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

2013 Annual Report

*For identification purposes only

IMPORTANT NOTICE

Important Notice

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

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

III. Ernst & Young Certified Public Accountants has issued its standard unqualified auditor's report for the Company.

IV. 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, accuracy and completeness of the financial report set out in the report.

V. Preliminary Plans for Profit Distribution or Transfer of Public Reserve into Share Capital for the reporting period as reviewed by the Board of Directors: for the year ended 31 December 2013, the net profit attributable to the owners of the Company amounted to RMB3,444,628,337 and RMB3,427,574,995 as set out in the audited consolidated statements of the year 2013 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. To provide better rewards to our shareholders as well as improve corporate values, taking into consideration of our cash dividends policy and the cash dividends distribution record for the last three years, the Board of the Company recommended a cash dividend of RMB3.2 (including tax) for every 10 shares, calculated by total share capital of 3,254,007,000 shares, will be paid to all shareholders of the Company. The total dividends to be distributed is RMB1,041,282,240, representing over 30% of the net profit attributable to the owners of the Company of RMB3,427,574,995 as set out in the consolidated statements of the year 2013 of the Company.

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

VII. During the reporting period, there were no non-operational funds appropriated by controlling shareholders and its connected parties.

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

CONTENTS

DEFINITIONS AND MAJOR RISK NOTICE

1. DEFINITIONS

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

Definitions of frequently-used terms

Company or the Company	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai Group (Hongkong) Co., Ltd. (伊泰(集團)香港有限公司)
Yitai Chemical Company	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Coal-to-oil Company	Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)
Zhundong Railway Company	Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)
Huzhun Railway Company	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)
Suancigou Mine	Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)
Yitai Tiedong Storage and Transportation Company	Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司)
Yili Energy Company	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Yitai Xinjiang	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)
Yitai Petrochemical	Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)

2. MAJOR RISK NOTICE:

The major risks faced by the Company include policy risks, risks of fluctuation in macroeconomy and risks of industry competition, security risks and risk of increasing cost. Relevant risks and countermeasures have been described in details in Item II "Discussion and Analysis of the Board on the Company's Future Development" under the Section V "REPORT OF THE DIRECTORS" in this report for your review.

CORPORATE PROFILE

1. CORPORATE INFORMATION

Chinese name of the Company	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO., LTD.
English abbreviation of the name of the Company	IMYCC/Yitai Coal
Legal representative	Zhang Donghai
Members of the Board	Executive Directors Zhang Donghai *(Chairman)* Liu Chunlin Ge Yaoyong Zhang Dongsheng Kang Zhi Zhang Xinrong Lv Guiliang *Independent Non-executive Directors* Yu Youguang *(appointed on 28 June 2013)* Qi Yongxing *(appointed on 11 December 2013)* Song Jianzhong Tam Kwok Ming, Banny Xie Xianghua *(resigned on 28 June 2013)* Lian Junhai *(resigned on 11 December 2013)*
Members of the Strategic Planning Committee	Zhang Donghai *(Chairman)* Liu Chunlin Ge Yaoyong Zhang Dongsheng Kang Zhi Zhang Xinrong Lv Guiliang Song Jianzhong Yu Youguang Qi Yongxing Tam Kwok Ming, Banny
Members of the Audit Committee	Qi Yongxing *(Chairman)* Song Jianzhong Yu Youguang Tam Kwok Ming, Banny

1. CORPORATE INFORMATION *(CONTINUED)*

Members of the Nomination Committee	Song Jianzhong *(Chairman)* Zhang Donghai Liu Chunlin Ge Yaoyong Yu Youguang Qi Yongxing Tam Kwok Ming, Banny
Members of the Remuneration and Assessment Committee	Yu Youguang *(Chairman)* Zhang Donghai Liu Chunlin Ge Yaoyong Song Jianzhong Qi Yongxing Tam Kwok Ming, Banny
Members of Production Committee	Zhang Donghai Ge Yaoyong Zhang Xinrong Qi Yongxing Yu Youguang
Members of the Supervisory Committee	Li Wenshan Zhang Guisheng Wang Xiaodong *(appointed on 25 April 2013)* Wang Sanmin *(resigned on 25 Apirl 2013)* Ji Zhifu Han Zhanchun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Lian Tao Lee Mei Yi

2. CONTACT PERSONS AND CONTACT METHODS

	Board Secretary	**Securities Affairs Representative**
Name	Lian Tao	Zhao Xin
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565642	0477-8565731
Facsimile	0477-8565415	0477-8565415
E-mail	liantaocn@gmail.com	zhaoxin_yitai@126.com

3. BASIC INFORMATION OF THE COMPANY

Registered address	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the registered address	017000
Office address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the office address	017000
Principal place of business in Hong Kong	54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

4. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

5. BASIC INFORMATION ON THE COMPANY'S SHARES

Basic information on the Company's shares

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

6. CHANGE IN BUSINESS REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

(1) Basic information

Date of business registration	10 October 2013
Place of business registration	Inner Mongolia Administration for Industry and Commerce
Registration number of the Company's business license:	150000400001093
Tax registration number:	152702626402490
Organization code:	62640249-0

(2) Inspection index to the initial business registration of the Company

Details of the initial business registration of the Company are set out in the section headed "corporate profile" in the 2011 B share annual report.

(3) Changes in principal business since the listing of the Company

When the B shares of the Company were listed in 1997, its principal business included the followings: production, transportation, washing, coking, sales of raw coal, farm breeding and plantation; catering, accommodation and entertainment services, supply of coal mining equipment and accessories, and supply of materials in the system, construction and operation of highways, and refueling service.

1. In November 2006, the Company changed its principal scope of business and quitted from the followings: farm breeding, accommodation and entertainment services, and supply of coal mining equipment and accessories, and supply of materials in the system; and added the followings into its business scope: development of mine materials, mine hotel rooms and mine tourism, trade related tourism, bowling, karaoke and natatorium.

2. In April 2008, the Company changed its principal scope of business and quitted from bowling, karaoke and natatorium businesses and included the solar power generation business.

3. In April 2011, the Company changed its principal scope of business to add "import of coal, coal mining equipment and coal-related chemical equipment".

4. In October 2013, the Company changed its principal scope of business to add "electric power business for equipment (repair, test), Level 3 geological hazards recovery project".

6. CHANGE IN BUSINESS REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(4) Changes in controlling shareholders since the listing of the Company

There was no change in controlling shareholders since the listing of B and H shares of the Company.

7. OTHER RELEVANT INFORMATION

		B shares/Domestic	H share/Overseas
Auditor	Name	Da Hua Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants
	Address	12th Floor, Building No.7, Block No. 16, Xi Si Huan Zhong Road（西四環中路）, Haidian District, Beijing	22nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Legal Advisor	Name	Jingtian & Gongcheng	Clifford Chance
	Address	34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Beijing	28th Floor, Jardine House, One Connaught Place, Central, Hong Kong
Share Registrar	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New Area, Shanghai	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong

CHAIRMAN'S STATEMENT

Dear shareholders,

In 2013, when there is increasing pressure from the downward trend of national economy, the growth of iron, coal fire, construction materials and cement, etc at the downstream of the coal industry slowed down, and the need in the coal market reduced. In the meantime, influenced by the factors such as the expanded scope of influence of imported coal the price in the coal market continued to go down, resulting in a dramatic decline in the economic performance of the coal industry. Confronted by the complex macro economy and the stern industrial atmosphere, the Directors of the Company were determined and confident to take the initiative to address all difficulties and challenges brought about by the sluggish demand in coal market and continuous decline in coal prices, reasonably arrange production, transportation and distribution of coal with an emphasis on safety, accelerate the upgrade of industrial structure, press ahead projects construction, continue to consolidate and expand the achievement in demonstration projects of coal-to-oil, and have achieved steady development in an orderly manner as a whole. Accordingly, the development strategy of the Company was implemented progressively. On behalf of the Board of Directors, I am pleased to present shareholders the operating results of the Company during the reporting period.

ACCOMPLISHMENT OF BUSINESS GOALS

In 2013, owing to the decline in coal price in the market, the Company reduced its production of safety coal, resulting in the decrease in production of raw coal and coal sales. The development of railway transportation and coal-related chemical operations were favourable, well achieved various production and operating goals set at the beginning of the year.

During the reporting period, the Company's total output and sales of commodity coal amounted to 45.89 million tonnes and 63.46 million tonnes respectively. Zhundong Railway Line dispatched an aggregate of 44.48 million tonnes of coal. Huzhun Railway Line dispatched an aggregate of 29.25 million tonnes of coal. Coal-to-oil companies produced 18.16 million tonnes of coal-related chemical products, actualize the steady operating for a longer cycle. During the reporting period, the Company's revenue amounted to RMB24,275 million, representing a decrease of 23% over the same period last year. Net profit attributable to the Company amounted to RMB3,428 million.

MAJOR PROGRESS IN CONSTRUCTION OF PROJECTS

The Company has made steady progress in the handling of approval procedures of and in the construction of all its key projects with major results achieved. On 16 December 2013, the Company's indirect coal-to-liquid conversion project with annual output of 2,000,000 tonnes has received letter from National Development and Reform Commission to commence preliminary works; Kaida Bulamao consolidated Mine will apply the mining permit after the evaluation of the Proposal on Land Reclamation. A second track of the project construction of Togtoh-Zhoujiawan section of Huzhun Railway Line made progress, and Yellow River Bridge, the key control project, was successfully combined on 26 November and reached the target of track laying at the end of the year. The project construction of underline engineering of a second track along the Jialanying-Togtoh section of Huzhun Railway commenced construction.

NEW ACHIEVEMENTS IN PRODUCTION SAFETY

The Company continued to place safety management on its top agenda, adhered to the principle of "safety-foremost with prevention-oriented and comprehensive treatment", improved all its production safety and management systems. New achievements have been made in production safety accordingly. 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 maintained for consecutive 4,765 days without any injury, casualties incident, major transportation accident and fire incident. As for Huzhun Railway, there was no injuries or casualties incidents, significant transportation incidents and fire incidents occurred for 2,535 days.

In 2014, the Company will make our main business of coal operation bigger and stronger on the premise of safe production, carry out strictly the production of self-produced coal and the expansion and reconstruction works; in the meantime, it will further improve transportation network system, reasonably organize the transportation and sales of coal to give full play to its competitive edge with its existing resources; moreover, the Company will strive to develop coal chemicals business including coal-to-oil operation to accelerate the upgrade of industrial structure, so as to prepare for the steady and forward-leaping development of the Company in the long term.

SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Currency: RMB

	2013 *RMB'000*	2012 *RMB'000*
Revenue	**24,274,873**	31,583,528
Cost of sales	**(16,085,179)**	(20,454,324)
Gross profit	**8,189,694**	11,129,204
Other income and gains	**276,838**	619,345
Selling and distribution expenses	**(1,258,017)**	(1,121,967)
Administrative expenses	**(1,593,137)**	(1,629,936)
Other expenses	**(191,981)**	(52,866)
Finance income	**38,212**	35,043
Finance costs	**(805,695)**	(429,613)
Exchange losses, net	**(41,358)**	(32,460)
Share of profits of associates	**19,308**	34,114
Profit before tax	**4,633,864**	8,550,864
Income tax expense	**(709,468)**	(1,399,436)
Profit for the year	**3,924,396**	7,151,428
Attributable to:		
Owners of the parent	**3,427,575**	6,454,428
Non-controlling interests	**496,821**	697,000
	3,924,396	7,151,428
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(RMB)*		
— For profit for the year	**1.05**	2.09

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD

In 2013, when the global economy experienced a difficult recovery and there is increasing pressure from the downward trend of national economy, China's economy progressed with stability and entered the state of medium speed growth. Yet the growth of iron, coal fire, construction materials and cement, etc at the downstream of the coal industry slowed down, and the need in the coal market reduced. In the meantime, influenced by the factors such as the expanded scope of influence of imported coal the price in the coal market continued to go down, resulting in a dramatic decline in the economic performance of the coal industry.

In 2013, confronted by the complex macro economy and the stern industrial atmosphere, the Board of the Company and the management were determined to rise up to the challenges brought by the weakened need in the coal market and the continued downturn of the coal price, and pushed forward the business of the Company with the strong support of the shareholders of the Company and the concerted efforts of all the staff, and attained fundamentally all its operating targets for the year. During the reporting period, the Company produced 45.89 million tonnes of commercial coal, representing a decrease of 8% from the same period last year, mainly due to the reduction of safety coal production resulting from the decline in coal price in the market; the Company sold 63.46 million tonnes of coal, representing a decrease of 13% over the same period last year. The Company posted revenue of RMB24,275 million, representing a decrease of 23% over the same period last year, and the net profit attributable to owners of the parent amounted to RMB3,428 million, representing a decrease of 47% from the same period last year.

During the reporting period, the Company continued to place safety as a top priority and adhere to the principle of "safety-foremost with prevention-oriented and comprehensive treatment", continuously increased the investment in safe production and optimised the system of safety management. The Company also strengthened the site management and procedure control, and implemented the standardisation on safety and quality of the mines. Through the unremitting efforts of all the employees of the Company, 10 mines under production of the Company were rated coal mines of national standards for safety and quality. No casualty incident occurred for the whole year in any of the coal mines, no dangerous and major transportation incident occurred in Zhundong Railway and Huzhun Railway, and no serious personal injury or major equipment damage occurred in the Coal-to-oil Company. The casualty from the production of per million tonnes of primary coal was zero, and safe production continued. In terms of coal production, the Company strived to reinforce innovative management and promoted technical innovations based on the reality of safe production. During the reporting period, the Company carried out researches on digitalised mines, bolted support, wall rocks of the recovery shafts and the stability of pillars, four projects were awarded the Science and Technology Award (Second and Third Prize) for Coal Industry in China, Third Prize for Science and Technology by National Occupation Safety Association and Third Prize for Technological Progress in the Inner Mongolia Autonomous Region. The Company managed the production facilities in the mines in a digitalised and integrated manner, and scientifically integrated and shared the core information of power supply design, safety management, remote detecting and monitoring and natural disaster alarm in the underground coal mines with land exploration, ventilation and mine exploration. It improved the production efficiency of the coal mine and the digitalised management in safe production. In the meantime, the Company kept innovating production technology, and adopted the technology of opening channels for removal at the FM face (comprehensive mining) to evade roof pressure. Five mines have adopted the production of "double shafts for one mine", which effectively improved the production efficiency and saved the production costs.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

As the coal price dropped significantly in 2013, the contradiction between supply and need has been more and more pronounced, and imbalance exists in the transportation of coal. Despite of the difficulties, the Company gave full play to its advantages, observing the trend and strived to expand the market and increase sales. In terms of transportation and sales, the Company, referring to the Bohai-Rim Steam-coal Price Index, stayed closely to the sales strategy of the major coal enterprises in the industry in an effort to secure the quantity and improve the efficiency through adjusting the selling price and strategy. In terms of regional sales, the Company adhered to the principle of "staying closely to the market and determining the price based on the quality", and increased customers and sales through diversified sales methods such as flexible pricing strategies, differentiated sales and bundling sales. These targeted sales strategies guaranteed the coordinated development of the production, transportation and sales of the Company.

In 2013, the Company accelerated the structural upgrade in the industry and facilitated the major projects with significant results. The indirect coal-to-liquids conversion project with an annual output of 2 million tonnes has obtained the approval from the National Development and Reform Commission on initiating the preliminary work on 16 December 2013. The refined chemical project of the Company with an annual output of 1.2 million tonnes has obtained the approval from the Development and Reform Commission of Inner Mongolia Autonomous Region on 30 October 2012. During the reporting period, the Company optimised the progress plan and investment plan of the project while adhering to the prevention-oriented and treatment combined environmental protection philosophy based on clean production and full-process control completely carried through the environmental policy of "Century Yitai, Green Energy" and played an active role in fulfilling its social responsibility and strengthened the supervision and management on the environmental protection of the production and operational units. In 2013, 15 subsidiaries of the Company have newly added the forestation plans with 4,177,100 trees, 145,000 shrubs, 216,000 mu of salix and 1,640 mu of salix grids, 28,000 square metres of grass, which effectively improved the local ecological environment.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results

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

Unit: RMB '000

Item	Amount for the reporting period	Amount for the same period last year	Change (%)
Revenue	**24,274,873**	31,583,528	-23.14
Costs of sales	**16,085,179**	20,454,324	-21.36
Selling and distribution expenses	**1,258,017**	1,121,967	12.13
Administrative expenses	**1,593,137**	1,629,936	-2.26
Finance costs	**805,695**	429,613	87.54
Net cash flow from operating activities	**5,502,466**	8,180,055	-32.73
Net cash flow from investing activities	**(11,680,204)**	(8,944,229)	30.59
Net cash flow from financing activities	**3,714,309**	2,684,552	38.36

2. Revenue

(1) Analysis of factors causing changes in business revenue

Yitai	From January to December 2013 Volume (million tonnes)	Unit price (RMB/tonne) (Excluding tax)	From January to December 2012 Volume (million tonnes)	Unit price (RMB/tonne) (Excluding tax)
Local sales at mines	**21.35**	**214**	26.56	263
Local sales at loading facilities	**5.15**	**267**	7.07	340
Sales via direct rail access	**5.58**	**431**	3.83	506
Sales at ports	**31.37**	**465**	35.74	539
Total	**63.46**	**361**	73.20	418

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results *(Continued)*

2. Revenue *(Continued)*

(2) Analysis of factors influencing revenue from physical product sales

Yitai	**From January to December 2013 Volume *(million tonnes)***	From January to December 2012 Volume *(million tonnes)*
Self-produced coal	**39.43**	49.52
Coal purchased externally	**24.03**	23.68

Company-owned railways	**From January to December 2013**		From January to December 2012	
	Total throughput *(million tonnes)*	**Freight volume for the Company *(million tonnes)***	Total throughput *(million tonnes)*	Freight volume for the Company *(million tonnes)*
Zhundong Railway Line	**44.48**	**40.67**	39.00	36.67
Huzhun Railway Line	**29.25**	**21.04**	25.69	18.09

(3) Analysis of orders

Yitai	**From January to December 2013**		From January to December 2012	
	Volume *(million tonnes)*	**Unit price *(RMB/tonne) (excluding tax)***	Volume *(million tonnes)*	Unit price *(RMB/tonne) (excluding tax)*
Long-term contracts	**31.19**	**402**	27.38	485
Spot market	**32.27**	**322**	45.82	378
Total	**63.46**	**361**	73.20	418

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results *(Continued)*

2. Revenue *(Continued)*

(4) Analysis to the influence of the new products and new services

During the reporting period, there were no new products or new services.

(5) Information on major customers

Unit: Yuan Currency: RMB

Total sales amount from top five customers	As a percentage of total sales *(%)*
6,190,041,480.64	25.50

Particulars of the top five customers:

Unit: Yuan Currency: RMB

Name of customer	Sales revenue	As a percentage of total sales *(%)*
Zhejiang Zheneng Fuxing Fuel Co., Ltd.	2,377,039,365.37	9.79
Guangdong Zhutou Power Fuel Co., Ltd.	1,263,252,418.47	5.20
Guangdong Power Industry Fuel Co., Ltd.	963,328,567.53	3.97
Shanghai Shenergy Fuel Co., Ltd.	811,971,646.82	3.34
Inner Mongolia Electric Power Fuel Company Ltd.	774,449,482.45	3.19

For the year ended 31 December 2013, the revenue generated by the Company from the largest external customer and the top five external customers accounted for 9.79% and 25.50% of the total operating revenue for the year ended 31 December 2013, respectively.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results *(Continued)*

3. Costs

Break down of the Company's production cost by segment

(1) Cost analysis

Unit: RMB'000,000 Currency: RMB

By business	Amount for the period	As a percentage in total costs for the period (%)	Amount for the same period last year	Cost of the same period last year over the total cost (%)	Increase/decrease of the amount for the period compared to that in the same period last year (%)	Particulars
Coal operation	14,660.35	93.18	19,077.13	95.1	–23.15	Due to the decline in coal price in the period
Transportation operation	112.73	0.72	85.25	0.43	32.23	Due to the increase in the throughput in the period
Coal-related chemical operation	940.79	5.98	872.21	4.35	7.86	Due to the increase in the production volume in the period
Others	20.25	0.13	24.72	0.12	–18.07	Contribution of other business decrease due to disposal of pharmaceutical company in the period
Total	15,734.14	100.00	20,059.33	100.00	–21.56	

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results *(Continued)*

3. Costs *(Continued)*

(2) Particulars about the major suppliers

Unit: Yuan Currency: RMB

Suppliers	Procurement Amount *(excluding tax)*
Shanghai Greenland Linggang Power Fuel Co., Ltd.	587,300,624.86
Jiangsu Suzhong Construction Group Co., Ltd.	538,953,884.95
Changzheng Engineering Co., Ltd.	228,167,762.24
Baotou Tieyuan Logistics Integrated Co., Ltd.	208,282,443.74
Qinhuangdao Huanjing Power Co., Ltd.	179,091,150.45

For the year ended 31 December 2013, the total amount for procurement by the Company from the top five major suppliers of the Company amounted to RMB1,741,795,866.24.

(3) Others

Break down of the Company's production cost by cost items

Unit: RMB'000,000 Currency: RMB

Cost item	**From January to December 2013**	From January to December 2012
Labor costs	**679.09**	571.86
Raw materials, fuel and energy	**401.08**	457.22
Depreciation and amortization	**315.24**	307.07
Other production-related costs	**2,981.96**	3,373.19
Total cost for production of coal	**4,377.37**	4,709.34

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results *(Continued)*

4. Fees

Items of statements	Balance at the end of the period *(RMB)* *(or amount in the period)*	Balance at the beginning of the period *(RMB)* *(or amount of last period)*	Percentage change *(%)*	Reasons for change
Cost of sales	16,085,179,446.43	20,454,323,899.01	–21.36	Due to decrease in the sales volume as affected by the coal market
Finance costs	805,695,463.55	429,612,505.18	87.54	Due to increase in long term borrowing and issue of mid-term notes
Impairment loss	13,060,719.78	–1,523,238.50	957.43	Due to provisions for impairment loss of long term assets in respect of shutdown of coal mine
Non-operating expenses	158,608,856.91	47,587,261.10	233.30	Loss incurred by disposal of fixed assets and increase in compensation for trading

5. Expenses in research and development

Unit: Yuan Currency: RMB

Expenses in research and development in the period	75,440,087.11
Capitalized research and development in the period	—
Total expenses in research and development	75,440,087.11
Percentage of total expenses in research and development over net asset*(%)*	0.30
Percentage of total expenses in research and development over operating income*(%)*	0.30

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results *(Continued)*

6. Cash flows

As at 31 December 2013, the balance of cash and cash equivalents was RMB3,808.946 million, decreased by RMB2,497.074 million as compared with cash and cash equivalents of RMB6,306.020 million as at 31 December 2012.

For the year ended 31 December 2013, net cash inflow from operating activities amounted to RMB5,502.466 million, representing a year-on-year decrease of RMB2,677.589 million as compared with that of RMB8,180.055 million for the year ended 31 December 2012, which was mainly due to a year-on-year decrease of RMB3,917.000 million in total profit and a year-on-year increase of RMB201.401 million in depreciation of property, plant and equipment and a year-on-year increase of RMB890.137 million in payment of trade and bills payables.

Net cash generated from the investing activities for the year ended 31 December 2013 amounted to RMB11,680.204 million, representing an increase of RMB2,735.975 million in net outflow as compared with that of RMB8,944.229 million for the year ended 31 December 2012, which was mainly due to a year-on-year increase of RMB913.694 million in payment for acquisition of the Target Business Group during the reporting period, a year-on-year increase of RMB1,733.178 million in cash paid by the Company for purchase of property, plant and equipment as well as intangible assets centred on establishment of principal businesses and payment of entrusted loan of RMB530.900 million to Finance Bureau by the Company. The decrease in payment for investment in associates and available-for-sale investments amounted to RMB689.447 million.

As at 31 December 2013, net cash from financing activities was a net inflow of RMB3,714.309 million, as compared with a net inflow of RMB2,684.552 million for the year ended 31 December 2012, representing an increase of RMB1,029.757 million in net cash inflow. This was mainly due to a year-on-year increase of RMB1,495.500 million in net inflow from issuance of medium-term notes during the reporting period, a year-on-year increase of RMB2,846.180 million in net inflow from loans for the production and project construction purpose, a year-on-year decrease of RMB1,188,045 million in net outflow from dividend distribution and payment of interests and a year-on-year increase of RMB1,383.814 million in cash inflow from receipt of capital increase by minority shareholders. Net inflow of RMB5,545.727 million for the year ended 31 December 2012 was from global public offering of the Company in 2012. For the year ended 31 December 2013, no such event occurred, thus net inflow decreased by RMB5,545.727 million.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results *(Continued)*

7. Liquidity and capital resources

As at 31 December 2013, the Company's capital mainly came from capital generated from business operation, medium-term notes, bank borrowings and net income. The capital of the Company is mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemical and railway operations, repayment of the Company's debt, as well as the working capital and normal recurring expenses.

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

8. Assets and liabilities

(1) Property, plant and equipment

As at 31 December 2013, the net book value of Company's property, plant and equipment amounted to RMB28,458.153 million, increased by RMB4,189.227 million or 17.26% as compared with RMB24,268.926 million as at 31 December 2012, mainly due to the addition in construction in process of RMB4,738.782 million which catered for the needs of the Company's production and operation.

The Company's property, plant and equipment (net book value) as at 31 December 2013 and at 31 December 2012 are as follows:

Unit: RMB'000

	As at 31 December 2013	**Percentage**	As at 31 December 2012	Percentage
Buildings	**3,848,332**	**14%**	3,259,193	13%
Mining structures	**2,145,658**	**8%**	2,007,890	8%
Plant and machinery	**4,368,959**	**15%**	4,430,665	18%
Motor vehicles	**387,049**	**1%**	393,500	2%
Railway	**7,711,739**	**27%**	5,493,219	23%
Road	**427,558**	**2%**	427,681	2%
Office equipment and others	**377,768**	**1%**	287,733	1%
Construction in progress	**9,191,090**	**32%**	7,969,045	33%
Total	**28,458,153**	**100%**	24,268,926	100%

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis to the major results *(Continued)*

8. Assets and liabilities *(Continued)*

(2) Trade and bills receivables

As at 31 December 2013, the net value of the Company's trade and bills receivables amounted to RMB3,112.895 million, increased by RMB423.259 million or 13.6% as compared with RMB2,689.636 million as at 31 December 2012, mainly due to the increase in credit sales in the last quarter of 2013.

(3) Borrowings

As at 31 December 2013, the balance of the Company's borrowings amounted to RMB13,329.613 million, increased by RMB3,944.670 million or 42.03% as compared with RMB9,384.943 million as at 31 December 2012, mainly due to new borrowings in the reporting period.

9. Others

(1) Detailed explanations for significant changes in the composition or sources of profit of the Company

During the reporting period, there is no significant change in the composition or sources of profit of the Company.

(2) Analysis of and explanation for implementation progress of previous financing events and major assets reorganizations of the Company

For details, please refer to the explanations on use of proceeds, reduction of horizontal competition and performance of the Assets Transfer Agreement in this section.

(3) Explanation for progress of development strategies and business plans

Please refer to the aforesaid discussion and analysis of operations in this section.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(ii) Analysis of operations by segment, product or region

1. Principal operations by segment

For the year ended 31 December 2013	Coal RMB '000	Transportation RMB '000	Coal-related chemical RMB '000	Others RMB '000	Consolidated RMB '000
Segment revenue					
External customers	22,426,267	307,986	1,530,997	9,623	24,274,873
Intersegment sales	193,262	1,650,788	15,871	—	1,859,921
	22,619,529	1,958,774	1,546,868	9,623	26,134,794
Reconciliation					
Elimination of intersegment sales					(1,859,921)
Revenue from continuing operation					24,274,873
Segment results					
Profit/(loss) before tax	3,615,196	890,965	215,273	(1,402)	4,720,032
Income tax expense	(555,761)	(107,279)	(46,385)	(43)	(709,468)
	3,059,435	783,686	168,888	(1,445)	4,010,564
Reconciliation					
Finance costs					(86,168)
Net profit for the year					3,924,396
Segment assets	26,943,134	10,764,045	12,353,809	755,630	50,816,618
Reconciliation					
Elimination of intersegment receivables					(5,245,942)
Capitalisation of Finance costs					(86,168)
Total assets					45,484,508
Segment liabilities	13,322,891	4,774,111	7,012,745	606,294	25,716,041
Reconciliation					
Elimination of intersegment payables					(5,245,942)
Total liabilities					20,470,099

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iii) Analysis of assets and liabilities

1. Analysis of assets and liabilities

Unit: RMB'000

Item	2013	2012	Changes as compared with the same period last year	Changes as compared with the same period last year *(%)*	Reason for changes
Other intangible assets	74,522	50,792	23,730	46.72	Due to the increase in software.
Deferred tax assets	744,140	917,591	-173,451	-18.90	Due to deferred tax assets from amortization of assets acquired.
Trade and bills receivables	3,112,895	2,689,636	423,259	15.74	Due to the decrease in sale loans of trading coal during the period.
Prepayments, deposits and other receivables	1,966,253	1,277,199	689,054	53.95	Due to the increase in government entrust loans during the period.
Cash and short-term deposits	3,814,532	6,314,553	-2,500,021	-39.59	Due to payment for acquisition of assets for the period.
Trade and bills payables	1,081,567	1,345,325	-263,758	-19.61	Due to the decrease in procurement of trading coal during the period.
Other payables and accruals	2,641,101	7,424,105	-4,783,004	-64.43	Due to the decrease in payables for acquisition of assets.
Tax payable	-198,894	42,840	-241,734	-564.27	Due to preferential rax rate of coal-to-oil, Huzhun Railway and Zhundong Railway during the period.
Long-term debentures	3,494,833	1,001,296	2,493,537	249.03	Due to issuance of fisrt tranche of medium-term notes for 2013.
Other non-current liabilities	121,433	229,768	-108,335	-47.15	Due to amortization of resource compensations in the period.
Selling costs	16,085,179	20,454,324	-4,369,145	-21.36	Due to the decrease in coal purchased externally.
Other income and gains	276,838	619,345	-342,507	-55.30	Due to the decrease in the gain from disposal of subsidiaries and the compensation received for projects constructed over mineral resources in the period.
Finance costs	805,695	429,613	376,082	87.54	Due to the increase in loans and interests payable from notes during the period.
Net exchange losses	41,358	32,460	8,898	27.41	Due to changes in exchange rate in foreign currency account.
Share of profits of associates	19,308	34,114	-14,806	-43.40	Due to the decrease in profits from associates.

As at 31 December 2013, the gearing ratio of the Company was 45%, representing a decrease of 1.97 percentage points compared to the beginning of the year.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iv) Analysis of core competitiveness

As the largest local coal enterprise in Inner Mongolia, the Company remarkably enhanced its overall competitiveness by boosting its size, growth quality and efficiency, optimizing industrial structure and enhancing financial strength after years of development. The Company has also forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy consumers with an eye to mutual benefits and win-win scenarios, achieving relatively high brand effect. Meanwhile, the Company has abundant coal reserves, superior mining conditions, advanced mining technology and sustained opportunities for integration of internal and external resources, which greatly supports the Company's efforts to further enhance coal resources reserves and production scale, enables the Company to have competitive advantages over its peers, and helps the Company seize significant opportunities arising from transformation and development of the coal industry to accelerate its growth.

Firstly, the Company enjoys rich coal reserves, superior storage advantages, advanced exploration techniques and sustained opportunities for integrating internal and external resources.

As its coal products are typical high-quality thermal coal, with such characteristics as medium to high calorific value, medium to low ash content, ultra-low sulphur content, ultra-low phosphorous content, and low moisture content, all of which are commercially attractive and competitive in the market. The Company has advantageous exploiting conditions, as its reserves are generally located in areas with geological conditions and coal characteristics favorable to low-cost mining, such as stable ground conditions, simple geological structures, relatively thick flat-lying coal seams located at relatively shallow depths, and low methane gas concentration levels, which greatly reduced difficulties and safety hazards in its mining operations, and lowered coal production costs. With the sustainable opportunity for integrating the internal and external resources and the supportive policies for conversion of resources, the coal storage and production volume of the Company will significantly improved.

Secondly, the Company possesses top-tier production efficiency, low cost advantages and outstanding safety record in the industry.

It has fulfilled fully-mechanized exploiting at all its mines, with advanced exploiting technologies, and sophisticated FM mining equipments both at home and abroad, which substantially boosts the mining efficiency, which ensures high output and recovery, and is safer and more reliable. With coal mines with superior storage conditions, advanced equipments, state-of-the-art exploration techniques and modernised management experiences, the Company's core competitiveness was strengthened as the cash cost for coal per tonne was much lower than that of its major competitors. Furthermore, it has always given top priority to production safety among various work, continuously increasing investment in safety-related equipments, enhancing mine safety monitoring levels as well as development of safety systems and team-building, and has ensured an admirable safety record.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iv) Analysis of core competitiveness *(Continued)*

Thirdly, the supportive railway and highway transportation and sales network and affiliated equipments such as dispatching stations and the port transport points of the Company granted competitive advantages to the transportation and sales of coal products.

The Company has supportive railway and highway transportation and sales network, which guaranteed the external transportation and sales of the coal products of the Company. The Company will keep expanding and upgrading the comprehensive transportation network. By improving the internal railway and supportive equipments of the Company and participating in the construction of the national railway network, the external transportation of coal was improved and the bottleneck with railway transportation was solved. The internal transportation which connected the national railway strengthened the advantages of the Company in transportation and expanded the scope of sales of coal, which ensured the effective connection between the production, transportation and sales of coal of the Company. In addition, the Company has accumulated rich sales experiences and high popularity of the brand and owns complete sales network and stable customer relations, which contributed to the long-term and stable cooperation with a number of large-scale power and metallurgy companies and guaranteed the smooth progression of the sales of the Company

Fourthly, the Company has world-leading coal-to-oil production technologies and can capitalize on the golden opportunity presented by the government's incentives for development of the coal chemicals sector.

The Company's indirect coal-to-liquids conversion project (with designed annual output of 160,000 tonnes) has recorded a long-period of safe and stable operation. According to the current operation information, this project has reached world-leading levels, featuring low catalysts usage, high activity and low costs. The fully-loaded operation of the project has made the Company the first enterprise which successfully applied the technique of indirect coal-to-liquids conversion in industrial production. By taking the opportunity of developing coal chemical industry in Inner Mongolia and Xinjiang region, the Company plans to further expand the coal chemical industry in the coming five years. The expansion of its coal chemicals operation allows the Company to extend its coal industrial chain, increase the added value of the products, address the issues of coal sales to diversify the business development, strengthen its core competitiveness and consolidate its industrial status to ensure long-term development. In addition, the Company attached great importance to the development of the coal-to-oil production operations which are located at the coal-rich Ordos region in Inner Mongolia and Xinjiang region, are covered by the state's industry policies, aimed at adjusting the industrial structure and improving the economic development of the west.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iv) Analysis of core competitiveness *(Continued)*

Fifthly, the Company has competitive edges in the respect of coal business management.

The professional management team of the Company has abundant industry experience with a diligent and dedicated attitude. Members of the Board and the senior management of the Company have rich knowledge in the field of coal industry with over 20 years of average experience in this sector. Moreover, they also possess years of experience in cooperation, communication and interaction with international investors in the capital market. The Company has always been committed to the principle of green and low-carbon development by doubling greening efforts across mining areas and continuously improving comprehensive treatment of mining areas' environment, and has put plenty of efforts in improving the ecological environment of mining areas, promoting green mining, and building ecology-friendly mines. In addition, the Company has actively carried out its social responsibility by helping with local environmental management, and practically achieved harmonized development of the enterprise and the society.

(v) Analysis on Investment

1. Overall analysis on external equity investment

(1) Investment in securities

No.	Type of securities	Stock code	Stock abbreviation	Initial investment *(yuan)*	Shareholdings *(share)*	Closing book value *(yuan)*	Percentage of total investment at the end of the period *(%)*
1	Share	03369	QHD PORT	152,116,116.22	36,500,000	129,138,277.50	100
Other securities investments held at the end of period				0	/	0	0
Profit and loss from the disposal of securities investments during the reporting period				/	/	/	/
Total				152,116,116.22	/	129,138,277.50	100

(2) Shareholding in other listed companies

The Company did not have any shareholding in other listed companies in the reporting period

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

1. Overall analysis on external equity investment *(Continued)*

(3) Shareholding in non-listed financial entities

Name of the investee	Initial investment *(yuan)*	Closing book value *(yuan)*	Profit and loss during the reporting period *(yuan)*	Accounting item *(yuan)*	Source of shareholding *(share)*
Mianyang Technology Property Investment Fund（綿陽科技城產業投資基金）	100,000,000.00	100,000,000.00	14,068,199.74	Long-term equity investment	Capital contribution
Total	100,000,000.00	100,000,000.00	14,068,199.74	/	/

As approved at the eighteenth meeting of the fourth session of the Board of the Company in 2008, 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. As at the end of the reporting period, the Company had 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.

(4) Purchase and disposal of shares in other listing issuers

Stock name	Number of shares at the beginning *(share)*	Number of shares purchased during the reporting period *(share)*	Capital utilised *(yuan)*	Number of shares disposed during the reporting period *(share)*	Number of shares at the end of period *(share)*
QHD PORT	0	36,500,000	152,116,116.22	0	36,500,000

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

2. Entrusted wealth management and derivative investment via non-financial entities

(1) Entrusted wealth management

(2) Entrusted assets management product

Unit: yuan Currency: RMB

Name of the partner	Type of entrusted assets management product	Amount of entrusted assets management	Commencement date of entrusted assets management	Expiration date of entrusted assets management	Actual amount received	Actual gains	Legal procedures or not	Connected transaction or not	Involved in a litigation or not	Funding from proceeds or not
China Construction Bank Corporation	NM012012011032D01	1,500,000,000.00	24 May 2013	26 June 2013	1,500,000,000.00	6,838,356.17	Yes	No	No	Self-owned funds
Bank of China Limited	GSRJYL01	300,000,000.00	10 May 2013	31 May 2013	300,000,000.00	793,972.62	Yes	No	No	Self-owned funds
China Construction Bank Corporation	The Qian Yuan principal-guaranteed RMB wealth management products of CCB Inner Mongolia Branch, 32nd batch, 2013	1,000,000,000.00	28 October 2013	29 November 2013	1,000,000,000.00	3,945,205.48	Yes	No	No	Self-owned funds
Total	/	2,800,000,000.00	/	/	2,800,000,000.00	11,577,534.27	/	/	/	/

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

2. Entrusted wealth management and derivative investment via non-financial entities *(Continued)*

(3) Entrusted loans

Unit: million yuan Currency: RMB

Name of the borrower	Amount of entrusted loan	Term of the loan	Interest rate	Use of loan	Collateral or guarantor	Overdue or not	Connected transaction or not	Renewed or not	Involved in a litigation or not	Funding from raised money or not	Connected relationship	Expected yield
Bureau of Finance of Hangjin Banner	211	1 year	8.22%	The Amount Paid by Hangjin Banner Government for the Company Regarding the Land Acquisition, Demolition and Supporting Facilities Construction of the Industrial Park of 1.2 Mtpa Per Year Refined Chemical Demonstration Project	Land acquisition and construction of supporting facilities in the park	No	No	No	No	No		17.34
Bureau of Finance of Hangjin Banner	160	1 year	8.22%	The Amount Paid by Hangjin Banner Government for the Company Regarding the Land Acquisition, Demolition and Supporting Facilities Construction of the Industrial Park of 1.2 Mtpa Per Year Refined Chemical Demonstration Project	Land acquisition and construction of supporting facilities in the park	No	No	No	No	No		13.15
Bureau of Finance of Hangjin Banner	60	1 year	10.00%	The Amount Paid by Hangjin Banner Government for the Company Regarding the Land Acquisition, Demolition and Supporting Facilities Construction of the Industrial Park of 1.2 Mtpa Per Year Refined Chemical Demonstration Project	Land acquisition and construction of supporting facilities in the park	No	No	No	No	No		6
Bureau of Finance of Jungar Banner, Ordos	100	214 days	7.80%	The Amount Paid by Jungar Banner Government for the Company Regarding the Land Acquisition, Demolition and Supporting Facilities Construction of the Industrial Park of 2.0 Mtpa Per Year Coal-to-Oil Project	Land acquisition and construction of supporting facilities in the park	No	No	No	No	No		4.64

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

3. Use of proceeds

(1) Overall use of proceeds

Unit: yuan Currency: RMB

Year	Method of fundraising	Total proceeds	Total proceeds used in the year	Total proceeds used on cumulative basis	Total unused proceeds	Utilization and whereabouts of the unused proceeds
2012	Issue of H shares	5,713,889,873.55	3,310,605,359.58	5,713,889,873.55	0	/
Total	/	5,713,889,873.55	3,310,605,359.58	5,713,889,873.55	0	/

Explanations on use of proceeds: RMB3,310,605,359.58 was paid for acquisition of assets. Information on projects undertaken to be financed by the proceeds

Unit: million yuan Currency: RMB

Name of the undertaking project	Whether there is change in the project (Yes or not)	Amount of proceeds to be invested	Amount of proceeds invested in the year	Amount of proceeds invested on cumulative basis	Whether the progress is on schedule (Yes or not)	Progress of the project	Expected gains	Gains generated	Whether achieved expected gains (Yes or no)
Acquisition of coal mines and related assets and business from Yitai Group	No	5,713.89	3,311	5,713.89	Yes	100%	1,150	1,100	No

(2) Change in projects to be financed by the proceeds

During the reporting period, there was no change in projects to be financed by the proceeds.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees

Unit: yuan Currency: RMB

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net profit
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Railway transport operations	Railway transportation	1,496,000,000	5,748,134,076.45	622,039,211.67
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古呼准鐵路有限公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	2,074,598,000	4,971,727,878.88	161,731,368.44
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油 有限責任公司)	Coal chemical products	Production and sale of coal chemical products (including liquefied gas, gasoline, naphtha, kerosene, diesel and tar) and the subsidiary products	2,352,900,000	4,218,703,408.34	174,179,941.88
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝 礦業有限責任公司)	Coal trading	Processing and sale of minerals	1,080,000,000	3,658,685,304.46	585,476,683.09

Note: The table is compiled pursuant to China Accounting Standards for Business Enterprises.

(1) Inner Mongolia Yitai Zhundong Railway Co., Ltd.

Inner Mongolia Yitai Zhundong Railway Co., Ltd. (''Zhundong Railway Company''), principally engaged in railway transport business, has a registered capital of RMB1,496 million and is owned as to 100% by the Company. Zhundong Railway Line has a total operating length of 191.8 kilometers (Including 59.4 kilometers for Phase I (double line) of Zhundong Railway Line), stretching from Zhoujiawan Station in the Zhunge'er Coalfield westward to Zhunge'erzhao in the Dongsheng Coalfield, providing a railway transportation route from the Company's mines in the Dongsheng Coalfield to Dazhun Railway Line and Huzhun Railway Line, which further connect to Tianjin port, Qinhuangdao port and Caofeidian Port through the Daqin Railway Line and the Jingbao Railway Line.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(1) Inner Mongolia Yitai Zhundong Railway Co., Ltd. *(Continued)*

① Overall operation of Zhundong Railway Company

During the reporting period, Zhundong Railway Company fully put into practice its concept of “ensuring production transportation safety, exploring potential and increasing efficiency, speeding up project construction and implementing refined management”, and practically initiated all tasks and fully mobilized all its staff to ensure stable and orderly operation and production. By changing the transportation and storage methods of locomotives, optimization of the method of technological examination of vehicles and enhancement of the speed of transportation, the average turnaround time of Zhundong Railway in the tunnel decreased to 7.4 hours, which was one hour earlier than last year. As at the end of the reporting period, Zhundong Railway Company dispatched an aggregate of 44.48 million tonnes of coal, representing an increase of 14.04% as compared with the same period last year. Its operating revenue amounted to RMB1,383.78 million, representing an increase of 37.22% as compared with the same period last year. Its net profit amounted to RMB622.03 million, representing an increase of 88.67% as compared with the same period last year. As at 31 December 2013, Zhundong Railway Line had maintained production safety for consecutive 4,765 days without casualty accidents, major transportation accidents or fire accidents.

② Construction of project

During the reporting period, Nuanshui loading stations commenced construction in September 2013 and 20% of the total construction has been completed as scheduled thus far. The construction is expected to complete in July 2014. The expansion of Hushi loading station commenced construction in October 2013. The construction is expected to complete by the end of June 2014. At present, each work goes on smoothly.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(2) Inner Mongolia Yitai Huzhun Railway Co., Ltd.

Inner Mongolia Yitai Huzhun Railway Co., Ltd. (''Huzhun Railway Company''), which was jointly established by the Company, Inner Mongolia Mengtai Buliangou Coal Co., Ltd., Datang Electric Power Fuel Co., Ltd. and Hohhot Railway Bureau, is principally engaged in transportation of railway cargo. It has a registered capital of RMB2,074.598 million and is owned as to 76.9917% by the Company. Huzhun Railway has an operating length of 124.18 kilometers, stretching from Zhoujiawan Station in Jungar Banner northward to Hohhot Station of the Jingbao Railway Line. Huzhun Railway is an important channel for transporting the coal produced by the Company to the markets in eastern and northern China.

① Overall operation of Huzhun Railway Company

During the reporting period, Huzhun Railway Company continued to enhance operating efficiency whilst staying committed to the principle of safe production management. Through the strengthening of collaboration and joint efforts among various departments and optimized organization of train operation, the company reduced the impact of construction and failure on transportation. The Company and Huhot Railway Bureau（呼鐵局）communicated and renovated part of the stations and equipment, thus changed the method of organizing transportation. On 20 September, Huzhun Railway Line successfully run ten thousand tonnes of vacant trains, which is set to enhance the transportation capability and efficiency of Huzhun Railway Line significantly and thereby allow the functions to be more effectively exploited. During the reporting period, the quality and variety of cargo transportation of Huzhun Railway Line was further improved and refined. The number of types of cargo transportation increased from 6 to 15, which laid foundation for catering to the Company's long-term transportation demand for coal.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(2) Inner Mongolia Yitai Huzhun Railway Co., Ltd.Huzhun Railway Company *(Continued)*

① Overall operation of Huzhun Railway Company *(Continued)*

During the reporting period, Huzhun Railway had dispatched an aggregate of 29.25 million tonnes of coal, representing an increase of 13.87% as compared with last year. It recorded operating revenue of RMB623.63 million, representing an increase of 11.89% as compared with last year. The net profit for the year amounted to RMB161.73 million, representing an increase of 30.32% as compared with last year. Huzhun Railway had maintained production safety for consecutive 2,535 days without casualty accidents, major train operation liability accidents or fire accidents.

② Construction of project

The second track project of Togtoh - Zhoujiawan section of Huzhun Railway Line overcame the challenges of construction with progress in construction. It focused on controlling the folding of the construction of Yellow River Extra-large Bridge（工程黃河特大橋）on 26 November and successfully completed the construction targets of track-laying at the end of the year, and the underline construction of the second track project of Jiulanying - Togtoh has fully started. At present, the construction work goes on smoothly.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(3) Inner Mongolia Yitai Coal-to-oil Co., Ltd.

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

During the reporting period, the Coal-to-oil Company, in the principle of safe and stable production, began scientific research on technology and technological overhaul. In addition, it strengthened personnel training in a comprehensive manner and adopted various measures to seek management efficiency. It aspired to identify favourable policies of the PRC in terms of taxation, electricity, environmental protection and technology. As a result, the company completed all tasks set for the year with satisfactory results. In 2013, there was no unexpected suspension of production devices. Apart from the annual major overhaul for 13 days, the devices maintained continuously safe and stable operation for 352 days. It produced an aggregate of 0.18 million tonnes of oil products, with sales revenue of RMB1,361.41 million for the year and net profit for the year of RMB169.51 million.

As at the end of the reporting period, the Coal-to-oil Company applied for 41 patents, 20 of which were awarded utility model patent by China's State Intellectual Property Office, while 6 patents for invention were in the process of announcement of application and were under substantial review. 12 patents were granted notification of acceptance and were granted the certificate of high-tech enterprises by the Ministry of Science and Technology on 20 August. At present, filing procedures relating to taxation are in progress. On 16 December, the Coal-to-oil Company's indirect coal-to-liquids conversion pilot project with a capacity of 2 million tonnes per annum were granted approval of preliminary work by the National Development and Reform Commission. All preliminary preparation and periphery construction project have progressed steadily.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(4) Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.

Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (''Suancigou Mine'') was jointly established by the Company, Beijing Jingneng Thermal Power Co., Limited (北京京能電力股份有限公司) and Shanxi Yudean Energy Co., Ltd (山西粵電能源有限公司) on 18 September 2007. It has a registered capital of RMB1,080 million and is owned as to 52% by the Company. Suancigou Mine has a designed production capacity of 12 million tonnes per annum and is equipped with appropriately-sized coal washing plants and a special railway line.

During the reporting period, Suancigou Mine put more efforts in the activities at coal processing ans washing process in production sites and continuously reinforced its mechanical and electrical equipment management as well as deployment and direction management in accordance with the production status of raw coal and the demand in commodity coal market. It also took the initiative to organize and requested to construct new stations for the disposal of gangue, thus ensured the normal production of coal mines. In the meantime, it tightened cost and expense management and control of the measurement of the quality of coal. In addition, it made great efforts in saving on repairs and waste utilization, resulting in a decrease in cost and an increase in efficiency. As for safety, it strictly imposed an accountability system for safe production and insisted in maintaining the Rules of Management Members to Accompany Workers and Rules on Regular Safety Meetings, so as to strengthen safety checks and safety examination. The company was thus able to achieve closed management of safety hazards. Simultaneously, it reinforced the management of "ventilation and three preventions" and conscientiously commenced staff trainings and the development of a staff training and occupational safety and health management system. In this respect, it eliminated minor injuries or accidents causing injuries or death, nor were there any cases of occupational diseases. The level of standardization of quality continued to improve. During the reporting period, Suancigou Mine was honored as one of the double top-ten mines of China's coal industry (全國煤炭工業「雙十佳煤礦」), the pilot entity of "National Green Mines" (國家級綠色礦山試點單位) as well as ''Advanced entity for the Coal Industry'' in the city.

In 2013, Suancigou Mine overcame various difficulties and successfully commenced production. It produced an aggregate of 9.97 million tonnes of commodity coal for the year. Throughout the year, its operating revenue in aggregate amounted to RMB1,916.56 million and its net profit amounted to RMB585.48 million.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(5) Subsidiaries not being controlled by the Company

As at the end of the reporting period, Zhunshuo Railway Co., Ltd.（准朔鐵路有限責任公司）, in which the Company and Zhundong Railway Company hold an aggregate of 18.96% equity interest, made satisfactory progress in the construction of the three projects undertaken by it, namely Hanyuan Line（韓原線）, Shuoshan Communication Line（朔山聯絡線）and Zhunshuo Line（准朔線）, among which Hanyuan Line was basically completed for traffic. The feasibility study of adjusting the Shuoshan Communication Line was reported and subject to approval upon submission. An aggregate of RMB7,380 million was completed for Zhunshuo Line, representing 91.8% of the total investment.

During the reporting period, Xin Baoshen Railway Co., Ltd.（新包神鐵路有限責任公司）, in which the Company holds 15% equity interest, dispatched an aggregate of 18.61 million tonnes of cargo and recorded a profit of RMB7.32 million.

During the reporting period, the west Inner Mongolia - central China railway line（蒙西至華中鐵路）which is owned as to 10% by the Company had been granted the approval of construction of the railway and road dual-purpose extra-large bridge over Yangtze River in Gong'an（公安長江公鐵兩用特大橋）and Yueyang Dongting lake Bridge (dual-purpose bridge) in June 2013. At present, relevant feasibility studies have been submitted to the National Reform and Development Commission, while documents relating to eight aspects such as planning and site selection, evaluation of geological disasters and report on pressed ore have been submitted to competent ministries and commissions of the PRC. .

The south Ordos railway line（鄂爾多斯南部鐵路）which is owned as to 10% by the Company had basically completed all tracklaying and had its equipment under trial run.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(5) Subsidiaries not being controlled by the Company *(Continued)*

The second newly constructed double track of Jining - Baotou Railway（集包第二雙線）, constructed by Mengji Railway Co., Ltd.（蒙冀鐵路有限責任公司）, which is owned as to 9% by the Company, had been open for operation. Currently, it is sorting out the outstanding construction in detail. The aggregate investment completed amounted to RMB16,050 million. The investment made in newly constructed Zhangjiakou — Tangshan Line（張唐線）in 2013 amounted to RMB12,080 million. The aggregate investment completed amounted to RMB27,980 million.

2. Projects not to be financed by the proceeds

Unit: yuan Currency: RMB

Name of the project	Amount of the project	Progress of the project	Amount invested in the year	Actual accumulative amount invested
Talahao	1,244,380,500	90.58%	469,385,619.01	1,127,132,480.26
Second track along the Huzhun Raiway	3,208,000,000	67.99%	896,688,296.73	2,181,051,801.99
Refined Chemical Project with a capacity of 1,200,000 tonnes per annum	19,187,260,000	2.57%	294,353,464.56	493,973,713.43

(VI) Special purpose entities controlled by the Company

N/A

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT

(i) Competition dynamics and development trend of the industry

Given the large scale investment in the coal industry, earlier-than-expected growth in production capacity over recent years, production capacity of coal will be further released in the future. As a result of the downturn of the world's economy and over capacity of coal around the world, there was a continuous growth in coal imports. Due to the macro-economic adjustment of the PRC, domestic demand for coal decreased. The energy portfolio of the PRC had been gradually optimized with growing proportion of non-fossil energy. As a result of the promotion of energy saving and emission reduction, the strengthening of the development of the ecology of civilization as well as the control of total coal consumption of the PRC, the problems of sufficient supply versus demand condition and structural overcapacity in the coal market have yet to improve in 2014. In light of the continuously high level of stock in the society, the operations of enterprises still face daunting difficulties and risks. The economic operation of the industry may improve modestly, yet there are numerous instability and uncertainties ahead, thus posing pressure on the operation of the economy and competitions in the domestic coal industry will gradually escalate. With the sufficient supply versus demand condition, the coal price remained low and the profit of coal manufacturing enterprises declined significantly, making operation all the more difficult for enterprises. Hence, the competition in the coal industry in 2014 is mainly in cost and scale. First of all, in terms of the competition in cost, cost control becomes the most important factor deciding the existence and development of coal industries. Second, the pressure from the control of the production capacity of coal will facilitate the integration of coal resources of the regulatory authorities and producing enterprises. As the integration of coal resources progresses, the market share of large-scale coal enterprises in the future will be increased further, large scale companies can take advantage in the competition more easily, therefore the competition in the coal industry will also be a competition in scale. From the consumption of coal in China, coal will remain to lead the production and consumption structure in China as the major source of energy and important industrial raw material, but its proportion will decrease to a certain extent. In the long run, the diversified development based on coal will be the natural choice in the energy strategy of China. Yet due to the contradictions and problems such as extensive production and consumption, continuously stringent restraint on the biological environment, and the premature of coal capacity construction in the short term and insufficiency in the long run, China will still exert control over the capacity and consumption of coal in the future, and production and supply of coal will remain moderate growth. In the future, coal exploration will be safer and more efficient, and coal utilisation will be cleaner and more efficient, which will place a higher demand on the safety management of the coal exploration and energy consumption and environmental protection of the further processing of coal. The substandard capacity will gradually be eliminated. As a result, the production and utilisation mode of coal will be transformed; the safe and efficient exploration and clean utilisation of coal will be facilitated. The structural adjustment and transformation of coal will be promoted, and the construction of large-scale coal base, large-scale and modernized coal mine and safe and efficient mine shaft will be promoted. The substandard production capacity will be eliminated and the project construction of coal power will be facilitated, the further processing and transformation of coal will be encouraged and the coal industrial structure will be prioritised. These will be the trend in the development of coal industry.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(i) Competition dynamics and development trend of the industry *(Continued)*

Looking into 2014, the development of the Company does not only enjoy good opportunities, but also difficult challenges. On one hand, the acceleration of the transformation and development in the coal industry, the demand on adjustment of industrial structure and the reform on transformation industry can facilitate the industrial upgrade, and can create profit in transportation and logistics. In the meantime, the large trend of the merger and re-organisation of coal enterprises, elimination of substandard production capacity and the scale development will bring new merger and investment opportunities for the Company. Erdos where the Company locates is the region with the richest coal resources, and the key region in the development and planning of coal industry in the national energy layout. The Company boasts advanced exploration technique and safe management mode, and has always kept an outstanding safe production with good environmental management. The Company has the lowest production costs and the most efficient management and cost control ability in the industry which made the Company stay in an advantageous position in industrial competition. The Company has always adhered to the development philosophy of integrated operation of production, transportation and trade. As a large-scale modernised enterprise with coal production and operation as its major businesses with railway transportation and coal-to-oil as the extension to the industry, the Company has advanced indirect coal-to-liquids technology and stands technological advantages in the furthur processing of coal. As the largest local coal enterprise of Inner Mongolia, the Company is the major player in the merger of coal enterprises with 100 million tonnes in Erdos and stands certain scale advantages in the industrial competition. Facing the development trend and requirement in the coal industry, the Company has rare historical opportunities to lead in the competition of industrial integration in the coal industry.

On the other hand, the structural change brought by the overall control on energy consumption, non-traditional chemical energy and new energy will influence the development of coal in the overall energy. Factors such as overcapacity of coal production, insufficient need and the increase of the net coal import to some extent intensified the fluctuation of the price in the coal market and the pressure brought by the downturn of coal price, which posed challenges to the future production and operation of the Company and thus influence the Company's performance. The Company will strive to maintain the coordinated and stable development of the production, transportation and sales of coal and facilitate the industrial upgrade to improve the Company's overall strength. In the meantime, the Company will strengthen corporate governance, improve cost management and control and increase profit to maintain the competitive edge in the industry.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(ii) Development strategies of the Company

Based on the development direction overall trend of the coal industry during the "12th Five-Year" period as well as the development goals of the Company for the next five years, we have worked out the following development strategies:

First, we will take advantage of the government's move to accelerate consolidation of coal resources and close obsolete capacity to integrate internal and external resources, expand production scales and supporting systems and enhance the Company's core competitiveness and market position. In respect of coal mine construction, we will speed up the construction of Bulamao and Talahao Mines and use preferential policies for coal-to-chemicals projects to obtain resources, construct mines and improve capacity. As for resources integration, the Company will integrate resources to increase reserve of the Company's coal resources as opportunities arise. The above steps will help to significantly increase the Company's resources reserve and production capacity and further promote our market position.

Second, we will further expand and upgrade the comprehensive transport network to further enhance our ability in coal outwards transport. The Company will maintain our investment in railways, construct and perfect existing railway projects, optimize and improve the delivery ability of transport stations, and create good internal transport conditions for connection with national railways to enable the Company's annual comprehensive exportation of coal to surpass 100 million tonnes. We will continue to participate in the construction of and investment in the national railway network including east-west lines such as Mengji railway, Zhunshuo railway and Ordos South railway and north-south routes such as the new Baoshen railway and west Inner Mongolia to central China railway. Through construction of our internal railway network and participation in national rail network building, the Company will form a sophisticated railway network, thus significantly improving our capability in trans-regional coal transport, which will help reduce transport cost, cement our market position and enhance our business capacity.

Third, we will develop clean coal technology, improve added value of products and extend the coal industry chain. The Company will enhance coal processing and washing processes to supply customers with quality coal products. It is explicitly stated in the "12th Five-Year" for energy that the government will steadily push forward with the large coal further processing upgraded demonstration projects. With domestically leading coal-to-liquids technology, successful operation of China's first indirect coal liquefaction industrialization demonstration project and other large projects under preparation or construction, the Company will have a head start over our rivals in the coal to chemicals industry.

Deep processing of coal is a competitive strategic sector in the coal industry. Dedicated to becoming a leader of the coal industry, the Company aims to achieve the efficient, clean and comprehensive use of coal by improving the overall conversion efficiency through technological innovation and by taking advantage of the coal processing, washing and conversing upgraded demonstration projects.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

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

Fourth, we will continue to improve the production safety mechanism and perform environmental social responsibilities. Safety is always our top priority. The Company will continue to adhere to the principle of "safety-foremost with prevention-oriented and comprehensive treatment", effectively prevent accidents, strengthen relevant efforts and management and promote building of a vocational health system to further improve the level of production safety. We will maintain the effective functioning of the ISO14001 environment management system, scale up comprehensive utilization of resources and ecological environment protection in mining areas, and make the Company's mines intrinsically safe, resource-conserving, environment friendly, socially harmonious, resources highly untilized, clean and efficient ones with guaranteed safety, considerable economic benefits and little environmental pollution.

(iii) Business plan

In 2014, the Company's primary business objectives are to produce 46.26 million tonnes of commercial coal and sell 70.30 million tonnes of coal by our affiliated or controlled coal producers. By focusing on the operation objectives for 2014, under the precondition of safe production, the Company will adopt effective measures to ensure the achievements of various targets of production and operation as well as steady development of the overall business of the Company.

First, we will continue to give top priority to production safety among various work, strengthen production safety management and continuously improve the responsibility system of production safety target to achieve specific targets, clear responsibilities and strict and impartial rewards and punishments. The Company will increase investment in safety and improve the conditions for mine production safety. The Company will strengthen the process control and the scrutiny of hidden danger and vigorously carry out the establishment of production safety guarantee system and safety education training for employees. The Company will practically carry out special activities for safe production, enhance emergency rescue team building and endeavor to build a long-term mechanism for production safety.

Secondly, under the premise of ensuring safety, the Company will scientifically organise coal production, increase coal production, explore the potential of rail transportation, reasonably arrange sales planning, innovate sales model and strive to maintain coordinated and stable development of coal production, transportation and sales. First, the "new technologies, new processes, new materials and new equipments" will be applied to production practice. The Company will spare no effort to control the cost of coal production and feasibly improve production efficiency and product quality. Secondly, the Company will expedite multiple-track construction of Huzhun Railway, efficiently plan, construct and operate major railways, freight yard of ports as well as dispatching station to further improve the transportation network system, to comprehensively enhance the railway volume and to ensure a new level of railway operations. Third, in terms of sales, the Company will continue to expand sales channels, innovate sales model and strengthen communication with customers to establish long-term and stable strategic cooperative relations.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(iii) Business plan *(Continued)*

Thirdly, the Company will increase efforts to develop coal chemical business with coal-to-oil as the representative and accelerate the industrial upgrading. On the basis of the existing projects, the company will expedite the advancement of large projects at the coal chemical sector with scientific coordination and well organisation to achieve early production and create a new profit growth point.

Fourthly, the Company will steadily push forward construction of key projects. The Company will promote the construction of coal mines and work on overall planning of the new project and proposed projects with focus on the overall construction of Talahao Mine and coal preparation plant and enhancement of development potential of coal industry. The Company will promote multiple-track construction of Huzhun Railway and speed up the completion of capacity expansion and transformation of dispatching station.

Fifthly, the Company will further enhance the level of corporate governance and corporate management and implementation standardised management system in the company-wide to ensure steady progress of the Company's production and operation as well as project construction. Meanwhile, the Company will strengthen environmental protection, energy conservation and emission reduction and ecological construction, as well as handle the relations between production and construction and environmental protection.

(iv) Capital needs for maintaining current business and completing invested projects under construction

In 2014, the Company's major investments include mine construction, railways and construction of coal-chemical projects. By centralizing funds allocation, optimizing assets structure and strictly controlling various expenditures, the Company will speed up capital turnover and reasonably arrange for capital use plans so as to support its healthy development. The Company will sustain the capital demands for day-to-day business operation by drawing on the operating revenue and support from controlling shareholder as well as other financing means to meet the Company's capital needs.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(v) Potential risks

1. Policy risks

Given its predominance in China's resource endowment and energy consumption structure, coal has always been the top priority in the country's energy plan and is markedly affected by national policy. With the promotion of energy conservation and emission reduction and reinforcement of ecological civilization construction, the constraints from resource and environment will increase, and the risks generated from environmental protection and ecological issues with energy development will gradually grow, thus the requirements regarding barriers to entry coal mining and coal chemical projects, energy conservation and environmental protection, production safety and others will be more stringent.

To minimize the above risks, the Company will, keep track of the national regulatory policy for the coal industry and change of policy in mineral resources management in a timely manner, continuously enhance corporate management, accelerate industrial upgrading and scale up research and innovation as well as environmental protection and energy saving to comprehensively achieve or exceed the requirements of the policy in terms of production safety and energy saving and environmental protection.

2. **Risks of macro-economic fluctuations.** The coal industry which the Company belongs to as well as its downstream industries are basic industries of national economy and closely connected with the macro-economy. Therefore, it is very vulnerable to macro-economic fluctuations. China's macro-economy has entered into medium-speed growing period and the coal industry has stepped into the stage of stable development. The changes in the macroeconomic situation will have certain impact on production operation of the Company, thereby affect the operating results of the Company.

To cope with the above risks, the Company will summ up the past experiences, pay close attention to market dynamics and will strengthen ability in analyzing the coal market. The Company will make the business segments, such as coal production, railways and coal-to-chemicals, bigger and stronger, positively improve its capability and enhance capabilities in diversified and integrative operation to better address macro-economic fluctuations.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(v) Potential risks *(Continued)*

3. **Risks of industrial competition.** Currently the domestic coal market presents a situation of quantum easing and the structural surplus. The relationship between supply and demand at coal is unlikely to change with further release of industry capacity in the future and demand growth slowing down, giving the market a bigger role in determining coal prices, which will lead to fiercer competition among coal industry.

   To cope with intensifying industrial competition, the Company will continuously maintain the leading position in the industry by strengthening cost management, expanding markets through multiple channels by improvement of quality of coal products and brand awareness, enhancing customer service, adjusting product portfolio and marketing structure and continuously improving market competitiveness

4. **Safety risks.** As coal production involves underground mining operation, even though the company maintains a high-level of mechanization and safety management capability, it still poses challenges for safety management considering the extension of mines' service life as well as the depth of mining and exploitation. In addition, the Company is extending its business to the coal-to-chemicals industry, further adding to the production safety risks.

   To respond to the challenges, the Company unswervingly adheres to the principle of "safety-foremost", strives to achieve the goal of reaching or surpassing the domestically leading level in safety monitoring, supervision and management, put more efforts in safety management and professional teams building; clarify the responsibilities of persons in charge of production safety, specify responsibilities, objectives, rewards and punishment; continue to promote the safety quality standardization of coal mines, improve coal-to-chemical operation and safety technical regulations as soon as possible; step up efforts for safety and technical training as well as safety culture cultivation to improve employees' professional competence and increase their awareness of safety; strengthen safety regulation to ensure production safety.

5. **Risks of rising of costs.** As the government scales up measures for energy conservation, emission reduction, environmental management and production safety, with mining supplies prices and wages rising, and compensation for land acquisition for mining and relocation increasing, the external cost of the Company will increase and the Company's business will be affected to some extent.

   As such, the Company will take advantage of its strengths in centralized management, strengthen budget management of controllable cost, implement quota-based assessment system, develop potentials, reduce consumption and improve efficiency through good management to minimize the impact of fixed cost on the Company.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(vi) Others

1. Contingent liabilities

The Group had the following contingent liabilities not provided for:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Guarantees given to banks in connection with loans granted to associates	**24,993**	20,860
	24,993	20,860

	The Company	
	2013	2012
	RMB'000	*RMB'000*
Guarantees given to banks in connection with loans granted to subsidiaries	**9,208,260**	5,662,263
Guarantees given to banks in connection with loans granted to associates	**24,993**	20,860
	9,233,253	5,683,123

2. Pledge of Assets

During the reporting period, the Company did not pledge any assets.

III. EXPLANATION FROM THE BOARD FOR THE ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT"

(i) Explanation from the Board and the Supervisory Committee for the accounting firm's "non-standard audit report"

✓ N/A

(ii) Analysis and explanation from the Board for reasons and impact of changes in accounting policy, accounting estimates and accounting methods

✓ N/A

(iii) Analysis and explanation from the Board for reasons and impact of correction of major errors in the previous period

✓ N/A

IV. PLANS FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL AND CLOSURE OF REGISTER OF MEMBERS

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

The net profit attributable to shareholders of the Company amount to RMB3,445 million under the PRC Accounting Standards for Business Enterprises in 2013 and basic earnings per share amounted to RMB1.06. The Board proposed to distribute a cash dividend of RMB3.2 per 10 shares (inclusive of tax) to the shareholders, based on the total number of shares, 3,254,007,000. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working days after the general meeting (namely the 2013 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the middle rate of RMB against HKD as published by the People's Bank of China on the first working days after the date of the general meeting (namely the 2013 annual general meeting) at which the resolution on distribution of dividend is approved.

As such, the cash dividend distribution of the Company satisfied the requirement of the Guidance of Cash Dividend of Listed Companies in the Shanghai Stock Exchange, which requires that "the percentage of total cash dividends distributed for the year to net profit attributable to shareholders of listed companies for the year is no less than 30%".

The Company proposed to convene the 2013 annual general meeting on Friday, 30 May 2014 for consideration and approval of relevant proposals, including the above proposal regarding final dividends for 2013.

IV. PLANS FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL AND CLOSURE OF REGISTER OF MEMBERS *(CONTINUED)*

(ii) Disclosure should be made in details about the reasons for failure to propose cash dividend distribution plan if profit is made during the reporting period and undistributed profit of the Company is positive as well as the use and usage plan for retained profit

✓ N/A

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

Year	Number of bonus shares issued for every 10 existing shares	Dividends paid for every 10 existing shares	Number of shares transferred to share capital for every 10 existing shares	Amount of cash dividend	Net profit attributable to shareholders of the Company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to shareholders of the Company in the consolidated statements
	(share)	*(RMB)(tax inclusive)*	*(share)*	*(RMB)(tax inclusive)*	*(RMB)*	*(%)*
2013	0	3.2	0	1,041,282,240.00	3,444,628,337.33	30.23
2012	10	12.5	0	2,033,754,375.00	6,621,880,767.60	30.71
2011	0	15	0	2,196,000,000.00	5,495,898,660.64	40.00

Note: These contents were prepared in accordance with the PRC Accounting Standards for Business Enterprises.

(iv) Closure of Register of Members

1. Record date and dividend distribution for B shares

Given that the Company proposed to convene the 2013 annual general meeting on Friday, 30 May 2014, and pursuant to the relevant regulations of China, the earliest record date for holders of B shares shall be the trading day before the 7 working days after the date of 2013 annual general meeting, namely 21 May 2014.

Under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares for the year 2013 after the 2013 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B Shares.

IV. PLANS FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL AND CLOSURE OF REGISTER OF MEMBERS *(CONTINUED)*

(iv) Closure of Register of Members *(Continued)*

2. Closure of the register of members of H Shares

The Company proposed to convene the 2013 annual general meeting on Friday, 30 May 2014. The shares register of members of the Company will be closed from 30 April 2014 to 30 May 2014 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares of the Company should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at no later than 4:30 p.m. on 29 April 2014.The share register of members of the Company would be closed from 9 June 2014 to 14 June 2014 (both days inclusive). In order to qualify for receiving dividend, holders of H Shares of the Company should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 6 June 2014.

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

(v) Taxation

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

   Investors are advised to read the above content carefully. Should be there any changes to their status as shareholders, they should consult their agent or custodian organisation for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 14 June 2014.

IV. PLANS FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL AND CLOSURE OF REGISTER OF MEMBERS *(CONTINUED)*

(v) Taxation *(Continued)*

2. In accordance with the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and CSRC (Cai Shui [2012] No. 85) (《財政部、國家稅務總局、證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) (hereafter as the "Notice"), which came into effect on 1 January, 2013, for the shares of the Company listed on the Shanghai Stock Exchange and acquired by individuals (hereafter as "Relevant Individuals") from public issue and transfer market, all dividends they received from the Company will be withheld and paid the individual income tax in accordance with the policy of differentiated individual income tax. For the Relevant Individuals who have held the shares for more than one years as at the record date, 25% of their dividends shall be included in the taxable income and corresponding individual income tax will be withheld and paid when the Company distributes the dividends; for those who have held the shares for less than 1 year (inclusive) and have not transferred relevant shares as at the record date, 25% of their dividends shall be included in the taxable income and corresponding individual income tax will be withheld and paid temporarily when the Company distributes the dividends; in case that such Relevant Individuals transfer the shares after the record date, China Securities Depository and Clearing Corporation Limited Shanghai Branch will calculate the actual taxable amount based on the term of shareholding (from the date of acquiring the shares to the day before the share transfer) in differentiated ways. Namely, 100% of dividends will be included in the taxable income for those with the term of shareholding of less than 1 month (inclusive); 50% of dividends will be included in the taxable income on a provisional basis for those with the term of shareholding of more than 1 month and less than 1 year (inclusive); and 25% of dividends will be included in the taxable income on a provisional basis for those with the term of shareholding of more than 1 year. The part which has not been withheld will be withheld from the accounts of Relevant Individuals and paid by shares depositories including securities companies to China Securities Depository and Clearing Corporation Limited Shanghai Branch which will transfer the same to the Company for declaration and payment of relevant tax.

V. FULFILLMENT OF SOCIAL RESPONSIBILITY

(i) Work on social responsibility

Please refer to appendix I for details.

(ii) Explanation for environmental protection efforts by the Company and its subsidiaries included in heavily polluting industries designated by the national environmental protection authority

Please refer to appendix I for details.

VI. OTHER DISCLOSURES

(i) Pre-emptive rights

There is no provision on pre-emptive rights under the laws of the People's Republic of China.

(ii) Reserves

As at 31 December 2013, consolidated reserves amounted to RMB16,854,532,000.

(iii) Auditors

The Company did not change its auditors in the past three years.

(iv) Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Board, as at the date of this report, the Company had maintained compliance with the public float requirements under the waiver application for public float approved by the Hong Kong Stock Exchange.

VI. OTHER DISCLOSURES *(CONTINUED)*

(v) Mining Exploration, Development and Mining Production Activities

1. Reserves of the Company's mines

Unit: million tonnes

Mine of the Company	Remaining reserve in the PRC in 2013	Mineable reserve in the PRC in 2013
Suancigou	**1,347.6**	748.72
Nalinmiao No. 2 mine	**145.49**	79.2
Hongjingta No. 1 mine	**135.42**	67.57
Nalinmiao No. 1 mine	**26.99**	7.4
Yangwangou	**13.89**	6.32
Fuhua	**5.21**	2.22
Kaida	**194.65**	113.81
Dadijing	**93.63**	59.60
Baoshan	**48.07**	30.89
Dingjiaqu	**46.94**	26.03
Chengyi	**18**	7.51
Baijialiang	**6.09**	5.53
Under construction		
Talahao	**867.38**	589.91
Total reserves	**2,949.36**	1,744.71

Note: Integration of Kaida Mine and Bulamao Mine. (The new verification report of reserve for 2013 has been filed with changes in reserves and exploitable reserves.)

2. Mine explorations by the Company during the reporting period

During the reporting period, geological survey and exploration works of the Company for Suancigou Mine in the second and third zone had 53 holes drilled, a total of 25,592.10 meters drilled. A total of 161 holes were drilled with a length of 48,936.69 metres by Yili Mining Company. The Company did not carry out exploration in other mines.

VI. OTHER DISCLOSURES *(CONTINUED)*

(v) Mining Exploration, Development and Mining Production Activities *(Continued)*

3. Construction of mines

Unit: Yuan Currency: RMB

Name of project	Amount of project	Amount in the period	Progress of project
Talahao	1,244,380,500.00	469,385,619.01	90.58%
Project of Yili Mining	/	243,635,429.88	/

4. Exploration of mines

Unit: tonne

	Output of coal	
Mine of the Company	**January to December 2013**	January to December 2012
Suancigou	**9,970,831.07**	10,045,099.32
Nalinmiao No. 2 mine	**6,164,853.01**	7,617,298.80
Hongjingta No. 1 mine	**7,487,513.85**	6,872,367.35
Nalinmiao No. 1 mine	**3,626,617.07**	4,964,535.67
Yangwangou	**303,871.78**	1,112,478.36
Fuhua	**77,321.10**	998,638.28
Kaida	**1,624,942.22**	1,861,358.45
Dadijing	**7,041,804.75**	4,677,029.66
Baoshan	**3,441,283.30**	2,733,278.78
Tongda	**3,742,635.10**	5,366,880.30
Chengyi	**2,405,877.48**	3,246,164.06
Baijialiang	**1,835.00**	268,463.80
Total	**45,889,385.73**	49,763,592.83

VI. OTHER DISCLOSURES *(CONTINUED)*

(v) Mining Exploration, Development and Mining Production Activities *(Continued)*

5. Construction contracts for coal mine

Project name	Details of project	Amount of contract *(RMB million)*
Yitai Yili Mining Co., Ltd.	Geological Survey Engineering and Mapping Contract	51.47
Yitai Yili Mining Co., Ltd.	Aermale Coal Processing Mine Design Contract of Yitai Yili Mining Co., Ltd.	6.20
Yitai Yili Mining Co., Ltd.	Aermale Surface Mine of Yitai Yili Mining Co., Ltd	10.50
Talahao Mine	Sinking and Driving Engineering of Talahao Mine No.2 Coal Phase II	41.72
Talahao Mine	Sinking and Driving Engineering of Talahao Mine No.3 Coal Phase II	51.5
Talahao Mine	Excavation and Bolting Machine Construction of Mining Roadway of Talahao Mine	30.63
Suancigou Mine	Sinking and Driving Engineering in Production Layout Adjustment of Suancigou Mine No.6 Coal	45.27

6. Procurement contracts of facilities for coal mine

Project name *(Using Unit)*	Details of contract	Name of provider	Amount of contract *(RMB)*
Dadijing mine	Multiple level centrifugal pump with power generator	Changsha Canon Pump Co., Ltd.	299,999.98
Baoshan mine	Components from belt conveyors	Inner Mongolia Juneng Machinery Co., Ltd.	580,001.76
Nalinmiao No. 1 mine	Explosive-proof vacuum combination switch for mining	Production branch, Tianjin Huaning Electric Co., Ltd.	290,000
Suancigou mine	Dynamic loop validation apparatus, etc.	Saimo Electric Corporation Limited	279,999
Kaida mine	Mill head sampling machine	Xuzhou Sanyuan Electric M&C Technology Co., Ltd.	229,999.99

VI. OTHER DISCLOSURES *(CONTINUED)*

(v) Mining Exploration, Development and Mining Production Activities *(Continued)*

7. Capital expenditure of the coal mines

Unit: yuan Currency: RMB

Mine of the Company	Capital expenditure January to December 2013
Suancigou	**88,158,313.46**
Nalinmiao Mine No. 2 mine	**56,573,831.18**
Hongjingta No. 1 mine	**40,407,671.90**
Nalinmiao Mine No. 1 mine	**4,399,844.60**
Yangwangou	**5,158,382.68**
Fuhua	**8,538,174.14**
Kaida	**198,395,923.60**
Dadijing	**26,385,413.68**
Baoshan	**72,255,847.90**
Tongda	**30,902,415.53**
Chengyi	**38,411,240.67**
Baijialiang	**1,342,012.89**
Total	**570,929,072.22**

Note: The table was prepared in accordance with the PRC Accounting Standards for Business Enterprises.

8. Cost of coal

Unit: yuan Currency: RMB

		January to December 2013	January to December 2012
Production cost per unit of self-produced coal	Labor cost	**14.80**	13.25
	Raw material, fuel and power	**8.74**	9.26
	Depreciation and amortisation	**6.87**	6.17
	Other production costs	**64.98**	65.96
	Total production cost for coal	**95.39**	94.63
Cost per unit of coal purchased domestically		**261.74**	395.24

Note: The tale is compiled pursuant to China Accounting Standards for Business Enterprises

VI. OTHER DISCLOSURES *(CONTINUED)*

(vi) Reducing Horizontal Competition and the Progress of the Asset Transfer Agreement

The Company has entered into the Agreement on Avoidance of Non Horizontal Competition on 29 May 2012 with holding shareholders. To implement the strategy of expanding the coal business of the Company, and minimize the potential competition in the business of the Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company acquires the target assets of Yitai Group under the agreement at the consideration RMB8,446.54 million, including most production, sales and transportation business of Yitai Group.

The Company has included the operational results of the target assets in the consolidated statements of the Company in the Third Quarter Financial Report of 2012. On 19 October 2012, the Department of Land and Resources of Inner Mongolia Autonomous Region has approved the mining right transfer mentioned in the Asset Transfer Agreement. On 1 November 2012, the Company and Yitai Group have entered into the Supplemental Agreement to the Asset Transfer Agreement. Both parties agree that that except the mining right which is pending approval in the target assets, the transfer date for other target assets is 30 September 2012. The transfer date of the mining right is the last day of the month where the approval date (19 October 2012) of the Department of Land and Resources of Inner Mongolia Autonomous Region, i.e. 30 October 2012. As at the present, the required documents on the change of the entitlement of land and mining right involved in the transfer of target assets under the Asset Transfer Agreement have completed, which marked the completion of the reduction of horizontal competition.

Pursuant to the Supplemental Agreement to the Asset Transfer Agreement entered into between the Company and Yitai Group on 1 November 2012, if the Company failed to pay the transfer consideration in full on 30 October 2012, the Company should pay interests generated from the difference between the transfer consideration actually paid and the total transferred consideration for the delayed days to Yitai Group at the interest rate of the loans of PBOC in the same period. As at the end of the reporting, the Company has paid the above interests amounting to RMB164.95 million in total to Yitai Group.

REPORT OF THE SUPERVISORY COMMITTEE

In 2013, in order to safeguard the interests of the Company and minority shareholders, the Supervisory Committee of the Company supervised the Company's lawful operation and the performance of the Directors and senior management of their duties in strict compliance with requirements of the laws and regulations including the Company Law, the Securities Law and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and the Articles of Association, thus safeguarding the legal interests of the Company and Shareholders. The specific work of the Supervisory Committee in the past year is as follows:

I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

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

The ninth meeting of the fifth session of the Supervisory Committee was convened on 25 March 2013, at which the proposal in relation to the 2012 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2012 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2012 Internal Control Audit Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2012 Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to profit distribution plan of the Company for 2012; the proposal in relation to the 2012 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to the Confirmation of the Difference between Actual Amount and Estimated Amount of Related Party Transactions in the Ordinary Course of Business of the Company in 2012 and the Estimates for Probable Actual Amount for 2013 Related Party Transactions in the Ordinary Course of Business; the proposal in relation to the appointment of audit institution of the Company for 2013; the proposal in relation to the appointment of internal audit institution; and the proposal in relation to guarantee provided by the Company to Its subsidiaries were considered.

The tenth meeting of the fifth session of the Supervisory Committee was convened on 25 April 2013, at which the proposal in relation to the First Quarterly Report for the Year 2013 of Inner Mongolia Yitai Coal Co., Ltd. was considered.

The eleventh meeting of the fifth session of the Supervisory Committee was convened on 27 August 2013, at which the proposal in relation to the 2013 Interim Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to short-term entrusted wealth management by use of working capital of the Company; the proposal in relation to the company increasing capital to the Yitai Xinjiang Energy Co., Ltd.; the proposal in relation to adjusting Estimated Amount of Related Party Transactions in the Ordinary Course of Business of the company; and the proposal in relation to revising the Rules of Procedure of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.

The twelfth meeting of the fifth session of the Supervisory Committee was convened on 25 October 2013, at which the proposal in relation to the Third Quarterly Report for the Year 2013 of Inner Mongolia Yitai Coal Co., Ltd. was considered.

I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD *(CONTINUED)*

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

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

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

III. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON INSPECTION OF THE FINANCIAL POSITION OF THE COMPANY

During the reporting period, the Supervisory Committee inspected and supervised the financial activities of the Company by debrief the special report from the financial officers of the Company, reviewing the regular report of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company is in compliance with the related provisions under the laws and regulations including the Accounting Law and the Accounting Standards for Business Enterprises. The 2013 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flow and shareholders' equity of the Company, etc. The audit opinions issued by the auditor are objective and fair, and the auditor issued standard unqualified auditor's report for the Company.

IV. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE ACTUAL USE OF THE LATEST RAISED PROCEEDS OF THE COMPANY

As at the end of 2013, the actual use of proceeds was in compliance with the commitments under the Prospectus of the Company.

V. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS BY THE COMPANY

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

VI. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE RELATED PARTY TRANSACTIONS OF THE COMPANY

During the reporting period, the connected transactions between the Group and its Controlling Shareholder, Yankuang Group and its subsidiaries were fair, reasonable, lawful and were in the interests of the Shareholders.

VII. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE AUDITOR'S NONSTANDARD OPINION

Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) and Ernst & Young Certified Public Accountants had issued a standard auditor's report on the Company's 2013 financial statements respectively and the auditor's reports give a true, objective and accurate view of the Company's financial position.

VIII. SUPERVISORY COMMITTEE'S REVIEW OF AND OPINIONS ON INTERNAL CONTROL SELF-ASSESSMENT REPORT

The Supervisory Committee reviewed the 2013 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that the report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2013, no material or significant defects were found in the design or execution of the Company's internal control.

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS GENERALLY QUESTIONED BY THE MEDIA

The Company was not involved in any material litigation, arbitration or matters generally questioned by the media in the year.

II. OCCUPATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

✓ N/A

III. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring in the year.

IV. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS

(i) Acquisition and disposal of asset and combination of business by the Company which have been disclosed in the temporary announcements and have no change in the subsequent implementation process

Overview and Type of Matters	Query Index
As considered and approved at the 17th meeting of the fifth session of the Board, Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司), a subsidiary of the Company transferred its 80% equity interest in Inner Mongolia Yitai Petroleum & Chemical Co., Ltd.（內蒙古伊泰石油化工有限公司）to the Company, with a consideration of RMB24 million.	Please refer to the Announcement of the Resolution at the 17th Meeting of the Fifth Session of the Board dated 26 March 2013 of Yitai B share published on Shanghai Stock Exchange (http://www.sse.com.cn) and the announcement and notice of “Connected Transactions—Reorganization of Inner Mongolia Petroleum and Chemical Co., Ltd.” dated 25 March 2013 on The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk)

V. SHARE OPTION INCENTIVES PROVIDED BY THE COMPANY AND ITS IMPACT

✓ N/A

VI. CONNECTED TRANSACTIONS

The following are the major connected transactions of the Group in the year 2013:

1. Non-exempt one-off connected transaction

During the reporting period, there was no non-exempt one-off connected transaction of the Group subject to disclosure or the approval of independent shareholders pursuant to the Listing Rules.

2. Non-exempt continuing connected transaction

During the reporting period, the summary of the continuing connected transactions of 2013 and the maximum amount of the annual transactions in 2013 are as follows:

(1) Summary of the continuing connected transactions in 2013

Category of transaction	Nature of transaction	For the year ended 31 December 2013 *RMB'000*
A	Supply of coal from the Company to Inner Mongolia Coal-to-oil Co., Ltd.	193,097
B	Supply of coal from the Company to Beijing Jingneng Thermal Power Co., Ltd. and its subsidiary Inner Mongolia Jingtai Electric Power Generation Co., Ltd.	221,796
C	Supply of materials and services from the Company to Inner Mongolia Yitai Group Co., Ltd. on retained business and other businesses	8,334
	Supply of materials and services from Inner Mongolia Yitai Group Co., Ltd. to the Company on retained business and other businesses	46,410
D	Supply of coal of the Company to Guangdong Power Industry Fuel Co., Ltd	963,329
E	Purchase of coal from the Company to Sujiahao Mine, Shenmu County	112,281
F	Supply of service from Inner Mongolia Autonomous Region Machine Equipments Complete Co., Ltd. to the Company	2,483
G	Supply of transportation services of the Company to Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	71,991

VI. CONNECTED TRANSACTIONS

2. Non-exempt continuing connected transaction *(Continued)*

(2) Maximum amount of the annual continuous connected transactions in 2013

The annual caps of the annual continuous connected transactions in 2013 disclosed in the prospectus on 29 June 2012 are as follows:

Category of transactions	For the year ended 31 December 2013 *RMB million*
Supply of coal of the Company to Inner Mongolia Yitai Coal-to-oil Co., Ltd.	359.1
Supply of coal of the Company to Beijing Jingneng Thermal Power Co., Ltd and its subsidiary Inner Mongolia Jingtai Electric Power Generation Co., Ltd.	487.5
Supply of materials, equipments and services from the Company to Inner Mongolia Yitai Group Co., Ltd. on retained business and other businesses	57.5
Supply of coal from the Company to Guangdong Power Industry Fuel Co., Ltd	2,046.8

The annual caps of the continuous connected transactions in 2013 disclosed in the announcement on 27 August 2013 are as follows:

Category of transactions	For the year ended 31 December 2013 *RMB million*
Supply of service from Inner Mongolia Autonomous Region Machine Equipments Complete Co., Ltd. to the Company	7.5
Supply of transportation services of the Company to Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	82.0

VI. CONNECTED TRANSACTIONS *(CONTINUED)*

2. Non-exempt continuing connected transaction *(Continued)*

(2) Maximum amount of the annual continuous connected transactions in 2013 *(Continued)*

The annual caps of the continuous connected transactions in 2013 disclosed in the announcement on 23 December 2013 are as follows:

Category of transactions	For the year ended 31 December 2013 *RMB million*
Supply of materials, equipments and services from Inner Mongolia Yitai Group Co., Ltd. to the Company on retained business and other businesses	48.0
Purchase of coal from the Company to Sujiahao Mine, Shenmu County	120.0

3. Independent directors' opinions on the non-exempt continuous connected transaction

The independent non-executive directors of the Company have confirmed the reviewed non-exempt continuous connected transaction with the board of directors of the Company, and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or if the comparable transactions are not sufficient to make judgment on whether such terms are normal commercial terms, terms of such transactions should be on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

VI. CONNECTED TRANSACTIONS *(CONTINUED)*

4. Auditor' opinions on the non-exempt continuous connected transaction

Pursuant to Rule 14A.38 of the Hong Kong Listing Rules, the Board engaged the auditor of the Company to conduct a limited assurance engagement on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the results of their procedures to the Board stating that:

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

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

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

d. with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the connected transactions section of the Company's prospectus dated 29 June 2012 in relation to the Company's public offering of H shares on the main board of the Stock Exchange of Hong Kong Limited, and the announcements issued by the Company dated 27 August 2013 and 23 December 2013, respectively

VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(i) Custody, contracting and leasing matters

✓ N/A

(ii) Guarantee

Unit: Yuan Currency: RMB

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

Guarantor	Relations between the guarantor and the Company	The guaranteed	Amount of guarantee	Date of guarantee (agreement signing date)	Date of commencement	Date of expiry	Type of guarantee	Whether guarantee is completed	Whether guarantee is overdue	Guarantee overdue amount	Whether counter-guaranteed or not	Whether the guaranteed is a connected party	Relations
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)	864,000	27 February 2009	27 February 2009	26 February 2014	Joint liability guarantee	No	No		No	Yes	Subsidiary not being controlled by the 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 2017	Joint liability guarantee	No	No		No	Yes	Subsidiary not being controlled by the Company

Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)	12,928,500.00
Total balance of guarantees at the end of the reporting period (excluding those for subsidiaries) (A)	24,992,500.00
Guarantees of the Company for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the reporting period	4,345,767,000.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	9,208,260,387.6
Total Guarantee Amount (including those for subsidiaries)	
Total guarantee (A+B)	9,233,252,887.6
Percentage of total guarantee in the Company's net assets (%)	43.66
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)	1,841,795,000.00
Amount of total guarantees in excess of 50% of net assets (E)	0
Amount of total guarantees above (C+D+E)	1,841,795,000.00

VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION *(CONTINUED)*

(iii) Other material contracts

The Company didn't have any other material contracts in the year.

VIII. FULFILLMENT OF UNDERTAKINGS

(i) Undertakings made by the listed company, shareholders holding over 5% of equity interest, the controlling shareholder and de facto controller during the reporting period or subsisted up to the reporting period

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertakings	Is there a fulfillment time limit	Whether fulfilled strictly in time	Reason for failure in fulfillment in time (if any)	Further steps in case of failure in fulfillment in time
Refinancing related undertakings	Settlement of peer competitions	Inner Mongolia Yitai Coal Co., Ltd.	The Company disclosed in the prospectus for listing of H shares that the Company will use the raised proceeds for acquisition of five coal mines and other coal related assets and business held by Inner Mongolia Yitai Group Co., Ltd., the controlling shareholder of the Company, to settle peer competitions and connected transactions between the Company and Yitai Group.	12 July 2012	No	Yes	N/A	N/A
	Dividend distribution	Inner Mongolia Yitai Coal Co., Ltd.	The Company disclosed in the prospectus for listing of H shares that the Company will distribute no less than 30% of distributable profit of the Company after the end of 2012 and 2013 financial years.	12 July 2012	Yes	Yes	N/A	N/A

VIII. FULFILLMENT OF UNDERTAKINGS *(CONTINUED)*

(ii) Other explanations

Supplemental explanations of Commitment:

Analysis of ability to perform contracts

Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.("Yitai Guanglian"), a subsidiary of Yitai Group, obtained approval from National Development and Reform Commission to commence operation of mines on 18 February 2013 and was in the process of the application for other resources license actively. It is expected that Hongqinghe mine will obtain all resources license in 2017 in compliance with production condition required.

The Company will exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell the Hongqinghe mine to the Company or its subsidiaries provided that the Hongqinghe mine owned by Yitai Guanglian obtained the legitimate mining right qualification and was in accordance with reasonable and fair terms and conditions, the actual situation, capital arrangement and the Non-competition Agreement signed with Yitai Group through ways of financing.

Analysis on risks in respect of performance to contracts

As the Hongqinghe mine obtained approval from the National Development and Reform Commission to commence operation of mines on 18 February 2013, it was necessary to apply for obtaining other mining right qualification before satisfying the condition of company acquisition. The Company considered that there were no physical obstacles to obtain the mining right qualification under current condition, and there were no physical obstacles regarding the performance of the commitment by Yitai Group and the disposal of the mine to the Company.

Preventive measures and control measures under default

Yitai Guanglian did not obtain the approval of coal mining of Hongqinghe mine and was not allowed for the Company's acquisition when the Company issued H shares and listed on The Hong Kong Stock Exchange in 2012. Yitai Group undertook in the Non-competition Agreement that priorized to sell the Hongqinghe mine to the Company or its subsidiaries provided that the Hongqinghe mine owned by Yitai Guanglian obtained the legitimate mining right qualification and was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights in order to solve the competition in the industry arising from the aforesaid situation.

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

IX. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

Unit: RMB'0,000 Currency: RMB

Change of accounting firm: No

	Previous appointee	Current appointee
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm		150
Term of audit of the domestic accounting firm		3
Name of the overseas accounting firm	Ernst & Young Certified Public Accountant	Ernst & Young Certified Public Accountants
Remuneration of the overseas accounting firm		350
Term of audit of the overseas accounting firm		3

	Name	Remuneration
Accounting firm as internal control auditors	Da Hua Certified Public Accountants (Special General Partnership)	75

X. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING OVER 5% OF EQUITY INTEREST, DE FACTO CONTROLLER AND PURCHASER AND RELEVANT RECTIFICATIONS

During the reporting period, none of the Company, its Directors, supervisors, senior management members, shareholders holding over 5% of equity interest, De Facto Controller or purchaser were investigated by authorities, imposed with mandatory measures by judiciary or disciplinary authorities, handed over to the judiciary or charged with criminal liabilities, investigated by the CSRC, subjected to administrative punishment, prohibited from securities market, deemed an inappropriate person by the CSRC, punished by other administrative authorities, or publicly reprimanded by securities exchanges.

During the reporting period, the Company was not been imposed with administrative inspection measures by CSRC and its delegated institutions

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

1. Inner Mongolia Mengtai Buliangou Coal Co., Ltd., a shareholder of Inner Mongolia YitaiHuzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)(herein after referred to as "Huzhun Railway Company"),disposed the 5% of equity interest it held in Huzhun Railway Company through open tender in Shanghai United Assets and Equity Exchange. On 23 April 2013, Datang Electric Power Fuel Co., Ltd. (大唐電力燃料有限公司) acquired the 5% of equity interest held by Mengtai Buliangou Coal Co., Ltd. at a consideration of RMB129.37 million. On 24 May 2013, Inner Mongolia Yitai Huzhun Railway Co., Ltd., a controlling subsidiary of the Company considered and passed the resolution of adding a shareholder, Datang Electric PowerFuel Co., Ltd. on its 2012 AGM. In accordance to the resolution, Datang Electric Power Fuel Co., Ltd. holds 5% of equity interest of Huzhun Railway Company with registered capital of RMB68 million. After this acquisition, the equity structure of Huzhun Railway Company is as follows: Inner Mongolia Yitai Coal Co., Ltd. holds 76.46% of equity interest, Mengtai Buliangou Coal Co., Ltd. holds 16.55%, Datang Electric Power Fuel Co., Ltd. holds 5%, Railway Administration of Hohhot holds 1.99%. This acquisition of equity interest has completed the change of business registration as at 24 June 2013.

2. On 16 May 2013, the Company established Inner Mongolia Yitai Jungar Coal Transportation and Sales Company Limited (內蒙古伊泰准格爾煤炭運銷有限責任公司), a solely-owned subsidiary. The registered capital of the Company is RMB10 million and its scope of business includes sales of coal. The address is Hujitu Village Jungar Zhao County, Jungar Banner, Ordos, Autonomous Region of Inner Mongolia(內蒙古自治區鄂爾多斯市准格爾旗准格爾召鎮忽吉圖村).

3. On 7 June 2013, the Company established Ulanqab Yitai Coal Sales Company Limited (烏蘭察布市伊泰煤炭銷售有限公司), a solely-owned subsidiary. The registered capital of the Company is RMB50 million and its scope of business includes sales of coke and construction of coal base. The address is Mianliang Coal Logistics Park, Xinghe County, Ulanqab (烏蘭察布市興和廟梁煤炭物流園區).

4. On 7 March 2013, Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司), a controlling subsidiary of the Company approved the resolution of increasing the registered capital of in accordance with shareholding ratio. In accordance to the resolution, the registered capital of Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. increased from RMB169 million to RMB197 million. Relevant procedures on the change of business registration were completed on 26 June 2013.

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS (CONTINUED)

5. Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司) (hereafter as "Yitai Petrochemical Company") is a wholly controlled subsidiary of Coal-to-oil Company, with a registered capital of RMB30 million. The Company considered and approved the proposal of the connected transaction relating to the acquisition of equity interest from Yitai Petrochemical Company on 25 March 2013. Further, according to the resolution of the shareholders of Yitai Petrochemical Company, the Company and Inner Mongolia Yitai Group Co., Ltd. will acquire 80% equity interest and 20% equity interest of Yitai Petrochemical Company, respectively. Upon completion of the above equity transfer, the Company will hold 80% equity interest of Yitai Petrochemical Company while Inner Mongolia Yitai Group Co., Ltd. will hold 20% equity interest of Yitai Petrochemical Company. Procedures for change of business registration were completed in respect of the above equity transfer on 2 August 2013.

6. Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司) (hereafter as "Yili Energy") is a controlled subsidiary of the Company with a registered capital of RMB150 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 90.2% equity interest and 9.8% equity interest in the company, respectively. The Company considered and approved the proposal relating to its capital increase to Yili Energy at the 24th board meeting of the fifth session of the board of directors on 10 September 2013. According to that resolution, the Company and Inner Mongolia Yitai Group Co., Ltd. will increase the capital contribution to Yili Energy according to their respective shareholdings. The Company and Inner Mongolia Yitai Group Co., Ltd. will contribute RMB739.64 million and RMB80.36 million to Yili Energy in cash, respectively. Upon completion of the capital increase, the registered capital of Yili Energy will increase to RMB970 million while the shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. remain unchanged. Procedures for change of business registration were completed in respect of the above capital increase on 16 September 2013.

7. Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司) (hereafter as "Xinjiang Energy") is a controlled subsidiary of the Company with a registered capital of RMB150 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 90.2% equity interest and 9.8% equity interest in the company, respectively. The Company considered and approved the proposal relating to its capital increase to Xinjiang Energy at the 23rd board meeting of the fifth session of the board of directors on 28 August 2013. According to that resolution, the Company and Inner Mongolia Yitai Group Co., Ltd. will increase the capital contribution to Xinjiang Energy according to their respective shareholdings. The Company and Inner Mongolia Yitai Group Co., Ltd. will contribute RMB820.82 million and RMB89.18 million to Xinjiang Energy in cash, respectively. Upon completion of the capital increase, the registered capital of Xinjiang Energy will increase to RMB1,060 million while the shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged. Procedures for change of business registration were completed in respect of the capital increase on 24 September 2013.

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS (CONTINUED)

8. Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司) (hereafter as "Coal-to-oil Company") is a controlled subsidiary of the Company with a registered capital of RMB1,500 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 80% equity interest and 20% equity interest in the company, respectively. The Company considered and approved the proposal relating to its capital increase to Coal-to-oil Company at the 23rd board meeting of the fifth session of the board of directors on 28 August 2013, where it was approved that Inner Mongolia Mining Industry (Group) Co. Ltd. (內蒙古礦業(集團)有限責任公司) is to acquire the 5% equity interest held by Inner Mongolia Yitai Group Co., Ltd. in Coal-to-oil Company and increase its capital contribution to Coal-to-oil Company at a premium, such that Inner Mongolia Mining Industry (Group) Co. Ltd. ultimately holds 39.5% equity interest of Coal-to-oil Company. Upon completion of the equity transfer and capital increase, the registered capital of Coal-to-oil Company amounted to RMB2,352.9 million while the Company, Inner Mongolia Yitai Group Co., Ltd. and Inner Mongolia Mining Industry (Group) Co. Ltd. hold 51%, 9.5% and 39.5% equity interest in the company, respectively. Procedures for change of business registration were completed in respect of the above equity transfer and capital increase on 27 September 2013.

9. Inner Mongolia Yitai Huzhun Railway Co., Ltd. (hereinafter referred to as "Huzhun Railway Company") is a controlled subsidiary of the Company with a registered capital of RMB1,360 million and held by the Company as to 76.46% of its equity interest. The proposal in relation to increase of registered capital from RMB1,360 million to RMB2,074.598 million was considered and approved at the general meeting of Huzhun Railway Company. In accordance with the resolution of the general meeting, Railway Administration of Hohhot, a shareholder of Huzhun Railway Company waived the pre-emption rights for the newly increased capital of RMB714.598 million. After the capital increase, the equity structure of Huzhun Railway Company is as follows: Inner Mongolia Yitai Coal Co., Ltd. holds 76.992% of equity interest, Inner Mongolia Mengtai Buliangou Coal Co., Ltd. holds 16.672%, Datang Electric Power Fuel Co., Ltd. holds 5.035%, Railway Administration of Hohhot holds 1.301%. Procedures for change of business registration were completed in respect of the above equity transfer and capital increase on 15 October 2013.

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS (CONTINUED)

10. Inner Mongolia Hengdong Coal Transportation and Sale Co., Ltd. (內蒙古恒東煤炭運銷有限公司) ("Hengdong Transportation and Sale") of Huaibei Coal Group (淮北礦業集團) has a registered capital of RMB45.553275 million and its registered address is at Coal Building, No. 395 Xinhua East Road, Xincheng District, Hohhot. The proposal in relation to the acquisition of 51% equity interest in Hengdong Transportation and Sale was considered and approved at the twenty-ninth meeting of the fifth session of the board of directors of the Company held on 9 January 2014. The contribution for the acquisition of 51% equity interest in Hengdong Transportation and Sale amounted to RMB23.23 million. As Hengdong Transportation and Sale is currently operating at loss, the consideration for the acquisition of equity interest was determined as RMB1. Procedures for change of business registration in respect of the above acquisition of equity interest are in progress.

11. Inner Mongolia Yitai Chemical Co., Ltd. (hereinafter referred to as "Yitai Chemical") is a controlled subsidiary of the Company with a registered capital of RMB100 million. The Company considered and approved the resolution in relation to its capital increase to Yitai Chemical at the twelfth meeting of the fifth session of the board of directors on 16 August 2013. Yitai Chemical intended to increase its registered capital by RMB670 million, among which, Inner Mongolia Yitai Coal Co., Ltd. and Inner Mongolia Yitai Group Co., Ltd. made make a capital contribution of RMB594.54 million and RMB75.46 million in cash. After the capital contribution, the registered capital amounted to RMB770 million. Inner Mongolia Yitai Coal Co., Ltd. and Inner Mongolia Yitai Group Co., Ltd. made a capital contribution of RMB694.54 million and RMB75.46 million, representing 90.2% and 9.8% of the registered capital, respectively. Procedures for change of business registration were completed in respect of the capital increase on 23 December 2013.

1. CHANGES IN SHARE CAPITAL

(I) Changes in shares

i. Changes in shares

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	49.17		800,000,000			800,000,000	1,600,000,000	49.17
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	800,000,000	49.17		800,000,000			800,000,000	1,600,000,000	49.17
Including: Domestic non-state-owned legal person shares									
Foreign natural person shares									
4. Foreign shares									
Including: Foreign legal person shares									
Foreign natural person shares									
II. Tradable shares not subject to selling restrictions	827,003,500	50.83		827,003,500			827,003,500	1,654,007,000	50.83
1. RMB-denominated ordinary shares									
2. Domestic listed foreign shares	664,000,000	40.81		664,000,000			664,000,000	1,328,000,000	40.81
3. Overseas listed foreign shares	163,003,500	10.02		163,003,500			163,003,500	326,007,000	10.02
4. Others									
III. Shares in total	1,627,003,500	100		1,627,003,500			1,627,003,500	3,254,007,000	100

1. CHANGES IN SHARE CAPITAL (CONTINUED)

(I) Changes in shares (Continued)

ii. Explanation on the changes in shares

Inner Mongolia Yitai Coal Co., Ltd. considered and approved the proposed appropriation of profit for the year 2012 at the annual general meeting on 28 June 2013. The Company proposed to distribute a cash dividend of RMB12.5 per 10 shares (including tax) based on the Company's total share capital of 1,627,003,500 shares. As at 20 August 2013, the entire dividend has been distributed.

After the implementation of the proposed appropriation of profit for the year 2012 by the Company, as at 31 December 2013, the total share capital of the Company was 3,254,007,000 shares, among which, domestic shares 1,600,000,000 shares, representing 49.17% of the total ordinary shares issued of the Company, B shares 1,328,000,000 shares, representing 40.81% of the total ordinary shares issued of the Company, and H shares 326,007,000 shares, representing 10.02% of the total ordinary shares issued of the Company.

iii. Influence of changes in share on financial indicators of earnings per share, net asset per share and etc. of the latest year and latest period

According to the International Financial Reporting Standards, the earnings per share of the Company for 2012 amounted to RMB4.19 and net assets per share attributable to shareholders of the Company as at the end of 2012 was RMB12.79. Upon issuance of bonus share in 2013, the aggregate share capital of the Company increased by 1,627,003,500 shares. The restated earnings per share for 2012 were RMB2.09 calculated with the weighted adjusted aggregate share capital of 3,254,007,000 shares, thus the restated net assets per share attributable to shareholders of the Company amounted to RMB6.40 as at the end of 2012.

(II) Changes in shares subject to selling restrictions

During the reporting period, there was no change in shares subject to selling restrictions of the Company.

2. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the last three years as at the end of the reporting period

Unit: Share Currency: HK$

Class of shares and their derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares traded with listing approval
Stock					
H shares	12 July 2012	43	162,667,000	12 July 2012	162,667,000
H shares (partly by execution of over-allotment option)	3 August 2012	43	336,500	8 August 2012	336,500

As approved by The Hong Kong Stock Exchange, a total of 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 12 July 2012 at the issue price of HK$43.00 per H share. The stock abbreviation 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 3 August 2012, the Company exercised the over-allotment option and issued additional 336,500 H shares at the price of HK$43.00 (excluding the brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%) per H share. The over-allotment shares commenced trading on the main board of the Hong Kong Stock Exchange at 9:00 am on 8 August 2012.

2. ISSUE AND LISTING OF SECURITIES (CONTINUED)

(II) Changes in the total shares and the shareholders' structure and assets and liabilities structure of the Company

Inner Mongolia Yitai Coal Co., Ltd. considered and approved the proposed appropriation of profit for the year 2012 at the annual general meeting of the on 28 June 2013. The Company proposed to distribute a cash dividend of RMB12.5 per 10 shares (including tax) based on the Company's total share capital of 1,627,003,500 shares. As at 20 August 2013, the entire dividend has been distributed.

After the implementation of the proposed appropriation of profit for the year 2012 by the Company, as at 31 December 2013, the total share capital of the Company was 3,254,007,000 shares, among which, domestic shares 1,600,000,000 shares, representing 49.17% of the total ordinary shares issued of the Company, B shares 1,328,000,000 shares, representing 40.81% of the total ordinary shares issued of the Company, and H shares 326,007,000 shares, representing 10.02% of the total ordinary shares issued of the Company.

On 31 December 2012, the gearing ratio of the Company was 46.97%. As at 31 December 2013, the gearing ratio of the Company was 45%, representing a decrease of 1.97 percentage points as compared with that of last year.

(III) Existing internal employee shares

As at the end of the reporting period, there were no internal employee shares of the Company.

3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Number of shareholders and their shareholdings

Unit: share

Total number of shareholders as at the end of the reporting period	83,367	Total number of shareholders as at the end of the 5th trading day prior to the disclosure of the annual report	83,427

Shareholdings of the Top Ten Shareholders

Name of shareholder	Nature of shareholder	Shareholding Percentage (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares held subject to selling restrictions	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	49.17	1,600,000,000	800,000,000	0	Nil
HKSCC NOMINEES LIMITED	Foreign legal person	10.016	325,918,800	162,960,300	0	Unknown
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	Foreign legal person	9.40	306,151,337	161,341,337	0	Nil
FTIF TEMPLETON ASIAN GROWTH FUND 5496	Foreign legal person	2.28	74,061,448	37,030,724	0	Unknown
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.70	22,743,193	11,324,727	0	Unknown
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	Foreign legal person	0.44	14,248,083	9,257,932	0	Unknown
ABU DHABI INVESTMENT AUTHORITY	Foreign legal person	0.43	14,010,497	6,976,140	0	Unknown
ISHARES MSCI EMERGING MARKETS MINIMUM VOLATILITY INDEX FUND	Foreign legal person	0.41	13,353,727	11,763,327	0	Unknown
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Foreign legal person	0.35	11,499,108	2,435,537	0	Unknown
GIC PRIVATE LIMITED	Foreign legal person	0.34	11,033,099	11,033,099	0	Unknown

3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER (CONTINUED)

(I) Number of shareholders and their shareholdings (Continued)

Shareholdings of the Top Ten Holders of Shares not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
HKSCC NOMINEES LIMITED	325,918,800	Overseas-listed-foreign shares	325,918,800
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	306,151,337	Domestic listed foreign shares	306,151,337
FTIF TEMPLETON ASIAN GROWTH FUND 5496	74,061,448	Domestic listed foreign shares	74,061,448
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	22,743,193	Domestic listed foreign shares	22,743,193
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	14,248,083	Domestic listed foreign shares	14,248,083
ABU DHABI INVESTMENT AUTHORITY	14,010,497	Domestic listed foreign shares	14,010,497
ISHARES MSCI EMERGING MARKETS MINIMUM VOLATILITY INDEX FUND	13,353,727	Domestic listed foreign shares	13,353,727
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	11,499,108	Domestic listed foreign shares	11,499,108
GIC PRIVATE LIMITED	11,033,099	Domestic listed foreign shares	11,033,099
SCBHK A/C IBT S/A ISHARES MSCI EMERGING MARKETS INDEX FUND	10,488,104	Domestic listed foreign shares	10,488,104
Details of the above shareholders who are connected to each other or acting in concert	Among the top ten shareholders of the Company, Yitai Group (Hongkong) Co., Ltd. is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares of the Company. The Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.		

3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER (CONTINUED)

(I) Number of shareholders and their shareholdings (Continued)

Shareholding of the shareholders who are subject to selling restrictions, and the details of the selling restrictions

Particulars of the listing of the shares subject to selling restrictions

Unit: Shares

			Listing status of shares which are subject to selling restrictions		
No.	Name of shareholders who are subject to selling restrictions	Number of shares which are subject to selling restrictions	Eligible listing time	Number of new listed shares	Selling restrictions
1	Inner Mongolia Yitai Coal Co., Ltd.	1,600,000,000			Domestic non-state-owned legal person shares
Details of the above shareholders who are connected to each other or acting in concert		Inner Mongolia Yitai Coal Co., Ltd. is the controlling shareholder of the Company.			

4. INFORMATION ON THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER

(I) Information on the controlling shareholder

Legal person

Unit: yuan Currency: RMB

Name	Inner Mongolia Yitai Group Co., Ltd.
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of establishment	27 October 1999
Organization code	11693188-6
Registered capital	1,250,000,000.00
Principal business	The production of raw coal; the processing, transportation and sales of raw coal; the railway construction and the railway transportation of passengers and goods; the import of equipments, accessories and technology for mines; the construction and operation of highways; the coal-related chemical operation and sales of co-related chemical product; the plant industry and the breeding industry.

3. Specific explanation to the non-existence of controlling shareholder of the Company

N/A.

4. References of changes and date of changes in controlling shareholder during the reporting period

N/A.

4. INFORMATION ON THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER (CONTINUED)

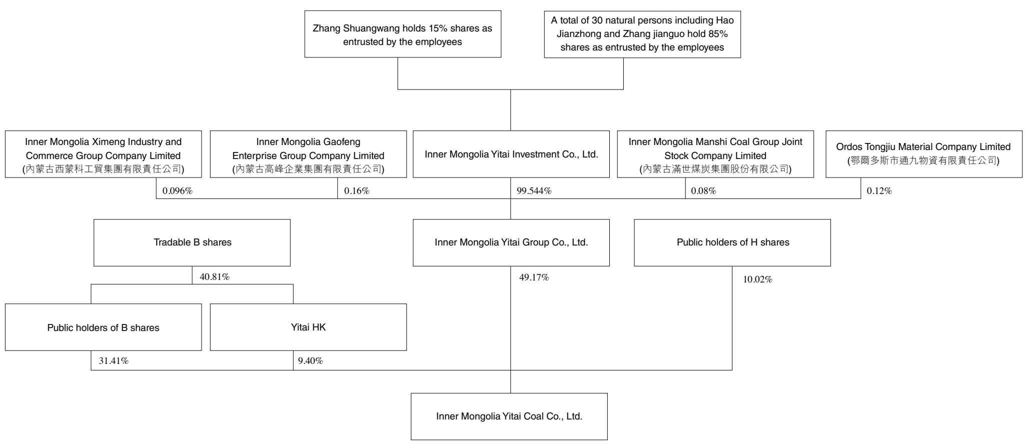
(II) Information on the de facto controller

Legal person

Unit: Yuan Currency: RMB

Name	Inner Mongolia Yitai Investment Co., Ltd. (內蒙古伊泰投資有限責任公司)
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of establishment	2 December 2005
Organizational code	78705310-5
Registered capital	720,495,144.00
Principal business	The investment in the energy industry and the railway construction

2. Chart concerning the property rights and controlling relationship between the Company and the de facto controllers



4. INFORMATION ON THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER (CONTINUED)

(III) Other information on the controlling shareholder and the de facto controller

Inner Mongolia Yitai Group Co., Ltd. holds 1,600 million shares of the Company, representing 49.17% of the total share capital of the Company. On 26 December 2011, Inner Mongolia Yitai Group Co., Ltd. changed its registered capital, which was increased from RMB545.70 million to RMB1,250 million and the increased part of RMB704.30 million was contributed by Inner Mongolia Yitai Investment Co., Ltd.. After the change in the registered capital, the equity proportion of Inner Mongolia Yitai Group Co., Ltd. is: Inner Mongolia Yitai Investment Co., Ltd., holding the shares on behalf of the employees in the Group, contributes RMB1,244.30 million, representing 99.544%, Inner Mongolia Gaofeng Enterprise Group Company Limited (內蒙古高峰企業集團有限責任公司) contributes RMB2 million, representing 0.16%, Inner Mongolia Ximeng Industry and Commerce Group Company Limited (內蒙古西蒙科工貿集團有限責任公司) contributes RMB1.2 million, representing 0.096%, Inner Mongolia Manshi Coal Group Joing Stock Company Limited (內蒙古滿世煤炭集團股份有限公司) contributes RMB1 million, representing 0.08%, Ordos Tongjiu Material Company Limited (鄂爾多斯市通九物資有限責任公司) contributed RMB1.5 million, representing 0.12%. The corporate nature is the limited liability company. The scope of business of Inner Mongolia Yitai Group Co., Ltd. includes the production of raw coal, the processing, transportation and sales of raw coal, the railway construction and the railway transportation of passengers and goods, the import of equipments, accessories and technology for mines, the construction and operation of highways, the coal-related chemical operation and sales of related product, the plant industry and the breeding industry. The legal representative is Zhang Shuangwang, the registration address is Liuzhongnan Jiefang Area, No.14 South, Yimei Road, Dongsheng District, Ordos City (鄂爾多斯市東勝區伊煤路南14號街坊區六中南). No shares held have been mortgaged or frozen.

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

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

6. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, so far as was known to directors, supervisors or chief executives of the Company, the following persons or corporations (other than Directors, supervisors or chief executives of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%)[6,7]	Percentage of the total issued shares (%)[6,7]
Billion Giant Development Limited[1]	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
BOS Trust Company (Jersey) Limited as Trustee	H Shares	Trustee	Long	10,008,500	6.14	0.30
Chen Yihong[1]	H shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
China Datang Corporation[2]	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
Credit Suisse AG[3]	H Shares	Interest of controlled corporation	Long	24,400,000	15.00	0.74
			Short	24,400,000	15.00	0.74
Credit Suisse (Hong Kong) Limited[3]	H Shares	Interests held jointly with another person	Long	24,400,000	15.00	0.74
			Short	24,400,000	15.00	0.74
Datang International (Hong Kong) Limited[2]	H Shares	Beneficial owner	Long	18,031,100	11.08	0.55

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%)[6,7]	Percentage of the total issued shares (%)[6,7]
Datang International Power Generation Co., Ltd.	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
Great Huazhong Energy Co. Ltd	H Shares	Beneficial owner	Long	27,168,000	8.33	0.83
Harvest Luck Development Limited[1]	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Inner Mongolia Yitai Group Co., Ltd.[4]	Non-overseas-listed-foreign shares	Beneficial owner / Interest of controlled corporation	Long	1,906,151,337	65.10	58.57
Inner Mongolia Yitai Investment Co., Ltd.[5]	Non-overseas-listed-foreign shares	Interest of controlled corporation	Long	1,906,151,337	65.10	58.57
Poseidon Sports Limited[1]	H Shares	Beneficial owner	Long	10,008,500	6.14	0.30
Talent Rainbow Far East Limited[1]	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Yitai Group (HongKong) Co., Ltd.[4]	Non-overseas-listed-foreign shares	Beneficial owner	Long	306,151,337	10.45	9.40
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	28,321,000	8.68	0.87
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	27,122,600	8.31	0.83

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%)[6,7]	Percentage of the total issued shares (%)[6,7]
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	28,321,500	8.68	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	27,168,000	8.33	0.83
CITIC Sandwich (Shanghai) Investment Centre (Limited Partnership) (中信夾層(上海)投資中心(有限合伙))	H Shares	Beneficial owner	Long	17,543,200	5.38	0.53

6. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

1. Poseidon Sports Limited holds 10,008,500 shares (long position) of the Company, while Talent Rainbow Far East Limited, Harvest Luck Development Limited and Smart Stage Holdings Limited holds 50%, 42.43% and 7.57% of interests in Poseidon Sports Limited, respectively.

   Talent Rainbow Far East Limited is wholly owned by Billion Giant Development Limited which is wholly owned by BOS Trust Company (Jersey) Limited as Trustee. Harvest Luck Development Limited is wholly owned by Chen Yihong. Smart Stage Holdings Limited is wholly owned by Wise Bonus Group Limited which is wholly owned by BOS Trust Company (Jersey) Limited as Trustee.

   Pursuant to the SFO, Billion Giant Development Limited, BOS Trust Company (Jersey) Limited as Trustee and Chen Yihong, Harvest Luck Development Limited and Talent Rainbow Far East Limited are deemed to be interested in the 10,008,500 shares (long position) held by Poseidon Sports Limited.

2. Datang International (Hong Kong) Limited holds 18,031,100 shares (long position) of the Company. Datang International (Hong Kong) Limited is wholly owned by Datang International Power Generation Co., Ltd. while China Datang Corporation holds 34.71% of interests of Datang International Power Generation Co., Ltd..

   Pursuant to the SFO, Datang International Power Generation Co., Ltd. and China Datang Corporation are deemed to be interested in the 18,031,100 shares (long position) held by Datang International (Hong Kong) Limited.

3. Credit Suisse (Hong Kong) Limited holds 24,400,000 H shares (long position) and 24,400,000 H shares (short position) of the Company through physically settled derivatives (OTC). Credit Suisse (Hong Kong) Limited is wholly owned by Credit Suisse AG.

   Pursuant to the SFO, Credit Suisse AG is deemed to be interested in the 24,400,000 H shares (long position) and 24,400,000 H shares (short position) held by Credit Suisse (Hong Kong) Limited.

4. 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 the 306,151,337 shares held by Yitai Group (Hong Kong) Co., Ltd.. Inner Mongolia Yitai Group Co., Ltd. directly holds 1,600,000,000 Domestic Shares.

5. Inner Mongolia Yitai Investment Co., Ltd. holds 99.54% of the registered capital of Yitai Group and is thus deemed to be interested in all of the 1,906,151,337 shares directly or indirectly held by Inner Mongolia Yitai Group Co., Ltd..

6. According to the Articles of Association, the Company has two classes of shares, consisting of: (i) "non-overseas-listed-foreign shares" which include Domestic Shares and B Shares; and (ii) H Shares.

7. The percentage shareholdings are rounded down to the two decimal place.

Save as disclosed above, as at 31 December 2013, 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.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Unit: Share

Names	Position	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration received from the Company during the reporting period *(RMB'0,000) (before tax)*	*Total remuneration received from shareholders' Companies during the reporting period (RMB'0,000)*
Zhang Donghai	Chairman	Male	43	2011-2-18						201.15	1.8
Ge Yaoyong	Executive Director and General Manager	Male	43	2011-2-18						118.75	1.8
Liu Chunlin	Executive Director	Male	47	2011-2-18						132.7	1.8
Zhang Dongsheng	Executive Director	Male	43	2011-2-18						103.2	1.8
Kang Zhi	Executive Director and Deputy Manager	Male	55	2011-2-18						105.05	
Zhang Xinrong	Executive Director and Deputy Manager	Male	49	2011-2-18						105.35	
Lv Guiliang	Executive Director and Chief Finance Officer	Male	48	2011-2-18						99	
Yu Youguang	Independent Director	Male	59	2013-6-28						5	
Qi Yongxing	Independent Director	Male	43	2013-12-11						0.83	
Song Jianzhong	Independent Director	Female	60	2011-2-18						10	
Tam Kwok Ming, Banny	Independent Director	Male	51	2011-2-18						20	
Li Wenshan	Chairman of the Board of Supervisors	Male	51	2011-2-18						102.72	0.96
Zhang Guisheng	Supervisor	Male	51	2012-10-15						67.77	
Han Zhanchun	Supervisor	Male	50	2011-2-18						18.84	
Wang Xiaodong	Supervisor	Male	43	2013-4-26						40.48	
Ji Zhifu	Supervisor	Male	30	2011-2-18						24.49	
Wang Yongliang	Independent Supervisor	Male	51	2011-2-18						6	
Wu Qu	Independent Supervisor	Male	49	2011-2-18						6	
Liu Jian	Deputy Manager	Male	47	2012-12-21						72	
Zhang Mingliang	Chief Engineer	Male	45	2012-10-15						87.37	
Wang Sanming	Deputy General Manager	Male	40	2013-4-26						63.03	
Lian Tao	Deputy Manager and Secretary to the Board	Male	37	2012-9-24						54	
Total										1,443.73	8.16

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Zhang Donghai has been acting as an executive Director of our Company since March 2001 and was appointed as the Chairman of our Board in April 2003. He is primarily responsible for the overall corporate strategy, planning and business development of our Group. He also plays an integral role in supervising our Company's operational management, and has 20 years of experience in corporate management in the coal mining industry during which he gained intricate understanding of the coal industry. Mr. Zhang has served as a director of Yitai Group since December 2001 and its president since June 2004. Mr. Zhang joined Ikochao League Coal Company (伊克昭盟煤炭公司), a predecessor of Yimei Group, in April 1990 and joined us in July 1999. He had been our president from March 2001 to November 2008, the deputy general manager of Yitai Group from April 2003 to June 2004 and our vice president from July 1999 to February 2001. He held various positions as the vice chief and the chief of the Beijing branch office of Inner Mongolia Ikochao League Coal Group Company, a predecessor of Yimei Group, the deputy head of the Operation Department and the deputy manager of the business operating branch company under the same company from May 1994 to June 1999. Mr. Zhang graduated from Fordham University in May 2005 with an MBA degree. He was granted the qualification of senior economist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in December 2003. In May 2005, Mr. Zhang was awarded the "Model Worker of Inner Mongolia Autonomous Region" by the Inner Mongolia Government and the "National Model Worker" by the State Council. Mr. Zhang is a son of Mr. Zhang Shuangwang. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Ge Yaoyong has been an executive Director of our Board since December 2008, and our president since November 2008. He is primarily responsible for the day-to-day management and operation of our Group as well as our mine construction. Mr. Ge has also served as a director of Yitai Group since November 2008 and served as the chairman of Yitai Pharmaceutical from January 2009 to June 2011. He joined Yimei Group in April 1994 and joined us in March 2001, during which Mr. Ge gained extensive industry knowledge and management experience for large coal enterprises. Mr. Ge served as the deputy chief engineer of Yitai Group from August 2005 to November 2008 and from July 2000 to March 2001, general manager of Yitai Guanglian from February 2006 to November 2008, and vice president of our Company from March 2001 to August 2005. From November 1996 to March 2001, he acted as the deputy manager and the manager of E'qian League Coking Factory. Mr. Ge graduated from Shanxi Mining College (山西礦業學院) with a bachelor of engineering degree in mining engineering in July 1991, and from Tsinghua University with an EMBA degree in January 2010. Mr. Ge was granted the qualification of senior engineer by the Department of Personnel of Inner Mongolia in September 2004. Mr. Ge has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Liu Chunlin has been an executive Director of the Board since May 2004. Mr. Liu has been the director and the chief accountant of Yitai Group since June 2004. Mr. Liu has abundant experience in accounting and capital management. He joined Ikochao League Coal Company, a predecessor of Yimei Group, in June 1989 and joined us in August 1997. He served as the chairman of Inner Mongolia Yitai Real Estate Co., Ltd. from April 2006 to March 2010, the vice president of our Company from May 2004 to October 2004, the deputy chief accountant of Yitai Group from October 2002 to May 2004 and the financial director of our Company from July 1999 to October 2002. He had been the director of the Finance Department of our Company from August 1997 to July 1999, the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997. Over many years of experience in coal industry and the financial department, Mr. Liu gained intricate understanding in coal industry and accumulated expertise in corporate finance. Mr. Liu graduated, as a correspondence student (函授生), from Inner Mongolia University (內蒙古大學) with a university diploma in July 2003. He graduated from Tsinghua University (清華大學) with an EMBA degree in 2010. Mr. Liu was awarded the qualification of senior accountant by the Department of Personnel of Inner Mongolia in July 2001. Mr. Liu has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Zhang Dongsheng has been an executive Director of the Board since May 2009. He is primarily responsible for the construction and operation of our Group's railway lines. Mr. Zhang is a director of Yitai Group. He has served as the chairman of Zhundong Railway Company since November 2008, the chairman of Huzhun Railway Company since July 2009 and its general manager since November 2007 and the general manager of the Railway Business Department of the Company since 13 December 2013. Mr. Zhang joined Ikochao League Coal Company, a predecessor of Yimei Group, in October 1989 and joined us in January 2002 during which he gained extensive experience in coal transportation, sales and railway construction and management. He was the general manager and deputy general manager of Zhundong Railway Company from August 2005 to November 2008, and acted as the director of the Operation Department of our Company from January 2002 to July 2005. Mr. Zhang had also held several other management positions in Yimei Group and Yitai Group. Mr. Zhang graduated from Beijing Transportation University (北京交通大學) with an MBA degree in June 2008. Mr. Zhang received the qualification of commercial logistics economist from the Ministry of Personnel of the PRC and the qualification of senior economist from the Department of Personnel of Inner Mongolia in June 1995 Inner Mongolia and September 2004 respectively. In addition, Mr. Zhang was recognized as a business manager by Department of Labor and Social Security (內蒙古自治區勞動和社會保障廳) in March 2006 and a Chinese coal professional manager by the CNCA in September 2007. Mr. Zhang is a nephew of Mr. Zhang Shuangwang. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Kang Zhi was appointed as our executive Director in February 2011 and as our vice president in March 2002. He is also the chairman of Yitai Transport and the manager of our Transportation and Sales Business Department. Mr. Kang joined Yimei Group in February 1992 and joined us in January 2001 during which he was in charge of our coal sales business for years, and gained abundant experience in sales and marketing. Mr. Kang served as the manager of our Coal Marketing Business Department from November 2006 to February 2009. He had been the deputy manager of our Operation Department from March 2001 to March 2002 and the manager of the Shanghai Sales Branch Company of our operating branch company from August 2000 to February 2001. From 1997 to 2000, he had held various management positions in our Company such as the chief of our Shanghai branch office, assistant manager of our operating branch company and deputy head of our Operation Department. Mr. Kang graduated, as a correspondence student, from Beijing Meteorology Institute（北京氣象學院）in December 1988 with a junior college diploma, and graduated, as a correspondence student（函授生）from the Accounting Division of Beijing Technology and Business University (北京工商大學) with a university diploma in January 2007. Mr. Kang was granted the qualification of intermediate level engineer and intermediate level economist by the Department of Personnel of Inner Mongolia in May 1993 and June 1995, respectively. Mr. Kang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Zhang Xinrong was appointed as our executive Director in February 2011 and appointed as the vice president in October 2004 and the head of our Coal Production Business Department in November 2006, respectively. Mr. Zhang has been responsible for management of coal production in our Company for years, during which he gained abundant experience in production and operational management for coal enterprises. He joined Ikochao League Coal Company, a predecessor of Yimei Group, in February 1991, and joined us in March 1998. Mr. Zhang currently serves as a director of Yitai Bashan and a director of Yitai Tongda. Mr. Zhang served as the assistant to general manager and executive deputy general manager of Inner Mongolia Yitai Biology & High-Tech Co., Ltd. from October 2002 to October 2004. He headed our Quality Inspection Department, the Quality Management Department and the Corporate Governance Department consecutively from July 1999 to October 2002. Mr. Zhang graduated from Wuhan Geology College (武漢地質學院) in July 1986 with a bachelor of science degree, and from China Coal Research Institute (煤炭科學研究總院) in July 2012 with doctoral degree in engineering, and was granted the qualification of senior engineer by the Department of Personnel of Inner Mongolia in July 2001. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Lv Guiliang was appointed as our executive Director in February 2011 and as the chief finance officer of our Company in April 2008. He is responsible for our financial management. Mr. Lv is also the supervisor of Yitai Baoshan and the supervisor of Yitai Tongda. He joined Yimei Group in 1994, and joined us in August 1997 during which he gained extensive experience in enterprise financial management. Mr. Lv was the head of our Finance Department from March 2004 to February 2009 and acted as the vice chief of the Finance Division of Yitai Group from November 2002 to March 2004. From July 1999 to November 2002, he had been the vice director of our Finance Department. Mr. Lv graduated, as a correspondence student（函授生）from the Correspondence Institute of the Party School of the Central Committee of C.P.C.（中共中央黨校函授學院）in December 2008 with a university diploma, and graduated from Huazhong University of Science & Technology（華中科技大學）with an EMBA degree in June 2011. Mr. Lv was granted the qualification of intermediate level accountant by the Department of Personnel of Inner Mongolia November 1993. Mr. Lv has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Yu Youguang has been an independent non-executive Director of the Board since June 2013. Mr. Yu is the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm and the executive councilor of Certified Public Accountant Association of Inner Mongolia Autonomous Region. He has 27 years of financial and accounting experience. He taught in Inner Mongolia Light Industry School from July 1981 to November 1985. He worked in the Audit Bureau of Baotou from November 1985 to September 1999. He has been serving as the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm since September 1999. He graduated from Inner Mongolia Light Industry School with a junior college diploma in accounting in 1981. He became a certified public accountant in 1994 and obtained senior auditor's qualification in 2001.

Qi Yongxing has been an independent non-executive Director of the Board since December 2013. Mr. Qi serves in the capacities of associate dean and associate professor in the MBA Institute of Education in Inner Mongolia Finance & Economics College. Mr. Qi has 19 years of experience in the education and practices of management. Mr. Qi taught in the Department of Industrial Economics in Cadre Institute of Inner Mongolia Economic Management from July 1994 to December 1999. He has worked in the Inner Mongolia Finance & Economics College since January 2000 and was the deputy director in the Department of Human Resource Management in 2002, the head of Department of Property Management in 2007 and the associate dean of MBA Institute of Education in 2011. He obtained his bachelor degree in engineering from the Department of Management Engineering in Inner Mongolia University of Technology in 1994, master degree in management from Dongbei University of Finance and Economics in 2006, and his doctor degree in Industrial Economics from Wuhan University of Technology in 2008.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Song Jianzhong has been an independent non-executive Director of the Board since August 2009. Ms. Song is currently the chief partner of Inner Mongolia Jianzhong Law Firm (previously served as a member of Party Group and vice chairman of National People's Congress Law Committee as well as the chairman of the Female Lawyers Association), vice president of the Institute of Legal System Studies of Southwest University of Political Science & Law (西南政法大學法律制度研究院)as well as a part-time law professor at Renmin University of China (中國人民大學), Tianjin University (天津大學) and Inner Mongolia University of Science and Technology (內蒙古科技大學). Ms. Song is currently an independent non-executive director of Beijing Sanyuan Food Joint Stock Co., Ltd. (Stock Code: 600429), Tianjin Quanyechang (Group) Co., Ltd. (Stock Code: 600821) and Inner Mongolia Jinyu Group Co., Ltd. (Stock Code: 600201).

Tam Kwok Ming, Banny has been an independent non-executive Director of the Board since February 2011. Mr. Tam is an ordinary resident in Hong Kong. Mr. Tam has extensive experience in auditing for PRC B Share companies, H Share companies and Hong Kong listed companies. Mr. Tam obtained a certification of accountancy from the Hong Kong Polytechnic University (香港理工大學) in 1993. He holds the qualification of Certified Public Accountant and a fellow member of Hong Kong Institute of Certified Public Accountants (formerly known as the "Hong Kong Society of Accountants"). Mr. Tam is currently a partner of a Hong Kong accounting firmand an independent non-executive director of China 3D Digital Entertainment Limited (Stock Code: 8078).

Li Wenshan has been the chairman of the board of supervisors of our Company since December 2008. He has also been the chairman of the board of supervisors of Yitai Group and Yitai Coal-to-oil since November 2008. Mr. Li has accumulated rich experience in enterprise management and corporate governance. Mr. Li joined Ikochao League Coal Company, a predecessor of Yimei Group, in September 1992 and joined us in August 1997. He was our Director from July 1999 to December 2008 and our vice president from August 2005 to November 2008 and from January 2002 to March 2004, and was the deputy general manager and general manager of Zhundong Railway Company from March 2004 to August 2005. From August 1997 to January 2002, he acted as the head of our Securities Department and Corporate Governance Department. Mr. Li graduated from Inner Mongolia Finance & Economics College (內蒙古財經學院) with a bachelor of economics degree in July 1987. He was granted the qualification of intermediate level economist by the Department of Personnel of Inner Mongolia in November 2004. Mr. Li has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Zhang Guisheng has been a Supervisor of our Company since 15 October 2012. Mr. Zhang has extensive experience in the production, operation and management of coal enterprises. He acted as the deputy head of the sales division of the Industrial Development Company from February 1997 to April 1999, the deputy head of the safety technology division of the Industrial Development Company from April 1999 to September 1999, the head of Chuanlong Coal Mine (川龍煤礦) from September 1999 to February 2002, the head of Nalinmiao Coal Mine of the production technology department from February 2002 to March 2006 and the head of Dadijing Coal Mine since March 2006. He graduated from Inner Mongolia University of Science and Technology (內蒙古科技大學) with a diploma in mechanical and electrical integration in January 2009. He was granted the qualification of intermediate level engineer by the Title Reform Leading Committee of Ikochao League (伊盟職稱改革領導小組) in 1994. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Han Zhanchun has been a Supervisor of our Company since February 2011. He is also the director of Operating Office of the Department of Coal Production of our Company since December 2010. Mr. Han is experienced in finance and accounting. He was the deputy head of the Finance Department of our Company from March 2010 to December 2010 and head of the Finance Department of Suancigou Mine from April 2007 to March 2010. He served as the principal accountant of the office of Suancigou Mine from August 2005 to April 2007 and the head of Finance Department of our Qinhuangdao office from November 1999 to August 2005. Mr. Han acted as the accountant, deputy director, deputy head and the head of Finance Department of the Fengzhen Office of Yimei Group from January 1995 to November 1999. From May 1992 to January 1995, Mr. Han was the accountant of the Tanggongta Mine of Yimei Group. Mr. Han graduated from Ikochao League Finance & Economics School (伊盟財經學院) with a major in business accounting in June 1985 and from China Central Radio and TV University (中央廣播電視大學) with a diploma in accounting in April 2006. Mr. Han has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Wang Xiaodong has been a Supervisor of our Company since April 2013. Mr. Wang has a master's degree. Mr. Wang joined Ikochao League Coal Group Company (伊克昭盟煤炭集團公司) in September 1993 and has worked in the Planning Division of the Baotou Office and the office of the Transportation Department. He joined the Company in February 1997, has served as the deputy chief of the Office of the Transportation Company, head of the Wanshuiquan Planning Division, head of Baohuan Transportation and Dispatching Division. Mr. Wang was the deputy head of Loading Facility in Baoshen Line from April 2001 to February 2002, and deputy manager of the Transportation Department from February 2002 to February 2004. From February to July 2004, Mr. Wang was the head of the Office of Huhhot. He was the head of Tianjin Office of the Operation Department from July 2004 to August 2005. From August 2005 to March 2006, Mr. Wang was the chief of the Qinhuangdao Office of the Operation Department. From March 2006 to April 2007, he was the chief of the Qinhuangdao Office of the Coal Transportation and Sales Department. Mr. Wang was the head of the Supplies Purchase and Supply Department of the Company from April 2007 to November 2010. He was the deputy general manager of Inner Mongolia Yitai Coal-to-oil Co., Ltd. from November 2010 to July 2012. From July 2012 to March 2013, Mr. Wang was the general manager of the Yitai Oil Product Selling Co., Ltd. (伊泰油品銷售有限公司), and from March 2013 to the present, Mr. Wang is the general manager of Inner Mongolia Yitai Petroleum & Chemical Co., Ltd.(內蒙古伊泰石油化工有限公司). Mr. Wang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Ji Zhifu has been a Supervisor of our Company since February 2011. He is also the director of Operation Management Office of Coal Transportation Department of our Company. Mr. Ji has rich experience in finance. He joined Zhundong Railway Company in 2005 and joined our Company in 2006. He was the director of General Affair Office of Coal Transportation and Sales Business Department of our Company from February 2009 to September 2011. He was the deputy head of the Finance Department of our Company from March 2008 to February 2009. Mr. Ji worked in the Finance department of our Company from October 2006 to February 2009 and worked for Zhundong Railway Company from July 2005 to October 2006. He graduated from Inner Mongolia Finance & Economics College (內蒙古財經學院) in July 2004 with a major in management. Mr. Ji has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Wang Yongliang has been a Supervisor of our Company since February 2011. He is also the director of Inner Mongolia Ikochao League Law Firm since March 2001. Mr. Wang has extensive experience in legal issues. He was the head of Business Department of Ikochao League Law Firm from April 1996 to March 2001 and served as the deputy head of the Correctional Division and office of the Judicial Department of Ikochao League from March 1990 to April 1996. He was a teacher in Ikochao League Politics & Law School (伊盟政法幹校) from December 1986 to March 1990 and a member of Ikochao League Correctional Division from August 1985 to December 1986. Mr. Wang graduated from China University of Political Science and Law with a major in civil and commercial law in May 2003. He has a master's degree and was granted the qualification of Level 2 Lawyer by the Department of Personnel of Inner Mongolia in October 2004. Mr. Wang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Mr. Wu Qu has been a Supervisor of our Company since February 2011. He is also the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd since 2001. Mr. Wu is very experienced in auditing and finance. He was the finance manager of Ordos Rongze Food Co., Ltd. from December 1998 to October 2000, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company from July 1986 to October 1994. Mr. Wu graduated from Ikochao League Finance & Economics School in July 1986 and from Correspondence Institute of the Party School of the Central Committee of C.P.C (中央黨校函授學院) with a bachelor's degree in economic management in December 1998. Mr. Wu has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Liu Jian has been acting as the deputy general manager of the Company since December 2012. He graduated from the Universitat Duisburg- Essen in July 2004 with a Doctor's degree in cardiology. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from August 2005 to February 2007, the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012 and he worked for the Company from August 2012 to December 2012. He graduated from the Universitat Duisburg- Essen in July 2004 with a Doctor's degree in cardiology. Mr. Liu was granted the qualification of fellow senior chief pharmacist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in July 2006. Mr. Liu has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Zhang Mingliang has been acting as the Chief Engineer of the Company since October 2012. He served as the Supervisor of our Company from April 2002 to October 2012 and the deputy general manager of our Production Department from February 2012 to September 2012. Mr. Zhang has extensive experience in coal mine production, safety and management. He joined Yimei Group and joined us in January 1994 and in November 1997, respectively. He was the director of Jungar Temple dispatching station of our Coal Transportation Department from March 2011 to February 2012, the head of Sujiahao Mine of Yitai Group from June 2009 to March 2011, the deputy head of our Hongjingta Mine from March 2006 to June 2009 and the vice director of our Operation Department from March 2002 to March 2006. He held various positions in our Company as the deputy spot chief of Nalinmiao Mine No. 1 mine, the spot chief of Nalinmiao Mine No. 4 mine, the deputy head and the head of Nalinmiao Mine and the deputy head of Nalinmiao Mine No. 2 mine from November 1997 to June 2009. Mr. Zhang graduated from Datong Coal Industry School (大同煤炭工業學校) with a major in underground coal mining in July 1991 and was granted the qualification of intermediate level engineer by the Department of Personnel of Inner Mongolia in August 2007. Mr. Zhang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Wang Sanmin has been the Deputy General Manager of our Company since April 2013. He was also a Supervisor of our Company from February 2011 April 2013, and the head of the supply department of our Company from December 2010 to July 2013. Mr. Wang has extensive experience in finance and management. He joined Yimei Group in 1996 and joined us in April 2005. He was the head of our Corporate Management Department from April 2007 to November 2010, deputy administrative general manager of Yitai Pharmatech Co., Ltd. from October 2006 to March 2007. Mr. Wang was the president of the labor union and the deputy general manager of the Shenglong Branch of Yitai Pharmaceutical from April 2005 to September 2006. He was the head of the accounting department of Yitai Group from April 2004 to April 2005. From October 2001 to April 2004, Mr. Wang held various positions in Yitai Pharmaceutical as the head of the Finance Department of Licorice Base, deputy head of the Finance Department, and head of both the Finance Department and Corporate Management Department of Shenglong Branch. He was the head of Finance Department of Ordus Qian Qi Coking Plant from December 2000 to October 2001 and held different positions in Yimei Group as the director of the Marketing Department and the Finance Department of Taifeng Simengou Coke Flour Mill, Taifeng Variety Operating Company, Taifeng Coal Mine, Taifeng Hu City Clean Coal Branch, Taifeng General Company from 1996 to 2000. Mr. Wang graduated from Inner Mongolia Finance & Economics College with a bachelor's degree (correspondence) in accounting in July 2005. He was granted the qualification of international accountant in July 2010, operating manager and licensed pharmacist in March 2006, senior IT project manager in November 2008. Mr. Wang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

(I) PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

Lian Tao joined North China Power Corporation and served as an accountant in August 1998. From December 2001 to November 2003, Mr. Lian acted as the head of legal affairs of CapitalBio Corporation (博奧生物芯片有限公司) of Tsinghua University Enterprise Group, the general manager of group legal department of Sunco China Holdings Limited (順馳中國控股有限公司) from November 2003 to October 2006, the general legal counsel and company secretary of Vtion Wireless Technology AG at Frankfurt, Germany from July 2008 to October 2011, the deputy chief accountant of Yitai Group from January 2012 to August 2012 and currently serves as the deputy general manager and secretary to the Board (joint company secretary) of the Company. Mr. Lian has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

The fifth session of the Board and the Supervisory Committee of the Company was expired on 17 February 2014. The current directors and supervisors will perform their duties as the Company has not held general election.

2. PARTICULARS ABOUT THE INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Particulars concerning positions held in shareholders' entities

Name of incumbent	Name of shareholders' entity	Position held in shareholders' entity	Starting date of term
Zhang Donghai	Inner Mongolia Yitai Group Co., Ltd.	Director and General Manager	15 June 2004
Ge Yaoyong	Inner Mongolia Yitai Group Co., Ltd.	Director	14 November 2008
Liu Chunlin	Inner Mongolia Yitai Group Co., Ltd.	Director and Chief Acountant	15 June 2004
Zhang Dongsheng	Inner Mongolia Yitai Group Co., Ltd.	Director	14 November 2008
Li Wenshan	Inner Mongolia Yitai Group Co., Ltd.	Chairman of the Board of Supervisors	14 November 2008

(II) Particulars concerning positions held in other entities

Name of incumbent	Name of other entity	Position held in other entity	Starting date of term
Yu Youguang	Inner Mongolia Zhongtian Huazheng Accounting Firm	Deputy president	28 June 2013
Qi Yongxing	MBA Institute of Education in Inner Mongolia Finance & Economics College	Deputy dean	11 Dec. 2013
Song Jianzhong	Inner Mongolia Jianzhong Law Firm	Director	15 July 1986
Tam Kwok Ming, Banny	YATA Certified Public Accountants.	Partner	1 July 2011
Wang Yongliang	Inner Mongolia Ikochao League Law Firm	Director	1 March 2001
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of Auditing Department	1 July 2001

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

Decision-making procedure for the remuneration of the directors, supervisors and senior management	Considered and approved in general meetings
Basis for determination on the remuneration of the directors, supervisors and senior management	"Measures Management of the Remuneration of Senior Management of the Company" (《公司高級管理人員薪酬管理辦法》) Specific calculation method: annual remuneration return comprises of basic annual salary and performance-based annual salary. Basic annual salary = Service grade coefficient x Scale coefficient of total assets of the Company x (1 + Growth rate of net assets) x10000. Performance-based annual salary = Service grade coefficient x Coefficient of return rate of net assets x (1 + Growth rate of profits during the reporting period) x 10000. All basic annual salaries shall be released on monthly basis, while performance-based annual salaries shall initially be released by 50 percent, the remaining of which shall be released at the end of the year after assessment.
Particulars about remuneration payable to directors, supervisors and senior management	Allowances and remuneration for the directors, supervisors and senior management, which is calculated based on the allowance amount of independent directors determined in general meeting, and the remuneration for the directors, supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company after deducting individual income tax.
Total remuneration actually obtained by the directors, supervisors and senior management as a whole at the end of the reporting period	RMB14.91 million

4. PARTICULARS ABOUT THE MOVEMENT OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for change
Xie Xianghua	Independent Director	Resigned	Work adjustment
Lian Junhai	Independent Director	Resigned	Work adjustment
Yu Youguang	Independent Director	Appointed	Work adjustment
Qi Yongxing	Independent Director	Appointed	Work adjustment
Wang Sanmin	Supervisor	Resigned	Work adjustment
Wang Xiaodong	Supervisor	Appointed	Work adjustment
Ji Yongqiang	Deputy general manager	Resigned	Work adjustment
Wang Sanmin	Deputy general manager	Appointed	Work adjustment

5. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Information on Employees

Number of in-service employees in the parent company	7,408
Number of in-service employees in major subsidiaries	1,945
Total number of in-service employees	7,408
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	207

Specialty composition	
Category	Headcount
Production	3,039
Sales	2,325
Technician	575
Finance	286
Administration	1,183
Total	7,408

5. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

(I) Information on Employees *(Continued)*

Education level	
Category	**Headcount (persons)**
Postgraduate	269
Undergraduate	2,856
College graduate and secondary technical school	3,043
Below secondary technical school	1,240
Total	7,408

(II) Remuneration policy

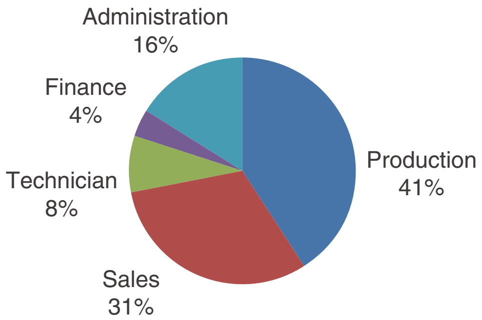
The Company adheres to the making distributions based on performance principally and on various other factors simultaneously and the principle of distribution efficiency as top priority with equal importance to fairness. The Company has established a modern corporation payroll distribution system which can be concluded as "salary is determined by position, salary varies with position", as well as established a payroll mechanism on the basis of position-points payroll distribution with an emphasis on "value of position as major concern, administrative duties as subordinate". Incentive and control mechanisms on payroll distribution have been formed. During the reporting period, the total staff remuneration of the Company was RMB1,624 million.

(III) Training program

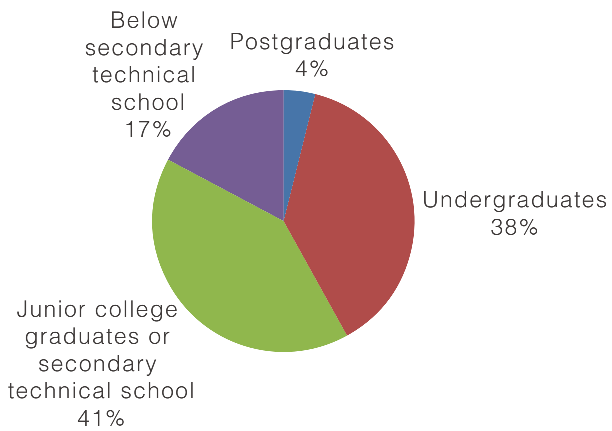
The Company has established a comprehensive system of staff training to continuously improve staff knowledge and skills and create a workforce adaptable to the development of our Company, so as to create a learning-oriented enterprise. our training management adheres to the "people-oriented, demand-driven; unified system, layered implementation; goal management, process-driven; resource sharing, internal oriented" principles and have the training implemented all over the world. Our training is a combination of internal and external training. According to the quality of personnel and capacity requirements set by the "Twelfth Five Year Plan" of Yitai Group, we, importing knowledge and skills in line with the strategic needs, set for different groups with corresponding training courses designed to cultivate talents living up to the development strategies of Yitai Group.

5. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

(IV) Chart of Specialty Constitution



(V) Chart of Education Level



(VI) Subcontracting information

Total working hours for subcontracting	26,554,176 hours
Total remuneration paid for subcontracting	RMB30.15 million

5. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

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

As at 31 December 2013, the interests of the directors, supervisors and chief executives of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Long positions in the shares of associats of the Company

Name of director / supervisor	Name of associates	Type of interest	Number of ordinary shares interested	Percentage of the associates' 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
		Interests held 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
		Interests held 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
		Interests held 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
		Interests held as a trustee	20,428,000[1]	2.84

5. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

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

Name of director / supervisor	Name of associates	Type of interest	Number of ordinary shares interested	Percentage of the associates' Issued share capital *(%)*
Directors: *(Continued)*				
Mr Kang Zhi	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,606,644	0.36
		Interests held 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
		Interests held 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
Supervisors:				
Mr Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.55
		Interests held as a trustee	20,428,000[1]	2.84
Mr Zhang Guisheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
Mr Wang Xiaodong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	565,365	0.07
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

5. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

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

Note 1: Pursuant to a trust agreement entered into by 31 individuals and a group of employees of Yitai Group, 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 31 December 2013, none of the directors, supervisors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

(VIII) Other significant matters in relation to Directors, Supervisors and Senior Management

The Company has entered into service contracts with all of its directors and supervisors. None of the directors or supervisors has entered into or proposed to enter into any service contracts with the Company which cannot be terminated by the Company within one year without any compensation (other than the statutory compensation).

As of 31 December 2013, the Company had not grated any rights to any directors, supervisors of the Company or their spouses or children under 18 years old to acquire shares or dentures of the Company or its associated corporations.

Save for their service agreements with the Company, none of the directors and supervisors of the Company has any material interests, directly or indirectly, in material contracts entered into by the Company or any of its subsidiaries in 2013 and subsisting during or at the end of the year.

1. RELEVANT INFORMATION OF CORPORATE GOVERNANCE AND MANAGEMENT OF INSIDER REGISTRATION

During the reporting period, the Company has gradually improved its corporate governance system and corporate governance structure pursuant to the Company Law (《公司法》), Securities Law (《證券法》) and relevant laws and regulations, thus established a more comprehensive management and control system with well performance of and interaction among specific authorization and duties among the organ of authority, the organ of decision-making, the organ of supervision and the management of the operations.

The Company has continually enhanced the registration and management system of insiders. The Company established special agency and appointed special personnel being responsible for registration and management of insiders, also set up internal management files for insiders management which subject to regular updating. Sufficient notifications are given to relevant personnel by written documents, SMS, mails, the internal OA system of the Company and other methods at the period of sensitive information disclosure. Meanwhile, regular trainings have been conducted by the Company engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

Whether there is inconformity between the corporate governance of the Company and the Company Law and requirements of CSRC in respect of corporate governance system and corporate governance structure. If any, please specify the reason and explain.

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

2. PARTICULARS OF GENERAL MEETINGS

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
Annual general meeting in 2012	28 June 2013	1. The proposal relating to the report of the work of the Board of Directors for 2012; 2. The proposal relating to the report on the work of the Supervisory Committee for 2012; 3. The proposal relating to the work report of independent Directors for 2021; 4. The proposal relating to the annual report and its summary of the Company for 2012; 5. The proposal relating to confirmation of the difference between actual amount and estimated amount of related party transactions in the ordinary course of business of the Company in 2012 and the estimates for 2013 related party transactions in the ordinary course of business; 6. The proposal relating to the engagement of accounting auditor for the Company for 2013; 7. The proposal relating to the engagement of auditor for internal control of the Company for 2013; 8. The proposal relating to capital expenditure plan for 2013;	All passed	http://www.sse.com.cn/ http://www.hkexnews.hk	29 June 2013

2. PARTICULARS OF GENERAL MEETINGS *(CONTINUED)*

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
		9. The proposal relating to re-election of independent directors of the Company; 10. The proposal relating to guarantee provided to controlled subsidiaries by the Company; 11. The proposal relating to the amendment of the Articles of Association of the Inner Mongolia Yitai Coal Co., Ltd.; 12. The proposal relating to a general mandate to issue H shares to be granted to the Board by general meeting; 13. The proposal relating to profit distribution plan of the Company for 2012; 14. The proposal relating to external guarantee to Inner Mongolia Yitai Chemical Co., Ltd.; 15. The proposal relating to external guarantee to Yitai Xinjiang Energy Co., Ltd.;			

2. PARTICULARS OF GENERAL MEETINGS *(CONTINUED)*

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
The first extraordinary general meeting in 2013	11 December 2013	1. The proposal relating to re-election of independent directors of the Company; 2. The proposal relating to modification of Rules of Procedures of Supervisor Committee of the Inner Mongolia Yitai Coal Co., Ltd.; 3. The proposal relating to the amendment of the Articles of Association of the Inner Mongolia Yitai Coal Co., Ltd.; 4. The proposal relating to loan guarantee to Inner Mongolia Yitai Chemical Co., Ltd., a controlled subsidiaries; 5. The proposal relating to issuance of corporate bonds by the Company consisting of the following sub-proposals: 5.1 Size and manner of the issuance; 5.2 Placing arrangement to shareholders of the Company; 5.3 Maturity term of the Bond; 5.4 Use of proceeds; 5.5 Place of listing; 5.6 Terms of guarantee; 5.7 Effective period of the resolution; 5.8 Solvency guarantee; 5.9 Matters on general mandate to the Board or authorized person in the Board; 6. The proposal relating to loan guarantee to Inner Mongolia Yitai Chemical Co., Ltd., a controlled subsidiaries (RMB1,804 billion).	All passed	http://www.sse.com.cn/ http://www.hkexnews.hk	12 December 2013

3. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(I) Particulars of Directors' Attendance in Board Meetings and General Meetings

		Attendance of Board meeting (s)						Attendance in general meeting (s)
Name of directors	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence	Whether or not he or she has been absent in person for two consecutive times	Times of attendance in general meetings
Zhang Donghai	No	12	12	9	0	0	No	2
Ge Yaoyong	No	12	12	9	0	0	No	2
Liu Chunlin	No	12	12	9	0	0	No	2
Zhang Dongsheng	No	12	12	9	0	0	No	2
Kang Zhi	No	12	12	9	0	0	No	2
Zhang Xinrong	No	12	12	9	0	0	No	2
Lv Guiliang	No	12	12	9	0	0	No	2
Xie Xianghua	Yes	5	5	4	0	0	No	0
Lian Junhai	Yes	10	10	7	0	0	No	1
Song Jianzhong	Yes	12	12	9	0	0	No	2
Tam Kwok Ming, Banny	Yes	12	12	9	0	0	No	2
Yu Youguang	Yes	7	7	5	0	0	No	2
Qi Yongxing	Yes	2	2	2	0	0	No	1

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

Number of Board meetings convened during the year	12
Of which: number of meetings on-site	3
Number of meetings held by teleconference	9
Number of meetings held both on-site and via teleconferencing	0

(II) Matters voted against by the independent directors of the Company

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

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

The Board of Directors of the Company has established the Strategic Planning Committee, Audit Committee, Remuneration and Assessment Committee, Nomination Committee and Production Committee.

During the reporting period, pursuant to the Rules of Procedures of Strategic Planning Committee, Rules of Procedures of Audit Committee, Rules of Procedures of Nomination Committee, Rules of Procedures of Remuneration and Assessment Committee, Rules of Procedures of Production Committee and Annual Reports Rules of Audit Committee of the Board, each of the committees has considered the following matters: internal control self-assessment report for 2012; auditing report of internal control for 2012; the annual report and relevant summary of the Company for 2012; the Company's confirmation of the difference between actual amount and estimated amount of related party transactions in the ordinary course of business of the Company in 2012 and the estimates for 2013 related party transactions in the ordinary course of business; engagement of accounting auditor for the Company for 2013; engagement of auditor for internal control of the Company for 2013; guarantee provided to controlled subsidiaries by the Company; the third quarter report of 2013; loan guarantee to Inner Mongolia Yitai Chemical Co., Ltd., a controlled subsidiary; work and production plans of Inner Mongolia Yitai Coal Co., Ltd. for 2013; re-election of independent directors of the Company; capital expenditure plan of Inner Mongolia Yitai Coal Co., Ltd. for 2013; and a general mandate to issue H shares to be granted to the Board by general meeting;

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

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

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

	Whether wholly independent	Descriptions
Independence of Business	Yes	The Company has wholly independent and complete coal production, transportation, sales system and self-operation capability and wholly independent of the controlling shareholders and entities controlled by the controlling shareholders
Independence of Personnel	Yes	The Company has set up an independent human resources management department and has established sound personnel management and remuneration system.
Independence of Assets	Yes	The company sets up comprehensive and independent functional departments and the establishment of an independent asset management system independently exercising legal property rights and comprehensive asset management and operational capabilities.
Independence of Organization	Yes	The Company has a sound and complete organization system with its subordinate holding subsidiaries and departments operating independently..
Independence of Finance	Yes	The Company has set up an independent finance department and has established an independent accounting and audit system and financial management system. The Company opened a separate bank account and pay its tax in accordance with the laws.

6. EXPLANATION BY THE COMPANY ON UNCERTAINTIES OF INDEPENDENCE AND SELF-OPERATION CAPABILITY OF THE CONTROLLING SHAREHOLDER WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE *(CONTINUED)*

Respective solutions, work progress and follow-up planning regarding peer competitions arising from demutualisation reform, industry characteristics, national policy and acquisition and mergers

Problems concerning incompletion of rectification for the year				
Descriptions of the problems	Person in charge of rectification	Reasons for inability to timely complete rectification	Present progress of rectification	Guaranteed completion time of the whole rectification
The assets used by the Company for primary public offering is part of the assets of the controlling shareholder of the Company, Inner Mongolia Yitai Group Co., Ltd., which leaded to the problem of peer competitions with the controlling shareholder in coal production, transportation and sales.	Zhang Donghai	The Company succeeded in the issue of H shares on 12 July 2012. Raised proceeds were used for acquisition of coal-related assets of the controlling shareholder, Yitai Group, to cope with the problem of peer competitions. Such issue has not been incorporated into the scope of acquisition of the listing, due to the fact that certain coal mines of Yitai Group are under preliminary preparation stage prior to construction or are currently suspended from operation due to depletion of resources, or are with the occurrence of non-compliance issues.	The Company entered the "Non-competition Agreement" (《避免同業競爭協議》) with the controlling shareholder. Pursuant to this agreement, the Company is entitled to obtain options and pre-emptive rights to acquire any interest in the retained businesses of the controlling shareholder. Further, it is also provided in the Non-competition Agreement that the Company is appointed as the exclusive sales agent for all the coal products produced by Sujiahao Mine for the period from the listing date to the date?on which the Company acquires the relevant retained businesses. And all the coal produced by Hongqinghe Mine will be exclusively supplied to the Company for re-sale.	The Company is entitled to obtain options and pre-emptive rights in relation to relevant assets of Inner Mongolia Yitai Group Co., Ltd.. Non-competition Agreement has been carried out.

7. CORPORATE GOVERNANCE PRACTICES

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

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

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

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

The Board is of the view that throughout the year ended 31 December 2013, the Company has complied with all the code provisions as set out in the CG Code.

Directors' Securities Transactions

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

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

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

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Board of Directors

The Board of the Company comprises the following directors:

Executive Directors:
Zhang Donghai *(Chairman)*
Liu Chunlin
Ge Yaoyong *(President)*
Zhang Dongsheng
Kang Zhi
Zhang Xinrong
Lv Guiliang

Independent Non-executive Directors:
Yu Youguang *(Appointed on 28 June 2013)*
Qi Yongxing *(Appointed on 11 December 2013)*
Song Jianzhong
Tam Kwok Ming, Banny
Xie Xianghua *(Resigned on 28 June 2013)*
Lian Junhai *(Resigned on 11 December 2013)*

The biographical information of the directors are set out in the section headed "Directors' Biographical Information" on pages 90 to 99 of the annual report for the year ended 31 December 2013.

Save as disclosed in the section Biographies of Directors, Supervisors and Senior Management in this report, none of the members of the Board is related to one another.

Chairman and President

The positions of Chairman and President are held by Zhang Donghai and Ge Yaoyong respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The President focuses on the Company's business development and daily management and operations generally.

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Independent Non-executive Directors

During the year ended 31 December 2013, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Directors' Re-election

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

Each of the directors of the Company is appointed for a specific term of 3 years and is subject to retirement by rotation once every three years.

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Continuous Professional Development of Directors *(CONTINUED)*

During the year ended 31 December 2013, the Company organized three training sessions for all directors. The following directors attended all the aforesaid training sessions with topics set out below:

Directors

Executive Directors
Zhang Donghai
Liu Chunlin
Ge Yaoyong
Zhang Dongsheng
Kang Zhi
Zhang Xinrong
Lv Guiliang

Independent Non-Executive Directors
Yu Youguang
Qi Yongxing
Song Jianzhong
Tam Kwok Ming, Banny

Topic

— Annual summary training on compliance of the Company

— Trend of H share under the new supervisory regulations

— Interpretation to the material changes in the International Accounting Standards

Besides, Zhang Dongsheng, Zhang Xinrong, Lv Guiliang, Yu Youguang and Qi Yongxing have attended a training on “Regulatory Operations of the Listing Companies” (including but not limited to information disclosure, corporate governance, acquisition and restructuring and the behavioral regulations for Directors and Supervisors) conducted by the qualified professionals.

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

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Continuous Professional Development of Directors *(CONTINUED)*

Board Committees

The Board has established five committees, namely, the Strategic Planning Committee, Audit Committee, Remuneration and Assessment Committee, Nomination Committee and Production Committee, for overseeing particular aspects of the Company's affairs. The terms of reference of the Audit Committee, Remuneration and Assessment Committee, and Nomination Committee are established with defined written terms of reference. Except those of the Strategic Planning Committee and Production Committee, terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request.

The majority of the members of the Audit Committee, Remuneration and Assessment Committee, and Nomination Committee are Independent Non-executive Directors. The list of the chairman and members of each Board committee is set out under "Corporate Profile" on page 3.

Strategic Planning Committee

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

The responsibilities of the Strategic Planning Committee include, among others:

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

Audit Committee

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

The Audit Committee held 6 meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2013 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, related party transactions and arrangements for employees to raise concerns about possible improprieties.

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

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Continuous Professional Development of Directors *(CONTINUED)*

Remuneration and Assessment Committee

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

The Remuneration and Assessment Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and other relevant criteria. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, and recommend them to the Board for adoption.

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

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

The Nomination Committee met three times to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, to consider the qualifications of the retiring directors standing for election at the Annual General Meeting and to consider and recommend to the Board on the appointment of Yu Youguang and Qi Yongxing as Independent Non-executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Continuous Professional Development of Directors *(CONTINUED)*

Production Committee

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

The responsibilities of the Production Committee include, among others:

- Determining the annual planned production volumes of the relevant coal mines for the following year with reference to the assessed capacities and market conditions
- Reviewing the Company's actual production volumes on a quarterly basis
- Considering whether the Company needs to revise the annual planned production volumes of the relevant coal mines or to apply to increase the assessed capacities

Corporate Governance Functions

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

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

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2013 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Nomination Committee	Remuneration and Assessmentt Committee	Audit Committee	Annual General Meeting	Other General Meetings (if any)
Zhang Donghai	12/12	3/3	1/1	—	1/1	3/3
Liu Chunlin	12/12	3/3	1/1	—	1/1	3/3
Ge Yaoyong	12/12	3/3	1/1	—	1/1	3/3
Zhang Dongsheng	12/12	—	—	—	1/1	3/3
Kang Zhi	12/12	—	—	—	1/1	3/3
Zhang Xinrong	12/12	—	—	—	1/1	3/3
Lv Guiliang	12/12	—	—	—	1/1	3/3
Xie Xianghua (Note A)	5/5	2/2	1/1	2/2	—	—
Song Jianzhong	12/12	3/3	1/1	6/6	1/1	3/3
Tam Kwok Ming, Banny	12/12	3/3	1/1	6/6	1/1	3/3
Lian Junhai (Note B)	10/10	3/3	1/1	5/5	1/1	2/2
Yu Youguang (Note C)	7/7	1/1	—	4/4	1/1	3/3
Qi Yongxing (Note D)	2/2	—	—	1/1	–	1/1

Note A: Xie Xianghua resigned as an independent non-executive director of the Company on 28 June 2013 and attended all the meetings held from 1 January 2013 up to his resignation.

Note B: Lian Junhai resigned as an independent non-executive director of the Company on 11 December 2013 and attended all the meetings held from 1 January 2013 up to his resignation.

Note C: Yu Youguang appointed as an independent non-executive director of the Company on 28 June 2013 and attended all the meetings held since his appointment.

Note D: Qi Yongxing appointed as an independent non-executive director of the Company on 11 December 2013 and attended all the meetings held since his appointment.

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

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 133 to 251.

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

Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Messrs Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2013 is set out below:

Service Category	Fees Paid/Payable
Audit Services	RMB3.5 million
Non-audit Services	
— Others	0

Internal Controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Details as follows:

1. The Company established a sound internal control system, an audit committee was set up under the Board to be responsible for the communication, inspection and supervisor on external audit; the in-house audit department of the Company is in charge of the organisation and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; the internal control and assessment group is in charge of the organisation and assessment of the detailed internal control and is accountable to the Board.

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Internal Controls *(CONTINUED)*

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

3. In 2012, the Company engaged Roland Berger Strategy Consultants (Shanghai) Ltd. for the provision of consulting services on the internal control of the Company.

4. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. 2012 (《內蒙古伊泰煤炭股份有限公司2012年內部控制評價方案》). Please refer to Appendix II 2012 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2012年內部控制自我評價報告》) for the details of internal control.

Company Secretary

Lee Mei Yi of Tricor Services Limited, external service provider, has been engaged by the Company as its joint company secretary. Its primary contact person at the Company is Lian Tao, joint company secretary of the Company.

Shareholders' Rights

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

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Board or if the Board fails to do so, by the Supervisory Committee, on requisition of shareholders, individually or jointly, holding 10% or more of the Company's issued and outstanding voting shares (the "Requisitionist(s)"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s).

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

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

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

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

Shareholders may call the Company at (86)477-8565731/5734 for any assistance.

7. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Communication With Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including Independent Non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

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

In addition, during routine operation the Company strives to receive visits from shareholders and investors, and arrange visits for them. The management of the Company will also communicate and exchange with investors and analysts outside office.

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

During the year under review, the Company has amended its Articles of Association. Details of the amendments are set in the circular dated 26 October 2013 to the shareholders. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

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

Incentive mechanism of the Company has been implemented according to the Measures Regarding the Annual Remuneration for the Directors and Senior Management of the Company (《公司關於董事及高級管理人員年薪報酬的方案》). The Company implemented annual remuneration system for the Senior Management. Annual remuneration consists of two parts, namely basic annual salaries and performance annual salaries. Performance annual incentive mechanism is primarily implemented through the financial responsibility-based appraisal. Production, operation, management, quality and safety performance are established at the beginning of each year. Comprehensive assessment is conducted based on the annual results and completion status of the plans and missions of the Company at the end of the year. Performance annual salaries for Senior Management for the year is determined based on the results of the aforesaid assessment.

Looking forward, the Company will continue to perfect the appraisal and incentive systems of senior management in accordance with the actual positions, fully utilizing the positivity of the senior management for the Company's positive, steady and continuous development.

I. THE STATEMENT OF ACCOUNTABILITY FOR INTERNAL CONTROL AND THE CONSTRUCTION OF THE INTERNAL CONTROL SYSTEM

It is the Board of the Company's responsibility to establish a comprehensive and effectively implemented an internal control in accordance with the requirements of corporate internal control rules and system to evaluate its effectiveness and disclose internal control evaluation reports in accordance with the truth. The Supervisory Committee monitored the establishment and implementation of internal control by the Board. The management is responsible for the organizing and leading the daily operations of corporate internal control. The Board, the Supervisory Committee and the Directors, the supervisors and the senior management of the Company guarantee that the content in this report does not contain any false representation, misleading statement or material omission, and severally and jointly accept the legal responsibility for the truthfulness, accuracy and completeness of the content in the report.

The Audit Committee is set up under the Board, responsible for the coordination, inspection and supervision of internal control audit. The internal control audit department under the Company is responsible for organizing and implementing internal control. The internal control evaluation unit under the Company consists of members of the internal control audit department. Major business personnel of each department assist the internal control self-assessment to ensure the independence of internal control assessment fully.

The assessment unit of internal control consolidated the Company's structure and operational characteristics, the internal environment, risk evaluation, control activities, information and communication, internal monitoring and other factors in accordance with Basic Standard for Enterprise Internal Control and its supporting guidelines, and the Internal Control Assessment of Inner Mongolia Yitai Coal Co., Ltd. in 2013 (《內蒙古伊泰煤炭股份有限公司2013年內部控制評價方案》). It evaluated the reasonability of the internal control design and operational effectiveness of the Company comprehensively, and discovered the defects and inadequacy existed in different levels timely, and raised plans of reform. The assessment unit of internal control prepared the assessment report of internal control in accordance with the Company's establishment positions and assessment results of internal control. Such assessment report of internal control shall be disclosed after the Company's consideration and approval.

Please refer to the appendixes for details of the report of internal control.

II. RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

In the seventeenth of the fifth session of the Board, a resolution regarding appointing Da Hua Certified Public Accountants (Special General Partnership) for auditing our internal control efficiency in 2013 was considered and passed. As a result of its audit, Da Hua Certified Public Accountants (Special General Partnership) has issued its standard unqualified auditor's report for our internal control assessment.

Please refer to the appendixes for details of the report of internal control.

III. PUNISHMENT SYSTEM FOR BLUNDERS IN ANNUAL REPORTS AND RELATED ENFORCEMENT EXPLANATION

The policy of Punishment System for Blunders in Annual Information Disclosure was considered and approved in the twenty-fifth meeting of the fourth session of the Board (《年報信息披露重大差錯責任追究制度》). According to the system, for non-performance or incorrect performance of staff participating in annual information disclosure of their duties or obligations or for other personal reasons which have caused material economic loss to the Company or adverse effects on the society, thorough investigation should be conducted and parties involved will be punished based on the level of damage.

During the reporting period, there is no blunder regarding the information in our annual reports.

FIVE-YEAR FINANCIAL SUMMARY

The following financial information is extracted from the regular reports of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises.

	As at 31 December				
	2009	2010	2011	2012	2013
	RMB0'000	*RMB0'000*	*RMB0'000*	*RMB0'000*	*RMB0'000*
Revenue and profit					
Revenue	1,570,709.89	2,325,591.67	2,788,424.20	3,246,332.47	2,506,354.91
Total operating costs	1,055,059.25	1,431,845.17	1,814,077.90	2,431,062.51	2,044,913.90
Operating costs	826,789.48	1,165,025.42	1,481,723.29	2,023,798.87	1,590,322.42
Cost of sales	112,845.61	124,855.78	119,041.38	117,518.14	140,816.55
Administrative expenses	66,789.95	95,466.44	112,207.26	165,039.99	163,862.93
Finance costs	21,594.51	13,091.77	23,682.05	43,383.17	81,736.36
Other operating costs, net	27,039.71	33,405.77	77,423.92	81,322.33	68,175.63
Operating profit	515,855.68	894,174.13	976,748.43	838,418.07	464,815.79
Total profit	513,425.87	884,020.44	989,666.55	871,831.71	463,386.33
Income tax	86,012.22	151,965.19	162,946.72	139,943.61	70,946.75
Net profit	427,413.65	732,055.25	826,719.83	731,888.10	392,439.58
Profit attributable to the owners of the parent company	407,177.75	684,671.46	772,048.91	662,188.08	344,462.83
Basic earnings per share	2.78	4.68	5.27	4.30	1.06
\Assets and Liabilities					
Current assets	605,645.01	721,229.02	782,509.53	1,117,239.51	1,032,201.65
Non-current assets	1,892,308.19	2,181,930.12	2,562,001.32	3,019,474.85	3,516,249.11
Current liabilities	523,171.79	457,393.28	558,307.08	1,039,468.87	453,645.25
Non-current liabilities	746,956.02	711,840.32	649,426.93	903,358.70	1,593,364.62
Owners' equity	1,227,825.38	1,733,925.54	2,136,776.84	2,193,886.79	2,501,440.89

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 135 to 251, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year 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.

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 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**24,274,873**	31,583,528
Cost of sales		**(16,085,179)**	(20,454,324)
Gross profit		**8,189,694**	11,129,204
Other income and gains	5	**276,838**	619,345
Selling and distribution expenses		**(1,258,017)**	(1,121,967)
Administrative expenses		**(1,593,137)**	(1,629,936)
Other expenses		**(191,981)**	(52,866)
Finance income	6	**38,212**	35,043
Finance costs	7	**(805,695)**	(429,613)
Exchange losses, net		**(41,358)**	(32,460)
Share of profits of associates		**19,308**	34,114
PROFIT BEFORE TAX	8	**4,633,864**	8,550,864
Income tax expense	10	**(709,468)**	(1,399,436)
PROFIT FOR THE YEAR		**3,924,396**	7,151,428
Attributable to:			
Owners of the parent	12	**3,427,575**	6,454,428
Non-controlling interests		**496,821**	697,000
		3,924,396	7,151,428
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(RMB)*			
— For profit for the year	12	**1.05**	2.09

Details of the dividends payable and proposed for the year are disclosed in Note 11 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 *RMB'000*	2012 *RMB'000*
PROFIT FOR THE YEAR	**3,924,396**	7,151,428
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(22,978)**	—
Income tax effect	**3,447**	—
	(19,531)	—
Exchange differences on translation of foreign operations	**(596)**	(290)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(20,127)**	(290)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,904,269**	7,151,138
Attributable to:		
Owners of the parent	**3,407,448**	6,454,138
Non-controlling interests	**496,821**	697,000
	3,904,269	7,151,138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 RMB'000**	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**28,458,153**	24,268,926
Investment properties	14	**45,509**	31,382
Prepaid land lease payments	15	**985,279**	322,507
Mining rights	16	**441,102**	419,519
Other intangible assets	17	**74,522**	50,792
Investments in associates	20	**362,064**	345,148
Available-for-sale investments	21	**4,006,498**	3,808,393
Deferred tax assets	22	**744,140**	917,591
Other non-current assets	18	**12,328**	18,297
Total non-current assets		**35,129,595**	30,182,555
CURRENT ASSETS			
Inventories	23	**1,421,486**	873,374
Trade and bills receivables	24	**3,112,895**	2,689,636
Prepayments, deposits and other receivables	25	**1,966,253**	1,277,199
Restricted cash	26	**39,747**	29,827
Cash and short-term deposits	26	**3,814,532**	6,314,553
Total current assets		**10,354,913**	11,184,589
CURRENT LIABILITIES			
Trade and bills payables	27	**1,081,567**	1,345,325
Financial liabilities at fair value through profit or loss		**446**	—
Other payables and accruals	28	**2,641,101**	7,424,105
Interest-bearing bank borrowings	29	**1,012,233**	1,582,419
Income tax payable		**(198,894)**	42,840
Total current liabilities		**4,536,453**	10,394,689
NET CURRENT ASSETS		**5,818,460**	789,900
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,948,055**	30,972,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,948,055**	30,972,455
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	**12,317,380**	7,802,524
Long-term bonds	30	**3,494,833**	1,001,296
Other non-current liabilities		**121,433**	229,768
Total non-current liabilities		**15,933,646**	9,033,588
NET ASSETS		**25,014,409**	21,938,867
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**3,254,007**	1,627,004
Reserves		**16,854,532**	16,049,333
Proposed final dividend	11	**1,041,282**	2,033,754
		21,149,821	19,710,091
Non-controlling interests		**3,864,588**	2,228,776
Total equity		**25,014,409**	21,938,867

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to the equity holders of the parent										
	Issued capital *RMB'000*	Capital reserve* *RMB'000*	Statutory reserve* *RMB'000*	Safety and maintenance fund* *RMB'000*	Available-for-sale investment revaluation reserve* *RMB'000*	Retained earnings* *RMB'000*	Proposed final dividend *(Note 11)* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2013	1,627,004	(931,466)	2,472,018	–	–	14,509,071	2,033,754	(290)	19,710,091	2,228,776	21,938,867
Profit for the year	–	–	–	–	–	3,427,575	–	–	3,427,575	496,821	3,924,396
Other comprehensive income for the year:	–	–	–	–	–	–	–	–	–	–	–
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	(19,531)	–	–	–	(19,531)	–	(19,531)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(596)	(596)	–	(596)
Total comprehensive income for the year	–	–	–	–	(19,531)	3,427,575	–	(596)	3,407,448	496,821	3,904,269
Deemed acquisition of interests in a subsidiary	–	3,035	–	–	–	–	–	–	3,035	(3,035)	–
Disposal of a subsidiary *(Note 34)*	–	–	–	–	–	–	–	–	–	(1,407)	(1,407)
Appropriation of general reserve	–	–	221,653	–	–	(221,653)	–	–	–	–	–
Capital contributions from non-controlling interests	–	56,630	–	–	–	–	–	–	56,630	1,364,724	1,421,354
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(214,920)	(214,920)
2012 final dividends conversion to share capital	1,627,003	–	–	–	–	(1,627,003)	–	–	–	–	–
2012 final dividends declared and paid	–	–	–	–	–	–	(2,033,754)	–	(2,033,754)	–	(2,033,754)
Proposed final 2013 dividend	–	–	–	–	–	(1,041,282)	1,041,282	–	–	–	–
Other	–	8,336	–	–	–	(1,965)	–	–	6,371	(6,371)	–
At 31 December 2013	3,254,007	(863,465)	2,693,671	–	(19,531)	15,044,743	1,041,282	(886)	21,149,821	3,864,588	25,014,409

* These reserve accounts comprise the consolidated reserves of RMB16,854,532,000 (2012: RMB16,049,333,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Year ended 31 December 2013

	Attributable to the equity holders of the parent									
	Issued capital *RMB'000*	Capital reserve* *RMB'000*	Statutory reserve* *RMB'000*	Safety and maintenance fund* *RMB'000*	Retained earnings* *RMB'000*	Proposed final dividend *(Note 11)* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2012	1,464,000	1,318,656	2,022,836	4,795	12,570,819	2,196,000	–	19,577,106	1,971,596	21,548,702
Profit for the year	–	–	–	–	6,454,428	–	–	6,454,428	697,000	7,151,428
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(290)	(290)	–	(290)
Total comprehensive income for the year	–	–	–	–	6,454,428	–	(290)	6,454,138	697,000	7,151,138
Issuance of H shares	163,004	–	–	–	–	–	–	163,004	–	163,004
Share premium arising from the issuance of H shares	–	5,550,886	–	–	–	–	–	5,550,886	–	5,550,886
Share issue expenses	–	(168,163)	–	–	–	–	–	(168,163)	–	(168,163)
Consideration for the Acquisition of the Target Business Group (as defined in Note 33)	–	(8,446,545)	–	–	–	–	–	(8,446,545)	–	(8,446,545)
Deferred tax recognised from the acquisition of the Target Business Group (as defined in Note 33)	–	821,068	–	–	–	–	–	821,068	–	821,068
Disposal of a subsidiary	–	(7,368)	–	–	–	–	–	(7,368)	–	(7,368)
Appropriation of general reserve	–	–	449,182	–	(449,182)	–	–	–	–	–
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	–	37,540	37,540
Appropriation to safety and maintenance fund	–	–	–	(4,795)	4,795	–	–	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(477,360)	(477,360)
Distribution to the owner of the Target Business Group (as defined in Note 33)	–	–	–	–	(2,038,035)	–	–	(2,038,035)	–	(2,038,035)
2011 final dividends declared and paid	–	–	–	–	–	(2,196,000)	–	(2,196,000)	–	(2,196,000)
Proposed final 2012 dividend	–	–	–	–	(2,033,754)	2,033,754	–	–	–	–
At 31 December 2012	1,627,004	(931,466)	2,472,018	–	14,509,071	2,033,754	(290)	19,710,091	2,228,776	21,938,867

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,633,864**	8,550,864
Adjustments for:			
Finance costs	7	**805,695**	429,613
Exchange losses, net		**41,358**	32,460
Finance income	6	**(38,212)**	(35,043)
Share of profits of associates		**(19,308)**	(34,114)
Unrealised losses on futures contracts, net	8	**446**	—
Realised gains on futures contracts	8	**(1,017)**	—
Depreciation of property, plant and equipment	8	**1,844,070**	1,642,670
Depreciation of investment properties	8	**3,877**	2,343
Amortisation of prepaid land lease payments	8	**33,174**	12,818
Amortisation of mining rights	8	**45,258**	35,166
Amortisation of other intangible assets	8	**13,429**	14,597
Amortisation of other non-current assets	8	**5,925**	4,346
Dividend income from available-for-sale investments	5	**(14,068)**	(5,179)
Reversal of impairment of other receivables	8	**(2,011)**	(1,524)
Impairment of property, plant and equipment	8	**12,658**	—
Impairment of mining rights	8	**2,414**	—
Loss on disposal of items of property, plant and equipment, prepaid land lease payments, and other intangible assets, net	8	**72,133**	379,852
Loss/(Gain) on disposal of a subsidiary		**12,358**	(187,298)
		7,452,043	10,841,571
(Increase)/Decrease in inventories		**(563,736)**	129,720
Increase in trade and bills receivables		**(424,139)**	(1,305,864)
Decrease/(Increase) in prepayments, deposits and other receivables		**54,902**	(758,865)
(Decrease)/Increase in trade and bills payables		**(263,550)**	626,587
Increase in other payables and accruals		**21,228**	190,599
Cash generated from operations		**6,276,748**	9,723,748
Income tax paid		**(774,282)**	(1,543,693)
Net cash flows from operating activities		**5,502,466**	8,180,055

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(5,657,191)**	(4,699,575)
Additions to investment properties	14	**(18,004)**	—
Additions to prepaid land lease payments	15	**(722,352)**	(17,368)
Additions to mining rights	16	**(69,255)**	(735)
Additions to other intangible assets	17	**(38,737)**	(49,637)
Additions to other non-current assets	18	**—**	(5,046)
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, and other intangible assets		**9,196**	22,921
Investments in available-for-sale investments		**(221,083)**	(910,530)
Entrusted loans	25	**(530,900)**	—
Interest received	6	**38,212**	35,043
(Net outflow)/Proceeds from disposal of a subsidiary	34	**(14,896)**	199,185
Payments for the acquisition of the Target Business Group (as defined in Note 33)		**(4,460,359)**	(3,546,665)
Payment for settlement of futures contracts, net		**(6,677)**	—
Increase in restricted cash	26(a)	**(9,920)**	(2,402)
Decrease in time deposits	26	**2,947**	13,408
Dividend received from an associate		**4,747**	11,993
Dividends received from available-for-sale investment		**14,068**	5,179
Net cash flows used in investing activities		**(11,680,204)**	(8,944,229)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests		**1,421,354**	37,540
Proceeds from public offering		**—**	5,545,727
Proceeds from issuance of long term bonds		**2,492,500**	997,000
Proceeds from bank borrowings		**5,934,000**	3,310,000
Repayment of bank borrowings		**(1,997,044)**	(2,219,224)
Interest paid		**(887,827)**	(545,096)
Dividends paid		**(2,033,754)**	(2,196,000)
Dividends paid to Yitai Group		**(730,000)**	—
Dividends paid to non-controlling interests		**(484,920)**	(207,360)
Distribution to the owner of the Target Business Group (as defined in Note 33)		**—**	(2,038,035)
Net cash flows from financing activities		**3,714,309**	2,684,552
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,463,429)**	1,920,378
Effect of foreign exchange rate changes, net		**(33,645)**	(45,077)
Cash and cash equivalents at beginning of year	26	**6,306,020**	4,430,719
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**3,808,946**	6,306,020

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,781,917**	6,368,356
Investment properties	14	**45,509**	31,382
Prepaid land lease payments	15	**308,547**	173,171
Mining rights	16	**196,848**	231,736
Other intangible assets	17	**49,503**	28,850
Investments in subsidiaries	19	**10,094,154**	6,862,099
Investments in associates	20	**281,304**	261,111
Available-for-sale investments	21	**3,863,591**	3,667,300
Deferred tax assets	22	**686,054**	824,266
Other non-current assets	18	**—**	4,661
Total non-current assets		**22,307,427**	18,452,932
CURRENT ASSETS			
Inventories	23	**394,230**	678,833
Trade and bills receivables	24	**1,247,846**	2,320,868
Prepayments, deposits and other receivables	25	**3,705,647**	3,050,437
Restricted cash	26	**22,401**	19,431
Cash and short-term deposits	26	**1,568,040**	5,543,553
Total current assets		**6,938,164**	11,613,122
CURRENT LIABILITIES			
Trade and bills payables	27	**891,294**	2,250,398
Financial liabilities at fair value through profit or loss		**446**	—
Other payables and accruals	28	**3,035,006**	5,543,034
Interest-bearing bank borrowings	29	**244,000**	44,000
Income tax payable		**(185,934)**	16,508
Total current liabilities		**3,984,812**	7,853,940
NET CURRENT ASSETS		**2,953,352**	3,759,182
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,260,779**	22,212,114

STATEMENT OF FINANCIAL POSITION *(Continued)*

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	29	**2,172,000**	2,036,000
Long-term bonds	30	**3,494,833**	1,001,296
Financial guarantee contracts	19	**353,378**	97,265
Other non-current liabilities		**21,213**	21,450
Total non-current liabilities		**6,041,424**	3,156,011
NET ASSETS		**19,219,355**	19,056,103
EQUITY			
Issued capital	31	**3,254,007**	1,627,004
Reserves	32	**14,924,066**	15,395,345
Proposed final dividend	11	**1,041,282**	2,033,754
Total equity		**19,219,355**	19,056,103

Director *Director*

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 capital to RMB1,464,000,000 through the conversion of proposed dividend.

On 12 July 2012, the Company consummated its global offering of 162,667,000 H shares with HK$43 per share and listed on the main board of The Stock Exchange of Hong Kong Limited. After the global offering, the issued capital increased to RMB1,626,667,000. On 8 August 2012, the over-allotment of 336,500 H shares was exercised, the issued capital further increased to RMB1,627,003,500, of which, 49.17% shares are held by Yitai Group. Yitai (Group) Hong Kong Co, Ltd. ("Yitai Group HK"), a wholly-owned subsidiary of Yitai Group held 9.40% of shares of the Company. The direct and indirect shareholding of the Company by Yitai Group was 58.57% as at 31 December 2013.

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 chemicals.

In the opinion of the directors, the parent of the Company is Yitai Group and the ultimate holding company is Yitai Investment Co., Ltd., an enterprise incorporated in Inner Mongolia, the PRC, 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.

1. CORPORATE INFORMATION *(CONTINUED)*

Particulars of principal subsidiaries and associates

As at the end of reporting period, 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	Type of legal entity	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. (內濛古伊泰準東鐵路有限責任公司)	Inner Mongolia, the PRC 5 October 1998	Limited company	1,496,000	100.0	Railway transportation
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Inner Mongolia, the PRC 17 March 2006	Limited company	2,352,900	51.0	Coal-to-oil production
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內濛古伊泰京粵酸刺溝礦業有限責任公司)	Inner Mongolia, the PRC 18 September 2007	Limited company	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	Limited company	2,074,598	77.0	Railway transportation
Inner Mongolia Yitai Transport Co., Ltd. (內濛古伊泰汽車運輸有限責任公司)	Inner Mongolia, the PRC 20 March 2007	Limited company	5,000	100.0	Motor transportation
Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內濛古伊泰鐵東儲運有限責任公司)	Inner Mongolia, the PRC 3 September 2008	Limited company	196,500	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	Limited company	50,000	100.0	Coal wholesale
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Xinjiang, the PRC 24 September 2009	Limited company	970,000	90.2	Coal technology development and consulting
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Inner Mongolia, the PRC 29 October 2009	Limited company	770,000	90.2	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	Limited company	19,136	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	Limited company	1,060,000	90.2	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	Limited company	100,000	90.2	Investment in coal mining
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限公司)	Beijing, the PRC 15 March 2004	Limited company	10,000	100.0	Biotechnology
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Shanghai, the PRC 23 July 2012	Limited company	50,000	100.0	Coal trading

1. CORPORATE INFORMATION *(CONTINUED)*

Company name	Place and date of incorporation /operations	Type of legal entity	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 Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Inner Mongolia, the PRC 10 April 2006	Limited company	30,000	73.0	Coal mining
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	Inner Mongolia, the PRC 10 April 2006	Limited company	70,000	73.0	Coal mining
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	Inner Mongolia, the PRC 13 May 2013	Limited company	30,000	80.0	Chemical Production and sale
Yitai Yanqi (Beijing) International trade Co., Ltd. (伊泰雁栖(北京)國際貿易有限公司)	Beijing, the PRC 4 January 2013	Limited company	50,000	100.0	International trade
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd. (內濛古伊泰準格爾煤炭運銷有限責任公司)	Inner Mongolia, the PRC 16 May 2013	Limited company	10,000	100.0	Coal wholesale
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察佈市伊泰煤炭銷售有限公司)	Inner Mongolia, the PRC 7 June 2013	Limited company	50,000	100.0	Coal wholesale
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	Limited company	100,000	31.5	Mining equipment production and sale
Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. (內濛古京泰發電有限責任公司)	Inner Mongolia, the PRC 29 November 2007	Limited company	570,000	29.0	Gangue Power Plant construction
Jinhuaji Petro Equipment (Inner Mongolia) Co., Ltd. (錦化機石化裝備(內濛古)有限責任公司)	Inner Mongolia, the PRC 12 October 2006	Limited company	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	Limited company	50,000	30.0	Coal mine fire-proof project, land restoration, and ecological treatment
Yitai (Beijing) Pharmatech Co., Ltd. (伊泰(北京)合成技術有限公司)	Beijing, the PRC 22 December 2006	Limited company	24,750	49.0	Pharmatech

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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), 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. They have been prepared on the historical cost convention, except for certain available-for-sale investment, financial liabilities at fair value through profit or loss and financial guarantee contracts, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) derecognises the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidation policy of the acquisition among the entities under common control is dealt with reference to the principles set out in Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants ("AG 5") as if the acquisition had occurred from the date when the combining entities first came under the control of the ultimate holding company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, *IFRS 11 and IFRS 12 - Transition Guidance*
IFRS 13	Fair Value Measurement
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
IFRIC-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 12, IFRS 13, amendments to IAS 1 and IAS 36, and IFRIC-Int 20, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in Note 19.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRSs for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 defines fair value as an exit price.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 41.

IAS 1 *Presentation of Items of Other Comprehensive Income - Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (e.g., exchange differences on translation of foreign operations, net loss or gain on available-for-sale financial assets) are presented separately from items that will never be reclassified. The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 (early adopted)*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units ("CGU") for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted these amendments to IAS 36 in the current period. IAS 36 disclosures in respect of impairment of the Group's property, plant and equipment are provided in Note 13.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity during the production phase of the mine. The interpretation addresses the initial measurement and subsequent measurement of the benefit from the stripping activity. According to the Group's assessment, this standard has had no material impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 393*
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) - *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (OCI). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income (OCI) would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments in associates

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 other comprehensive income of associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. 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. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associates, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discounted Operations.*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, except for acquisition involving entities under common control. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure 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 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. 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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Merger accounting for business combinations under common control

Business combinations under common control are accounted for with reference to *AG5*. In applying merger accounting, financial statement items of the combining entities or businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining 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 parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined profit or loss includes the results of each of the combining entities or businesses from 1 January 2012 or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in these financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or, where the combining entities first came under common control on a later date, at that later date.

All significant intra-group transactions and balances have been eliminated on combination.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets

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 of disposal, 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 the statement of profit or loss 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 the statement of profit or loss in the period in which it arises (*only if there are revalued assets in the financial statements*), unless the asset is carried at a revalued amount., in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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 Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (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).

2.4 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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. 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 the statement of 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 depreciates them accordingly.

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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation *(continued)*

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

Exploration and evaluation expenditure

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further 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 (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) 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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at least at each financial year end.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives receivable from the lessor are charged to the statement of 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 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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 available-for-sale investments, trade and bills receivables, financial assets included in prepayments, deposits, and other receivables, financial assets at fair value through profit or loss, restricted cash and cash and short-term deposits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

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

2.4 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 as 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 the statement of 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 to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as 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 whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 the statement of profit or loss.

2.4 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset, when it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

2.4 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 whether impairment exists individually 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

2.4 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 the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss - is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through the statement of 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 are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

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 bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and long-term bonds.

Subsequent measurement

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

2.4 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 repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of 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 borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of 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 in the statement of profit or loss.

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.

2.4 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 the statement of 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.

Inventories

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

Cash and cash equivalents

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

For the purpose of the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 in the statement of profit or loss.

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 costs. 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 the statement of profit or loss.

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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:

- when 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, carryforward 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 carryforward of unused tax credits and unused tax losses can be utilised, except:

- when 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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.

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. Details of the contributions are set out in Note 8 to the financial statements.

2.4 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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalization rate ranging between 6% and 8% has been applied to the expenditure on the individual assets.

Dividends

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

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(Continued)*

The functional currency of certain overseas subsidiary is the United States dollar. As at the end of the reporting period, the assets and liabilities of the entity are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and the statement of profit or loss is translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. 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 their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 mining 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 described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimation uncertainty *(Continued)*

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.

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. Significant management judgement requires to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 22 to the financial statements.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimation uncertainty *(Continued)*

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 the profit or loss.

Coal reserve and resource estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its coal reserves and mineral resources based on 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.

4. OPERATING SEGMENT INFORMATION

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

(a) the coal segment is engaged in 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 produces and sells coal-based synthetic fuel; and

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

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/(loss), which is a measure of adjusted profit/(loss) 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.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2013	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue:					
Sales to external customers	22,426,267	307,986	1,530,997	9,623	24,274,873
Intersegment sales	193,262	1,650,788	15,871	—	1,859,921
	22,619,529	1,958,774	1,546,868	9,623	26,134,794
Reconciliation					
Elimination of intersegment sales					(1,859,921)
Revenue from continuing operations					24,274,873
Segment results:					
Profit/(loss) before tax	3,615,196	890,965	215,273	(1,402)	4,720,032
Income tax expense	(555,761)	(107,279)	(46,385)	(43)	(709,468)
	3,059,435	783,686	168,888	(1,445)	4,010,564
Reconciliation					
Finance Costs					(86,168)
Net profit for the year					3,924,396
Segment assets	26,943,134	10,764,045	12,353,809	755,630	50,816,618
Reconciliation					
Elimination of intersegment receivables					(5,245,942)
Capitalisation of finance costs					(86,168)
Total assets					45,484,508
Segment liabilities	13,322,891	4,774,111	7,012,745	606,294	25,716,041
Reconciliation					
Elimination of intersegment Payables					(5,245,942)
Total liabilities					20,470,099

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2013	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Other segment information:					
Finance income	**32,480**	**1,708**	**3,828**	**196**	**38,212**
Finance costs	**(490,417)**	**(179,379)**	**(135,899)**	**—**	**(805,695)**
Depreciation and amortisation	**(1,488,901)**	**(282,880)**	**(169,858)**	**(4,094)**	**(1,945,733)**
Share of profits of associates	**14,549**	**—**	**4,759**	**—**	**19,308**
Impairment losses recognised in the statement of profit or loss, net of impairment reversed	**(13,061)**	**—**	**—**	**—**	**(13,061)**
Investments in associates	**270,801**	**—**	**91,263**	**—**	**362,064**
Capital expenditure*	**2,061,905**	**1,466,930**	**3,180,693**	**263,402**	**6,972,930**

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

Year ended 31 December 2012	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue:					
Sales to external customers	29,955,518	242,752	1,361,833	23,425	31,583,528
Intersegment sales	227,895	1,274,172	678	—	1,502,745
	30,183,413	1,516,924	1,362,511	23,425	33,086,273
Reconciliation					
Elimination of intersegment sales					(1,502,745)
Total revenue					31,583,528
Segment results:					
Profit/(loss) before tax	8,174,133	554,086	(151,649)	(25,706)	8,550,864
Income tax expense	(1,328,214)	(100,279)	29,057	—	(1,399,436)
	6,845,919	453,807	(122,592)	(25,706)	7,151,428
Net profit for the year					7,151,428

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2012	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment assets	29,427,007	9,617,888	5,312,899	385,308	44,743,102
Reconciliation					
Elimination of intersegment receivables					(3,375,958)
Total assets					41,367,144
Segment liabilities	13,614,937	5,136,307	3,721,335	331,656	22,804,235
Reconciliation					
Elimination of intersegment payables					(3,375,958)
Total liabilities					19,428,277
Other segment information:					
Finance income	31,119	2,113	1,795	16	35,043
Finance costs	(119,218)	(157,112)	(153,283)	—	(429,613)
Depreciation and amortisation	(1,313,050)	(241,556)	(153,955)	(3,379)	(1,711,940)
Share of profits of associates	30,995	—	3,119	—	34,114
Reversal of impairment losses recognised	1,524	—	—	—	1,524
Investments in associates	258,644	—	86,504	—	345,148
Capital expenditure*	2,343,082	1,162,208	985,414	359,353	4,850,057

* 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 years ended 31 December 2013 and 2012, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for these years.

5. 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 and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2013 *RMB'000*	2012 *RMB'000*
Revenue		
Sale of goods	**23,966,887**	31,340,776
Rendering of services	**307,986**	242,752
	24,274,873	31,583,528
Other income		
Income from sale of materials	**61,620**	4,992
Income from rendering of other services	**44,113**	70,030
	105,733	75,022
Gains		
Dividend income from available-for-sale investments	**14,068**	—
Gain on disposal of items of property, plant and equipment and intangible assets	**8,938**	5,965
Gain on disposal of a subsidiary	**—**	187,298
Government grants	**8,810**	35,102
Indemnities received	**4,759**	4,533
Compensation received*	**108,589**	307,992
Others	**25,941**	3,433
	171,105	544,323
	276,838	619,345

* 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 the Group arising from the agreed construction of a railway and other related facilities by this company in two of the Group's mines.

6. FINANCE INCOME

The Group's finance income is as follows:

	2013 *RMB'000*	2012 *RMB'000*
Interest income	**38,212**	35,043

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Group	
	2013 ***RMB'000***	2012 *RMB'000*
Interest on bank borrowings	**680,531**	549,754
Interest on corporate bonds	**147,418**	1,296
Interest paid to Yitai Group in relation to the Acquisition of the Target Business Group (as defined in Note 33)	**164,948**	—
Total interest expense	**992,897**	551,050
Less: Interest capitalised	**(187,202)**	(121,437)
	805,695	429,613

8. PROFIT BEFORE TAX

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

		Group	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**15,966,641**	20,338,776
Cost of services provided		**118,538**	115,548
Depreciation of property, plant and equipment	13	**1,844,070**	1,642,670
Depreciation of investment properties	14	**3,877**	2,343
Amortisation of prepaid land lease payments	15	**33,174**	12,818
Amortisation of mining rights	16	**45,258**	35,166
Amortisation of other intangible assets	17	**13,429**	14,597
Amortisation of other non-current assets	18	**5,925**	4,346
Total depreciation and amortisation		**1,945,733**	1,711,940
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 9))			
Wages, salaries and other employees' benefits		**1,548,947**	1,282,145
Pension scheme contributions (defined contribution plans)		**55,884**	67,601
		1,604,831	1,349,746
Reversal of impairment of other receivables	25	**(2,011)**	(1,524)
Impairment of property, plant and equipment	13	**12,658**	—
Impairment of mining rights	16	**2,414**	—
Loss on disposal of items of property, plant and equipment, prepaid land lease payments, and other intangible assets, net		**72,133**	379,852
Unrealised losses on futures contracts, net		**446**	—
Realised gains on futures contracts		**(1,017)**	—
Auditors' remuneration		**5,702**	7,609

9. DIRECTORS, SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors and chief executive's remuneration

Directors' and chief executive's remuneration for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Salaries and allowances	**11,350**	11,386
Discretionary bonuses	**1,098**	1,299
Pension	**597**	507
Total	**13,045**	13,192

9. DIRECTORS, SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors and chief executive's remuneration *(continued)*

The remuneration of each of the directors and chief executive of the Group for the years ended 31 December 2013 and 2012 is as follows:

	Salaries, housing benefits, other allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2013				
Executive directors:				
Zhang Donghai	1,950	62	52	2,064
Liu Chunlin	1,265	62	52	1,379
Zhang Dongsheng	1,020	12	52	1,084
Ge Yaoyong	1,126	62	52	1,240
Zhang Xinrong	992	62	52	1,106
Kang Zhi	986	65	52	1,103
Lv Guilliang	978	12	52	1,042
	8,317	337	364	9,018
Independent non-executive directors:				
Tam Kwok Ming, Banny	—	200	—	200
Song Jianzhong	—	100	—	100
Xie Xianghua[1]	—	50	—	50
Lian Junhai[2]	—	92	—	92
Yu Youguang[3]	—	50	—	50
Qi Yongxing[4]	—	8	—	8
	—	500	—	500
Supervisors:				
Li Wenshan	1,020	7	52	1,079
Wang Sanmin[5]	628	2	41	671
Ji Zhifu	178	67	29	274
Han Zhanchun	136	53	23	212
Zhang Guisheng	671	7	52	730
Wang Yongliang	–	60	–	60
Wu Qu	–	60	–	60
Wang Xiaodong[6]	400	5	36	441
	3,033	261	233	3,527
	11,350	1,098	597	13,045

9. DIRECTORS, SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors and chief executive's remuneration *(continued)*

1 Xie Xianghua resigned as independent non-executive director in June 2013.
2 Lian Junhai resigned as independent non-executive director in December 2013
3 Yu Youguang was appointed as independent non-executive director in June 2013.
4 Qi Yongxing was appointed as an independent non-executive director in December 2013.
5 Wang Sanmin resigned as supervisor in April 2013.
6 Wang Xiaodong was appointed as supervisor in April 2013.

	Salaries, housing benefits, other allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2012				
Executive directors:				
Zhang Donghai	2,400	66	47	2,513
Liu Chunlin	1,627	64	47	1,738
Zhang Dongsheng	1,086	12	47	1,145
Ge Yaoyong	1,153	64	47	1,264
Zhang Xinrong	1,070	118	47	1,235
Kang Zhi	993	65	47	1,105
Lv Guilliang	778	12	47	837
	9,107	401	329	9,837
Independent non-executive directors:				
Tam Kwok Ming, Banny	—	153	—	153
Song Jianzhong	—	77	—	77
Xie Xianghua	—	77	—	77
Lian Junhai	—	77	—	77
	—	384	—	384
Supervisors:				
Li Wenshan	1,020	7	47	1,074
Wang Sanmin	232	106	28	366
Ji Zhifu	198	116	28	342
Han Zhanchun	174	90	23	287
Zhang Guisheng[1]	100	23	8	131
Zhang Mingliang[2]	555	92	44	691
Wang Yongliang	—	40	—	40
Wu Qu	—	40	—	40
	2,279	514	178	2,971
	11,386	1,299	507	13,192

9. DIRECTORS, SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors and chief executive's remuneration *(continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2013 and 2012.

[1] Zhang Guisheng was appointed as supervisor in October 2012.
[2] Zhang Mingliang resigned as supervisor in November 2012.

(b) Five highest paid employees

The five highest paid employees during the years ended 31 December 2013 and 2012 were all directors or supervisors.

10. INCOME TAX EXPENSE

		Group	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Group:			
Current tax - Mainland China		**532,570**	1,383,734
Deferred income tax	22	**176,898**	15,702
Total tax charge for the year		**709,468**	1,399,436

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.

10. INCOME TAX EXPENSE *(CONTINUED)*

The Company and its certain subsidiaries were 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 fall into the Catalogue of Encouraged Industries in Western China 西部地區鼓勵類產業目錄, “CEIWC”) can enjoy the preferential income tax rate of 15% from 1 January 2011 to 31 December 2020.

According to 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 fell 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.

As at the date of approval of these financial statements, 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 years ended 31 December 2013 and 2012.

10. INCOME TAX EXPENSE *(CONTINUED)*

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 years ended 31 December 2013 and 2012 is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**4,633,864**	8,550,864
Tax at the statutory tax rate of 25%	**1,158,466**	2,137,716
Effect of lower tax rates	**(467,169)**	(740,555)
Entertainment expenses not deductible for tax purposes	**11,268**	26,082
Profits and losses attributable to associates	**(2,896)**	(5,096)
Tax incentive in relation to deduction limits of certain expenses	**(5,658)**	—
Tax losses not recognised	**5,053**	10,083
Tax losses utilised from previous years	**—**	(20,643)
Others	**10,404**	(8,151)
Tax charge at the Group's effective rate	**709,468**	1,399,436

The share of tax attributable to associates amounting to RMB3,644,786 (2012: RMB6,821,828) was included in "Share of profits of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	Group/Company	
	2013	2012
	RMB'000	*RMB'000*
Proposed final cash dividend	**1,041,282**	2,033,754

The board of directors of the Company recommended on 25 March 2014 to propose a final cash dividend of RMB3.2 per 10 ordinary shares. The above-mentioned proposed final cash dividend for the year ended 31 December 2013 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final cash dividend for the year ended 31 December 2012 was based on a cash dividend of RMB12.5 per 10 ordinary shares and a stock dividend of 10 ordinary shares per 10 ordinary shares. It was declared in June 2013 and subsequently paid to shareholders in August 2013.

Pursuant to Article 16.05 of the Company's Articles of Association, where the financial statements prepared in accordance with the PRC accounting standards differ from those prepared under International Financial Reporting Standards, distributable net profit for the relevant accounting period shall be deemed to be the lesser of the amounts shown in the two different financial statements. Net profit of the Company for the year ended 31 December 2013, calculated based on the above principle, amounted to approximately RMB2,216,537,000.

12. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of RMB2,216,537,000 (2012: RMB4,349,481,000) which has been dealt with in the financial statement of the Company (Note 32).

The calculation of the basic earnings per share amount is based on the profit for the years ended 31 December 2013 and 2012 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the years ended 31 December 2013 and 2012. The stock dividend as described in Note 11 was treated as having been in issue for the whole year of 2013 and also included in the earnings per share calculation of the year 2012 presented to give a comparable result.

The Company had no dilutive potential ordinary shares in issue for the years ended 31 December 2013 and 2012.

The calculations of basic and diluted earnings per share are based on:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to ordinary equity holders of the parent	**3,427,575**	6,454,428
Shares		
Weighted average number of ordinary shares in issue during the year (in thousand) (2012: Restated)	**3,254,007**	3,081,575

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Railway RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013									
At 1 January 2013:									
Cost	3,780,395	2,759,781	6,178,521	606,371	6,182,420	622,585	748,158	7,969,045	28,847,276
Accumulated depreciation and impairment	(521,202)	(751,891)	(1,747,856)	(212,871)	(689,201)	(194,904)	(460,425)	-	(4,578,350)
Net carrying amount	3,259,193	2,007,890	4,430,665	393,500	5,493,219	427,681	287,733	7,969,045	24,268,926
At 1 January 2013, net of accumulated depreciation and impairment	3,259,193	2,007,890	4,430,665	393,500	5,493,219	427,681	287,733	7,969,045	24,268,926
Additions	37,324	619,240	418,627	86,003	5,523	28,446	190,637	4,738,782	6,124,582
Depreciation provided during the year	(177,823)	(652,449)	(554,007)	(80,436)	(156,802)	(31,631)	(190,922)	–	(1,844,070)
Transfers	748,660	184,797	104,466	1,363	2,374,457	3,062	98,093	(3,514,898)	–
Disposal of a subsidiary	–	–	–	–	–	–	(3,002)	–	(3,002)
Disposals/Written off	(12,623)	(9,400)	(30,792)	(13,381)	(4,658)	–	(4,771)	–	(75,625)
Impairment	(6,399)	(4,420)	–	–	–	–	–	(1,839)	(12,658)
At 31 December 2013, net of accumulated depreciation and impairment	3,848,332	2,145,658	4,368,959	387,049	7,711,739	427,558	377,768	9,191,090	28,458,153

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Railway RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013									
At 31 December 2013:									
Cost	4,536,778	3,509,621	6,589,421	644,392	8,546,154	654,093	1,009,134	9,191,090	34,680,683
Accumulated depreciation and impairment	(688,446)	(1,363,963)	(2,220,462)	(257,343)	(834,415)	(226,535)	(631,366)	-	(6,222,530)
Net carrying amount	3,848,332	2,145,658	4,368,959	387,049	7,711,739	427,558	377,768	9,191,090	28,458,153

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Group

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Railway RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012									
At 1 January 2012:									
Cost	3,781,289	1,841,534	6,189,143	567,545	6,213,319	620,785	541,602	4,883,466	24,638,683
Accumulated depreciation and impairment	(395,673)	(340,239)	(1,127,842)	(176,394)	(537,550)	(164,717)	(286,227)	—	(3,028,642)
Net carrying amount	3,385,616	1,501,295	5,061,301	391,151	5,675,769	456,068	255,375	4,883,466	21,610,041
At 1 January 2012, net of accumulated depreciation and impairment	3,385,616	1,501,295	5,061,301	391,151	5,675,769	456,068	255,375	4,883,466	21,610,041
Additions	43,075	916,912	287,373	58,958	1,395	—	217,865	3,256,739	4,782,317
Depreciation provided during the year	(138,018)	(411,652)	(645,696)	(50,767)	(158,212)	(30,187)	(208,138)	—	(1,642,670)
Transfers	73,476	1,335	36,390	—	26,229	1,800	31,930	(171,160)	—
Disposal of a subsidiary	(14,197)	—	(6,791)	706	—	—	(8,782)	—	(29,064)
Disposals	(90,759)	—	(301,912)	(6,548)	(51,962)	—	(517)	—	(451,698)
At 31 December 2012, net of accumulated depreciation and impairment	3,259,193	2,007,890	4,430,665	393,500	5,493,219	427,681	287,733	7,969,045	24,268,926

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Group

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Railway RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012									
At 31 December 2012:									
Cost	3,780,395	2,759,781	6,178,521	606,371	6,182,420	622,585	748,158	7,969,045	28,847,276
Accumulated depreciation and impairment	(521,202)	(751,891)	(1,747,856)	(212,871)	(689,201)	(194,904)	(460,425)	–	(4,578,350)
Net carrying amount	3,259,193	2,007,890	4,430,665	393,500	5,493,219	427,681	287,733	7,969,045	24,268,926

As at the date of approval of these financial statements, 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 RMB179,230,000. 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 31 December 2013.

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Company

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013								
At 1 January 2013:								
Cost	1,879,186	1,187,722	2,489,847	190,943	507,020	269,521	2,141,625	8,665,864
Accumulated depreciation and impairment	(309,763)	(486,053)	(1,082,990)	(106,825)	(154,088)	(157,789)	–	(2,297,508)
Net carrying amount	1,569,423	701,669	1,406,857	84,118	352,932	111,732	2,141,625	6,368,356
At 1 January 2013, net of accumulated depreciation and impairment	1,569,423	701,669	1,406,857	84,118	352,932	111,732	2,141,625	6,368,356
Additions	15,976	523,528	316,672	71,349	27,762	51,882	552,715	1,559,884
Depreciation provided during the year	(105,771)	(535,093)	(328,708)	(32,061)	(27,414)	(55,515)	–	(1,084,562)
Transfers	651,177	39,555	53,200	331	3,062	1,090	(748,415)	–
Disposals/Written off	(3,652)	(9,393)	(25,499)	(10,238)	–	(321)	–	(49,103)
Impairment	(6,399)	(4,420)	–	–	–	–	(1,839)	(12,658)
At 31 December 2013, net of accumulated depreciation and impairment	2,120,754	715,846	1,422,522	113,499	356,342	108,868	1,944,086	6,781,917

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013								
At 31 December 2013:								
Cost	2,531,386	1,696,621	2,755,315	224,128	537,844	311,095	1,945,925	10,002,314
Accumulated depreciation and impairment	(410,632)	(980,775)	(1,332,793)	(110,629)	(181,502)	(202,227)	(1,839)	(3,220,397)
Net carrying amount	2,120,754	715,846	1,422,522	113,499	356,342	108,868	1,944,086	6,781,917

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Company

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012								
At 1 January 2012:								
Cost	1,638,298	344,993	1,921,181	170,025	505,162	167,995	1,265,666	6,013,320
Accumulated depreciation and impairment	(211,112)	(178,253)	(531,776)	(79,388)	(128,188)	(88,746)	—	(1,217,463)
Net carrying amount	1,427,186	166,740	1,389,405	90,637	376,974	79,249	1,265,666	4,795,857
At 1 January 2012, net of accumulated depreciation and impairment	1,427,186	166,740	1,389,405	90,637	376,974	79,249	1,265,666	4,795,857
Additions	21,575	698,306	259,614	25,431	—	79,722	821,476	1,906,124
Depreciation provided during the year	(73,065)	(216,344)	(397,114)	(32,899)	(25,293)	(59,834)	—	(804,549)
Transfers	15,312	—	—	—	306	—	(15,618)	—
Acquisition of the Target Business Group (as defined in Note 33)	180,352	52,967	165,389	2,696	945	12,972	70,101	485,422
Disposals	(1,937)	—	(10,437)	(1,747)	—	(377)	—	(14,498)
At 31 December 2012, net of accumulated depreciation and impairment	1,569,423	701,669	1,406,857	84,118	352,932	111,732	2,141,625	6,368,356

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012								
At 31 December 2012:								
Cost	1,879,186	1,187,722	2,489,847	190,943	507,020	269,521	2,141,625	8,665,864
Accumulated depreciation and impairment	(309,763)	(486,053)	(1,082,990)	(106,825)	(154,088)	(157,789)	—	(2,297,508)
Net carrying amount	1,569,423	701,669	1,406,857	84,118	352,932	111,732	2,141,625	6,368,356

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Impairment test for property, plant and equipment

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU. The CGU is an individual mine or entity. The carrying value of these individual mines or entities was compared to the recoverable amount of the CGUs, which was based predominantly on value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period or remaining life in use. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates not exceeding the long-term average growth rates for the businesses in which the CGU operates. Other key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses. Management determined that these key assumptions were based on past performance and their expectations on market development. Further, the Group adopts a pre-tax rate of 12.17% in 2013 that reflects specific risks related to CGUs and groups of CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of CGUs and groups of CGUs within operating segments.

During the year ended 31 December 2013, an impairment loss of RMB12,658,000 was provided for certain buildings, mining structures and construction in progress with the recoverable amount of RMB139,150,000 of Chengyi Mine, a branch of the Company. Chenyi Mine has a remaining 3-year life of value-in-use. The recoverable amount is determined based on the value-in-use of these property, plant and equipment which was determined by the impairment testing result using the technique in the above paragraph.

A one percentage point increase or decrease in the discount rate, with all other variables held constant, would result in a 1.86% and 1.92% decrease or increase in the estimated recoverable amount of property, plant and equipment respectively.

Where it is considered more likely than not that an individual CGU will be disposed of within the near-term rather than continue to be held and operated by the Group, the recoverable amount to be completed is based on the estimated net disposal value of the CGU less costs of disposal rather than by reference to its value-in-use.

14. INVESTMENT PROPERTIES

		Group/Company	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Carrying amount at 1 January		**31,382**	33,725
Additions		**18,004**	—
Depreciation for the year	8	**(3,877)**	(2,343)
Carrying amount at 31 December		**45,509**	31,382

		Group/Company	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Cost:			
At 1 January		**39,361**	39,361
Additions		**18,004**	—
At 31 December		**57,365**	39,361
Depreciation:			
At 1 January		**(7,979)**	(5,636)
Additions	8	**(3,877)**	(2,343)
At 31 December		**(11,856)**	(7,979)
Net carrying amount at 31 December		**45,509**	31,382

The Group's investment properties are situated in Mainland China, and are leased to third parties under operating leases with lease terms of 4 to 5 years.

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

15. PREPAID LAND LEASE PAYMENTS

		Group	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Carrying amount at 1 January		**334,701**	336,924
Additions		**722,352**	17,368
Disposals		**(5,704)**	—
Disposal of a subsidiary		**—**	(6,773)
Amortisation for the year	8	**(33,174)**	(12,818)
Carrying amount at 31 December		**1,018,175**	334,701
Current portion		**32,896**	12,194
Non-current portion		**985,279**	322,507

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	
	2013	2012
	RMB'000	*RMB'000*
Long-term leases (≥50years)	**586,410**	159,727
Medium-term leases (<50 years)	**431,765**	174,974
	1,018,175	334,701

15. PREPAID LAND LEASE PAYMENTS *(CONTINUED)*

	Company	
	2013	2012
	RMB'000	*RMB'000*
Carrying amount at 1 January	**179,183**	143,163
Additions	**165,952**	9,458
Acquisition of the Target Business Group (as defined in Note 33)	**—**	32,616
Disposals	**(5,704)**	—
Amortisation for the year	**(15,581)**	(6,054)
Carrying amount at 31 December	**323,850**	179,183
Current portion	**15,303**	6,012
Non-current portion	**308,547**	173,171

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	
	2013	2012
	RMB'000	*RMB'000*
Long-term leases (≥50years)	**50,805**	51,256
Medium-term leases (<50 years)	**273,045**	127,927
	323,850	179,183

16. MINING RIGHTS

		Group	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Cost as at 1 January, net of accumulated amortisation		**419,519**	453,950
Additions		**69,255**	735
Impairment	8	**(2,414)**	—
Amortisation for the year	8	**(45,258)**	(35,166)
Cost as at 31 December, net of accumulated amortisation and impairment		**441,102**	419,519
As at 31 December:			
Cost		**673,206**	603,951
Accumulated amortisation and impairment		**(232,104)**	(184,432)
Net carrying amount		**441,102**	419,519

	Company	
	2013	2012
	RMB'000	*RMB'000*
Cost as at 1 January, net of accumulated amortisation	**231,736**	66,610
Acquisition of the Target Business Group (as defined in Note 33)	**—**	178,143
Impairment	**(2,414)**	—
Amortisation for the year	**(32,474)**	(13,017)
Cost as at 31 December, net of accumulated amortisation and impairment	**196,848**	231,736
As at 31 December:		
Cost	**385,595**	385,595
Accumulated amortisation and impairment	**(188,747)**	(153,859)
Net carrying amount	**196,848**	231,736

17. OTHER INTANGIBLE ASSETS

		Group	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Cost as at 1 January, net of accumulated amortisation		**50,792**	17,735
Additions		**38,737**	49,637
Disposal of a subsidiary	34	**(1,578)**	—
Disposal		**—**	(1,983)
Amortisation provided during the year	8	**(13,429)**	(14,597)
Cost as at 31 December, net of accumulated amortisation		**74,522**	50,792
As at 31 December:			
Cost		**115,203**	78,044
Accumulated amortisation		**(40,681)**	(27,252)
Net carrying amount		**74,522**	50,792

	Company	
	2013	2012
	RMB'000	*RMB'000*
Cost as at 1 January, net of accumulated amortisation	**28,850**	12,287
Additions	**31,739**	20,315
Amortisation provided during the year	**(11,086)**	(3,752)
Cost as at 31 December, net of accumulated amortisation	**49,503**	28,850
As at 31 December:		
Cost	**70,195**	38,456
Accumulated amortisation	**(20,692)**	(9,606)
Net carrying amount	**49,503**	28,850

Other intangible assets primarily comprise computer software.

18. OTHER NON-CURRENT ASSETS

		Group	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Cost as at 1 January,			
net of accumulated amortisation		**18,297**	17,597
Additions		**—**	5,046
Disposal of a subsidiary	34	**(44)**	—
Amortisation provided during the year	8	**(5,925)**	(4,346)
Cost as at 31 December,			
net of accumulated amortisation		**12,328**	18,297
As at 31 December:			
Cost		**36,795**	36,839
Accumulated amortisation		**(24,467)**	(18,542)
Net carrying amount		**12,328**	18,297

	Group	
	2013	2012
Analysed into:	***RMB'000***	*RMB'000*
Water use right	**12,189**	13,348
Others	**139**	4,949
	12,328	18,297

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

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	*RMB'000*
Unlisted investments, at cost	**9,740,776**	6,764,834
Financial guarantee contracts	**353,378**	97,265
	10,094,154	6,862,099

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

The subsidiaries of the Company listed in Note 1 above, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The amounts due from and to subsidiaries included in the Company's current assets and liabilities of RMB2,513,133,000 (2012: RMB1,918,269,000) and RMB2,887,143,000 (2012: RMB1,391,563,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

The amounts of the financial guarantee contracts included in investments in subsidiaries represent the fair value of the recognised obligation of financial guarantees granted to the subsidiaries. For details of the financial guarantees, please refer to Note 39.

19. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Percentage of equity interest held by non-controlling interests:		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	**49%**	20%
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)	**48%**	48%
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	**23%**	24%
Profit/(Loss) for the year allocated to non-controlling interests:		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	**53,133**	(25,544)
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)	**281,028**	446,195
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	**38,422**	29,183
Dividends paid to non-controlling interests:		
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)	**155,520**	207,360
Accumulated balances of non-controlling interests at 31 December:		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	**1,241,914**	279,911
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	**1,367,469**	1,241,961
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	**624,030**	431,544

19. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2013	Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司) *RMB'000*	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) *RMB'000*	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) *RMB'000*
Revenues, other income and gains	1,365,494	2,025,692	599,372
Total costs of sales and expenses	(1,195,986)	(1,440,216)	(437,641)
Profit for the year	169,508	585,476	161,731
Total comprehensive income for the year	169,508	585,476	161,731
Current assets	943,496	310,196	142,402
Non-current assets	3,274,020	3,323,760	4,829,316
Current liabilities	(369,702)	(300,085)	(248,880)
Non-current liabilities	(1,313,296)	(484,977)	(2,016,925)
Net cash flows from operating activities	463,062	709,700	245,262
Net cash flows used in investing activities	(258,894)	(87,309)	(1,163,812)
Net cash flows from/(used in) financing activities	139,983	(514,947)	847,242
Net increase/(decrease) in cash and cash equivalents	344,151	107,444	(71,308)

19. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

2012	Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司) *RMB'000*	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) *RMB'000*	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) *RMB'000*
Revenues, other income and gains	1,404,924	2,454,396	557,345
Total costs of sales and expenses	(1,532,642)	(1,524,823)	(433,376)
(Loss)/Profit for the year	(127,718)	929,573	123,969
Total comprehensive (loss)/income for the year	(127,718)	929,573	123,969
Current assets	529,173	239,605	154,875
Non-current assets	3,267,526	3,471,398	3,730,260
Current liabilities	(923,593)	(350,565)	(568,627)
Non-current liabilities	(1,473,550)	(773,019)	(1,483,302)
Net cash flows (used in)/from operating activities	(3,484)	1,009,290	318,533
Net cash flows from/(used in) investing activities	321,479	(247,442)	(780,770)
Net cash flows (used in)/from financing activities	(273,776)	(998,818)	190,985
Net increase/(decrease) in cash and cash equivalents	44,219	(236,970)	(271,252)

20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**281,304**	261,111
Share of net assets	**362,064**	345,148	**—**	—
	362,064	345,148	**281,304**	261,111

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

The Group's shareholdings in the associates listed in Note 1 above, all comprise equity shares held by the Company, except for Jinhuaji Petro Equipment (Inner Mongolia) Co., Ltd., the shareholding in which is held through a subsidiary of the Company.

The Group's trade receivable and payable balances with the associates are disclosed in Notes 24 and 27 to the financial statements, respectively.

The following table illustrates the summarised financial information of Inner Mongolia Jingtai Electronic Power Generation Co., Ltd, a material associate of the Group, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2013	2012
	RMB'000	*RMB'000*
Current assets	**183,020**	160,526
Non-current assets	**2,487,490**	2,503,144
Current liabilities	**(543,902)**	(667,947)
Non-current liabilities	**(1,367,916)**	(1,337,500)
Net assets	**758,692**	658,223
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**29%**	29%
Group's share of net assets of the associate	**220,021**	190,885
Carrying amount of the investment	**220,021**	190,885
Revenues	**800,897**	699,433
Profit for the year	**116,839**	40,925
Total comprehensive income for the year	**116,839**	40,925
Dividend received	**4,747**	4,493

20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Share of the associates' profit for the year:	**(14,575)**	22,246
Share of the associates' total comprehensive income	**(14,575)**	22,246
Aggregate carrying amount of the Group's investments in the associates	**142,043**	154,263

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	RMB'000	*RMB'000*
Listed equity investments, at fair value, in Hong Kong	**129,138**	—
Unlisted equity investments, at cost	**3,877,360**	3,808,393
	4,006,498	3,808,393

	Company	
	2013	2012
	RMB'000	*RMB'000*
Listed equity investments, at fair value, in Hong Kong	**129,138**	—
Unlisted equity investments, at cost	**3,734,453**	3,667,300
	3,863,591	3,667,300

21. AVAILABLE-FOR-SALE INVESTMENTS *(CONTINUED)*

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB19,531,000 (2012: Nil).

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.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

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	
		2013	2012
		RMB'000	*RMB'000*
Qinhuangdao Port Co., Ltd. (秦皇島港股份有限公司)	4%	**129,138**	—
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9%	**1,980,000**	1,980,000
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	15%	**532,800**	532,800
Zhunshuo Railway Co., Ltd. (准朔鐵路有限公司)	19%	**865,287**	796,320
Nanbu Railway Co., Ltd. (南部鐵路有限責任公司)	10%	**200,000**	200,000
Mengxi-Huazhong Railway Co., Ltd. (蒙西華中鐵路股份有限公司)	10%	**100,000**	100,000
Inner Mongolia Conba Pharmaceutical Co., Ltd (內蒙古康恩貝藥業有限公司)	12%	**27,273**	27,273
Others	—	**172,000**	172,000
		4,006,498	3,808,393

22. DEFERRED TAX ASSETS

Group

The movements in deferred tax during the year are as follows:

		Group	
		2013	2012
	Note	***RMB'000***	*RMB'000*
At 1 January, net		**917,591**	112,225
Deferred tax charged to the statement of profit or loss	10	**(176,898)**	(15,702)
Deferred tax recognised from the acquisition of the Target Business Group (as defined in Note 33)		**—**	821,068
Deferred tax recognised from change in fair value of available-for-sale investment		**3,447**	—
At 31 December, net		**744,140**	917,591

22. DEFERRED TAX ASSETS *(CONTINUED)*

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

Deferred tax assets:

	Provision	Deferred compensation	Fair value changes of available-for-sale investment	Acquisition of the Target Business Group (as defined in Note 33)	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	3,426	43,183	—	—	65,616	112,225
(charged)/credited to the consolidated statements of comprehensive income or equity during the year	(229)	(23,199)	—	821,068	7,726	805,366
At 31 December 2012	3,197	19,984	—	821,068	73,342	917,591
(charged)/credited to the consolidated statement of comprehensive income or equity during the year	1,959	(17,997)	3,447	(143,684)	(17,176)	(173,451)
At 31 December 2013	5,156	1,987	3,447	677,384	56,166	744,140

22. DEFERRED TAX ASSETS *(CONTINUED)*

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Tax losses	**5,053**	10,083

The above tax losses are available for a maximum of 5 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed to the above mentioned foreign investors in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Company

The movements in deferred tax are as follows:

	Company	
	2013	2012
	RMB'000	*RMB'000*
At 1 January, net	**824,266**	3,426
Deferred tax charged to the statement of profit or loss during the year	**(141,659)**	(228)
Deferred tax recognised from the acquisition of the Target Business Group (as defined in Note 33)*	**—**	821,068
Deferred tax recognised from change in fair value of available-for-sale investment	**3,447**	—
At 31 December, net	**686,054**	824,266

* Deferred tax assets recognised mainly from acquired intangible assets and property, plant and equipment.

23. INVENTORIES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Materials and supplies	**487,896**	493,470
Work in progress	**—**	9,388
Finished goods	**933,590**	373,467
Less: Provision for impairment	**—**	(2,951)
	1,421,486	873,374

	Company	
	2013	2012
	RMB'000	*RMB'000*
Materials and supplies	**255,608**	349,819
Finished goods	**138,622**	329,014
	394,230	678,833

24. TRADE AND BILLS RECEIVABLES

Group

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**2,951,760**	2,640,290
Amounts due from associates	**38,978**	23,136
Amounts due from Yitai Group	**257**	—
Less: Provision for impairment	**—**	—
	2,990,995	2,663,426
Bills receivable	**121,900**	26,210
	3,112,895	2,689,636

Company

	Company	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**1,234,646**	2,304,658
Less: Provision for impairment	**—**	—
	1,234,646	2,304,658
Bills receivable	**13,200**	16,210
	1,247,846	2,320,868

The Group requires most of its customers to pay in advance, and grants one to three months credit term to its major customers. The Group assesses recoverability of trade receivables and makes provision for the doubtful 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 receivable are bills of exchange with maturity of less than six months.

24. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within six months	**3,105,883**	2,644,082
Over six months but within one year	**7,012**	45,554
Over one year but within two years	**—**	—
Over two years but within three years	**—**	—
Over three years	**—**	—
	3,112,895	2,689,636

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**—**	—
Impairment losses recognised	**—**	—
At 31 December	**—**	—

24. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

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

	Company	
	2013	2012
	RMB'000	*RMB'000*
Within six months	**1,240,859**	2,275,314
Over six months but within one year	**6,987**	45,554
Over one year but within two years	**—**	—
Over two years but within three years	**—**	—
Over three years	**—**	—
	1,247,846	2,320,868

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

	Company	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**—**	—
Impairment losses recognised	**—**	—
At 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.

At 31 December 2013, the Group endorsed certain bills receivables accepted by banks in the Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB117,140,000. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2013 and 2012, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Amounts due from related parties:		
Associates	**—**	8,609
Yitai Group	**38,852**	30,129
Other related parties	**162,553**	—
	201,405	38,738
Advances to suppliers	**864,741**	825,006
Prepayments	**324,684**	319,014
Staff advances	**23,874**	36,093
Deposits	**28,539**	37,180
Other receivables	**11,415**	42,484
Entrusted loans*	**530,900**	—
	1,985,558	1,298,515
Less: Provision for impairment	**(19,305)**	(21,316)
	1,966,253	1,277,199

* *Note:*

In November 2013, the Group lent RMB100,000,000 to Inner Mongolia Ordos City Jungar Banner Finance Bureau through Bank of China as an entrusted loan. The loan bears a fixed interest rate of 7.8%, due on 20 June 2014 and is guaranteed by Inner Mongolia Ordos City Jungar Banner Local Tax Bureau.

In December 2013, the Group lent RMB430,900,000 to Inner Mongolia Ordos City Hanggin Banner Finance Bureau through Bank of China as entrusted loans. RMB210,900,000 of the loans bears a fixed interest rate of 8.22%, due on 4 December 2014. RMB160,000,000 of the loans bears a fixed interest rate of 8.22%, due on 5 December 2014. The loans of RMB210,900,000 and RMB160,000,000 are collectively guaranteed by Inner Mongolia Ordos City Hanggin Banner People's Government, National Tax Bureau, Local Tax Bureau and Land and Resources Bureau. RMB60,000,000 of the loans bears a fixed interest rate of 10%, due on 29 December 2014 and is guaranteed by Hanggin Banner People's Government.

In the opinion of the directors, the above entrusted loans, totalling RMB530,900,000, were executed in accordance with the applicable rules and regulations, and no impairment provision against them is required.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

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

		Group	
		2013	2012
	Note	***RMB'000***	*RMB'000*
At 1 January		**21,316**	22,840
Impairment losses recognised	8	**35**	—
Impairment losses reversed	8	**(2,046)**	(1,524)
At 31 December		**19,305**	21,316

	Company	
	2013	2012
	RMB'000	*RMB'000*
Amounts due from related parties:		
Associates	**—**	8,135
Yitai Group	**2**	—
Other related parties	**141,680**	—
Subsidiaries	**2,914,324**	2,229,594
	3,056,006	2,237,729
Advances to suppliers	**353,435**	520,213
Prepayments	**264,416**	225,772
Staff advances	**16,970**	20,107
Deposits	**28,291**	37,180
Other receivables	**5,834**	30,752
	3,724,952	3,071,753
Less: Provision for impairment	**(19,305)**	(21,316)
	3,705,647	3,050,437

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

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

	Company	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**21,316**	43,900
Impairment losses recognised	**35**	—
Impairment losses reversed	**(2,046)**	(22,584)
At 31 December	**19,305**	21,316

26. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH

		Group	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Cash and bank balances		**3,848,693**	6,335,847
Time deposits		**5,586**	8,533
		3,854,279	6,344,380
Less: Restricted cash	(a)	**(39,747)**	(29,827)
Cash and short-term deposits		**3,814,532**	6,314,553
Denominated in RMB	(b)	**3,771,806**	2,958,267
Denominated in other currencies		**42,726**	3,356,286
		3,814,532	6,314,553

26. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH

		Company	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Cash and bank balances		**1,584,855**	5,554,583
Time deposits		**5,586**	8,401
		1,590,441	5,562,984
Less: Restricted cash		**(22,401)**	(19,431)
Cash and short-term deposits		**1,568,040**	5,543,553
Denominated in RMB	(b)	**1,566,003**	2,229,227
Denominated in other currencies		**2,037**	3,314,326
		1,568,040	5,543,553

Notes:

(a) As at 31 December 2013 and 2012, the Group's bank balances of approximately RMB36,487,000 and RMB29,827,000 were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government agencies.

As at 31 December 2013, RMB3,260,000 was deposited at bank as guarantee fund to obtain bank borrowings for the Group's railway construction (2012: Nil).

(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.

26. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH *(CONTINUED)*

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	
	2013	2012
	RMB'000	*RMB'000*
Cash and short-term deposits	**3,814,532**	6,314,553
Less: Time deposits	**(5,586)**	(8,533)
Cash and cash equivalents	**3,808,946**	6,306,020

27. TRADE AND BILLS PAYABLES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade payables to third parties	**960,303**	1,333,920
Trade payables to associates	**5,366**	5,448
Trade payables to Yitai Group	**115,898**	5,957
	1,081,567	1,345,325

27. TRADE AND BILLS PAYABLES *(CONTINUED)*

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within six months	**975,549**	1,171,845
Over six months but within one year	**76,376**	91,881
Over one year but within two years	**29,642**	81,599
Over two years but within three years	**—**	—
Over three years	**—**	—
	1,081,567	1,345,325

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	
	2013	2012
	RMB'000	*RMB'000*
Trade payables to third parties	**284,605**	858,405
Trade payables to Yitai Group	**115,334**	—
Trade payables to associates	**2,120**	430
Trade payables to the subsidiaries	**489,235**	1,391,563
Bills payable	**—**	—
	891,294	2,250,398

27. TRADE AND BILLS PAYABLES *(CONTINUED)*

	Company	
	2013	2012
	RMB'000	*RMB'000*
Within six months	**827,669**	2,122,391
Over six months but within one year	**42,957**	67,319
Over one year but within two years	**20,668**	60,688
Over two years but within three years	**—**	—
	891,294	2,250,398

28. OTHER PAYABLES AND ACCRUALS

	Group	
	2013	2012
	RMB'000	*RMB'000*
Advances from customers	**274,954**	384,030
Accrued salaries, wages and benefits	**317,398**	212,024
Other tax payables	**37,018**	26,159
Accrued interest	**124,970**	48,755
Dividends payable	**—**	270,000
Payables for property, plant and equipment	**1,713,923**	1,251,631
Accruals	**41,527**	105,922
Dividend payable to Yitai Group	**—**	730,000
Amounts due to Yitai Group	**29,988**	4,307,013
Amounts due to associates	**1,686**	1,445
Other payables	**99,637**	87,126
	2,641,101	7,424,105

28. OTHER PAYABLES AND ACCRUALS *(CONTINUED)*

	Company	
	2013	2012
	RMB'000	*RMB'000*
Advances from customers	**93,592**	209,165
Accrued salaries, wages and benefits	**165,330**	118,897
Other taxes payable	**17,100**	(11,292)
Accrued interest	**92,599**	30,354
Payables for property, plant and equipment	**703,215**	780,747
Accruals	**22,175**	258
Amounts due to the Yitai Group	**5,248**	4,267,811
Amounts due to subsidiaries	**1,868,917**	95,835
Amounts due to associates	**1,317**	856
Other payables	**65,513**	50,403
	3,035,006	5,543,034

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

29. INTEREST-BEARING BANK BORROWINGS

	Group	
	2013	2012
	RMB'000	*RMB'000*
Current:		
Bank loans - guaranteed	**64,000**	328,000
Bank loans - unguaranteed	**100,000**	—
Current portion of long-term bank loans - guaranteed	**704,233**	710,419
Current portion of long-term bank loans - unguaranteed	**144,000**	544,000
Total current bank loans	**1,012,233**	1,582,419
Non-current:		
Bank loans - guaranteed	**9,943,688**	5,766,524
Bank loans - secured	**1,692**	—
Bank loans - unguaranteed	**2,372,000**	2,036,000
Total non-current loans	**12,317,380**	7,802,524
Total loans	**13,329,613**	9,384,943
Denominated in RMB	**13,127,200**	9,142,400
Denominated in USD	**32,037**	38,639

29. INTEREST-BEARING BANK BORROWINGS *(CONTINUED)*

	Company	
	2013	2012
	RMB'000	*RMB'000*
Current:		
Bank loans - unguaranteed	**100,000**	44,000
Current portion of long-term bank loans - unguaranteed	**144,000**	—
Total current loans	**244,000**	44,000
Non-current:		
Bank loans - unguaranteed	**2,172,000**	2,036,000
Total non-current loans	**2,172,000**	2,036,000
Total loans	**2,416,000**	2,080,000
Denominated in RMB	**2,416,000**	2,080,000

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

	2013	2012
	%	*%*
Group		
Fixed-rate loans	**3.80-8.50**	3.80-6.56
Floating-rate loans	**6.08-6.55**	5.99-7.05
Company		
Fixed-rate loans	**N/A**	N/A
Floating-rate loans	**6.15-6.55**	6.65-6.90

29. INTEREST-BEARING BANK BORROWINGS *(CONTINUED)*

The maturity profile of the loans is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,012,233**	1,582,419
In the second year	**2,957,173**	737,419
In the third to fifth years, inclusive	**6,309,356**	3,759,324
Beyond five years	**3,050,851**	3,305,781
	13,329,613	9,384,943

	Company	
	2013	2012
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**244,000**	44,000
In the second year	**2,092,000**	44,000
In the third to fifth years, inclusive	**80,000**	1,992,000
Beyond five years	**—**	—
	2,416,000	2,080,000

Certain of the Group's non-current bank loans amounting to RMB1,692,000 (2012: Nil) is pledged by certain of the Group's restricted cash amounting to RMB3,260,000 (2012: Nil).

29. INTEREST-BEARING BANK BORROWINGS *(CONTINUED)*

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Yitai Group	**758,100**	380,000
Independent third parties	**46,913**	39,020
Other related parties	**709,382**	723,660
	1,514,395	1,142,680

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.

30. LONG-TERM BONDS

	Group/Company	
	2013	2012
	RMB'000	*RMB'000*
Nominal value of corporate bonds in issue during the year	**3,500,000**	1,000,000
Direct transaction costs	**(10,500)**	(3,000)
	3,489,500	997,000
Interest expense	**147,418**	4,296
Interest payable	**(86,785)**	—
Interest paid	**(55,300)**	—
Corporate bonds at 31 December	**3,494,833**	1,001,296

On 16 April 2013, the Company issued 5-year corporate bonds, with a nominal value of RMB100.00 per bond, amounting to RMB2,500 million. The bonds were issued at discount, bearing effective interest rate of 5.27%. Interest of the bonds is payable annually in arrears on 16 April, and the maturity date is 16 April 2018.

On 25 December 2012, the Company issued 5-year corporate bonds, with a nominal value of RMB100.00 per bond, amounting to RMB1,000 million. The bonds were issued at discount, bearing effective interest rate of 5.85%. Interest of the bonds is payable annually in arrears on 25 December, and the maturity date is 25 December 2017.

31. ISSUED CAPITAL

	Group/Company	
	2013	2012
	RMB'000	*RMB'000*
Authorised, issued and fully paid:		
1,600,000,000 (2012: 800,000,000) B shares owned by Yitai Group of RMB1.00 each	**1,600,000**	800,000
1,328,000,000 (2012: 664,000,000) B shares of RMB1.00 each	**1,328,000**	664,000
326,007,000 (2012: 163,003,500) H shares of RMB1.00 each	**326,007**	163,004
Ordinary shares of RMB1.00 each	**3,254,007**	1,627,004

During the year, the movements in share capital were as follows:

In August 2013, as a result of the conversion of proposed final stock dividend of 10 ordinary shares per 10 ordinary shares, the Company increased issued capital shares to RMB3,254,007,000.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2013 and 2012 are presented in the consolidated statement of changes in equity.

(b) Company

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2012	166,128	2,022,836	—	10,074,746	12,263,710
Comprehensive income for the year	—	—	—	4,349,481	4,349,481
Share premium arising from the H shares	5,550,886	—	—	—	5,550,886
Share issue expenses	(168,163)	—	—	—	(168,163)
Acquisition of the Target Business Group (as defined in Note 33)	(5,447,310)	(103,421)	—	171,790	(5,378,941)
Disposal of a subsidiary	(8,942)	—	—	—	(8,942)
Appropriation of general reserve	—	449,182	—	(449,182)	—
Deferred tax arose from the acquisition of the Target Business Group (as defined in Note 33)	821,068	—	—	—	821,068
Proposed final 2012 dividends	—	—	—	(2,033,754)	(2,033,754)
As at 31 December 2012	913,667	2,368,597	—	12,113,081	15,395,345
As at 1 January 2013	**913,667**	**2,368,597**	**—**	**12,113,081**	**15,395,345**
Comprehensive income for the year	**—**	**—**	**(19,531)**	**2,216,537**	**2,197,006**
Appropriation of general reserve	**—**	**221,653**	**—**	**(221,653)**	**—**
2012 final dividends declared and paid	**—**	**—**	**—**	**(1,627,003)**	**(1,627,003)**
Proposed final 2013 dividend	**—**	**—**	**—**	**(1,041,282)**	**(1,041,282)**
As at 31 December 2013	**913,667**	**2,590,250**	**(19,531)**	**11,439,680**	**14,924,066**

33. BUSINESS COMBINATION

The Company entered into an assets transfer agreement (the "Assets Transfer Agreement") with Yitai Group on 29 May 2012, to acquire from Yitai Group the production and sale of coal operation, together with the related assets and liabilities (the "Target Business Group"), as described in Note 35 to the consolidated financial statements of the Group for the year ended 31 December 2012.

As the Company and the Target Business Group are under common control of Yitai Group before and after the Acquisition, the Acquisition falls under the category of business combinations among entities under common control, which is not dealt with by IFRS 3 Business Combinations. The Company chose to refer to the principles set out in AG 5 when preparing the consolidated financial statements of the Group as if the Acquisition had occurred from the date when the combining entities first came under the control of Yitai Group, and the consideration was regarded as the deemed distribution to Yitai Group.

34. DISPOSAL OF A SUBSIDIARY

On 14 January 2013, the Company entered into an equity transfer agreement with Beijing Guangbo DESAY Medical Technology Development Co.,Ltd. (北京廣博德賽醫藥技術開發有限責任公司, "Beijing DESAY"), an unrelated party, to transfer a 31.2% equity interest in Yitai (Beijing) Pharmatech Co., Ltd. (a subsidiary of the Company, "Yitai Pharmatech") to Beijing DESAY for a cash consideration of RMB1,500,000. After the equity transfer, the Company retains 49% equity interest in Yitai Pharmatech.

34. DISPOSAL OF A SUBSIDIARY

The carrying amount of identifiable assets and liabilities of Yitai Pharmatech as at the disposal date are as follows:

	Notes	**2013** **RMB'000**
Net assets disposed of:		
Property, plant and equipment	13	**3,002**
Other intangible assets	17	**1,578**
Other non-current assets	18	**44**
Inventories		**15,624**
Prepayments and other receivables		**359**
Trade receivables		**880**
Cash and bank balances		**14,896**
Trade payables		**(208)**
Accruals and other payables		**(18,532)**
Tax payable		**(22)**
Non-controlling interests		**(1,407)**
		16,214
Loss on disposal of a subsidiary		**(12,358)**
Less: Retained interest in the subsidiary (remeasured to fair value in the consolidated statement of financial position)		**2,356**
		1,500
Satisfied by other receivables		**1,500**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013 **RMB'000**
Cash and bank balances disposed of	**(14,896)**
Net outflow of cash and cash equivalents in respect of the disposal of subsidiary	**(14,896)**

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 4 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2013, the Group had no significant future minimum lease receivables under non-cancellable operating leases.

(b) As lessee

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

36. COMMITMENTS

The Group and the Company had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**6,728,714**	1,351,335
Available-for-sale investments	**483,313**	54,775
	7,212,027	1,406,110

	Company	
	2013	2012
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**516,917**	447,207
Available-for-sale investments	**421,093**	48,000
	938,010	495,207

37. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2013 and 2012:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Sales of goods to Yitai Group	**8,334**	25,411
Purchase of goods from Yitai Group	**165,296**	35,895
Interest paid to Yitai Group in relation to the Acquisition of the Target Business Group (as defined in Note 33)	**164,948**	—
Sales of goods to associates	**160,439**	218,333
Purchase of goods from associates	**—**	34,615
Purchase of services from associates	**43,585**	—
Procurement of services from other related parties	**2,483**	—

In the opinion of the directors of the Group, 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.

(b) Outstanding balances with related parties

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade and bills receivables	**39,235**	23,136
Prepayments, deposits and other receivables	**201,405**	38,738
Trade payables	**(121,264)**	(11,405)
Other payables and accruals	**(31,674)**	(4,308,458)

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

37. RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

(c) Guarantees received from related parties

As at 31 December 2013 and 31 December 2012, bank loans of RMB1,467,482,000 and RMB1,103,660,000, respectively, were guaranteed by related parties.

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

As at 31 December 2013 and 31 December 2012, guarantees of RMB24,993,000 and RMB20,860,000, respectively, were given to banks for loans of related parties.

(e) Compensation of key management personnel of the Group:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Short-term employee benefits	**11,065**	11,960
Post-employment benefits	**529**	467
Total compensation paid to key management personnel	**11,594**	12,427

Further details of directors' and the chief executive's emoluments are included in Note 9 to financial statements.

The related party transactions in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

During the year ended 31 December 2013, the Group paid a stock dividend of 10 ordinary shares per 10 ordinary shares to existing shareholders, resulting in an increase of RMB1,627,003,000 in issued capital for no consideration.

During the year ended 31 December 2012, in relation to the acquisition of the Target Business Group from Yitai Group, part of the cash consideration payable to Yitai Group, in an aggregate amount of RMB604,468,000, was settled through netting off the Group's other receivables from Yitai Group.

39. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Guarantees given to banks in connection with loans granted to associates	**24,993**	20,860
	24,993	20,860

	Company	
	2013	2012
	RMB'000	*RMB'000*
Guarantees given to banks in connection with loans granted to subsidiaries	**9,208,260**	5,662,263
Guarantees given to banks in connection with loans granted to associates	**24,993**	20,860
	9,233,253	5,683,123

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2013 and 2012 are as follows:

2013

Financial assets

	Group		
	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	4,006,498	4,006,498
Trade and bills receivables	3,112,895	—	3,112,895
Financial assets included in prepayments, deposits and other receivables	767,594	—	767,594
Restricted cash	39,747	—	39,747
Cash and short-term deposits	3,814,532	—	3,814,532
	7,734,768	4,006,498	11,741,266

Financial liabilities

	Group		
	Financial liabilities at fair value through profit or loss *RMB'000*	Financial liabilities at amortised costs *RMB'000*	Total *RMB'000*
Trade and bills payables	—	1,081,567	1,081,567
Financial liabilities at fair value through profit or loss	446	—	446
Financial liabilities included in other payables and accruals	—	2,011,731	2,011,731
Interest-bearing bank borrowings	—	13,329,613	13,329,613
Long-term bonds	—	3,494,833	3,494,833
	446	19,917,744	19,918,190

40. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

2012

Financial assets

	Group		
	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	3,808,393	3,808,393
Trade and bills receivables	2,689,636	—	2,689,636
Financial assets included in prepayments, deposits and other receivables	117,315	—	117,315
Restricted cash	29,827	—	29,827
Cash and short-term deposits	6,314,553	—	6,314,553
	9,151,331	3,808,393	12,959,724

Financial liabilities

	Financial liabilities at amortised costs *RMB'000*
Trade and bills payables	1,345,325
Financial liabilities included in other payables and accruals	6,801,892
Interest-bearing bank borrowings	9,384,943
Long-term bonds	1,001,296
	18,533,456

40. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

2013

Financial assets

	Loans and receivables *RMB'000*	Company Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	3,863,591	3,863,591
Trade and bills receivables	1,247,846	—	1,247,846
Financial assets included in prepayments, deposits and other receivables	3,078,810	—	3,078,810
Restricted cash	22,401	—	22,401
Cash and short-term deposits	1,568,040	—	1,568,040
	5,917,097	3,863,591	9,780,688

Financial liabilities

	Financial liabilities at fair value through profit or loss *RMB'000*	Financial liabilities at amortised costs *RMB'000*	Total *RMB'000*
Trade and bills payables	—	891,294	891,294
Financial liabilities at fair value through profit or loss	446	—	446
Financial liabilities included in other payables and accruals	—	2,758,984	2,758,984
Interest-bearing bank borrowings	—	2,416,000	2,416,000
Long-term bonds	—	3,494,833	3,494,833
Financial guarantee contracts	—	353,378	353,378
	446	9,914,489	9,914,935

40. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

2012

		Company	
	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	—	3,667,300	3,667,300
Trade and bills receivables	2,320,868	—	2,320,868
Financial assets included in prepayments, deposits and other receivables	2,288,588	—	2,288,588
Restricted cash	19,431	—	19,431
Cash and short-term deposits	5,543,553	—	5,543,553
	10,172,440	3,667,300	13,839,740

Financial liabilities

	Financial liabilities at amortised costs
	RMB'000
Trade and bills payables	2,250,398
Financial liabilities included in other payables and accruals	5,226,264
Interest-bearing bank borrowings	2,080,000
Long-term bonds	1,001,296
Financial guarantee contracts	97,265
	10,655,223

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and short-term deposits, restricted cash, financial assets included in prepayments, deposits and other receivables, trade and bills receivables, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, and the current-portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank borrowings and long-term bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities.

The fair values of listed available-for-sale equity investments are based on quoted market prices.

Assets measured at fair value:

Group/Company

	As at 31 December 2013 Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Available-for-sale investments	**129,138**	**—**	**—**	**129,138**
	129,138	**—**	**—**	**129,138**

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Liabilities measured at fair value:

Group/Company

	As at 31 December 2013 Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial liabilities at fair value through profit or loss	**446**	**—**	**—**	**446**
	446	**—**	**—**	**446**

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2012.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, long-term bonds 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 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Interest rate risk

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

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

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
Year ended 31 December 2013	**100**	**(83,132)**
	(100)	**83,132**
Year ended 31 December 2012	100	(80,324)
	(100)	80,324

	Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
Year ended 31 December 2013	**100**	**(24,160)**
	(100)	**24,160**
Year ended 31 December 2012	100	(20,800)
	(100)	20,800

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

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.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 24 to the financial statements.

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.

The Group began to use futures contracts to reduce its exposure to fluctuations in the price of coal in November 2013. The Group uses futures contracts traded on the Zhengzhou Commodity Exchange ("ZCE") to hedge against fluctuations in coal prices. As at 31 December 2013, the fair values of outstanding futures contracts amounting to RMB445,960 (31 December 2012: Nil) are recognised as financial liabilities at fair value through profit or loss.

A summary of futures contracts held as at 31 December 2013 is as follows:

Year ended 31 December 2013	Quantity Tons	Contract values *RMB'000*	Market values *RMB'000*	Contract maturity
Coal				
— Short position	**65,000**	**38,021**	**38,467**	**January 2014**

42. 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

	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*
Year ended 31 December 2013					
Interest-bearing bank borrowings	**—**	**1,915,280**	**13,656,170**	**4,905,839**	**20,477,289**
Long-term bonds	**—**	**179,050**	**4,216,200**	**—**	**4,395,250**
Trade and bills payables	**1,081,567**	**—**	**—**	**—**	**1,081,567**
Financial liabilities at fair value through profit or loss	**—**	**446**	**—**	**—**	**446**
Other payables and accruals	**99,637**	**1,912,094**	**—**	**—**	**2,011,731**
	1,181,204	**4,006,870**	**17,872,370**	**4,905,839**	**27,966,283**
Year ended 31 December 2012					
Interest-bearing bank borrowings	—	2,054,501	5,572,234	4,464,236	12,090,971
Long-term bonds	—	55,300	1,221,200	—	1,276,500
Trade and bills payables	1,345,325	—	—	—	1,345,325
Other payables and accruals	87,126	6,714,766	—	—	6,801,892
	1,432,451	8,824,567	6,793,434	4,464,236	21,514,688

42. 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

	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*
Year ended 31 December 2013					
Interest-bearing bank borrowings	**—**	**385,050**	**4,015,899**	**—**	**4,400,949**
Long-term bonds	**—**	**179,050**	**4,216,200**	**—**	**4,395,250**
Trade and bills payables	**891,294**	**—**	**—**	**—**	**891,294**
Financial liabilities at fair value through profit or loss	**—**	**446**	**—**	**—**	**446**
Other payables and accruals	**65,513**	**2,693,471**	**—**	**—**	**2,758,984**
Guarantees given to banks in connection with facilities granted to subsidiaries	**353,378**	**—**	**—**	**—**	**353,378**
	1,310,185	**3,258,017**	**8,232,099**	**—**	**12,800,301**
Year ended 31 December 2012					
Interest bearing bank borrowings	—	172,916	2,259,425	—	2,432,341
Long-term bonds	—	55,300	1,221,200	—	1,276,500
Trade and bills payables	2,250,398	—	—	—	2,250,398
Other payables and accruals	50,403	5,175,861	—	—	5,226,264
Guarantees given to banks in connection with facilities granted to subsidiaries	97,265	—	—	—	97,265
	2,398,066	5,404,077	3,480,625	—	11,282,768

42. 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 and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, long-term bonds, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash and short-term deposits. Capital represents equity attributable to owners of the parent.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management *(continued)*

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Interest-bearing bank borrowings	**13,329,613**	9,384,943
Long-term bonds	**3,494,833**	1,001,296
Trade and bills payables	**1,081,567**	1,345,325
Financial liabilities at fair value through profit or loss	**446**	—
Financial liabilities included in other payables and accruals	**2,011,731**	6,801,892
Less: Cash and short-term deposits	**(3,814,532)**	(6,314,553)
Net debt	**16,103,658**	12,218,903
Equity attributable to owners of the parent	**21,149,821**	19,710,091
Capital and net debt	**37,253,479**	31,928,994
Gearing ratio	**43%**	38%

43. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2014, the Company announced to establish six wholly-owned mine subsidiaries and a wholly-owned highway subsidiary, with a total cash contribution of RMB720,000,000.

The above establishment of mine subsidiaries and a highway subsidiary is subject to approval at the shareholders' extraordinary general meeting on 25 March 2014.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of the directors on 25 March 2014.

DOCUMENTS FOR INSPECTION

I. The financial statements signed and sealed by the legal representative, the person in charge of accounting affairs and the person in charge of the accounting department.

II. The original document of the auditors' report sealed by the accounting firm and signed and sealed by the certified public accountants.

III. original copies of all documents and announcements of the Company publicly disclosed in the Shanghai Securities News and Hong Kong Commercial Daily during the reporting period.

IV. The annual report was published in the Hong Kong Stock Exchange.

Chairman: **Zhang Donghai**
Inner Mongolia Yitai Coal Co., Ltd.*
25 March 2014

APPENDIX I:

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

INNER MONGOLIA YITAI COAL CO., LTD.*
SOCIAL RESPONSIBILITY REPORT FOR THE YEAR 2013

The Board of Directors of the Company together with all the Directors thereof warrant that there are no false representations, misleading statements contained in or material omissions from this report, and we will be severally and jointly liable for the truthfulness, accuracy and completeness of the information herein contained.

The report has complied with the requirements of Preparation Guidelines for Social Responsibility Report (《<公司履行社會責任的報告>編制指引》) and Notice in relation to Strengthening Social Responsibilities of Listed Companies and Issue of Environmental Information Disclosure Guidelines to Listed Companies by Shanghai Stock Exchange (《關於加強上市公司社會責任承擔工作暨發布<上海證券交易所上市公司環境信息披露指引>的通知》), made reference to the Sustainability Reporting Guidelines (《可持續發展報告指南》) by the Global Reporting Initiative (GRI), and the actual positions of the Company to prepare the report.

This report reported mainly on the year of 2013 with objective, standardized, sincere and transparent principles to disclose the Company's performance in safety, economy, environment, social responsibility and other aspects comprehensively. It aims to reflect the philosophy and performance of social responsibilities in 2013.

This report's reporting entity is Inner Mongolia Yitai Coal Co., Ltd.*. Its scope of report includes the Company and its subsidiaries. The financial information in this report is from the audited annual report of Inner Mongolia Yitai Coal Co., Ltd. (PRC Accounting Standard for Business Enterprises). Other information is from internal and relevant statistics of the Company.

I. CORPORATE OVERVIEW

1. Corporate overview

Inner Mongolia Yitai Coal Co., Ltd. (hereafter abbreviated as the "Company") is a B-share and H-share listed company that was solely promoted by Inner Mongolia Yitai Group Co., Ltd.. The Company was established in August 1997 and listed in the Shanghai Stock Exchange in the same year under the stock abbreviation of "Yitai B Share" (stock code: 900948). The Company was listed in The Hong Kong Stock Exchange in July 2012 under the stock abbreviation of "Yitai Coal" (stock code: 3948). At present, the total share capital of the Company is 3,254.007 million shares, of which 1,600 million domestic legal person shares are held by Inner Mongolia Yitai Group Co., Ltd., representing 49.17% of the total share capital of the Company, a total of 1,328 million shares are tradable B shares, representing 40.81% of the Company's total share capital, and a total of 326.007 million H shares were issued, representing 10.02% of the total share capital. The Company is a large enterprise with coal production as its principal business, railway transportation as its supplementary business and coal-related chemical business as extension of its business.

I. CORPORATE OVERVIEW *(CONTINUED)*

1. Corporate overview *(Continued)*

The Company is the largest coal enterprise in Inner Mongolia Autonomous Region and one of the largest coal enterprises in the PRC. Inner Mongolia Yitai Group Co., Ltd., to which the Company is a core member, has ranked 230th at the Top 500 Enterprises in China（中國500強企業）, ranked 19th at the Top 100 Chinese Coal Enterprises（中國煤炭100強企業）and 1st at the Top 50 Coal Enterprises in Inner Mongolia Autonomous Region（內蒙古自治區煤炭企業50強）. It is also selected as one of the 14 major large coal base enterprises in national planning and development by the State Council.

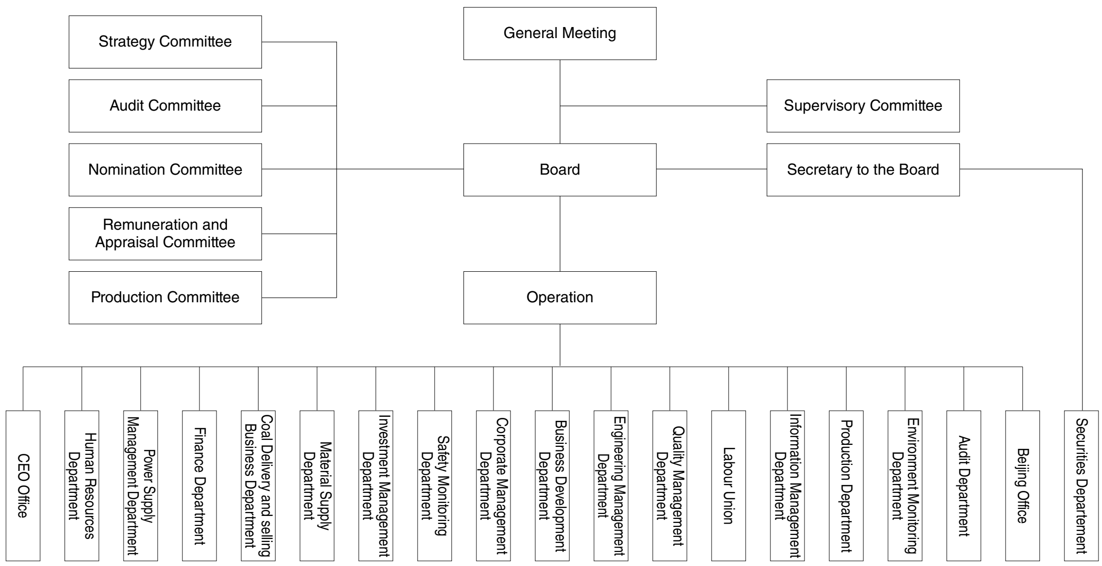
At present, the Company directly owns and controls a total of 13 mechanized coal mines with production capacity of 50 Mtpa in operation. All the mines are equipped with imported or domestic fully mechanized coal mining equipment. the average recovery in coal mining area reached 80%. The mechanization rate of mining reaches 95%. One of those mines are under development, the design production capacity of which are 6 Mtpa. The production efficiency and safety production record of the Company's coal mines are on leading position domestically. Coal produced and operated by the Company are low ash, ultra low phosphorous, ultra low sulfur, middle to high calorific value etc., which are high quality thermal coal that are natural and environmentally friendly.

During the reporting period, the Company's total output and sales of commodity coal amounted to 45.89 million tonnes and 63.46 million tonnes respectively. Zhundong Railway Line dispatched an aggregate of 44.48 million tonnes of coal. Huzhun Railway Line dispatched an aggregate of 29.25 million tonnes of coal. Coal-to-oil companies produced 180,000 tonnes of coal-related chemical products, operating steadily for a longer cycle. During the reporting period, the Company's operating revenue amounted to RMB24,275 million, representing a decrease of 23% over the same period last year. Net profit attributable to the Company amounted to RMB3,444.63 million.

I. CORPORATE OVERVIEW *(CONTINUED)*

2. Corporate Structure

The Company has established a comprehensive structure and formed a scientific responsibility and word distribution system. the Company's structure is as follows:



3. Principles and Philosophy of the Company's Social Responsibility

The corporate spirit of Yitai: Integrity, Fidelity, Innovation, Dedication（誠信、盡責、創新、奉獻）.

The mission of of Yitai: the panel point of the national energy system, platform for cooperation of regional and relevant parties

The outlook of Yitai: an international production group consolidating production, transportation and transaction of coal and chemical coal

The core value of Yitai: operate with integrity and sow for the future（誠行天下播種未來）

The corporate principles of Yitai: The principle of "Four Constants" (「四個不變」), that is, "the enhancement of the leadership of the Communist Party of China to the enterprise; the Party Committee of the Company remains constant as the core leadership; the insistence of legal operation and compliant tax payment and the constant coordinated development of two civilization; the insistence of relying on all the employees and of fully respecting them as masters of the Company; the insistence of actively contributing to the local and national socialist development".

I. CORPORATE OVERVIEW *(CONTINUED)*

3. Principles and Philosophy of the Company's Social Responsibility *(Continued)*

With health, safety and environment as primary objective of Yitai's development. Yitai undertakes to operate in a way that is responsible to the environment and the community. As such, Yitai insists on the following in its operation: Being no harm to the human beings; protecting environmental and efficiently developing and utilizing resources; complying with all the laws and regulations regarding health, safety and environmental protection; striving to achieve the social responsibility objective of "operate with integrity and sow for the future".

In Yitai's long-term operation, the Company always advocates social responsibilities actively and pursues economic gains and protects the benefits of shareholders. Meanwhile, it should protects the legal benefits of its debtors and labor actively, be sincere to its providers, customers and consumers. It actively engages in public welfare such as envoronmental protection to promote coordination and harmonious development of the Company itself and the whole society.

II. STANDARDIZED OPERATIONS

The Company has made important measures to protect the shareholders' benefits, namely optimisation of corporate governance, strict compliance to information disclosure and enhancement of management in investor relations. it treats all sharehodlers fairly and guarantees the legal benefits of shareholders as a whole.

1. Corporate Governance

The Company observed the principles of transparency, accountability and protection to shareholders as a whole in accordance with the Company Law of the People's Republic of China, the Security Law of the People's Republic of China, and relevant regulations in listing regions domestically and overseas to establish a standardized and steady corporate governing system.

The Company sets up its corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management, forming a balanced system with clear distinguishing of power and accountability, mutual coordination of standardized operations and mutual check and balance between the authority, decision making, monitoring and operation bodies. The Company made reference to international traditions and established the independent system quite early; it sets up a special committee under the Board. Pursuant to the requirements of regulatory commissions and listing rules domestically and overseas, the Company established the "three committee" (三會) operation, independent Directors, information disclosure, protection to investors, connected transactions and other internal systems publicly, fairly and justly to ensure continuous improvement of corporate governance level. Should there be any difference in the requirements in regulations in relation to corporate governance domestically and overseas, the Company will set up terms in the Articles of Association and the internal system in accordance with the stricter regulatory requirement and the Company's positions. The Company thus can ensure compliance to the regulations in the PRC and overseas only by observing the Articles of Association and internal systems,

II. STANDARDIZED OPERATIONS *(CONTINUED)*

1. Corporate Governance *(Continued)*

The Company actively introduced trainings to the management to enhance legal awareness, responsibility awareness and self-discipline awareness of the Company's Directors, supervisors and senior management. It organizes the Company's Directors and supervisors to participate in relevant sustainable tranings of the regulatory commissions to learn newly annouced laws, regulations and documents timely, to tidy up, discuss and study cases of violation in the capital market and other measures, which enhances the awareness of regulated operations among the management of the Company, and scientific decision-making and corporate governance level of the Board.

Incenting the Directors, supervisors and the senior management to perform their responsibility and duties diligently, and effectively avoid litigation risks triggered by the performance of their responsibility, the Company purchases liability insurance for the Directors, the supervisors and senior management each year.

2. Information disclosure

The Company attaches great importance in the truthfulness, timeliness, fairness, justice and publicity of the information disclosed. For the financial statement and relevant contents disclosed, the chief finance officer must ensure that the Company's results and financial positions are reflected truthfully and fairly in accordance with appropriate accounting standards. The Company insists on the "timely and fair disclosure（同步公平披露）" principle. Investors at home and aboard thus can obtain timely and balanced information. When preparing periodical reports, the Company strictly complied with requirements to the contents and formats of periodic reports, and prepared and disclosed prices, costs and other information that the capital market paid special attention to in user-friendly formats, trying its best to assist the capital market to obtain detailed information more easily. The Company specially designed a website in both Chinese and English to effectively and timely deliver the Company's information through the Internet. Investors can understand the latest news of the Company easily. The Company published 83 different annoucements on Shanghai Stock Exchange during the year, including 9 periodic reports, 55 temporary announcements and 19 other announcements; and published 102 announcements, notices, circulars and listed documents on the Hong Kong Stock Exchange.

3. Management of Investor Relation

The Company insists on the "going out and introducing"（走出去，請進來）strategy, actively communicates with investors at home and aboard actively with flexible and various methods in accordance with laws and regulations. The Company insists on organizing result release and investor meetings each year to report the operation positions to investors and understand the investors' opinions and suggestions to the Company.

The Company received investors, fund managers and analysts of the industry to study on site and communicate face to face so that investors understood the Company better.

II. STANDARDIZED OPERATIONS *(CONTINUED)*

3. Management of Investor Relations *(Continued)*

The Company used the opportunity of the convention of general meetings to convene shareholder meetings, and encouraged the minority to participate in general meetings by adopting Internet voting and other methods. Under normal circumstances, the chairman, general manager, chairman of the Supervisory Committee, and relevant Directors, supervisors and senior management of the Company all attended the general meetings. All resolutions of the general meetings were determined by way of poll.

II. PRODUCTION SAFETY RESPONSIBILITY OF THE COMPANY

The Company constantly adheres to the principle of "safety-foremost with prevention-oriented and comprehensive treatment" (「安全第一、預防為主、綜合治理」) and insists "one safety concept, two basic points and three basic principles". The one safety concept means "to reduce the production of coal by 1 million tonnes, rather than expending one person", "to increase investment by 10 million, rather than expending one person"; the two basic points mean the reliance on management and investment; the three basic principles is safety, is the most important policy of the Company, is the biggest welfare of the employees and is the maximum benefits of the Company. The Company advocates to start from advanced culture of safety to create an atmosphere that concerns about safety and cares about lives, so as to enhance the development of the safety culture, material culture, system culture and behaviors culture.

In 2013, the Company consolidated the actual position of safety production to introduce technological innovation. It developed digital coal mines, support of bolts in coal tunnels, study the steadiness of the surrounding rock and coal pillars in recovery tunnels. Four topics received the second and the third prize of Science and Technology in China's Coal Industry (中國煤炭工業科學技術二、三等獎), the third prize of Science and Technology by Occupational Safety and Health Association of China (中國職業安全健康協會) and the third prize of Scientific Improvement in Inner Mongolia Autonomous Region. 10 of the Company's production mines were graded "mines with national-level safety quality standard" during the year.

The Company enhanced the standardization and control in the process of key processes such as roof, thorough protection, flooding and assisting transportation. It speculated for safety production and thoroughly solved different potential problems to effectively guarantee safe production pursuant to the "Mine safety and quality standardization standards" (《煤礦安全質量標準化標準》) which was issued by the SACMS in 2013. The Company effectively reduced equipment accidents by optimizing and perfecting protecting facilities of the coal production equipments. It promoted the application of digital mining management system with great efforts to improve the level of safety management and control. The consolidated management and information system of safety production technology for coal mine, which was developed and established by the Company, reached scientific integration and data sharing of core information such as geodesy, ventilation, mining and power supply design, safety management, remote monitoring and control, and warning of natural disasters in coal mine. It improved the production efficiency in coal mines and digital management of safety production. At present, it operates in five production mines.

IV. ECONOMIC RESPONSIBILITY OF THE COMPANY

In 2013, the domestic economic growth slowed down. The growth of coal demand was weak and coal price fell significantly. The supply and demand in the coal market became severe. The sales of coal faced severe challenge. The Company adhered to "safety guarantee, increase of production volume, enhancement in quality and benefits (保安全、增產量、提品質、促效益). It implemented boldly, innovated bravely, and achieved management enhancement and maintained its profitability by revealing its potentials and expanding it's abilities, strengthening its management, and accelerating its structural adjustment. It accelerated national and regional economic development, and guaranteed the supply of power in the nation.

1. It enhanced the technological level of business, utilized resources effectively and created high quality products. The quality of coal was enhanced significantly. In 2013, the Company produced 45.89 million tonnes of raw coal and sold 63.46 million tonnes of coal. The Company adopted fully mechanized coal mining equipment which was supported again, cleared impurities in clear tunnels, clearing underground gangues, selecting gangues on the surface, packaging and transporting coal petrography, transporting coal that contained high proportion of gangues and ashes to coal preparation plants for cleaning and other measures in the production process in coal mines. These improved the coal utilization rate and reduced the discharge of pollutants. It priced quality and satisfied the demand of customers.

2. Broad application of new technology and new materials, which improved economic benefits. The Company adopted auto-opening and removing tunnel technology of FM (comprehensive mining) face (綜采(綜放)工作面). This reasonably avoided mine pressure and recovered 0.052 million tonnes of extra coal, which reduced the Company's cost expenditure. It promoted the application of "high-strength polyester fiber flexible net" (高強聚酯纖維柔性網) to avoid the danger from coal walls as workers frequently enter the operation tunnels. It reduced labor intensiveness and significantly enhanced the consolidated benefits as compared to the hanging of steel mesh. Soil grouting system, major tunnels and water supply and drainage system of troughs in six coal mines such as Dadijing used polyvinyl chloride (pvc) pipes for mines, which are highly resisting to erosion, watertight, clean bright pipe walls and easy to install, which reduced fees of erosion and descaling, and lengthened the lifespan. The production is thus safe and highly efficient. Steady development of the coal mines was reached.

IV. ECONOMIC RESPONSIBILITY OF THE COMPANY *(CONTINUED)*

3. The first to enter the futures market and utilizes its hedging function actively. The selling channels are thus widened and the branding influence of the Company enhanced. Observing that the coal market further continued to reform, Zhengzhou Commodity Exchange（鄭商所）introduced thermal coal futures in September 2013. After studying, the Company actively seized the opportunity to try the hedging of futures and positive results were obtained. By participating in the hedging of thermal coal, risk avoidance and price discovery functions of futures were fully released, which left a good foundation for the marketing system of the Company, which was forming gradually and spot complementary. The Company and big coal enterprises such as Shenhua（神華) and Zhongmei (中煤）became the first group of companies with thermal coal futures plant units. The Company also completed its first transferring business upon completion of the listing of thermal coal futures. The buyer was Jiangsu Jinying Trading Co., Ltd.（江蘇錦盈貿易有限公司）. It was a transaction between private coal company and a state-owned company. The parties reached steady cooperation and solved the difficulty in price setting. This model can be copied and extended and was the "Jinying Model"（錦盈模式）. It has special meaning in the history of thermal coal futures in the nation and the innovated way of transaction was considered promotable. The Company actively participated in the futures market and innovated the way of transaction, establishing mutual trust and reliance with the stakeholders. Its image and value increased significantly at the same time. The understanding, awareness, acceptance and reputation of the Company were improved in the society.

4. Made supply and demand steady and provided highly efficient services to create value for customers with good reputation. to satisfy the Company's selling and delivery demands, the Company ensured strategic and cooperating supply and demand relationship with some big coal mines by mutual agreement based on its long-term friendliness and steady cooperation principle. Reference was made to the changes of Bohai price index（環渤海價格指數）and regional price of the period, the Company set up the social mining price（社會礦採購價格）based on principles of "lower than the market price in the same region, of the same quality, and during the same period" and "determining price according to quality"（以質論價）. It follows the marketing strategies of big coal enterprises closely. It was directed by customers' demand, and maintained volume and increased efficiency by adjusting selling prices and marketing strategies. Leveraging the quality products and good services, the Company has forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy consumers in East China, South China, North China and the Northeast, with an eye to mutual benefits and win-win scenarios. The Company's "Yitai" Coal, with such characteristics as low sulfur, low ashes, low phosphorus and high calorific value, satisfied the requirements of environmental protection and production demand from major electric power companies, and maximized the value of the clients for its low cost, high efficiency and stable supply.

V. ENVIRONMENTAL LIABILITIES OF THE COMPANY

1. Environmental concept

Aiming to become a resource-saving and environmental-friendly enterprise, the Company insisted on pressing ahead with the energy saving and emission reduction and at the same time strived to adjust its development model and structure, increase the profit and decrease the loss, save the expenditure and reduce the expenditure, lower the costs and the enhance the efficiency. It further implemented the environmental protection policy of "A Hundred Years of Yitai, Green Energy Resource" (「百年伊泰·綠色能源」), saving the energy and reducing the emission in each link of planning, construction, production, transportation and consumption. The products structure of the Company has been converted into "Three Low and One High", namely low input, low consumption, low pollution and high efficiency. The energy saving and environmental protection has moved from the treatment after the pollution towards the prevention and control along the whole processes.

2. Measures of environmental protection

The Company conscientiously complied with relevant laws and regulations of the PRC and strictly followed the systems of environmental impact assessment of the construction projects, "Three-simultaneous System" (「三同時」) of water and soil conservation. It actively communicated with different levels of competent administrative departments in charge of environmental protection, water protection and land and resources, achieved greater progress in the approval of its projects and satisfactorily finished the missions of environmental protection, approval of water and soil conservation and inspection of its projects. No incident of environment pollution or complaint on environment pollution by the public against the Company occurred in 2013.

In 2013, the Company completed 8 approvals of environmental impact assessment for its construction projects, including 1 approval by the environmental protection department of the Inner Mongolia Autonomous Region for its projects and 7 approvals by the Ordos City Environment Protection Bureau（鄂爾多斯市環境保護局）. The Company also completed 2 approvals of water and soil conservation plans for its construction projects, including 1 approval by the water resources department of the Inner Mongolia Autonomous Region and 1 approval by Ordos City Water and Soil Conservation Bureau（鄂爾多斯市水保局）.

In 2013, 15 subsidiaries of the Company planted 4.1771 million trees, 1,450 bushes, 2,160 mu of salix mongolica, 1,640 mu of salix mongolica network and 280 square meters of lawn with a total investment of RMB174.0198 million.

The index of subsidiaries of the Company concerning the noises from the factories, the air pollutants, water pollutants were tested four times a year, all of which reaching the relevant emission standards of the nation. The Company guaranteed the accuracy of information disclosure concerning the environmental protection, which laid the foundation for the "A Hundred Years of Yitai" (「百年伊泰」).

VI. EMPLOYEES LIABILITY

(I) Protection of the rights of employees

1. Employees

The Company values the selection, development and incentive of human resources. It actively promoted the strategy of building a strong enterprise by talents, satisfactorily performed in the three areas of attracting, training and deploying of talents, accelerated the development of a team with high-caliber and highly skilled talents, established a team of talents that is well-structured, professional-supporting, superior and in line with the development strategy of the Company.

As at the end of 2013, the Company had a total of 7,408 employees, of which 42% possessed undergraduate degree or above and 8% was technicians.

Chart of Specialty Constitution

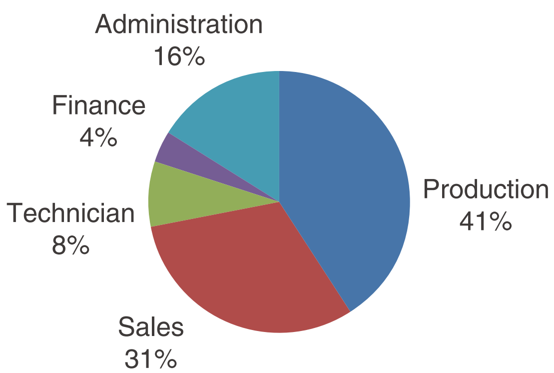
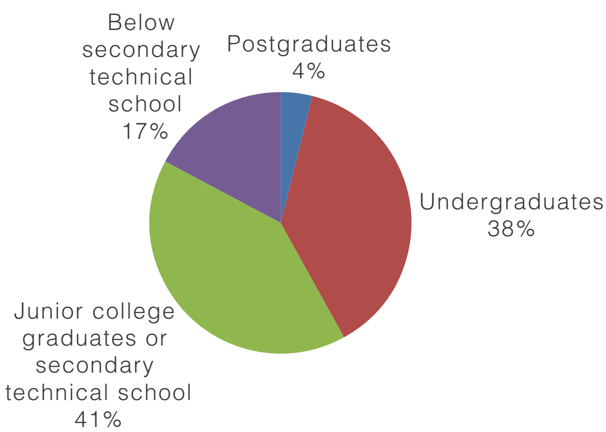


Chart of Education Level



VI. EMPLOYEES LIABILITY *(CONTINUED)*

(I) Protection on the rights of employees *(Continued)*

2. Protection for rights and interests

The Company strictly implemented laws and regulations, such as the Labor Law (《勞動法》) and Employment Contract Law (《勞動合同法》), in a bid to protecting the legitimate rights of laborers and promoting the harmonious and stable development of labor relations. The employment contracts of the Company were signed on the principles of legitimacy, justice, equality, free will, unanimity through consultation and good faith. The Company checked and supervised the procedures of execution, renewal , change and termination of the employment contracts, and the account and performance thereof.

The Company established labor union organization in accordance with the Labor Union Law (《工會法》). The labor union organization of different levels conscientiously performed their duties in protecting the legitimate rights and interests of the employees and in encouraging the employees to participate in the decision making process of the management to achieve the economic goals of the Company together, as well as in helping with mediating the disputes between the employees and the Company.

The Company highly values the health and safety of its employees. The Company and all its subsidiaries have established protection mechanisms for the health and safety of the employees, including conducting regular health check for all employees as well as special health check for the employees in disease hazard occupations. In addition, the Company has also established an internal medical risk fund for serious illness, which covers the expenditure of stipulated 10 serious illnesses excluding the reimbursement from national medical insurance. According to the actual situation, the Company grants welfare of employee protection at an irregular and non-specified quantitative basis.

3. Incentive and protection

The Company insists on the concept of "Respect to Past Contribution, Regard to Position Advancement, Leading to Future Development" (「尊重歷史貢獻、註重崗位提升、引導未來發展」) for its employees and has established an ideal platform for their career development. The Company has established a mechanism of employment based on competition and elimination, whereby the basic salary is determined by job position and the distribution of bonus is linked with the result of performance appraisal. It also gives fair choices of career for its employees and optimized the allocation of employees at every position, thereby provides a sound platform for the career development of its employees. In the meantime, contribution was based on performance appraisal, the results of which determines the distribution of income, thereby established a sound incentive mechanism and harmonious labor relationship.

VI. EMPLOYEES LIABILITY *(CONTINUED)*

(I) Protection on the rights of employees *(Continued)*

3. Incentive and protection *(Continued)*

The Company actively facilitates its system of corporate social security in accordance with the laws and regulation regarding social security, whereby pension insurance, basic medical insurance, large medical insurance, unemployment insurance, occupational injury insurance, maternity insurance and housing accumulation fund. In the meantime, it has also purchased commercial insurance for its employees such as supplementary medical and accident insurance. The Company also gradually promoted standardization of the Company's annuity, cared about the work and life of its employees and gave aids and assistance to the employees in difficulties.

(II) Facilitating the self-development of employees

To improve the employees' knowledge and skills, build a team in line with the corporate development and forge a learning-oriented enterprise, the Company has established a complete system for employee training. The trainings insisted the principles of "people and demand oriented, differentiated executions under a unified system, management by objectives and process driven, resources sharing and focus on the internal trainings". The trainings are available for all the employees and include both the internal and external ones.

As at the end of 2013, the Company organized 232 trainings for 10,215 person-times, and relevant investment amounted to RMB8.8852 million. The Company organized the orientation trainings for new employees so that they can better meet the job requirements. In 2013, the Company organized the orientation trainings for 182 new employees and they got second orientation training after being assigned to each department. The Company organized trainings concerning the management quality for the management personnel with a view to improving their theory in relation to corporate management. 102 middle management members attended the 6th and 7th Advanced Business Administration Seminars jointly held by the Company and Tsinghua University. During the seminars, domestic well-known professors and scholars gave lectures on the topics of macroeconomic analysis, strategic management, business operations and management, human resource management, practices of organizational behavior, learning organization, communication management, game theory and competitive strategy of enterprises, low-carbon economy and new energy policies. A total of 332 middle and senior management members received trainings in Advanced Business Administration Seminars. In addition, the Company, together with Inner Mongolia University of Technology, held the 6th business management seminar for department heads. The seminar covered the topics of financial management, corporate law, quality management, business writing, human resources management, corporate culture building and communication management. 80 department heads completed all the courses. A total of 496 department heads received trainings in business management seminars, which greatly enhance the ability and quality of management members at the basic level.

VI. EMPLOYEES LIABILITY *(CONTINUED)*

(II) Facilitating the self-development of employees *(Continued)*

The Company organized trainings for the coal mine positions and non-coal positions, which improved the job skills of employees. It arranged trainings for 1,097 employees (including the contract employees) for the Qualification Certificate of the Mine Manager(《礦長資格證》), Safety Qualification Certificate (《安全資格證》), Occupational Health Qualification Certificate (《職業衛生資格證》) and Emergency Rescue Qualification Certificate(《應急救援資格證》), and 100% of them obtained the certificates. 16 management members completed the learning of Safety Qualification Certificate and all were qualified. The Safety Training Centre of the Company held trainings classes for Safety Qualification Certificate (Non-coal). All the personnel attended the classes were qualified with 2 person in charge and 63 safety officers obtained the Safety Qualification Certificate and 2 person in charge renewed the certificate. In the training classes for the Occupational Health Qualification Certificate, the entire 29 person obtained the Occupational Health Qualification Certificate, and 1 person renewed the certificate. The Company actively organized other relevant trainings, endeavoring to improve the overall quality of employees.

In 2013, the Company organized three TTT training ("Train the Trainer"), 14 internal lecturers were newly recognized. The Company organized three training classes for the internal courses development, and trained 93 internal lecturers, key business officers and experts. 16 new courses were developed which improved the company-wide knowledge sharing. To improve the overall quality of employees, the Company organized lectures in the theme of "Application Skills of Office Software " "Happy Growth of Children", "Corporate Change in the Age of Internet", "Business Writing" and "Character Facilitates Children's Accomplishments". In addition, the Company actively communicated and investigated the issues concerning the E-learning platform for distance education to be applied in the Company, striving to promote the education among all the employees.

VII. SOCIAL RESPONSIBILITY OF THE COMPANY

Since its establishment, the Company has been upholding the social responsibility as its value orientation: the enterprise not only needs to create value for the investors and welfare for the employees, but also needs to bring prosperity for the society. Only when contributing to the society and fulfilling its social responsibility, an enterprise can win the recognition and establish a sound public image. Based on such values, besides creating benefits, the Company has been actively contributing to the public welfare.

The Company has always been insisting on the corporate principle of "Four Constants". It enhanced the leadership of the Communist Party of China to the enterprise and the development of the Party's work in the Company, insisted on the core leadership of the Company with the Party Committee and improved the structure of the Party's organization and harmonious relationship between the Party and the public. At present, there is 1 general league branch and 47 league branches of the Party. In 2013, there were 12 newly joined members of the Party and the total number of members of the Party was 962.

VII. SOCIAL RESPONSIBILITY OF THE COMPANY *(CONTINUED)*

Since its establishment, the Company has been taking actions to repay the community. It actively helped the poor and needy, donated for education and supported the social and charitable activities in relation to the hygiene and education in Ordos. Since its listing, the Company has been legally operating and paying taxes in accordance with relevant requirements. It has accumulated various tax payments of more than RMB20,000 million to the government, of which RMB4,855.85 million was paid in 2013, becoming the biggest taxpayer among the local enterprises in Ordos. According to the statistics of Ordos Federation of Industry & Commerce, the amount used by Company and the Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司) in social and charitable activities in relation to disaster relief, education and health care amounted to an aggregate of more than RMB500 million since their respective establishment. On 20 April 2013, a 7.0-magnitude earthquake hit Ya'an. The Company donated RMB10 million for the earthquake stricken area in Lushan. The acts of kindness offered by Yitai were high praised by the government and the society, which manifested the Company's values and core concept of people-oriented and its spirit of prioritizing the benefits of the nation and people as a local enterprise.

To implementing its operation policies of maximizing both its corporate value and shareholders' interests, the Company values reasonable return to its investors and has formulated reasonable profit distribution policy to actively repay its shareholders. On 10 July 2013, the Company announced the profit distribution proposal for 2012. A bonus issue in the proportion of ten bonus shares for every ten shares (tax inclusive) held by shareholders (as calculated based on the total share capital of the Company of 1,627,003,500 shares) and cash dividend of RMB12.5 per 10 shares (tax inclusive), were distributed as at 20 August 2013.

The Company has been pursuing a culture of "Sincerity and Harmony (誠和)". It has enhanced the communication with the stakeholders as well as establishment of cooperation in property rights of the upstream and downstream industries with the major electricity customers through enhancing the technical cooperation with the large coal enterprises. It also dealt with shareholders, regulatory authorities, intermediaries and the media with integrity, thereby creating satisfactory public and investor relations, utilizing the vantages of one another, gathering the strengths for development and coordinating and facilitating the sustainable development for both the enterprise and the community.

VIII. FUTURES OF THE COMPANY

Looking ahead, the Company will continue to firmly adhere to the guiding principle of "Safety First", correctly handle the relationship between safety and production, safety and efficiency as well as security and development and give top priority to safety. The Company will focus on promoting the extension from safety warning education to cultural guidance, from implementation of safety responsibility to quantitative assessment, from safety risk pre-control to internal and external synchronization, and from basic safety management to all subordinate units and so forth to create a stable safety basis for the Company's operation and development.

Secondly, the Company will optimize the integrated operation and management system to further strengthen management of production and operation, timely and flexibly adjust coal product portfolio and marketing strategy, focus on cost control and promote reducing cost reduction and decreasing consumption as well as exploring potential and increasing efficiency to ensure an effective cost control, meanwhile, the Company will increase efforts to improve efficiency in the use of funds to ensure the optimal allocation of development funds, thus maximizing the interests of shareholders and the company.

In addition, the Company will adhere to the concept of making contributions to society and the region and endeavor to establish harmonious and stable regional environment. The Company will persist in the philosophy of development relying on employees, development for employees and sharing the fruits of development with employees. The Company will carry out various forms of leisure activities to enhance the sense of belonging and well-being of employees; meanwhile, the Company will provide jobs for the region in accordance with the company's own development needs, actively improve the multi-layered poor alleviation system and long-term mechanism, positively support local construction and endeavor to facilitate the harmonious development of regional economy.

In 2013, the Company recorded net profit attributable to shareholders of the Company of RMB3,444.63 million for its shareholders and paid taxes of RMB4,855.85 million to the government. It also paid RMB1,263.65 million, RMB36.89 million and RMB37.29 million as salary and bonus to its employees, loan interest and external donation respectively. The Company spent an aggregate of RMB751 million on the fees in relation to pollutant discharge, forestation, water and soil conservation and ecological recovery compensation so as to develop forestation, protect the ecological balance in the community affected by development and prevent environmental pollution. The value of the social contribution created by the Company for its shareholders, employees, customers, creditors, community and the society as a whole was RMB3.19 per share.

Board of Directors
Inner Mongolia Yitai Coal Co., Ltd.
25 March 2014

APPENDIX II

2013 INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

To the Shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the corresponding guidance and other regulatory requirements concerning the internal control ("Enterprise Internal Control Regulated Systems"), and considering internal control system and evaluation methods of Inner Mongolia Yitai Coal Co., Ltd.* (the "Company") and based on the day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2013 (the reference date of the Internal Control Assessment Report).

I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulated Systems It is the responsibility of the Board of the Company to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Assessment Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control by the Board. The management shall be responsible for the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company's operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial report and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the Company's development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.

II. RESULTS OF INTERNAL CONTROL ASSESSMENT

According to the identification of crucial deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no crucial deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulated Systems and relevant requirements.

According to the identification of crucial deficiencies in the internal control over non-financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no crucial deficiencies identified in the internal control over non-financial reporting.

From the reference date to the issuance date of the Internal Control Assessment Report, there were no factors occurred that may affect the assessment results of the effectiveness of the internal control.

III. DETAILS OF INTERNAL CONTROL ASSESSMENT

(I) Scope of Internal Control Assessment

The Company determined the main enterprises, business and matters and high-risk fields covered in the assessment scope based on the risk-oriented principle. The major enterprises covered in the assessment scope include Company's headquarter, 7 controlled subsidiaries and 4 branch companies. The total assets of the enterprises covered in the assessment scope accounted for 97.32% of the total assets in the Company's consolidated financial statements, and the operating revenue of such enterprises accounted for 87.98% of the operating revenue in the Company's consolidated financial statements. Business and matters within the scope of this assessment include organizational structure, development strategy, human resources, social responsibility, corporate culture, capital management, procurement business, asset management, production management, transportation and sales of coal, engineering project, financial report, budget management, contract management and information system. The high risks involve capital flow, assets management, procurement, sales and money collection management, contract management and accounting information.

The above enterprises, business and matters and high-risk fields covered the major aspects of the Company's operation and management and there were no significant omissions.

III. DETAILS OF INTERNAL CONTROL ASSESSMENT *(CONTINUED)*

(II) Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies *(Continued)*

The Company conducted the internal control assessment based on the Enterprise Internal Control Regulated Systems.

According to the identification requirements for the crucial, important and ordinary deficiencies set by the Enterprise Internal Control Regulated Systems and with reference to the size of the Company, industry characteristics, risk appetite and risk tolerance, the Company has differentiated the internal controls over the financial reporting and non-financial reporting and determined the particular identification criteria applicable to the deficiencies in the internal control of the Company, basically the same with the previous year. The identification criteria set for the deficiencies in the internal control of the Company are as follows:

1. Identification criteria for deficiencies in internal control over financial reporting

Quantitative criteria for identifying deficiencies in internal control over financial reporting:

In the case of quantitative criteria, if the misstated amount in a financial report as may be resulted from a deficiency alone or together with other deficiencies is less than 0.5% of the Company's total assets or 3% of the Company's pre-tax profit, such deficiency is identified as ordinary deficiency; if the misstated amount is more than 0.5% (including 0.5%) but less than 1% of the Company's total assets or more than 3% (including 3%) but less than 5% of the Company's pre-tax profit, such deficiency is identified as important deficiency; and if the misstated amount is more than 1% (including 1%) of the Company's total assets or 5% (including 5%) of the Company's pre-tax profit, such deficiency is identified as crucial deficiency.

Based on the quantitative standards, it's necessary to calculate once the deficiency occurs, if the potential faults surpass the ratio set for the impact on the total and assets and profit before tax of the Company so as to form a judgment. If the index under the influence of one deficiency or a group of deficiencies (which influence both the profit and asset) is more than one, the value of each index shall be calculated separately, and the index with the lower value shall be used to identify the deficiency.

Qualitative criteria for identifying deficiencies in internal control over financial reporting:

In the case of qualitative criteria, the following situations are at least usually identified as "crucial deficiencies": restating a previously published financial statement to reflect the correction of errors or misstatements resulting from fraud; the failure of the audit committee to supervise the Company's external financial reporting and internal control over financial reporting; discovery of any fraud involving senior management; the failure of the management to correct an important deficiency that has been reported to them within a reasonable period.

III. DETAILS OF INTERNAL CONTROL ASSESSMENT *(CONTINUED)*

(II) Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies *(Continued)*

1. Identification criteria for deficiencies in internal control over financial reporting *(Continued)*

The Company specifies that an internal control deficiency involving any of the following aspects shall be at least identified as an "important deficiency": deficiencies in internal control over unconventional or non-systematic transactions; deficiencies in internal control over selection of generally accepted accounting principles and application of accounting policies; and deficiencies in internal control over connected transactions and material reorganization.

The Company specifies that an internal control without involving a crucial deficiency or important deficiency shall be identified as ordinary deficiency.

2. Identification criteria for deficiencies in internal control over non-financial reporting

Quantitative and qualitative criteria for identifying deficiencies in internal control over non-financial reporting:

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of less than RMB1 million (including 1 million), or a punishment from the authorities at the provincial level and below but do not have any negative impact on the disclosure of the Company's regular reports, such deficiency is identified as ordinary deficiency.

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of more than RMB1 million but less than RMB10 million (including 10 million), or a punishment from the relevant State authorities but do no have any negative impact on the disclosure of the Company's regular reports, such deficiency is identified as important deficiency.

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of more than RMB10 million, or has been officially disclosed and has a negative impact on the disclosure of the Company's periodic report, such deficiency is identified as important deficiency.

III. DETAILS OF INTERNAL CONTROL ASSESSMENT *(CONTINUED)*

(III) Identification and Rectification of Internal Control Deficiencies

1. Identification and rectification of deficiencies in internal control over financial reporting

According to the above identification criteria for deficiencies in internal control over financial reporting, no crucial or important deficiencies in internal control over financial reporting were found during the reporting period of the Company.

2. Identification and rectification of deficiencies in internal control over non-financial reporting

According to the above identification criteria for deficiencies in internal control over non-financial reporting, no crucial or important deficiencies in internal control over non-financial reporting were found during the reporting period of the Company.

Inner Mongolia Yitai Coal Co., Ltd.*
25 March 2014