public criticism by the CSRC, or publicly censured by any stock exchanges.

VIII. SIGNIFICANT EVENTS (CONTINUED)

(XIII) Other significant events and subsequent events

1. At the fifth meeting of the fifth session of the Board on February 23, 2012, the proposal in relation to capital contribution for the establishment of Yitai Xinjiang Energy Co., Ltd. was considered and approved. The Company established Yitai Xinjiang Energy Co., Ltd. jointly with Yitai Group Company Limited to develop coal mines in Xiheishan coalfield region in Zhudong of Xinjiang and build a coal-to-oil project at Ganquanpu Industrial Park, thus expediting the progress of joint venture cooperation, strengthening our coal business and creating more economic benefit. The registered capital of the company was RMB100 million, of which the Company contributed RMB90 million, representing 90% of the registered capital, and Yitai Group Company Limited contributed RMB10 million, representing 10% of the registered capital. Its scope of business mainly includes the production and sales of coal chemical products, coal chemical technology consultation services and coal technology consultation services.
2. On 13 March 2012, the Company and Inner Mongolia Yitai Group Co., Ltd. jointly established Yitai Yili Mining Co., Ltd. which was registered capital of RMB50 million in which the Company contributed RMB45 million, accounting for 90% of the registered capital and Inner Mongolia Yitai Group Co., Ltd. contributed RMB5 million, accounting for 10% of its registered capital. The company's registered office is located at Yinan Industrial Park of Chabuchar County and is engaged in the investment in the coal mining industry.
3. Inner Mongolia Yitai Group Co., Ltd., the controlling shareholder of the Company, intends to purchase, through Yitai HK, based on market conditions, in the six months commenced from June 11, 2012, the Company's shares via the trading system of the Shanghai Stock Exchange at a price of no more than US\$7 per share, up to an injection of no more than US\$ 512.4 million, representing no more than 5% of the total share capital of the Company in total. As at 24 July 2012, Yitai Group, through Yitai HK, had purchased 60,186,600 B shares of the Company in total, representing 3.7% of the total share capital of the Company before the completion of the issue and listing of the H shares of the Company and the exercise of over-allotment option number, being 1,626,667,000 shares in aggregate.
4. Due to the adjustments to the Company's operational policies and investment plans, Yitai Hami Energy Co., Ltd., a wholly-owned subsidiary of the Company, held a general meeting on June 8, 2012, at which the Liquidation Report of Yitai Hami Energy Co., Ltd. was considered and approved. As at the end of the reporting period, Yitai Hami Energy Co., Ltd. had been deregistered and the cancellation of its business registration was completed.



VIII. SIGNIFICANT EVENTS (CONTINUED)

(XIII) Other significant events and subsequent events (Continued)

5. Due to the adjustments to the Company's operational policies and investment plans, Yitai Xinjiang Zhundong Energy Co., Ltd., a wholly-owned subsidiary of the Company, held a general meeting on June 8, 2012, at which the Liquidation Report of Yitai Xinjiang Zhundong Energy Co., Ltd. was considered and approved. As at the end of the reporting period, Yitai Xinjiang Zhundong Energy Co., Ltd. was deregistered and the cancellation of its business registration was completed.
6. On July 23, 2012, the Company established a solely-owned subsidiary, Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司) with a registered capital of RMB50 million which is to be engaged in technology development, technology transfer, technical consulting and technical services in the field of energy science and technology, wholesale of coal, domestic cargo transport agency and import and export of goods and technologies.
7. As approved by the Hong Kong Stock Exchange, the 162,667,000 H shares issued by the Company were listed and commenced trading on the main board of the Hong Kong Stock Exchange on July 12, 2012. The stock name of the Company's H shares is「伊泰煤炭」in Chinese and "Yitai Coal" in English and the stock code is 03948. As of August 3, 2012, the Company issued 336,500 H shares under the over-allotment option. After the issue and allotment of the over-allotment shares by the Company, the number of H shares in public hands represents 10.02% of the Company's total issued share capital. As of the date of this report, the Company's total share capital amounted to 1,627,003,500 shares.
8. The proposal in relation to the joint establishment of Mengxi-Huazhong Railway Joint Stock Company Limited (蒙西華中鐵路股份有限公司) by the Company and 15 other enterprises was considered and approved at the 11th meeting of the fifth session of the Board on July 26, 2012. The registered capital of the Company was RMB1 billion, of which the Company shall contribute RMB100 million, representing 10% of its total share capital.
9. The registered capital of Inner Mongolia Yitai Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, was increased from RMB358,400,000 to RMB370,150,000. As of July 26, 2012, relevant procedures for business registration change were completed.

VIII. SIGNIFICANT EVENTS (CONTINUED)

(XIII) Other significant events and subsequent events (Continued)

10. Inner Mongolia Yitai Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, held 51% equity interest in Yitai Pharmatech Co., Ltd.(伊泰(北京)合成技術有限公司), a subsidiary of Inner Mongolia Yitai Pharmaceutical Co., Ltd.. On July 24, 2012, the Company entered into the equity transfer agreement with Inner Mongolia Yitai Pharmaceutical Co., Ltd., pursuant to which Inner Mongolia Yitai Pharmaceutical Co., Ltd. transferred its 51% equity interest in Yitai Pharmatech Co., Ltd. to the Company at a total consideration of RMB5,100,000. As of July 31, 2012, the procedures in respect of business registration change relating to the said equity interest transfer were completed.
11. Inner Mongolia Yitai Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, held 100% equity interest in Beijing Yitai Biotechnology Co., Ltd, a subsidiary of Inner Mongolia Yitai Pharmaceutical Co., Ltd.. On July 20, 2012, the Company entered into the equity transfer agreement with Inner Mongolia Yitai Pharmaceutical Co., Ltd., pursuant to which Inner Mongolia Yitai Pharmaceutical Co., Ltd. transferred its 100% equity interest in Beijing Yitai Biotechnology Co., Ltd. to the Company at a total consideration of RMB10,000,000. As of August 2, 2012, the business registration change procedures relating to the said equity transfer were completed.
12. The proposal in relation to transfer of certain equity interest in Inner Mongolia Yitai Pharmaceutical Co., Ltd. was considered and approved at the 12th meeting of the fifth session of the Board on August 8, 2012. On the same day, the Company signed the “Agreement for Transfer of Equity Interest in Inner Mongolia Yitai Pharmaceutical Co., Ltd. between Inner Mongolia Yitai Coal Co., Ltd. and Zhejiang CONBA Pharmaceutical Co., Ltd.”, pursuant to which the Company transferred its 88% equity interest in the pharmaceutical company to Zhejiang CONBA Pharmaceutical Co., Ltd. at a consideration of RMB200 million. Upon completion of the transfer, the Company will hold 12% equity interest in the pharmaceutical company.



VIII SIGNIFICANT EVENTS (CONTINUED)

(XIV) Information disclosure index

Events	Newspaper name and page for publication	Date of publication	Websites for publication and retrieve paths
Special Statement on Capital Appropriation by the Controlling Shareholders of Yitai (B Shares) and Other Related Parties	Designated website for information disclosure	28 February 2012	http://www.sse.com.cn
Announcement in relation to Resolutions Passed at the fifth Meeting of the fifth Session of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B31, Hong Kong Commercial Daily A18	28 February 2012	http://www.sse.com.cn
2011 Work Report of Independent Directors of Yitai (B Share)	Designated website for information disclosure	28 February 2012	http://www.sse.com.cn
2011 Internal Control Assessment Report of Yitai (B Shares)	Designated website for information disclosure	28 February 2012	http://www.sse.com.cn
2011 Social Responsibility Report of Yitai (B Share)	Designated website for information disclosure	28 February 2012	http://www.sse.com.cn
Summary of 2011 Annual Report of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B30, Hong Kong Commercial Daily A17	28 February 2012	http://www.sse.com.cn
Annual Report of Yitai (B Shares)	Designated website for information disclosure	28 February 2012	http://www.sse.com.cn
Announcement in relation to Resolution Passed at the fifth Meeting of the fifth Session of the Board of Directors of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B30, Hong Kong Commercial Daily A17	28 February 2012	http://www.sse.com.cn
Announcement on Related Party Transactions of Inner Mongolia Yitai Coal Company Limited	Shanghai Securities News B31, Hong Kong Commercial Daily A18	28 February 2012	http://www.sse.com.cn
Announcement on Confirmation of the Difference between Actual Amount and Estimated Amount of Related Party Transactions in the Ordinary Course of Business of Inner Mongolia Yitai Coal Company Limited in 2011 and the Estimates for 2012 Related Party Transactions in the Ordinary Course of Business	Shanghai Securities News B30, Hong Kong Commercial Daily A18	28 February 2012	http://www.sse.com.cn
General Work Program for Implementation of Internal Controls of Yitai (B Shares)	Designated website for information disclosure	30 March 2012	http://www.sse.com.cn
Announcement in relation to Resolutions Passed at the sixth Meeting of the fifth Session of the Board of Directors of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B240, Hong Kong Commercial Daily A8	30 March 2012	http://www.sse.com.cn

VIII SIGNIFICANT EVENTS (CONTINUED)

(XIV) Information disclosure index (Continued)

Events	Newspaper name and page for publication	Date of publication	Websites for publication and retrieve paths
Announcement in relation to Resolutions Passed at the seventh Meeting of the fifth Session of the Board of Directors and the Notice of 2011 Annual General Meeting of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B32, Hong Kong Commercial Daily A13	10 April 2012	http://www.sse.com.cn
Announcement on Obtaining Approval from CSRC for Application for the Issuance of Overseas Listed Foreign Shares	Designated website for information disclosure	April 11, 2012	http://www.sse.com.cn
Information and Documents for 2011 Annual General Meeting of Yitai (B Shares)	Designated website for information disclosure	April 27, 2012	http://www.sse.com.cn
2012 First Quarterly Report of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News 104, Hong Kong Commercial Daily A7	April 28, 2012	http://www.sse.com.cn
Announcement on Holding of 2011 Annual Results Presentation of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B14, Hong Kong Commercial Daily A17	May 4, 2012	http://www.sse.com.cn
Legal Opinion on the 2011 Annual General Meeting of Yitai (B Shares)	Designated website for information disclosure	May 9, 2012	http://www.sse.com.cn
Announcement in relation to Resolutions Passed at the 2011 Annual General Meeting of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B32, Hong Kong Commercial Daily A10	May 9, 2012	http://www.sse.com.cn
Announcement on Release of Web Proof Information Pack relating to the Issue of H Shares of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News 28, Hong Kong Commercial Daily A17	May 28, 2012	http://www.sse.com.cn
Announcement on Considering the Company's Application for Issuing Overseas Listed Foreign Shares by the Hong Kong Stock Exchange	Shanghai Securities News 28, Hong Kong Commercial Daily A17	May 28, 2012	http://www.sse.com.cn
Announcement in relation to Resolutions Passed at the ninth Meeting of the fifth Session of the Board of Directors of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B17, Hong Kong Commercial Daily A11	May 30, 2012	http://www.sse.com.cn



VIII SIGNIFICANT EVENTS (CONTINUED)

(XIV) Information disclosure index (Continued)

Events	Newspaper name and page for publication	Date of publication	Websites for publication and retrieve paths
Announcement on Purchases of the Company's Shares by its Controlling Shareholder Inner Mongolia Yitai Group Co., Ltd. and its Parties Acting in Concert	Shanghai Securities News B24, Hong Kong Commercial Daily A10	June 12, 2012	http://www.sse.com.cn
Announcement on the Progress of Purchases of the Company's Shares by its Controlling Shareholder Inner Mongolia Yitai Group Co., Ltd. and its Parties Acting in Concert	Shanghai Securities News B30, Hong Kong Commercial Daily A12	June 20, 2012	http://www.sse.com.cn
Voluntary Announcement /Announcement on the Progress of Purchases of the Company's Shares by its Controlling Shareholder Inner Mongolia Yitai Group Co., Ltd. and its Parties Acting in Concert	Shanghai Securities News B48, Hong Kong Commercial Daily A29	June 29, 2012	http://www.sse.com.cn The website of Hong Kong Stock Exchange (www.hkex.com.hk)
Announcement on Release of H Shares Prospectus, Issue Price Range of H Shares and Public Offering of H Shares in Hong Kong	Shanghai Securities News B48, Hong Kong Commercial Daily A29	June 29, 2012	http://www.sse.com.cn
Announcement on the Implementation of 2011 Profit Distribution of Inner Mongolia Yitai Coal Co., Ltd.	Shanghai Securities News B48, Hong Kong Commercial Daily A29	June 29, 2012	http://www.sse.com.cn
Global Offering - Formal Notice		June 29, 2012	The website of Hong Kong Stock Exchange (www.hkex.com.hk)
Global Offering (Multi-Files)		June 29, 2012	The website of Hong Kong Stock Exchange (www.hkex.com.hk)
Global Offering		June 29, 2012	The website of Hong Kong Stock Exchange (www.hkex.com.hk)
White Application Form		June 29, 2012	The website of Hong Kong Stock Exchange (www.hkex.com.hk)
Yellow Application Form		June 29, 2012	The website of Hong Kong Stock Exchange (www.hkex.com.hk)
Green Application Form		June 29, 2012	The website of Hong Kong Stock Exchange (www.hkex.com.hk)

INDEPENDENT AUDITORS' REPORT

**To the shareholders of Inner Mongolia Yitai Coal Company Limited**

(Incorporated in the People's Republic of China as a joint stock company with limited liability)

We have audited the consolidated financial statements of Inner Mongolia Yitai Coal Company Limited (內蒙古伊泰煤炭股份有限公司, the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 143, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's profit and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

27 August 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six-month period ended 30 June	
		2012 RMB'000	2011 RMB'000 Unaudited
REVENUE	6	12,614,243	7,205,633
Cost of sales		<u>(7,820,120)</u>	<u>(2,961,998)</u>
Gross profit		4,794,123	4,243,635
Other income and gains	6	208,560	81,486
Selling and distribution costs		<u>(335,966)</u>	<u>(333,485)</u>
Administrative expenses		<u>(411,921)</u>	<u>(321,879)</u>
Other expenses		<u>(22,245)</u>	<u>(236)</u>
Finance income	7	17,557	13,924
Finance costs	8	<u>(193,380)</u>	<u>(96,143)</u>
Exchange gains, net		2,158	8,596
Share of profits of associates		<u>180</u>	<u>390</u>
Profit before tax	9	4,059,066	3,596,288
Income tax expense	11	<u>(611,332)</u>	<u>(549,942)</u>
Profit for the period		<u>3,447,734</u>	<u>3,046,346</u>
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>3,447,734</u>	<u>3,046,346</u>
Profit and total comprehensive income attributable to:			
Owners of the Company	13	<u>3,193,937</u>	2,928,992
Non-controlling interests		<u>253,797</u>	<u>117,354</u>
		<u>3,447,734</u>	<u>3,046,346</u>
Basic earnings per share attributable to ordinary equity holders of the Company (RMB)			
— For profit for the period	13	<u>2.18</u>	<u>2.00</u>



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2012	As at 31 December 2011
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	21,006,620	20,371,039
Investment properties	14	32,553	33,725
Prepaid land lease payments	16	265,650	265,806
Mining rights	17	215,775	218,130
Other intangible assets	18	15,705	17,467
Investments in associates	21	345,707	353,026
Available-for-sale investments	22	2,951,845	2,870,590
Other non-current assets	19	26,805	17,597
Deferred tax assets	23	84,689	101,317
Total non-current assets		24,945,349	24,248,697
CURRENT ASSETS			
Inventories	24	867,895	676,716
Trade and bills receivables	25	2,857,228	751,430
Prepayments, deposits and other receivables	26	1,776,648	835,994
Restricted cash	27	20,335	20,305
Cash and short-term deposits	27	2,852,861	3,535,470
Total current assets		8,374,967	5,819,915
CURRENT LIABILITIES			
Trade and bills payables	28	1,553,188	543,485
Other payables and accruals	29	1,821,368	1,886,382
Interest-bearing bank loans	30	1,879,747	2,206,190
Dividends payable	12	2,196,000	—
Tax payable		235,608	161,345
Total current liabilities		7,685,911	4,797,402
NET CURRENT ASSETS		689,056	1,022,513
TOTAL ASSETS LESS CURRENT LIABILITIES		25,634,405	25,271,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	30	5,478,070	6,100,594
Other non-current liabilities		<u>291,042</u>	<u>387,236</u>
Total non-current liabilities		<u>5,769,112</u>	<u>6,487,830</u>
NET ASSETS		<u>19,865,293</u>	<u>18,783,380</u>
EQUITY			
Issued capital	31	1,464,000	1,464,000
Reserves		16,549,573	13,355,636
Proposed final dividend	12	<u>—</u>	<u>2,196,000</u>
Equity attributable to owners of the Company		<u>18,013,573</u>	<u>17,015,636</u>
Non-controlling interests		<u>1,851,720</u>	<u>1,767,744</u>
TOTAL EQUITY		<u>19,865,293</u>	<u>18,783,380</u>

Zhang Donghai
Director

Lv Guiliang
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company								
	Issued capital	Capital reserve*	Statutory surplus reserve*	Safety and maintenance fund*	Retained earnings*	Proposed final dividend (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 2012	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
Total comprehensive income for the period	—	—	—	—	3,193,937	—	3,193,937	253,797	3,447,734
Appropriation to safety and maintenance fund	—	—	—	18,537	(18,537)	—	—	—	—
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(207,360)	(207,360)
Capital contributions from non-controlling shareholders	—	—	—	—	—	—	—	37,539	37,539
2011 final dividend declared	—	—	—	—	—	(2,196,000)	(2,196,000)	—	(2,196,000)
At 30 June 2012	<u>1,464,000</u>	<u>1,318,657</u>	<u>2,022,836</u>	<u>23,332</u>	<u>13,184,748</u>	<u>—</u>	<u>18,013,573</u>	<u>1,851,720</u>	<u>19,865,293</u>

* These reserve accounts comprise the consolidated reserves of RMB16,549,573,000 as at 30 June 2012 in the consolidated statement of financial position.

	Attributable to the equity holders of the Company								
	Issued capital	Capital reserve*	Statutory surplus reserve*	Safety and maintenance fund*	Retained earnings*	Proposed final dividend	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 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 (unaudited)	—	—	—	—	2,928,992	—	2,928,992	117,354	3,046,346
Acquisition of non-controlling interests (unaudited)	—	(500)	—	—	—	—	(500)	—	(500)
Capital contributions from non-controlling shareholders (unaudited)	—	—	—	—	—	—	—	6,272	6,272
2010 final dividend declared (unaudited)	—	—	—	—	—	(2,196,000)	(2,196,000)	—	(2,196,000)
At 30 June 2011 (unaudited)	<u>1,464,000</u>	<u>1,315,959</u>	<u>1,509,249</u>	<u>—</u>	<u>10,188,758</u>	<u>—</u>	<u>14,477,966</u>	<u>1,674,668</u>	<u>16,152,634</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six-month period ended 30 June	
		2012 RMB'000	2011 RMB'000 Unaudited
Cash flows from operating activities			
Profit before tax		4,059,066	3,596,288
Adjustments for:			
Finance costs	8	193,380	96,143
Exchange gains		(2,158)	(8,596)
Finance income	7	(17,557)	(13,924)
Share of profits of associates		(180)	(390)
Depreciation of property, plant and equipment	9	484,351	359,663
Depreciation of investment properties	9	1,172	1,172
Amortisation of prepaid land lease payments	9	4,676	5,644
Amortisation of mining rights	9	3,035	4,680
Amortisation of intangible assets	9	1,846	2,038
Amortisation of other non-current financial assets	9	1,840	1,651
Reversal of impairment of trade and bills receivables	9	—	(24,995)
Impairment/(reversal of impairment) of other receivables	9	25	(13,623)
Gain on disposal of items of property, plant and equipment, and intangible assets	9	(1,812)	(6,700)
Gain on disposal of unlisted investments	6, 9	—	(1,589)
Increase in inventories		(191,179)	(3,745)
Increase in trade and bills receivables		(2,105,798)	(419,089)
Decrease/(increase) in prepayments, deposits and other receivables		86,335	(90,833)
Increase in trade and bills payables		1,009,703	2,234
Decrease in other payables and accruals		(338,432)	(57,223)
		3,188,313	3,428,806
Income tax paid		(520,441)	(566,403)
Net cash flows from operating activities		2,667,872	2,862,403



CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	Six-month period ended 30 June	
		2012 RMB'000	2011 RMB'000 Unaudited
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,733,092)	(1,534,651)
Additions to prepaid land lease payments	16	(4,362)	(10,770)
Additions to mining rights	17	(680)	—
Additions to intangible assets	18	(93)	(3,212)
Additions to other non-current financial assets		(11,048)	(3,244)
Proceeds from disposal of items of property, plant and equipment and intangible assets		58,017	75,513
Investments in associates and available-for-sale investments		(81,255)	(177,014)
Prepayment for investment in a subsidiary		(397,334)	—
Interest received	7	17,557	13,924
Proceeds from disposal of shares in subsidiaries and associates		—	9,439
(Increase) /decrease in cash and restricted bank deposits	27(a)	(30)	15,239
Decrease in time deposits	27	7,055	—
Dividend received from an associate		7,500	—
Net cash flows used in investing activities		(2,137,765)	(1,614,776)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		37,540	6,272
Acquisition of non-controlling interests		—	(500)
Proceeds from loans		90,000	840,000
Repayment of loans		(1,036,809)	(402,904)
Interest paid		(192,712)	(96,495)
Dividend paid		(103,680)	(2,196,000)
Net cash flows used in financing activities		(1,205,661)	(1,849,627)
Net decrease in cash and cash equivalents		(675,554)	(602,000)
Cash and cash equivalents at 1 January	27	3,513,529	3,706,760
Cash and cash equivalents at 30 June	27	2,837,975	3,104,760

STATEMENT OF FINANCIAL POSITION

		As at 30 June 2012	As at 31 December 2011
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	15	4,950,929	4,795,857
Investment properties	14	32,553	33,725
Prepaid land lease payments	16	134,701	137,448
Mining rights	17	64,937	66,610
Other Intangible assets	18	11,211	12,287
Investments in subsidiaries	20	5,167,140	5,117,704
Investments in associates	21	237,080	242,109
Available-for-sale investments	22	2,844,800	2,771,675
Other non-current assets		9,443	—
Deferred tax assets	23	3,430	3,426
Total non-current assets		13,456,224	13,180,841
CURRENT ASSETS			
Inventories	24	607,394	541,598
Trade and bills receivables	25	2,642,621	669,445
Prepayments, deposits and other receivables	26	2,429,566	1,188,877
Restricted cash	27	17,098	17,076
Cash and short-term deposits	27	2,167,706	2,272,541
Total current assets		7,864,385	4,689,537
CURRENT LIABILITIES			
Trade and bills payables	28	1,300,811	375,472
Other payables and accruals	29	838,736	1,151,126
Interest-bearing bank loans	30	80,000	80,000
Dividends payable	12	2,196,000	—
Income tax payable		182,301	152,148
Total current liabilities		4,597,848	1,758,746
NET CURRENT ASSETS		3,266,537	2,930,791
TOTAL ASSETS LESS CURRENT LIABILITIES		16,722,761	16,111,632



STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest bearing bank loans	30	40,000	80,000
Financial guarantee contract	20	95,769	88,945
Other non-current liabilities		19,194	18,977
TOTAL NON-CURRENT LIABILITIES		154,963	187,922
NET ASSETS			
		16,567,798	15,923,710
EQUITY			
Issued capital	31	1,464,000	1,464,000
Reserves	32	15,103,798	12,263,710
Proposed final dividend	12	—	2,196,000
TOTAL EQUITY		16,567,798	15,923,710

Zhang Donghai
Director

Lv Guiliang
Director

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Inner Mongolia Yitai Coal Company Limited (the “Company”) conducted initial public offering of domestic listed foreign shares (the “B shares”) on 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 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 dividend. On 5 May 2010, the Company increased the issued share capital to RMB1,464,000,000 through the conversion of proposed dividend.

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 sale 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 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 and associates

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

Company name	Place and date of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Percentage of equity interest attributable to the Company %	Principal activities
Subsidiaries				
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC 5 October 1998	1,496,000	100.0	Railway transportation
Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司)	Inner Mongolia, the PRC 20 May 1998	358,400	100.0	Pharmaceuticals
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Inner Mongolia, the PRC 17 March 2006	1,500,000	80.0	Coal-to-oil production



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. CORPORATE INFORMATION (CONTINUED)

Company name	Place and date of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Percentage of equity interest attributable to the Company %	Principal activities
Subsidiaries (Continued)				
Inner Mongolia Jingyue Suancigou Mining Co., Ltd. (內蒙古京粵酸刺溝礦業有限責任公司)	Inner Mongolia, the PRC 18 September 2007	1,080,000	52.0	Coal mining
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC 26 February 2003	1,360,000	76.5	Railway transportation
Ordos Yitai Motor Transport Co., Ltd. (鄂爾多斯伊泰汽車運輸有限責任公司)	Inner Mongolia, the PRC 1 December 2004	38,560	100.0	Motor transportation
Inner Mongolia Yitai Transport Co., Ltd. (內蒙古伊泰汽車運輸有限責任公司)	Inner Mongolia, the PRC 20 March 2007	5,000	100.0	Motor transportation
Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司)	Inner Mongolia, the PRC 3 September 2008	169,000	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)	Inner Mongolia, the PRC 3 September 2009	50,000	100.0	Coal wholesale
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限責任公司)	Xinjiang, the PRC 24 September 2009	100,000	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)	Inner Mongolia, the PRC 29 October 2009	100,000	100.0	Chemical production and sale
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
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Xinjiang, the PRC 26 February 2012	100,000	90.0	Chemical production and sale
Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Xinjiang, the PRC 13 March 2012	50,000	90.0	Investment in coal mining

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. CORPORATE INFORMATION (CONTINUED)

Company name	Place and date of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Percentage of equity interest attributable to the Company %	Principal activities
Associates				
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯天地華潤煤礦裝備有限責任公司)	Inner Mongolia, the PRC 5 February 2007	100,000	31.5	Mining equipment production and sale
Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Inner Mongolia, the PRC 29 November 2007	570,000	29.0	Gangue Power Plant construction
Jinhuaaji Petro Equipment (Inner Mongolia) Co., Ltd. (錦化機石化裝備(內蒙古)有限責任公司)	Inner Mongolia, the PRC 12 October 2006	218,300	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)	Inner Mongolia, the PRC 14 July 2010	50,000	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)	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.

2.1 BASIS OF PREPARATION

The financial statement has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board, the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance.

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 statement.

IFRS 1 Amendments	<i>Amendments to IFRS1 First Time Adoption of International Financial Reporting Standards — Government Loans²</i>
IFRS 9	<i>Financial Instruments⁴</i>
IFRS 7 Amendments	<i>Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities²</i>
IFRS 10	<i>Consolidated Financial Statements²</i>
IFRS 11	<i>Joint Arrangements²</i>
IFRS 12	<i>Disclosure of Interests in Other Entities²</i>
IFRS 13	<i>Fair Value Measurement²</i>
IAS 1 Amendments	<i>Amendments to IAS 1: Changes to the Presentation of Other Comprehensive Income¹</i>
IAS 27(Revised)	<i>Separate Financial Statements²</i>
IAS 28(Revised)	<i>Investments in Associates²</i>
IAS 19 Amendments	<i>Employee Benefits²</i>
IAS 32 Amendments	<i>Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities³</i>
IFRIC-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine²</i>

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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 IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the six-month period ended 30 June 2012. 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 item 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 statement of comprehensive income includes 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.

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

Business combinations and goodwill

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 at 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 at the acquisition date through profit or 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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.

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 dividend received and receivable. The Company's investments in subsidiaries 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's investments in associates are stated in the consolidated statement 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.

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 mineralisation 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 recognised 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 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 at 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 instruments 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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 dividend 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 costs 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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 revaluation reserve. Interest and dividend earned are reported as interest income and dividend 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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 flows 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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 bank loans.

Subsequent measurement

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

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 at 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 profit or loss. The net fair value gain or loss recognised in profit or loss 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 bank loans 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

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 statement of financial position if, and only if, there is currently an 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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 and associates, 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 and associates, 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 dividend 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Judgements (continued)

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 coal

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 such differences arise.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty (continued)

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Coal reserve and resource estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its coal reserves and mineral resources based on reserve reports compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and this requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact 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 STATEMENT

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 the Group's 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. OPERATING SEGMENT STATEMENT (CONTINUED)

Six-month period ended 30 June 2012	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue:					
External customers	11,484,531	456,546	658,588	14,578	12,614,243
Intersegment	108,105	279,362	—	—	387,467
	<u>11,592,636</u>	<u>735,908</u>	<u>658,588</u>	<u>14,578</u>	<u>13,001,710</u>
<i>Reconciliation</i>					
Elimination of intersegment sales					<u>(387,467)</u>
Total revenue					<u><u>12,614,243</u></u>
Segment results:					
Profit/(loss) before tax	3,688,982	304,584	81,336	(15,836)	4,059,066
Income tax expense	(576,968)	(33,719)	(645)	—	(611,332)
	<u>3,112,014</u>	<u>270,865</u>	<u>80,691</u>	<u>(15,836)</u>	<u>3,447,734</u>
<i>Reconciliation</i>					
Elimination of intersegment results					<u>—</u>
Net profit for the period					<u><u>3,447,734</u></u>
Segment assets	19,941,810	8,986,037	4,496,718	54,706	33,479,271
Elimination of intersegment receivables					<u>(158,955)</u>
Unrealised profit included in assets					<u>—</u>
Total assets					<u><u>33,320,316</u></u>
Segment liabilities	6,271,565	4,644,310	2,685,153	12,950	13,613,978
Elimination of intersegment payables					<u>(158,955)</u>
Total liabilities					<u><u>13,455,023</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. OPERATING SEGMENT STATEMENT (CONTINUED)

Six-month period ended 30 June 2012	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
Other segment information:					
Interest income	15,225	1,121	1,205	6	17,557
Interest expense	(43,805)	(70,019)	(79,556)	—	(193,380)
Depreciation and amortisation	(305,404)	(117,837)	(70,191)	(3,488)	(496,920)
Share of profits of associates	2,471	—	(2,291)	—	180
Impairment losses recognised in the income statement	(25)	—	—	—	(25)
Investments in associates	234,613	—	111,094	—	345,707
Capital expenditure*	381,776	419,118	379,101	1,268	1,181,263

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

Six-month period ended 30 June 2011	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Segment revenue:					
External customers	6,854,963	326,854	—	23,816	7,205,633
Intersegment	35,365	234,931	—	—	270,296
	6,890,328	561,785	—	23,816	7,475,929
<i>Reconciliation</i>					
Elimination of intersegment sales					(270,296)
Total revenue					<u>7,205,633</u>
Segment results:					
Profit/(loss) before tax	3,327,892	245,418	4,539	(5,154)	3,572,695
Income tax expense	(517,559)	(32,389)	6	—	(549,942)
	2,810,333	213,029	4,545	(5,154)	3,022,753
<i>Reconciliation</i>					
Elimination of intersegment results					23,593
Net profit for the period					<u>3,046,346</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. OPERATING SEGMENT STATEMENT (CONTINUED)

Six-month period ended 30 June 2011	Coal <i>RMB'000</i> Unaudited	Transportation <i>RMB'000</i> Unaudited	Coal-related chemical <i>RMB'000</i> Unaudited	Others <i>RMB'000</i> Unaudited	Consolidated <i>RMB'000</i> Unaudited
Segment assets	14,378,115	8,372,806	4,281,439	126,421	27,158,781
Elimination of intersegment receivables					(143,614)
Unrealised profit included in assets					23,593
Total assets					<u>27,038,760</u>
Segment liabilities	3,005,518	5,111,695	2,777,116	135,411	11,029,740
Elimination of intersegment payables					(143,614)
Total liabilities					<u>10,886,126</u>
Other segment information:					
Interest income	12,681	1,110	121	12	13,924
Interest expense	(50,605)	(45,650)	120	(8)	(96,143)
Depreciation and amortisation	(270,000)	(93,140)	(8,688)	(3,020)	(374,848)
Share of profits of associates	1,019	—	(629)	—	390
Reversal of impairment/ (Impairment) recognised in profit or loss	34,399	(800)	4,975	44	38,618
Investments in associates	216,194	—	117,966	—	334,160
Capital expenditure*	494,023	656,763	44,061	2,158	1,197,005

* Capital expenditure consists of additions to property, plant and equipment, mining rights, other 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 six-month period ended 30 June 2011, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for that period.

During the six-month period ended 30 June 2012, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for that period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. REVENUE, OTHER INCOME AND GAINS

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 Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000 Unaudited
Revenue		
Sale of goods	12,157,697	6,878,779
Rendering of services	456,546	326,854
	<u>12,614,243</u>	<u>7,205,633</u>
Other income and gains		
Gain on disposal of unlisted investments	—	1,589
Gain on disposal of items of property, plant and equipment, and intangible assets	1,812	6,700
Income from the rendering of other services	54,767	61,978
Indemnities received	2,120	150
Compensation received*	147,850	—
Others	2,011	11,069
	<u>208,560</u>	<u>81,486</u>

* It represents the amount received from an unrelated, third-party coal mining company 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 two of the Group's mines.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. FINANCE INCOME

The Group's finance income is as follows:

	Group Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
		Unaudited
Interest income	<u>17,557</u>	<u>13,924</u>

8. FINANCE COSTS

The Group' finance costs are as follows:

	Group Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
		Unaudited
Interest on bank loans	267,383	248,093
Less: Interest capitalised	<u>(74,003)</u>	<u>(151,950)</u>
	<u>193,380</u>	<u>96,143</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROFIT BEFORE TAX

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

	Group	
	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000 Unaudited
Cost of inventories sold	7,620,640	2,844,380
Cost of services provided	199,480	117,618
Depreciation of investment properties	1,172	1,172
Depreciation of property, plant and equipment	484,351	359,663
Amortisation of prepaid land lease payments	4,676	5,644
Amortisation of mining rights	3,035	4,680
Amortisation of intangible assets	1,846	2,038
Amortisation of other non-current assets	1,840	1,651
Total depreciation and amortisation	<u>496,920</u>	<u>374,848</u>
Impairment/(Reversal of impairment) of trade and bills receivables	—	(24,995)
Impairment/(reversal of impairment) of other receivables	25	(13,623)
Gain on disposal of unlisted investments	—	1,589
Gain on disposal of items of property, plant and equipment and intangible assets	1,812	6,700
Wages, salaries and other employees' benefits	433,517	354,623
Pension scheme contributions (defined contribution scheme)	26,506	14,691
	<u>460,023</u>	<u>369,314</u>
Auditors' remuneration	<u>5,454</u>	<u>5,111</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Details of the directors' remuneration are as follows:

	Group	
	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
		Unaudited
Salaries and allowances	2,855	2,844
Discretionary bonuses	644	81
Pension scheme contributions	232	199
Total	3,731	3,124

The names of the directors and their remuneration for the six-month periods ended 30 June 2012 and 2011 are as follows:

	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Period ended 30 June 2012				
Directors:				
Zhang Donghai	540	33	22	595
Liu Chunlin	360	31	22	413
Zhang Dongsheng	306	6	22	334
Ge Yaoyong	306	31	22	359
Kang Zhi	252	29	22	303
Lv Guiliang	216	6	22	244
Zhang Xinrong	252	103	22	377
Xie Xianghua	—	36	—	36
Lian Junhai	—	36	—	36
Song Jianzhong	—	36	—	36
Supervisors:				
Li Wenshan	306	4	22	332
Zhang Mingliang	154	49	19	222
Wang Sanmin	55	47	13	115
Ji Zhifu	62	46	13	121
Han Zhanchun	46	43	11	100
Wang Yongliang	—	18	—	18
Wu Qu	—	18	—	18
Tan Guoming	—	72	—	72
	2,855	644	232	3,731

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' remuneration (continued)

	Salaries and allowances <i>RMB'000</i> Unaudited	Discretionary bonuses <i>RMB'000</i> Unaudited	Pension scheme contributions <i>RMB'000</i> Unaudited	Total <i>RMB'000</i> Unaudited
Period ended 30 June 2011				
Directors:				
Zhang Donghai	546	—	22	568
Qi Wenbin	122	—	6	128
Liu Chunlin	366	—	22	388
Li Chengcai	122	—	6	128
Ge Yaoyong	312	—	22	334
Xie Xianghua	32	—	—	32
Lian Junhai	32	—	—	32
Song Jianzhong	32	—	—	32
Zhang Dongsheng	312	—	22	334
Tan Guoming	48	—	—	48
Kang Zhi	172	—	15	187
Lv Guiliang	148	—	15	163
Zhang Xinrong	148	—	15	163
Supervisors:				
Li Wenshan	307	—	22	329
Bai Zailiang	1	—	—	1
Sui Guoqing	1	—	—	1
Zhang Ruilian	5	—	4	9
Zhang Mingliang	4	—	—	4
Deng Yuxin	14	—	4	18
Yuan Bin	1	—	—	1
Wang Sanmin	35	35	9	79
Ji Zhifu	30	30	8	68
Han Zhanchun	30	16	7	53
Wang Yongliang	12	—	—	12
Wu Qu	12	—	—	12
	2,844	81	199	3,124

There was no arrangement under which a director waived or agreed to waive any remuneration during the six-month periods ended 30 June 2012 and 2011.

(b) Five highest paid employees

The five highest paid employees during the six-month period ended 30 June 2011 and 2012, were all directors or supervisors.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INCOME TAX EXPENSE

		Group	
		Six-month period	
		ended 30 June	
		2012	2011
	Note	RMB'000	RMB'000
			Unaudited
Income tax			
Current tax - Mainland China		594,704	545,343
Deferred income tax	23	16,628	4,599
Total tax charge for the period		611,332	549,942

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 the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, selected entities in Western China that falling into the Catalogue of Encouraged Industries in Western China (西部地区鼓励类产业目录, "CEIWC") can enjoy the preferential income tax rate of 15% from 1 January 2011 to 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INCOME TAX EXPENSE (CONTINUED)

According to the notice (2011) No.2 issued by the 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 Adjustment of Industrial Structure (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 the 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 do 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 statements as the Group had no assessable profits derived from or earned in Hong Kong during the six-month periods ended 30 June 2012 and 2011.

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rate to the tax expense at the Group's effective income tax rate for each of the period ended 30 June 2012 and 2011 is as follows:

	Group	
	Six-month period	
	ended 30 June	
	2012	2011
	RMB'000	RMB'000
		Unaudited
Profit before tax	<u>4,059,066</u>	<u>3,596,288</u>
Tax at the statutory income tax rate of 25% for the six-month period ended 30 June 2011 and 2012	1,014,766	899,072
Effect of lower tax rate	(385,345)	(354,694)
Entertainment expenses not deductible for tax purposes	3,336	1,511
Tax losses not recognised	5,106	3,801
Unrecognised previous years' tax losses utilised	(43,942)	(16,722)
Others	<u>17,411</u>	<u>16,974</u>
Tax charge at the Group's effective rate	<u>611,332</u>	<u>549,942</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. DIVIDENDS

	Group/Company	
	As at 30 June 2012	As at 31 December 2011
Proposed final dividend	—	2,196,000

The proposed final dividend for the year ended 31 December 2011 was based on RMB1.5 per ordinary share. It was declared in May 2012 and subsequently paid to shareholders in July 2012.

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

		Group Six-month period ended 30 June	
	Note	2012 RMB'000	2011 RMB'000 Unaudited
<i>Earnings</i>			
Profit for the period attributable to ordinary equity holders of the company		3,193,937	2,928,992
<i>Shares</i>			
Weighted average number of ordinary shares in issue during the period (in thousand)	31	1,464,000	1,464,000

The calculation of the basic earnings per share amount is based on the profit for the six-month periods ended 30 June 2012 and 2011 attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the periods ended 30 June 2012 and 2011.

The Company had no dilutive potential ordinary shares for the periods ended 30 June 2012 and 2011, hence no diluted earnings per share amount is presented.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. INVESTMENT PROPERTIES

	<i>Note</i>	Group/Company	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cost:			
At 1 January		39,361	39,361
Additions		—	—
Disposals		—	—
At 30 June/31 December		39,361	39,361
Depreciation:			
At 1 January		(5,636)	(3,293)
Additions	9	(1,172)	(2,343)
Disposals		—	—
At 30 June/31 December		(6,808)	(5,636)
Carrying amount at 30 June/31 December		32,553	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 the management, the carrying amounts of the Company's investment properties approximate to their fair values.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2011	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
Additions	23,778	4,413	26,576	24,870	2,912	562	69,553	1,023,464	1,176,128
Transfers	25,219	5,332	98,797	—	7,646	832	3,325	(141,151)	—
Disposals/written off	(249)	—	(1,082)	(13,153)	(58,263)	—	(981)	—	(73,728)
At 30 June 2012	<u>3,446,886</u>	<u>1,466,081</u>	<u>5,739,112</u>	<u>568,209</u>	<u>5,981,350</u>	<u>597,623</u>	<u>563,230</u>	<u>5,710,222</u>	<u>24,072,713</u>
Depreciation and impairment:									
At 1 January 2011	(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)
Depreciation charged for the period	(57,597)	(27,261)	(218,238)	(36,974)	(62,112)	(14,454)	(67,715)	—	(484,351)
Disposals	176	—	925	9,289	6,312	—	830	—	17,532
Reversal of impairment	—	—	—	—	—	—	—	—	—
At 30 June 2012	<u>(415,815)</u>	<u>(237,617)</u>	<u>(1,124,643)</u>	<u>(196,940)</u>	<u>(593,350)</u>	<u>(174,634)</u>	<u>(323,094)</u>	<u>—</u>	<u>(3,066,093)</u>
Net carrying amount									
At 1 January 2011	<u>1,990,861</u>	<u>1,113,667</u>	<u>2,077,339</u>	<u>309,210</u>	<u>3,458,907</u>	<u>399,330</u>	<u>217,270</u>	<u>8,131,631</u>	<u>17,698,215</u>
At 31 December 2011	<u>3,039,744</u>	<u>1,245,980</u>	<u>4,707,491</u>	<u>387,237</u>	<u>5,491,505</u>	<u>436,049</u>	<u>235,124</u>	<u>4,827,909</u>	<u>20,371,039</u>
At 30 June 2012	<u>3,031,071</u>	<u>1,228,464</u>	<u>4,614,469</u>	<u>371,269</u>	<u>5,388,000</u>	<u>422,989</u>	<u>240,136</u>	<u>5,710,222</u>	<u>21,006,620</u>

As at 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 RMB63,604,000. 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 at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2011	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
Additions	20,795	4,091	26,285	13,887	—	—	16,241	274,744	356,043
Transfers	6,689	5,332	98,695	—	—	—	3,181	(113,897)	—
Disposals/written off	(249)	—	(1,082)	(6,497)	—	—	(981)	—	(8,809)
At 30 June 2012	<u>1,665,533</u>	<u>354,416</u>	<u>2,045,079</u>	<u>177,415</u>	<u>—</u>	<u>505,162</u>	<u>186,436</u>	<u>1,426,513</u>	<u>6,360,554</u>
Depreciation and impairment:									
At 1 January 2011	(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)
Depreciation charged for the period	(29,065)	(18,697)	(108,121)	(15,381)	—	(12,860)	(15,805)	—	(199,929)
Disposals	176	—	925	5,836	—	—	830	—	7,767
At 30 June 2012	<u>(240,001)</u>	<u>(196,950)</u>	<u>(638,972)</u>	<u>(88,933)</u>	<u>—</u>	<u>(141,048)</u>	<u>(103,721)</u>	<u>—</u>	<u>(1,409,625)</u>
Net carrying amount									
At 1 January 2011	<u>1,071,911</u>	<u>192,795</u>	<u>1,166,703</u>	<u>81,501</u>	<u>—</u>	<u>335,161</u>	<u>84,117</u>	<u>703,590</u>	<u>3,635,778</u>
At 31 December 2011	<u>1,427,186</u>	<u>166,740</u>	<u>1,389,405</u>	<u>90,637</u>	<u>—</u>	<u>376,974</u>	<u>79,249</u>	<u>1,265,666</u>	<u>4,795,857</u>
At 30 June 2012	<u>1,425,532</u>	<u>157,466</u>	<u>1,406,107</u>	<u>88,482</u>	<u>—</u>	<u>364,114</u>	<u>82,715</u>	<u>1,426,513</u>	<u>4,950,929</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PREPAID LAND LEASE PAYMENTS

	<i>Note</i>	Group	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Carrying amount at 1 January		276,597	240,714
Additions		4,362	54,416
Disposal		—	(7,922)
Amortisation for the period/year	9	(4,676)	(10,611)
Carrying amount at 30 June/31 December		276,283	276,597
Current portion included in prepayments, deposits and other receivables		(10,633)	(10,791)
Non-current portion		265,650	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 at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Long term leases (≥50 years)	169,381	165,279
Medium term leases (<50 years)	106,902	111,318
	276,283	276,597

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PREPAID LAND LEASE PAYMENTS (CONTINUED)

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Carrying amount at 1 January	143,163	95,461
Additions	—	53,416
Disposal	—	—
Amortisation for the period/year	(2,975)	(5,714)
Carrying amount at 30 June/31 December	140,188	143,163
Current portion included in prepayments, deposits and other receivables	(5,487)	(5,715)
Non-current portion	134,701	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 at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Long term leases (≥50 years)	51,775	51,775
Medium term leases (<50 years)	88,413	91,388
	140,188	143,163



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. MINING RIGHTS

		Group	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
	Note		
Cost as at 1 January, net of accumulated amortisation		218,130	226,435
Additions		680	—
Amortisation for the period/year	9	<u>(3,035)</u>	<u>(8,305)</u>
Cost as at 30 June/31 December, net of accumulated amortisation		<u>215,775</u>	<u>218,130</u>
As at 30 June /31 December :			
Cost		293,486	292,806
Accumulated amortisation		<u>(77,711)</u>	<u>(74,676)</u>
Net carrying amount		<u>215,775</u>	<u>218,130</u>

		Company	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cost as at 1 January, net of accumulated amortisation		66,610	72,161
Additions		—	—
Disposal		—	—
Amortisation for the period/year		<u>(1,673)</u>	<u>(5,551)</u>
Cost as at 30 June/31 December, net of accumulated amortisation		<u>64,937</u>	<u>66,610</u>
As at 30 June/31 December:			
Cost		132,976	132,976
Accumulated amortisation		<u>(68,039)</u>	<u>(66,366)</u>
Net carrying amount		<u>64,937</u>	<u>66,610</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. OTHER INTANGIBLE ASSETS

	Note	Group	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cost as at 1 January, net of accumulated amortisation		17,467	16,861
Additions		93	5,205
Disposal		(9)	—
Amortisation for the period/year	9	(1,846)	(4,599)
Cost as at 30 June/31 December, net of accumulated amortisation		<u>15,705</u>	<u>17,467</u>
As at 30 June/31 December:			
Cost		29,815	29,722
Accumulated amortisation		(14,110)	(12,255)
Net carrying amount		<u>15,705</u>	<u>17,467</u>
		Company	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cost as at 1 January, net of accumulated amortisation		12,287	9,049
Additions		21	5,181
Amortisation for the period/year		(1,097)	(1,943)
Cost as at 30 June/31 December, net of accumulated amortisation		<u>11,211</u>	<u>12,287</u>
As at 30 June/31 December:			
Cost		18,162	18,141
Accumulated amortisation		(6,951)	(5,854)
Net carrying amount		<u>11,211</u>	<u>12,287</u>

The intangible assets primarily comprise of computer software.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. OTHER NON-CURRENT ASSETS

	Note	Group	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cost as at 1 January, net of accumulated amortisation		17,597	18,025
Additions		11,048	3,244
Amortisation for the period/year	9	<u>(1,840)</u>	<u>(3,672)</u>
Cost as at 30 June/31 December, net of accumulated amortisation		<u>26,805</u>	<u>17,597</u>
As at 30 June/31 December:			
Cost		42,841	31,793
Accumulated amortisation		<u>(16,036)</u>	<u>(14,196)</u>
Net carrying amount		<u>26,805</u>	<u>17,597</u>

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Water use right	13,941	13,941
Others	<u>12,864</u>	<u>3,656</u>
	<u>26,805</u>	<u>17,597</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Unlisted investments, at cost	5,071,371	5,028,759
Financial guarantee contracts	95,769	88,945
	5,167,140	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 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 37.

21. INVESTMENTS IN ASSOCIATES

	Group		Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Unlisted investments, at cost	—	—	237,080	242,109
Share of net assets	345,707	353,026	—	—
	345,707	353,026	237,080	242,109

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Share of the associates' assets and liabilities:		
Current assets	237,237	336,081
Non-current assets	871,040	859,977
Current liabilities	(300,783)	(484,587)
Non-current liabilities	(461,787)	(358,445)
Equity	<u>345,707</u>	<u>353,026</u>
Share of the associates' results:		
Revenue	<u>173,558</u>	<u>310,164</u>
Profit	<u>180</u>	<u>19,799</u>
Carrying amount of the investment	<u><u>345,707</u></u>	<u><u>353,026</u></u>

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Unlisted equity investments, at cost	<u><u>2,951,845</u></u>	<u><u>2,870,590</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Unlisted equity investments, at cost	2,844,800	2,771,675

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.

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

	Percentage of equity interest attributable to the Group	Group	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9%	1,440,000	1,440,000
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	15%	382,800	382,800
Zhunshuo Railway Co., Ltd. (准朔鐵路有限公司)	19%	757,045	675,790
Nanbu Railway Co., Ltd. (南部鐵路有限責任公司)	10%	200,000	200,000
Others	—	172,000	172,000
		2,951,845	2,870,590



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. DEFERRED TAX ASSETS

Group

The movements in deferred tax are as follows:

	Note	Group	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
At 1 January, net		101,317	27,398
Deferred tax (charged)/credited to profit or loss	11	(16,628)	73,919
At 30 June/31 December, net		84,689	101,317

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

Deferred tax assets:

	Provision RMB'000	Deferred compensation RMB'000	Payables and accruals RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	11,148	—	855	15,395	27,398
(Charged)/Credited to the consolidated statements of comprehensive income during the year	(7,722)	43,183	(855)	39,313	73,919
At 31 December 2011 and 1 January 2012	3,426	43,183	—	54,708	101,317
Credited/(Charged) to the consolidated statements of comprehensive income during the period	4	(14,923)	—	(1,709)	(16,628)
At 30 June 2012	3,430	28,260	—	52,999	84,689

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. DEFERRED TAX ASSETS (CONTINUED)

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

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Tax losses	<u>5,106</u>	<u>11,136</u>

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 are as follows:

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
At 1 January, net	3,426	9,425
Deferred tax credited/(charged) to profit or loss during the period/year	4	(5,999)
At 30 June/31 December, net	<u>3,430</u>	<u>3,426</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. INVENTORIES

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Materials and supplies	461,201	427,345
Work-in-progress	10,093	8,921
Finished goods	399,552	243,401
Less: Provision for impairment	(2,951)	(2,951)
	<u>867,895</u>	<u>676,716</u>

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Materials and supplies	326,870	295,315
Finished goods	280,524	246,283
	<u>607,394</u>	<u>541,598</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. TRADE AND BILLS RECEIVABLES

Group

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade receivables	2,740,355	708,276
Less: Provision for impairment	—	—
	<u>2,740,355</u>	<u>708,276</u>
Bills receivable	<u>116,873</u>	<u>43,154</u>
	<u><u>2,857,228</u></u>	<u><u>751,430</u></u>

Company

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade receivables	2,526,412	637,445
Less: Provision for impairment	—	—
	<u>2,526,412</u>	<u>637,445</u>
Bill receivables	<u>116,209</u>	<u>32,000</u>
	<u><u>2,642,621</u></u>	<u><u>669,445</u></u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 the trade receivables and bills receivable approximate to their fair values.

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

Bills 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 at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Within six months	2,826,093	725,724
Over six months but within one year	24,971	20,880
Over one year but within two years	6,164	4,826
Over two years but within three years	—	—
Over three years	—	—
	<u>2,857,228</u>	<u>751,430</u>

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

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
At 1 January	—	29,062
Reversal of impairment for the period/year	—	(29,062)
Amount written off as uncollectible	—	—
	<u>—</u>	<u>—</u>
At 30 June/31 December	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

Company

	Company	
	As at	As at
	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Within six months	2,642,621	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	—	—
	2,642,621	669,445
	2,642,621	669,445

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

	Company	
	As at	As at
	30 June	31 December
	2012	2011
	RMB'000	RMB'000
At 1 January	—	26,844
Reversal of impairment for the period/year	—	(26,844)
Amount written off as uncollectible	—	—
	—	—
At 30 June/31 December	—	—
	—	—

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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Amounts due from related parties:		
Associates	7,762	2,571
Yitai Group	2,561	—
	<u>10,323</u>	<u>2,571</u>
Advances to suppliers	640,013	460,302
Prepayments	68,601	84,907
Prepayment for purchase of land use right	584,873	166,988
Staff advances	42,766	22,018
Deposits	39,688	90,543
Prepayment for investment in a subsidiary	397,334	—
Other receivables	15,915	31,505
	<u>1,799,513</u>	<u>858,834</u>
Less: Provision for impairment	<u>(22,865)</u>	<u>(22,840)</u>
	<u>1,776,648</u>	<u>835,994</u>

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

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
At 1 January	22,840	20,704
Impairment for the period/year	25	10,196
Reversal of impairment	—	(8,060)
Written off	—	—
	<u>22,865</u>	<u>22,840</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Amounts due from related parties:		
Subsidiaries	1,054,532	681,105
	1,054,532	681,105
Advances to suppliers	448,415	320,601
Prepayments	56,050	82,241
Prepayment for acquisition of land use right	333,871	16,988
Staff advances	34,022	20,833
Deposits	50,762	85,579
Other receivables	98,505	25,430
Prepayment for investment in a subsidiary	397,334	—
	2,473,491	1,232,777
Less: Provision for impairment	(43,925)	(43,900)
	2,429,566	1,188,877

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

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
At 1 January	43,900	35,948
Impairment for the period/year	25	7,952
Written off	—	—
At 30 June/31 December	43,925	43,900



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH

	Note	Group	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cash and bank balances		2,858,310	3,533,834
Time deposits		14,886	21,941
		2,873,196	3,555,775
Less: Restricted cash		(20,335)	(20,305)
		2,852,861	3,535,470
Denominated in RMB	(b)	2,852,088	3,534,774
Denominated in other currencies		773	696
		2,852,861	3,535,470

	Note	Company	
		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cash and bank balances		2,176,403	2,281,216
Time deposits		8,401	8,401
		2,184,804	2,289,617
Less: Restricted cash	(a)	(17,098)	(17,076)
		2,167,706	2,272,541
Denominated in RMB	(b)	2,166,933	2,271,847
Denominated in other currencies		773	694
		2,167,706	2,272,541

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH (CONTINUED)

Notes:

- (a) As at 30 June 2012 and 31 December 2011, the Group's bank balances of approximately RMB20,335,000 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.
- (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 statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cash and short-term deposits	2,852,861	3,535,470
Less: Time deposits	<u>(14,886)</u>	<u>(21,941)</u>
Cash at banks and on hand	<u><u>2,837,975</u></u>	<u><u>3,513,529</u></u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TRADE AND BILLS PAYABLES

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade payables to third parties	1,539,580	520,067
Trade payables to associates	5,076	4,771
Trade payables to Yitai Group	8,532	18,647
	<u>1,553,188</u>	<u>543,485</u>

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

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Within six months	1,479,539	466,287
Over six months but within one year	63,263	62,473
Over one year but within two years	3,325	6,028
Over two years but within three years	7,016	8,133
Over three years	45	564
	<u>1,553,188</u>	<u>543,485</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TRADE AND BILLS PAYABLES (CONTINUED)

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 at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade payables to third parties	1,294,763	356,825
Trade payables to associates	6,048	—
Trade payables to Yitai Group	—	18,647
	<u>1,300,811</u>	<u>375,472</u>

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Within six months	1,248,627	300,688
Over six months but within one year	42,521	60,836
Over one year but within two years	2,672	5,876
Over two years but within three years	6,991	8,072
Over three years	—	—
	<u>1,300,811</u>	<u>375,472</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. OTHER PAYABLES AND ACCRUALS

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Advances from customers	354,588	397,226
Accrued salaries, wages and benefits	68,754	262,290
Other tax payables	(30,869)	(15,491)
Accrued interest payable	22,374	21,707
Payables for property, plant and equipment	1,134,982	1,062,108
Accruals	102,231	90,513
Amounts due to Yitai Group	105,117	13,001
Amounts due to associates	66	814
Other payables	64,125	54,214
	1,821,368	1,886,382

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Advances from customers	151,790	343,491
Accrued salaries, wages and benefits	35,454	157,846
Other taxes payable	(69,078)	(31,604)
Accrued interest payable	2,162	340
Payables for property, plant and equipment	530,271	533,459
Accruals	78,182	70,613
Amounts due to subsidiaries	—	72,367
Other payables	109,955	4,614
	838,736	1,151,126

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. INTEREST-BEARING BANK LOANS

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Current:		
Bank loans - secured by guarantees	218,000	218,000
Bank loans - unsecured	—	650,000
Total bank loans	<u>218,000</u>	<u>868,000</u>
Current portion of long term bank loans		
— secured by guarantees	1,081,747	1,258,190
Current portion of long term bank loans - unsecured	580,000	80,000
Total current portion of long term bank loans	<u>1,661,747</u>	<u>1,338,190</u>
Total current loans	<u>1,879,747</u>	<u>2,206,190</u>
Non-current:		
Bank loans - secured by guarantees	5,438,070	5,520,594
Bank loans - unsecured	40,000	580,000
Total non-current loans	<u>5,478,070</u>	<u>6,100,594</u>
Total loans	<u><u>7,357,817</u></u>	<u><u>8,306,784</u></u>
Denominated in RMB	7,096,600	8,026,600
Denominated in USD	<u>41,295</u>	<u>43,977</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. INTEREST-BEARING BANK LOANS (CONTINUED)

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Current:		
Bank loans - secured by guarantees	—	—
Bank loans - unsecured	—	—
Total bank loans	—	—
Current portion of long term bank loans		
— secured by guarantees	—	—
Current portion of long term bank loans - unsecured	80,000	80,000
Total current portion of long term bank loans	80,000	80,000
Total current loans	80,000	80,000
Non-current:		
Bank loans - secured by guarantees	—	—
Bank loans - unsecured	40,000	80,000
Total non-current loans	40,000	80,000
Total loans	120,000	160,000
Denominated in RMB	120,000	160,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. INTEREST-BEARING BANK LOANS (CONTINUED)

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

	As at 30 June 2012 %	As at 31 December 2011 %
Group		
Fixed-rate loans	3.80-6.56	3.80-9.09
Floating-rate loans	5.99-7.05	5.76-7.05
Company		
Fixed-rate loans	N/A	N/A
Floating-rate loans	6.65-6.90	6.40-6.90



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. INTEREST-BEARING BANK LOANS (CONTINUED)

The maturity profile of the loans is as follows:

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,879,747	2,206,190
In the second year	866,747	1,131,190
In the third to fifth years, inclusive	1,867,627	2,204,317
Beyond five years	2,743,696	2,765,087
	<u>7,357,817</u>	<u>8,306,784</u>

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	80,000	80,000
In the second year	40,000	40,000
In the third to fifth years, inclusive	—	40,000
Beyond five years	—	—
	<u>120,000</u>	<u>160,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. INTEREST-BEARING BANK LOANS (CONTINUED)

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

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Yitai Group	392,000	404,000
Independent third parties	32,910	31,452
Other related parties	648,722	665,222
	<u>1,073,632</u>	<u>1,100,674</u>

In the opinion of the directors, the carrying amounts of the Group's and the Company's current loans and non-current loans based on market rates approximate to their fair values.

31. ISSUED CAPITAL

	Group/Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Authorised, issued and fully paid 1,464,000,000 (2011: 1,464,000,000) ordinary shares of RMB1.00 each	<u>1,464,000</u>	<u>1,464,000</u>

There was no movement in the share capital during the six-month period ended 30 June 2012 and for the year ended 31 December 2011.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the six-month period ended 30 June 2012 and 2011 are presented in the consolidated statement of changes in equity.

(b) Company

	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Safety and maintenance fund <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Proposed final dividends <i>(note 12)</i> <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2011	166,170	1,509,249	—	7,681,148	2,196,000	11,552,567
Total comprehensive income for the year	—	—	—	5,103,185	—	5,103,185
Transfer from retained earnings	—	513,587	—	(513,587)	—	—
Appropriation to safety and maintenance fund	—	—	—	—	—	—
2010 final dividend paid	—	—	—	—	(2,196,000)	(2,196,000)
Proposed 2011 final dividend	(42)	—	—	(2,196,000)	2,196,000	(42)
As at 31 December 2011 and 1 January 2012	166,128	2,022,836	—	10,074,746	2,196,000	14,459,710
Total comprehensive income for the period	—	—	—	2,840,088	—	2,840,088
Transfer from retained earnings	—	—	—	—	—	—
Appropriation to safety and maintenance fund	—	—	16,050	(16,050)	—	—
2011 final dividend declared	—	—	—	—	(2,196,000)	(2,196,000)
As at 30 June 2012	<u>166,128</u>	<u>2,022,836</u>	<u>16,050</u>	<u>12,898,784</u>	<u>—</u>	<u>15,103,798</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group had no significant future minimum lease payments under non-cancellable operating leases.

34. COMMITMENTS

On 29 May 2012, the Company entered into an assets transfer agreement with Yitai Group, pursuant to which the Company will acquire certain business groups controlled or owned by Yitai Group (the "Target Business Group") from Yitai Group at a consideration of RMB8,446.5 million, which is arrived at after arm's length negotiation and based on the fair value of the Target Business Group as stated in the valuation report prepared by a valuer. The total payment made by the Company in connection with the proposed acquisition (the "Proposed Acquisition") may be subject to adjustment. Further details of which are set out in the section headed "Relationship with Controlling Shareholders - Competition-Proposed Acquisition" contained in the Company's prospectus dated 29 June 2012. In addition to the proposed acquisition of the Target Business Group, the Group had the following capital commitments:

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	1,077,566	1,497,085
Available-for-sale investments	87,275	168,530
	<u>1,164,841</u>	<u>1,665,615</u>
	<u><u>1,164,841</u></u>	<u><u>1,665,615</u></u>
	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	342,002	517,479
Available-for-sale investments	80,500	153,625
	<u>422,502</u>	<u>671,104</u>
	<u><u>422,502</u></u>	<u><u>671,104</u></u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. 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 periods ended 30 June 2012 and 2011:

	Note	Group	
		Six-month period ended 30 June	
		2012	2011
		RMB'000	RMB'000
			Unaudited
Sales of goods to Yitai Group	(i) *	65,754	52,204
Sales of goods to an associate	(i) *	102,447	75,452
Provision of services to Yitai Group	(i)*	383,759	218,456
Purchase of services from Yitai Group	(i)#	48,599	58,498
Purchase of goods from Yitai Group	(i)#	23,502	400

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Outstanding balances with related parties

		Group	
		As at 30 June 2012	As at 31 December 2011
	Note	RMB'000	RMB'000
Trade and bills receivables	(i)	42,845	10,000
Prepayments, deposits and other receivables	(i)	10,323	2,571
Trade payables	(i)	(13,608)	(23,418)
Other payables and accruals	(i)	(105,183)	(13,815)

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

(c) Guarantees received from related parties

As at 31 December 2011 and 30 June 2012, bank loans of RMB1,069,222,000 and RMB1,040,722,000 were guaranteed by the related parties respectively.

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

As at 31 December 2011 and 30 June 2012, guarantees of RMB17,056,000 and RMB15,808,000 were given to banks for loans of related parties, respectively.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for:

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Guarantees given to banks in connection with loans granted to Yitai Group	—	—
Guarantees given to banks in connection with loans granted to associates	15,808	17,056
	<u>15,808</u>	<u>17,056</u>

	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Guarantees given to banks in connection with loans granted to Yitai Group	—	—
Guarantees given to banks in connection with loans granted to subsidiaries	5,664,185	5,896,111
Guarantees given to banks in connection with loans granted to associates	15,808	17,056
	<u>5,679,993</u>	<u>5,913,167</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. FINANCIAL INSTRUMENTS BY CATEGORY

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Financial assets		
Available-for-sale investments	2,951,845	2,870,590
Loans and receivables		
Trade and bills receivables	2,857,228	751,430
Financial assets included in prepayments, deposits and other receivables	69,004	56,094
Restricted cash	20,335	20,305
Cash and short-term deposits	2,852,861	3,535,470
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables	1,553,188	543,485
Financial liabilities included in other payables and accruals	1,466,780	1,489,156
Interest-bearing bank loans	7,357,817	8,306,784
	Company	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Financial assets		
Available-for-sale investments	2,844,800	2,771,675
Loans and receivables		
Trade and bills receivables	2,642,621	669,445
Financial assets included in prepayments, deposits and other receivables	1,187,059	727,368
Restricted cash	17,098	17,076
Cash and short-term deposits	2,167,706	2,272,541
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables	1,300,811	375,472
Financial liabilities included in other payables and accruals	686,946	807,635
Interest-bearing bank loans	120,000	160,000



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. 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. 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
Six-month period ended 30 June 2012	100 (100)	(34,393) 34,393
Year ended 31 December 2011	100 (100)	(70,429) 70,429

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
Six-month period ended 30 June 2012	100 (100)	(600) 600
Year ended 31 December 2011	100 (100)	(800) 800

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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Six-month period ended 30 June 2012	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest bearing bank loans	—	2,353,199	3,856,308	3,660,589	9,870,096
Trade and bills payables	1,553,188	—	—	—	1,553,188
Other payables and accruals	64,125	1,402,655	—	—	1,466,780
	<u>1,617,313</u>	<u>3,755,854</u>	<u>3,856,308</u>	<u>3,660,589</u>	<u>12,890,064</u>
Year ended 31 December 2011	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest bearing bank loans	—	2,652,175	4,511,978	3,642,957	10,807,110
Trade and bills payables	543,485	—	—	—	543,485
Other payables and accruals	54,214	1,434,942	—	—	1,489,156
	<u>597,699</u>	<u>4,087,117</u>	<u>4,511,978</u>	<u>3,642,957</u>	<u>12,839,751</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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

Company

Six-month period ended 30 June 2012	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest bearing bank loans	—	88,180	42,760	—	130,940
Trade and bills payables	1,300,811	—	—	—	1,300,811
Other payables and accruals	188,137	498,809	—	—	686,946
Guarantees given to banks in connection with facilities granted to subsidiaries	95,769	—	—	—	95,769
	<u>1,584,717</u>	<u>586,989</u>	<u>42,760</u>	<u>—</u>	<u>2,214,466</u>
Year ended 31 December 2011	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest bearing bank loans	—	91,020	88,460	—	179,480
Trade and bills payables	375,472	—	—	—	375,472
Other payables and accruals	4,614	803,021	—	—	807,635
Guarantees given to banks in connection with facilities granted to subsidiaries	88,945	—	—	—	88,945
	<u>469,031</u>	<u>894,041</u>	<u>88,460</u>	<u>—</u>	<u>1,451,532</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period ended 30 June 2012.

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

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 were as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

	Group	
	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Interest-bearing bank loans	7,357,817	8,306,784
Trade and bills payables	1,553,188	543,485
Other payables and accruals	1,466,780	1,489,156
Less: Cash and short-term deposits	(2,852,861)	(3,535,470)
Net debt	<u>7,524,924</u>	<u>6,803,955</u>
Equity attributable to owners of the Company	<u>18,013,573</u>	<u>17,015,636</u>
Gearing ratio	<u>0.42</u>	<u>0.40</u>

39. EVENTS AFTER THE REPORTING PERIOD

In July 2012, the Company issued 162,667,000 new H shares to the public at a price of HK\$43 per share and such H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In August 2012, as a result of the over-allotment option as detailed in the Company's prospectus dated 29 June 2012, the Company issued 336,500 new H shares to the public at HK\$43 per share and such H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Immediately after the issue and allotment of the over-allotment shares by the Company, the issued share capital of the Company was RMB1,627,003,500.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of the directors on 27 August 2012.



X. DEFINITIONS

“Board”	the board of Directors of the Company
“CIT”	corporate income tax
“Company”	內蒙古伊泰煤炭股份有限公司 (Inner Mongolia Yitai Coal Co., Ltd.), a joint stock company incorporated in the PRC with limited liability and listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange
“CPPCC”	Chinese People’s Political Consultative Conference
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“NDRC”	National Development and Reform Commission
“NPC”	National People’s Congress
“Mtpa”	metric ton per annum
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement only excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited