



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



2016

Interim Report

*For identification purposes only

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IMPORTANT NOTICE AND DEFINITIONS

I. 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 interim report, and severally and jointly accept full legal responsibility.
- II. All of the Company's Directors attended the Board meeting.
- III. The unaudited interim results for the six months ended 30 June 2016 ("Reporting Period") have been reviewed independently by the Company's external auditor Deloitte Touche Tohmatsu in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.
- IV. The Company's Chairman, Mr. Zhang Donghai, person in charge of accounting, Mr. Lv Guiliang, and Head of the Accounting Department (accounting chief), Mr. Lv Xudong, warrant the truthfulness, accuracy and completeness of the financial report set out in the interim report.
- V. Statement for the risks involved in the forward-looking statement:

This 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 uncertainties. Investors are advised to pay attention to the investment risks involved.
- VI. Were there any non-operational funds appropriated by controlling shareholders and their connected parties?

No
- VII. Did the Company provide third-party guarantees in violation of stipulated decision-making procedures?

No

IMPORTANT NOTICE AND DEFINITIONS (Continued)

II. 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	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)
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)

CORPORATE PROFILE

I. 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 Zhang Jingquan Song Zhanyou Lv Guiliang Independent Non-executive Directors: Yu Youguang Qi Yongxing Zhang Zhiming Tam Kwok Ming Banny
Members of the Strategic Planning Committee	Zhang Donghai (Chairman) Liu Chunlin Ge Yaoyong Zhang Dongsheng Song Zhanyou Zhang Jingquan Lv Guiliang Zhang Zhiming Yu Youguang Qi Yongxing Tam Kwok Ming Banny
Members of the Audit Committee	Yu Youguang (Chairman) Zhang Zhiming Qi Yongxing Tam Kwok Ming Banny

CORPORATE PROFILE *(Continued)*

Members of the Nomination Committee	Zhang Zhiming (Chairman) Zhang Donghai Liu Chunlin Zhang Jingquan Yu Youguang Qi Yongxing Tam Kwok Ming Banny
Members of the Remuneration and Assessment Committee	Qi Yongxing (Chairman) Zhang Donghai Liu Chunlin Zhang Jingquan Zhang Zhiming Yu Youguang Tam Kwok Ming Banny
Members of Production Committee	Zhang Donghai (Chairman) Ge Yaoyong Zhang Jingquan Qi Yongxing Yu Youguang
Members of the Supervisory Committee	Li Wenshan Jia Xiaolan Wang Xiaodong Ji Zhifu Han Zhanchun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternate Authorized Representative	Wong Wai Ling

CORPORATE PROFILE (Continued)

II. CONTACT PERSONS AND CONTACT METHODS

Board Secretary/Joint Company Secretary

Name	Zhao Xin
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565731
Facsimile	0477-8565415
E-mail	zhaoxin_yitai@126.com

III. 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	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

CORPORATE PROFILE (Continued)

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspaper selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Website designated by the China Securities Regulatory Commission (“CSRC”) for publishing the interim report	Website designated by CSRC for publishing the B share interim report: http://www.sse.com.cn Website designated by The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) for publishing the H share interim report: http://www.hkexnews.hk
Place for inspection of the Company’s interim report	Investor Relation and Management Department of the Company and principal place of business in Hong Kong

V. 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	3948	/

VI. BUSINESS REGISTRATION CHANGE OF THE COMPANY DURING THE REPORTING PERIOD

Date of business registration	3 February 2016
Place of business registration	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Registration number of the Company’s business license	911506006264024904
Tax registration number	911506006264024904
Organization code	911506006264024904

CORPORATE PROFILE (Continued)

VII. OTHER RELEVANT INFORMATION

		B shares/Domestic	H shares/Overseas
Auditor	Name	Da Hua Certified Public Accountants (Special General Partnership)	Deloitte Touche Tohmatsu
	Address	12th Floor, Building No. 7, Block No. 16, Xi Si Huan Zhong Road (西四環中路), Haidian District, Beijing	35th Floor, One Pacific Place, 88 Queensway, 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

SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(1) Key Business Data

Unit: million tonnes Currency: RMB

Major Accounting Data	From January to June 2016	From January to June 2015	Increase/Decrease
Coal production	17.18	16.11	6.64%
Coal sales volume	27.76	25.92	7.10%
Of which: Local sales at mines	5.02	4.01	25.19%
Local sales at loading facilities	2.22	1.80	23.33%
Sales via direct rail access	6.51	3.33	95.50%
Sales at ports	14.01	16.78	-16.51%
Railway transport volume:			
Huzhun Railway Line	13.80	13.97	-1.22%
Zhundong Railway Line	26.89	26.34	2.09%
Coal-related chemical production	0.0918	0.1013	-9.38%

(2) Major Accounting Data

Unit: RMB'000

Major Accounting Data	From January to June 2016	From January to June 2015	Change (%)
Revenue	8,118,825	9,018,185	-9.97
Profit for the period	463,034	310,913	48.93
Profit for the period attributable to owners of the Company	452,879	175,548	157.98
Basic earnings per share (RMB)	0.14	0.05	180.00
Net cash flow from operating activities	2,632,644	1,434,650	83.50

	As ended at 30 June 2016	As ended at 30 June 2015	Change (%)
Net assets attributable to owners of the Company	22,566,043	22,151,423	1.87
Total assets	71,889,847	68,168,766	5.46

REPORT OF THE DIRECTORS

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

In the first half of 2016, along with the implementation of the production capacity limitation policy in the coal industry, all the major coal producing areas strictly carried out the 276 days reducing production policy, and the domestic coal supply shrank obviously. At the same time, affected by the downward of the economy and short of industrial electricity demand, the weakness of thermal coal market demand continued. Overall, the supply-side reform in coal industry has achieved initial success, and the decline of output exceeded that of the consumption, which result in the decrease of stock in the society and the increase of the price of thermal coal in pithead and port in different degree. The operation of the Company has improved.

During the first half of 2016, the Company produced 17.18 million tonnes of commercial coal, representing an increase of 6.64% from the same period last year; the Company sold 27.76 million tonnes of coal, representing an increase of 7.10% over the same period last year. Zhundong Railway Company and Huzhun Railway Company dispatched 40.69 million tonnes of coal, representing an increase of 0.94% over the same period last year. The Company recorded an operating revenue of RMB8.1 billion for the first half of 2016, representing a decrease of 9.97% over the same period last year, and the profit attributable to owners of the Company for the period amounted to RMB453 million, representing an increase of 157.98% from the same period last year. Mainly affected by the supply-side reform in coal industry, during the Reporting Period, the market supply and demand has improved, the coal prices continue to rise, and the unit profit of coal is higher than that of the same period of last year.

In the second half of 2016, affected by the preliminary coal output reduction and the low inventory in intermediate link, the coal price may continue to rise. But affected by the increase of import volume, the increase of coal price is expected not too big. Under the background of the firmly implementation of the supply-side reform of the State, facing the severe industry situation and industry competitive situation under reforming, the Company will actively respond to the call of the policies, grasp the reform opportunities, and accelerate structural adjustment and transformation, with an aim to create greater value for the shareholders.

Perfect and strengthen the coal and transportation business. Continue to exploit the cost reduction potential, make efforts to improve production efficiency and washing level, expand sales market through various channels, and optimize the railway dispatching program.

Realize the completion and running of material projects. Make efforts to ensure the completion and running of the Talahao Mining Project and the 1.2 million tonnes/year refined chemical project of Hangjinqi as planned.

REPORT OF THE DIRECTORS (Continued)

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

(I) Analysis on the Principal Business

1. Analysis of changes in items of the financial statements

Unit: RMB'000

Item	Amount for the Reporting Period	Amount for the same period last year	Change (%)
Revenue	8,118,825	9,018,185	-9.97
Cost of sales	(6,344,644)	(7,102,326)	-10.67
Selling and distribution expenses	(404,188)	(516,685)	-21.77
General and administrative expenses	(452,155)	(622,568)	-27.37
Finance costs	(464,316)	(417,372)	11.25
Net cash flow from operating activities	2,632,644	1,434,650	83.50
Net cash flow from investing activities	(3,747,101)	(3,890,208)	-3.68
Net cash flow from financing activities	1,552,868	2,186,807	-28.99

2. Others

- (1) Details on material changes in profit composition or profit source of the Company

During the Reporting Period, there is no material change in profit composition and profit source of the Company.

- (2) Analysis on implementation schedule of all preliminary financing and material asset restructuring of the Company

The material pre-financing and asset restructuring of the Company have been fully completed.

- (3) Business plan progress

Please refer to the above-mentioned discussion and analysis on the operations in this section.

REPORT OF THE DIRECTORS (Continued)

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

(II) Analysis on operation by segments, products and regions

1. Principal business by segments and products

Unit: RMB'000

For the six months ended 30 June 2016 (Unaudited)	Coal	Transportation	Coal-related chemical	Segment total	Others	Consolidated
Segment revenue:						
External customers	7,305,250	227,016	586,559	8,118,825	–	8,118,825
Intersegment sales	64,505	570,824	16,836	652,165	–	652,165
	7,369,755	797,840	603,395	8,770,990	–	8,770,990
Segment profit:						
Profit/(loss) before tax	501,014	103,479	(26,912)	577,581	(652)	576,929
Income tax expense	(104,786)	(10,364)	1,255	(113,895)	–	(113,895)
	396,228	93,115	(25,657)	463,686	(652)	463,034
Profit for the period						<u>463,034</u>
Segment assets	43,505,985	13,470,492	27,255,615	84,232,092	2,001	<u>84,234,093</u>
Segment liabilities	20,384,562	5,875,563	20,684,652	46,944,777	5,751	<u>46,950,528</u>

REPORT OF THE DIRECTORS (Continued)

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

(II) Analysis on operation by segments, products and regions (Continued)

2. Principal business by regions

Unit: RMB million

Regions	Operating revenue for the six months ended 30 June 2016 (Unaudited)	Increase/decrease of operating revenue compared to those for the six months ended 30 June 2015 (%) (Unaudited)
North China	2,536.54	-0.10
East China	3,902.94	-15.13
South China	1,199.52	-32.58
Northeast	137.60	119.21
Central China	276.87	303.29
Northwest	64.89	Complete growth
Southwest	0.47	Complete growth
Total	8,118.83	-9.97

REPORT OF THE DIRECTORS *(Continued)*

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

(III) Analysis of core competitiveness

The Company is the largest coal enterprise in Inner Mongolia Autonomous Region and one of the largest coal enterprises in the PRC. The Company is a large production group consolidating production, transportation and trading of coal and coal-related chemical with coal production as its principal business, railway transportation as its supplementary business and coal-related chemical business as extension of its business. Our core competitiveness lies in that:

- 1) the Company enjoys rich and quality coal reserves, superior storage advantages and modern exploration technique;
- 2) the Company possesses excellent and experienced management and technical team, and based on that achieves top-tier production efficiency, low cost advantages and outstanding safety record in the industry;
- 3) the Company owns supportive railway and highway transportation and sales network and affiliated facilities such as dispatching stations and the port transport points that constitute an integration of the industrial system consolidating production, transportation and trade functions;
- 4) the Company has world-leading coal chemicals technologies, enabling the Company to become the first enterprise in China which successfully applied the technique of indirect coal-to-liquids conversion in industrial production;
- 5) the Company has options and pre-emptive rights in relation to acquisition of the retained business and several future businesses from Yitai Group in accordance with the Agreement on Avoidance of Non-Horizontal Competition entered into between Yitai Group (the controlling shareholder) and the Company.

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment

1. Overall analysis on external equity investment

(1) Investment in securities

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (RMB million)	Shareholdings (share)	Closing book value (RMB million)	Percentage of total investment in securities at the end of the period (%)	Profit and loss during the Reporting Period (RMB million)
1	share	03369	QHD PORT	79.24	19,013,000.00	43.58	30.35	/
	Other securities investments held at the end of the period			100.00	/	100.00	69.65	26.50
	Total			179.24	/	143.58	100%	26.50

Other securities investments held at the end of the period are “Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)”.

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

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

(1) Entrusted wealth management

Unit: RMB million

Name of borrower	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Expected income	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Connected transaction or not	Involved in a litigation or not	Source of capital and funding from proceeds or not
Bank of Communication	Principal guaranteed with floating returns	800	2016-3-24	2016-4-6	1.21	800	1.21	Yes	No	No	Proprietary capital
Bank of Communication	Principal guaranteed with floating returns	300	2016-4-21	Withdraw at anytime				Yes	No	No	Proprietary capital
Agricultural Bank of China	Principal guaranteed with floating returns	200	2016-3-28	2016-4-29	0.56	200	0.56	Yes	No	No	Proprietary capital
China Construction Bank	Principal guaranteed with floating returns	370	2016-4-22	2016-6-7	1.07	370	1.07	Yes	No	No	Proprietary capital
Industrial and Commercial Bank of China	Principal guaranteed with floating returns	50	2016-4-26	2016-6-2	0.13	50	0.13	Yes	No	No	Proprietary capital
Industrial and Commercial Bank of China	Principal guaranteed with floating returns	100	2016-5-6	2016-6-12	0.30	100	0.30	Yes	No	No	Proprietary capital
Industrial and Commercial Bank of China	Principal guaranteed with floating returns	50	2016-5-6	2016-6-12	0.13	50	0.13	Yes	No	No	Proprietary capital
Total	/	1,670	/	/	3.41	1,570	3.41	/	/	/	/

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

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

(2) Entrusted loans

Unit: 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	litigation or not	Source of capital and funding from involved in a proceeds or not
Qapqal Investment Development Group Co., Ltd. (察布查爾投資發展集團有限公司)	180,000,000	29 January 2016 to 21 December 2016	8%	Construction of Phase 1 of the water supply project for Yinan Industrial Park at Qapqal County and construction of urban infrastructure at Qapqal County	100% guarantee provided by Qapqal Xibe Autonomous County Water Investment and Development Co., Ltd. and Qapqal County State-owned Asset Investment and Management Co., Ltd. respectively by way of joint liability assurance/pledge guarantee provided by Qapqal Investment Development Group Co., Ltd. with 72.07% equity interests in Qapqal Xibe Autonomous County Yinan Industrial Park Water Supply Co., Ltd.	No	No	No	No	Proprietary capital

As at the end of the Reporting Period, balance of entrusted loans provided by controlling subsidiaries of the Company under consolidation was RMB4,479,498,000.

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

3. Analysis on major subsidiaries and investees

Unit: RMB

Company name	Business nature	Principle 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	1,554,000,000.00	6,706,289,085.68	103,896,150.98
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Railway transport operations	Railway transportation	2,074,598,000.00	6,701,992,222.69	-9,131,483.34
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	2,352,900,000.00	3,901,677,769.07	-20,626,555.07
Inner Mongolia Yitai Jingyue Suancang 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 coal	1,080,000,000.00	3,855,742,402.46	39,757,989.73
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Coal chemical products	Production and sale of coal chemical products	770,000,000.00	11,358,551,233.09	-9,447,591.71

REPORT OF THE DIRECTORS (*Continued*)

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

(IV) Analysis on Investment (*Continued*)

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

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

During the Reporting Period, Zhundong Railway Company dispatched an aggregate of 26.89 million tonnes of coal, representing an increase of 2.09% as compared with the same period last year. Its net profit amounted to RMB103.90 million, representing a decrease of 64.74% as compared with the same period last year. For the first half year of 2016, no security accident occurred, and Zhundong Railway Line had maintained production safety for 5,676 consecutive days without major transportation accidents, casualty accidents or other more serious accidents. During the Reporting Period, Zhundong-Dongwu Railway Connecting Line and South-Dongwu Railway Connecting Line attained the project approvals.

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

During the Reporting Period, Huzhun Railway Company dispatched an aggregate of 13.80 million tonnes of coal, representing a decrease of 1.22% as compared with the same period of last year. The net profit for the period amounted to RMB-9.13 million, representing a decrease of 113.82% as compared with the same period of last year. The Company did the production safety work diligently by strengthening supervision and administration in the ordinary course, distance oversee and control. Huzhun Railway had maintained production safety for 2,523 consecutive days without major transportation accidents, casualty accidents or other more serious accidents. During the Reporting Period, the Second Track projects of Jiatio section and Tuozhou section and other remaining projects had been basically completed, while preliminary procedures and land requisition, demolition and relocation work were underway for the north-bound line connecting Wangqi and Southern Hohhot.

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

During the Reporting Period, the production safety condition of Coal-to-oil Company remained stable, and no slight injury or other more serious safety accidents occurred during the operation. The devices for coal-to-oil production operated safely and steadily for 164.3 days with no unexpected suspension of production devices. As at 30 June 2016, it produced an aggregate amount of 0.0918 million tonnes of various oil products and chemicals, with total sales volume of various oil and chemical products up to 0.0908 million tonnes. Revenue thus amounted to RMB346 million and net profit was RMB-20.63 million.

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

3. Analysis on major subsidiaries and investees (Continued)

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

During the Reporting Period, Suancangou Mine gave its priority to production safety. Suancangou Mine also improved processing technique by strengthening mining management. In the first half of 2016, it produced an aggregated amount of 4.71 million tonnes of commodity coal, generating a revenue of RMB487 million and net profit of RMB39.76 million.

(5) Inner Mongolia Yitai Chemical Co., Ltd.

For the first half year of 2016, Inner Mongolia Yitai Chemical Co., Ltd. achieved production safety by performing substantial plans review, safety supervision and administration at the construction site, production safety preparation and other safety items activities in combination with the actual project construction conditions. During the Reporting Period, the design and procurement were basically completed; the civil engineering entered the final stage; the installment commenced in full swing; part of the equipment gradually entered into testing stage from installment stage; all work is carried out orderly, and the qualified oil is expected to be produced at the end of the year.

4. Projects not to be financed by the proceeds

Unit: RMB million

Name of project	Amount of the project	Progress of the project	Amount invested during this Reporting Period	Actual accumulative amount invested
Talahao Mine	2,127	86.50%	265	1,840
Project of the Second Track of Huzhun Railway	5,109	92.12%	89	4,707
1.2 Mtpa Refined Chemical Project	19,187	80.34%	2,468	15,415
Total	26,423	/	2,822	21,962

REPORT OF THE DIRECTORS (Continued)

II. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Execution or Adjustment of the Implementation of the Profit Distribution Proposal During the Reporting Period

Profit distribution proposal of the Company for 2015: Cash dividend of RMB0.085 per 10 shares (tax inclusive) (as calculated based on the total share capital of the Company of 3,254,007,000 shares), totaling approximately RMB27.66 million (tax inclusive), was distributed, which accounted for more than 30% of the net profit attributable to owners of the parent, amounting to RMB0.09 billion, as shown in the 2015 annual consolidated statements of the Company. This is compliant with the regulations provided in the Notice on the Further Implementation of Matters Relevant to Cash Dividend by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by the CSRC and the Guidance of Cash Dividend of Listed Companies in the Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》) issued by the Shanghai Stock Exchange.

The Company's profit distribution for 2015: The Company considered and approved the profit distribution proposal for 2015 in the annual general meeting of 2015 held on 28 June 2016. For specific details of the implementation proposal, please refer to the Announcement of Implementation of 2015 Profit Distribution dated 6 July 2016. As at 4 August 2016, all dividends had been distributed.

(II) Preliminary Plans for Profit Distribution and Transfer of Public Reserve into Share Capital for the First Half of 2016

The Company had no plans for profit distribution and transfer of public reserve into share capital for the first half of 2016.

III. OTHER DISCLOSURES

(I) The warning and explanation on the consumption that the accumulative net profit from the beginning of the year to the end of next Reporting Period may be loss or may record a substantial change when compared with the previous year

If the coal price continues to rise, it will further improve the profitability of the Company, which may lead to substantial change in our operating results.

REPORT OF THE DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures

1. 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 at the end of June 2016	Mineable reserve in the PRC at the end of June 2016
Suancigou	1,309.47	710.59
Nalinmiao No. 2 Mine	129.39	62.80
Hongjingta No. 1 Mine	111.43	43.58
Nalinmiao No. 1 Mine	23.96	4.16
Yangwangou	13.89	6.32
Fuhua	5.21	2.22
Kaida	191.71	110.87
Dadijing	83.60	49.57
Baoshan	40.55	23.38
Dingjiaqu	45.10	24.19
Chengyi	15.33	4.53
Baijialiang	4.50	0
Talahao (under construction)	867.38	589.91
Total reserves	<u>2,841.52</u>	<u>1,632.11</u>

(2) Mine explorations by the Company during the Reporting Period

During the Reporting Period, the Company did not carry out exploration in any coal mine.

REPORT OF THE DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

1. Mining Exploration, Development and Mining Production Activities (Continued)

(3) Capital expenditure incurred from coal mines

Unit: RMB million

Mines of the Company	Capital expenditure during January to June 2016
Suancigou	40.94
Nalinmiao No. 2 Mine	3.39
Hongjingta No. 1 Mine	73.77
Dadijing	0.06
Total	118.15

(4) Construction of mines

Unit: RMB million

Project name	Amount of project	Amount in the Period	Progress of project
Talahao	2,127.00	265.19	86.50%
Yili Mining	/	16.61	/

REPORT OF THE DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

1. Mining Exploration, Development and Mining Production Activities (Continued)

(5) Construction contracts for coal mines

Unit: RMB

Using unit	Details of contract	Name of provider	Amount of contract
Suancigou Mine	Coal processing plant main plant and trestle steel structure anti-corrosion and fire-resistant engineering	Changxing Henan Construction Co., Ltd. (河南長興建設集團有限公司)	2,938,218
Talahao Mine	Underground lighting network, gravity network installment engineering	China Coal Third Construction (Group) Co., Ltd. (中煤第三建設(集團)有限責任公司)	677,753
Talahao Mine	Industry square slope-protection and environmental protection, water protection greening engineering	Yulin Fengsheng Yuanjing Engineering Construction Co., Ltd. (榆林市楓盛遠景工程建設有限公司)	5,699,138
Dadijing Mine	Disaster Recovery Office reclamation greening construction	Zhungeer Qimeixin Landscaping Co., Ltd. (准格爾旗美馨園林綠化有限責任公司)	531,513

REPORT OF THE DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

1. Mining Exploration, Development and Mining Production Activities (Continued)

(6) Procurement contracts of facilities for coal mine

Unit: RMB

Using unit	Details of contract	Name of provider	Amount of contract
Talahao Mine	Supply of mining flameproof permanent magnetic iron remover	Fushun Wopuer M&E Equipment Co., Ltd. (撫順市沃爾普機電設備有限公司)	1,200,000
Talahao Mine	MG750/1860-WD coal mining machine	Tiandi Science and Technology Co., Ltd. Shanghai Branch (天地科技股份有限公司上海分公司)	7,125,000
Talahao Mine	Miner positioning and wireless communication system	Tiandi (Changzhou) Automation Co., Ltd. (天地(常州)自動化股份有限公司)	1,313,541
Suancigou Mine	6 central troughs of coal loading back carrier	Jikai Hebei M&E Science and Technology Co., Ltd. (冀凱河北機電科技有限公司)	5,690,000

REPORT OF THE DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

1. Mining Exploration, Development and Mining Production Activities (Continued)

(7) Exploration of mines

Unit: million tonnes

Mine of the Company	Output of coal	
	January to June 2016	January to June 2015
Suancigou	4.71	5.81
Nalinmiao No.2 Mine	4.83	2.01
Hongjingta No. 1 Mine	3.92	3.11
Nalinmiao No. 1 Mine	0	0.12
Kaida	0	0.25
Dadjing	2.63	2.63
Baoshan	1.08	1.58
Tongda	0	0.14
Chengyi	0.0084	0.46
Total	17.18	16.11

Explanations: Given the stagnant coal market in 2015, price of coal continued to decline. In order to control the overall production cost, the Company suspended the production of certain mines with high mining costs.

(8) Cost of coal

Unit: RMB

Project	Type	January to June 2016	January to June 2015
Production cost per unit of self-produced coal	Labor cost	15.73	14.99
	Raw material, fuel and power	8.72	10.23
	Depreciation and amortisation	8.71	8.26
	Other production costs	21.64	31.32
	Total production cost for coal	54.80	64.80
Cost per unit of coal purchased domestically		137	146

REPORT OF THE DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

2. Compliance Procedure of the Agreement on Avoidance of Non-horizontal Competition and its Implementation

- (1) The Company has entered into the Agreement on Avoidance of Non Horizontal Competition on 29 May 2012 with the controlling shareholder. To implement the strategy of expanding the coal business of the Company, and minimise the potential competition in the business of 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 of RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group. The Company confirmed that:
 1. all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;
 2. the Company purchased all coal produced by Sujiahao Mine after entering into the Coal Framework Agreement on 27 August 2013, during the period from the listing date to the acquisition date of Sujiahao Mine by the Company;
 3. all coal products mined from the target mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;
 4. save as the retained business and target business group, during the effective period of the Agreement on Avoidance of Non Horizontal Competition, the controlling shareholder and its subsidiaries (excluding the Group) did not or did not cause their respective associates/associated companies not to engage in activities that directly or indirectly compete with the core business of the Company in any manner through itself or in conjunction with other entities, or hold any interests or rights in any such competition business through a third party;
 5. the controlling shareholder did not engage or participate in any activities, by leveraging on their respective identity of shareholders or relationship with the Company's shareholders, resulting in damages to the legal interests of the Company or the Company's shareholders;

REPORT OF THE DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

2. **Compliance Procedure of the Agreement on Avoidance of Non-horizontal Competition and its Implementation** *(Continued)*

(1) *(Continued)*

6. upon completion of the proposed acquisition, (i) the Ministry of Railways granted the Company to use all transportation quotas of Yitai Group at nil consideration; (ii) Yitai Group did not use transportation quotas or grant a third party any transportation quotas before satisfying the requirements of Company; and (iii) Yitai Group applied to the Ministry of Railways for changing its account holder to the Company;
7. since the listing date, Yitai Group did not sell any above coal products to any third parties or engage in coal trade business, including but not limited to purchase of coal products from a third party;
8. Yitai Group did not make any notice to the Company in writing for the matters that constituted a business opportunity of horizontal competition, thereby needed to be brought to the Company's attention, and confirmed that there were no business interests of horizontal competition transferred, disposed of, leased or permitted to a third party.

REPORT OF THE DIRECTORS (*Continued*)

III. OTHER DISCLOSURES (*CONTINUED*)

(II) Other Disclosures (*Continued*)

2. Compliance Procedure of the Agreement on Avoidance of Non-horizontal Competition and its Implementation (*Continued*)

- (2) On 29 May 2012, Yitai Group and the Company entered into the Agreement on Avoidance of Non-Horizontal Competition, pursuant to which, Yitai Group undertook to preferentially sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe obtained the legitimate mining right qualification and resources licenses in compliance with production condition required, was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights.

Supplemental explanations of undertakings:

1. 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. It is expected that Hongqinghe Mine will obtain all resources licenses and reach the required production condition in 2017.

When Hongqinghe Mine owned by Yitai Guanglian obtains the legitimate mining right qualification or reaches the production condition required, and with reference to the actual situation of the Company, the capital arrangement and the Non-horizontal competition Agreement entered into with Yitai Group, the Company will exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell Hongqinghe Mine to the Company or its subsidiaries on reasonable and fair terms and conditions through ways of financing.

2. Analysis on risks in respect of performance to contracts

As 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 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.

REPORT OF THE DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

2. **Compliance Procedure of the Agreement on Avoidance of Non-horizontal Competition and its Implementation** *(Continued)*

(2) *(Continued)*

3. Preventive measures and control measures under default

Yitai Guanglian had not obtained the approval of coal mining for Hongqinghe Mine and was not qualified for the Company's acquisition when the Company issued H shares and listed on the Main Board of the Hong Kong Stock Exchange in 2012. Yitai Group undertook in the Non-horizontal competition Agreement to grant the Company options and pre-emptive rights, so that the Company or its subsidiaries may enjoy privilege to acquire Hongqinghe Mine on reasonable and fair terms and conditions when Hongqinghe Mine obtained the legitimate mining right qualification or resources licenses and reached the required production condition, in order to solve the horizontal competition in the industry arising from the aforesaid situation.

Based on the obligations on the part of Yitai Group to solve the issue of horizontal competition of under the supervision of relevant regulatory authorities, coupled with the options and pre-emptive rights enjoyed by the Company, it ensures that the Company is well positioned and vested with advantageous rights to require Yitai Group to 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-horizontal competition Agreement, Yitai Group should compensate all loss (including but not limited to business loss) caused thereby to the Company.

REPORT OF THE DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

3. Liquidity and capital resources

As at 30 June 2016, the Company's capital mainly came from capital generated from business operation, medium term notes, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company is mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt, as well as the working capitals 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 construction.

(1) Capital structure

	<i>Unit: RMB'000</i>	
	30 June 2016	31 December 2015
Interest-bearing borrowings	28,315,006	26,318,566
Long-term bonds	7,976,028	7,976,053
Trade and bills payables	1,159,087	1,516,156
Other payables and accruals	6,390,651	5,113,982
Less: Cash and cash equivalents	(7,043,395)	(6,605,859)
Net debt	36,797,377	34,318,898
Equity attributable to equity holders of parent company	22,566,043	22,151,423
Gearing ratio*	62%	61%

* The gearing ratio 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 Company.

(2) Major capital expenditure plans and financing plans of the Group in 2016

Please refer to the section "Discussion and Analysis on the Company's Future Development" in the Report of Directors in the 2015 Annual Report of the Company.

(3) Exchange rate movement risk and relevant hedging

The Company was not affected by exchange rate movement.

REPORT OF THE DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

4. Employees

- (I) 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 at 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	RMB2.9746 million

REPORT OF THE DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

4. Employees (Continued)

(II) Employees information of the parent company and its major subsidiaries

Number of in-service employees in the parent company	2,937
Number of in-service employees in major subsidiaries	3,833
Total number of in-service employees	6,770
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	266

Specialty composition

Category of specialty composition	Headcount
Production	3,413
Sales	1,706
Technician	393
Finance	190
Administration	1,068
Total	6,770

Education level

Category of education level	Headcount
Postgraduate	263
Undergraduate	2,673
College graduate and secondary technical school	2,472
Below secondary technical school	1,362
Total	6,770

(III) Remuneration Policy

The Company made great efforts in motivating employees' working enthusiasm and creativity and promoting the internal fairness and external competitiveness of the remuneration incentive system. On the basis of equal pay for equal work, the Company established a dynamic distribution mechanism in terms of taking position value as the core and performance assessment as the support, thus reflecting the employees' work ability and work achievement. At the same time, the Company raised salary to the employees who are talented with great contribution to the Company but not included in the management. During the Reporting Period, the total staff remuneration of the Company was RMB310 million.

REPORT OF THE DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

4. Employees *(Continued)*

(IV) 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 for the whole company. 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.

SIGNIFICANT EVENTS

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 during the Reporting Period.

II. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring during the Reporting Period.

III. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS

Overview and type of matters	Query index
<p>To solve the horizontal competition in the industry between the Company and Yitai Group, the controlling shareholder, and for the fulfillment of the commitment given by Yitai Group at the issuing and listing of H shares of the Company, the Company signed the Equity Transfer Agreement on 18 March 2015 with Yitai Group, pursuant to which, it proposed to acquire 5% equity interests from Yitai Group in its subsidiary Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. with RMB1,912 million. The transaction matter has been considered and approved by the 7th Meeting of the 6th Session of the Board convened on 18 March 2015 and the Annual General Meeting for the Year of 2014 convened on 9 June 2015 respectively. As at 8 June 2016, the Company has paid all the equity transfer consideration pursuant to the payment term of the Equity Transfer Agreement, and is dealing with procedures of changes in business registration.</p>	<p>Please refer to the Announcement Regarding the Progress on the Acquisition of Equity Interests dated 9 June 2016 published on the website of Shanghai Stock Exchange (http://www.sse.com.cn). The Announcement and Notice of “Overseas Regulatory Announcement-Business Update” dated 8 June 2016 published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk)</p>

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

During the Reporting Period, no share option incentives were granted by the Company.

SIGNIFICANT EVENTS (Continued)

V. MAJOR CONNECTED TRANSACTIONS

Connected transactions in relation to daily operation

	Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
i. Purchase of services from:		
– Yitai Group	150,735	133,824
– Associates	2,499	–
– Other related party (Note a)	181	451
	<u>153,415</u>	<u>134,275</u>
ii. Purchase of goods from:		
– Yitai Group	31,356	45,376
– Associates	336	–
	<u>31,692</u>	<u>45,376</u>
iii. Sale of goods to:		
– Yitai Group	7,117	8,769
– Associates	40,994	58,174
– Joint ventures	62,046	–
	<u>110,157</u>	<u>66,943</u>
iv. Provision of services to other related parties (Note b)	69,059	72,951
v. Interest income from an associate	4,625	–
vi. Borrowings due to an associate (Note c)	1,121,000	–

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, on normal commercial terms were mutually agreed.

Notes:

- (a) They are companies controlled by an immediate family member of the chairman of the board of directors of the Company.
- (b) The non-controlling interest of a subsidiary of the Company.
- (c) Inner Mongolia Yitai Finance Co., Ltd., which is an associate of the Group. The above borrowings are unsecured and repayable within three years with variable interest rates from 4.9% to 8.05% per annum.

SIGNIFICANT EVENTS (Continued)

VI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Custody, contracting and leasing matters

During the Reporting Period, the Company was not involved in any material custody, contracting and leasing matters.

2. Guarantee

Unit: RMB

External Guarantees of the Company (excluding those for subsidiaries)	
Total amount of guarantees occurring during the Reporting Period (excluding those for subsidiaries)	0
Total balance of guarantees at the end of the Reporting Period (A) (excluding those for subsidiaries)	0
Guarantees of the Company for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the Reporting Period	0
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)	15,074,022,355.46
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	15,074,022,355.46
Percentage of total guarantee in the Company's net assets (%)	66.8
Including:	
Amount of guarantees for shareholders, de facto controllers and their connected parties (C)	0
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	10,256,889,875.67
Amount of total guarantees in excess of 50% of net assets (E)	3,791,000,705.575
Amount of total three guarantees above (C+D+E)	14,047,890,581.245

SIGNIFICANT EVENTS *(Continued)*

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

2. Guarantee *(Continued)*

Explanations on guarantees

Ordos Tiandi Huarun Mine Equipment Co., Ltd. entered into a RMB Borrowing Agreement with China Development Bank Corporation (hereinafter referred to as "CDB") in October 2009, for total borrowings of RMB60 million, with a borrowing term starting from 30 November 2009 and due on 29 November 2017. The Company signed a Guarantee Agreement with CDB for this sum of borrowing, in which the guarantee amount was RMB11,200,000. As at 28 June 2016, the accumulated principal due to CDB by Tiandi Huarun was RMB4,800,000 and the outstanding borrowing principal was RMB14,400,000; the interest, overdue penalty and compound interest was RMB269,450.84 in total, therefore, the above amounts were RMB19,469,450.84 in total. Given that Tiandi Huarun lacks the solvency ability, the Company is required to pay CDB a total of RMB6,230,224.27, including a principal of RMB6,144,000, and interest, overdue penalty and compound interest of RMB86,224.27, according to the guarantee proportion. The guarantee responsibility is fulfilled.

3. Other material contracts or transactions

During the Reporting Period, the Company did not enter into other material contracts or transactions.

SIGNIFICANT EVENTS *(Continued)*

VII. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

The Proposal relating to the Appointment of Audit Institution of the Company for 2016 and the Proposal relating to the Appointment of Internal Control Audit Institution of the Company for 2016 were considered and approved at the 15th meeting of the sixth session of the Board of the Company. The Board of the Company agreed to re-appoint Da Hua Certified Public Accountants (Special General Partnership) as the domestic audit institution of the Company for 2016, and agreed to appoint Deloitte Touche Tohmatsu as the overseas audit institution of the Company for 2016. The Board of the Company agreed to re-appoint Da Hua Certified Public Accountants (Special General Partnership) as the internal control audit institution of the Company for 2016. The above-mentioned proposals were considered and passed by the shareholders at the 2015 annual general meeting held on 28 June 2016.

VIII. PUNISHMENT ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING OVER 5% OF EQUITY INTERESTS, DE FACTO CONTROLLERS 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 interests, De Facto Controllers 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.

SIGNIFICANT EVENTS *(Continued)*

IX. CORPORATE GOVERNANCE

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

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Hong Kong Listing Rules”).

In the opinion of the Directors, throughout the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

2. Audit committee

The Company has established the audit committee in accordance with the requirements of the Hong Kong Listing Rules, which consists of four independent non-executive Directors and is chaired by Mr. Yu Youguang. On 15 August 2016, the audit committee reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2016, the interim report for 2016, and the unaudited interim financial statements for the six months ended 30 June 2016.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct regarding securities transactions by all the Directors, supervisors and relevant employees (as defined in the CG Code) of the Company. Having made specific enquiries, the Company confirmed that all the Directors and supervisors of the Company had fully complied with the Model Code during the Reporting Period. Except for their own service contracts, none of the Directors and supervisors of the Company had any direct or indirect individual beneficial interest in any material contracts to which the Company or any of its subsidiaries is a party as at 30 June 2016.

SIGNIFICANT EVENTS (Continued)

X. OTHER SIGNIFICANT EVENTS

1. Inner Mongolia Yitai Nalinmiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災害治理有限公司) is established and solely owned by the Company on 7 June 2016, with a registered capital of RMB210 million. Its registered office is Liuzhongnan Jiefang Area, No.14 South Yimei Road, Dongsheng District, Ordos (鄂爾多斯市東勝區伊煤南路14號街坊區六中南). It is mainly engaged in recovery construction, coal trading, equity investment, and asset management.
2. Yitai Yanqi (Beijing) International Trading Co., Ltd. (伊泰燕棲(北京)國際貿易有限公司) is established and solely owned by the Company, with a registered capital of RMB50 million, which is mainly engaged in sale of machinery and equipment; import and export of goods, import and export of technologies and agency of import and export; technology development; and technology consulting, transfer and services. Owing to adjustment to the strategies and investment plan of the Company, it has completed the business registration cancellation procedures during the Reporting Period.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, there was no change in total shares and share capital structure of the Company.

(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.

II. INFORMATION ON SHAREHOLDERS

(I) Number of Shareholders:

Total number of shareholders as at the end of the Reporting Period (in the number of accounts)	80,826
Total number of holders of preference shares with voting rights restored as at the end of the Reporting Period (in the number of accounts)	N/A

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: share

Name of Shareholder (in full name)	Shareholdings of the Top Ten Shareholders			The number of shares held subject to selling restrictions	Pledged or frozen shares	Class of Shareholder
	Increase/decrease during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Proportions (%)			
Inner Mongolia Yitai Group Co., Ltd.	0	1,600,000,000	49.17	1,600,000,000	Nil	Domestic non state-owned legal person
HKSCC NOMINEES LIMITED	40,000	325,951,700	10.02	Unknown	Unknown	Foreign legal person
Yitai Group (Hongkong) Co., Ltd.	0	312,000,000	9.59	Unknown	Nil	Foreign legal person
FTIF TEMPLETON ASIAN GROWTH FUND 5496	0	74,061,448	2.28	Unknown	Unknown	Foreign legal person
China Merchants Securities (HK) Co., Limited	5,500	22,114,000	0.68	Unknown	Unknown	Foreign legal person
JPMCB/STICHTING PENSINENFONDS ABP	1,482,769	19,560,862	0.60	Unknown	Unknown	Foreign legal person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	0	17,353,698	0.53	Unknown	Unknown	Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,092,000	10,975,894	0.34	Unknown	Unknown	Foreign legal person
EMPLOYEES PROVIDENT FUND BOARD	861,451	10,891,810	0.33	Unknown	Unknown	Foreign legal person
Hu Jiaying	2,298,647	8,484,972	0.26	Unknown	Unknown	Foreign legal person

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period (Continued)

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	
		Class	Share
HKSCC NOMINEES LIMITED	325,951,700	Overseas-listed foreign shares	325,951,700
Yitai Group (Hongkong) Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
FTIF TEMPLETON ASIAN GROWTH FUND 5496	74,061,448	Domestic listed foreign shares	74,061,448
China Merchants Securities (HK) Co., Limited	22,114,000	Domestic listed foreign shares	22,114,000
JPMCB/STICHTING PENSINENFONDS ABP	19,560,862	Domestic listed foreign shares	19,560,862
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,353,698	Domestic listed foreign shares	17,353,698
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	10,975,894	Domestic listed foreign shares	10,975,894
EMPLOYEES PROVIDENT FUND BOARD	10,891,810	Domestic listed foreign shares	10,891,810
Hu Jiaying	8,484,972	Domestic listed foreign shares	8,484,972
HSBC BROKING SECURITIES (ASIA) LIMITED CLIENTS ACCOUNT	7,661,216	Domestic listed foreign shares	7,661,216
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. The Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.		

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period (Continued)

The number of shares held by top ten holders of shares subject to selling restrictions and the conditions of selling restrictions

Unit: share

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Listing status of shares subject to selling restrictions		Conditions of selling restrictions
			Time of Listing	Number of newly listed shares	
1	Inner Mongolia Yitai Group 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 Group Co., Ltd. is the controlling shareholder of the Company.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, 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 Securities and Futures Ordinance ("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 underlying shares in issue (%) ^{5,6}	Percentage of the total issued shares (%) ^{5,6}
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 ¹	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
CITIC Mezzanine (Shanghai) Investment Centre (Limited Liability Partnership)	H shares	Beneficial owner	Long	17,543,200	5.38	0.53
Datang International (Hong Kong) Limited ²	H shares	Beneficial owner	Long	18,031,100	11.08	0.55
Datang International Power Generation Co., Ltd. ²	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 Man Shi Investment Group Limited	H shares	Beneficial owner	Long	28,321,000	8.68	0.87
Inner Mongolia Ordos Investment Holding Group Co., Ltd.	H shares	Beneficial owner	Long	55,443,600	17.00	1.70

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

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

Name of substantial shareholder	Class of shares	Type of interest	Long/ Short position	No. of shares	Percentage of the underlying shares in issue (%) ^{5,6}	Percentage of the total issued shares (%) ^{5,6}
Inner Mongolia Yitai Group Co., Ltd. ³	Non-overseas-listed foreign shares	Beneficial owner/ Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Inner Mongolia Yitai Investment Co., Ltd. ⁴	Non-overseas-listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Ordos Hongrui Trade Company Limited	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
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. ³	Non-overseas-listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS *(Continued)*

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

Notes:

1. According to the disclosure of interests form submitted to the Hong Kong Stock Exchange, Poseidon Sports Limited holds 10,008,500 shares (long position) of the Company. 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, representing 6.14% of the H shares in issue as at 12 July 2013. As at 30 June 2016, 10,008,500 shares represented 3.07% of the H shares in issue.
2. According to the disclosure of interests form submitted to the Hong Kong Stock Exchange, 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, representing 11.08% of the H shares in issue as at 12 July 2012. As at 30 June 2016, 18,031,100 shares represented 5.53% of the H shares in issue.
3. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (Hongkong) Co., Ltd. and is thus deemed to be interested in the 312,000,000 B shares held by Yitai Group (Hongkong) Co., Ltd.. Inner Mongolia Yitai Group Co., Ltd. directly holds 1,600,000,000 domestic shares.
4. Inner Mongolia Yitai Investment Co., Ltd. holds 99.54% of the registered capital of Inner Mongolia Yitai Group Co., Ltd. and is thus deemed to be interested in all of the 1,912,000,000 shares directly or indirectly held by Inner Mongolia Yitai Group Co., Ltd..
5. According to the Articles of Association, the Company has two classes of shares, namely (i) "non-overseas-listed-foreign shares" which include domestic shares and B shares; and (ii) H shares.
6. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 30 June 2016, 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 any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

During the Reporting Period, there was no change in shareholding of directors, supervisors and senior management of the Company.

Unit: share

Name	Position	Number of shares held as at the beginning of the Period	Number of shares held as at the end of the Period	Increase/decrease change in number of shares during the Reporting Period	Reason for the increase/decrease change
Zhao Xin	Board Secretary	5,100	5,100	0	

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for the change
Qi Yongxing	Independent Director	Resigned	Job changes

III. OTHER EXPLANATORY ITEMS

The Company received the letter from Mr. Qi Yongxing of resignation from the position of independent director of the Company on 15 April 2016. Mr. Qi Yongxing applied to resign from the position of independent director of the Company, and other related positions in the Committees of the Board due to job changes. The resignation of Mr. Qi Yongxing will take effect upon the appointment of a new independent director being approved at the general meeting of the Company to fill the vacancy. The Company made the announcement on 15 April 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

IV. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, 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, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Long positions in the shares of associated corporation of the Company

Name of director/supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	10,903,593	1.51
		Interest of spouse	500,000	0.07
		Interest held as a trustee	15,831,123 ¹	2.20
Mr Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,000,000	0.83
		Interest held as a trustee	8,986,299 ¹	1.25
Mr Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	51,250	0.01
		Interest held as a trustee	7,413,316 ¹	1.03
Mr Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	148,947	0.02
		Interest held as a trustee	7,315,619 ¹	1.02
Mr Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.31
Mr Song Zhanyou	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.31
Mr Zhang Jingquan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.31

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

IV. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long positions in the shares of associated corporation of the Company (Continued)

Name of director/supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Supervisors:				
Mr Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.56
		Interest held as a trustee	6,014,883 ¹	0.83
Mr Wang Xiaodong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	565,365	0.08
Mr Ji Zhifu	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03
Mr Han Zhanchun	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03

Note 1: Pursuant to a trust agreement entered into by 35 individuals and a group of employees of Inner Mongolia Yitai Group Co., Ltd., the directors and supervisors listed above together with other members of the 35 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 are of the opinion that the trust arrangement is valid and binding under the PRC laws.

Save as disclosed above, as at 30 June 2016, 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.

RELEVANT INFORMATION ON CORPORATE BONDS

I. OVERVIEW OF CORPORATE BONDS

Unit: RMB million

Bonds Name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate	Method of capital repayment with interest	Places of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2014 (first tranche)	14 Yitai 01	122329	9 October 2014	9 October 2019	4,500	6.99%	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange

RELEVANT INFORMATION ON CORPORATE BONDS (Continued)

II. CONTACT PERSONS AND METHODS OF BONDS TRUSTEE MANAGER, CONTACT METHODS OF CREDIT RATING AGENCY

Bonds trustee manager	Name	China International Capital Corporation Limited
	Address	Floor 27-28, Tower 2, World Trade Building, No.1, Jianguomen Outer Street, Chaoyang District, Beijing
	Contact persons	Zhai Ying, Du Yi, Xu Xian
	Tel	01065051166
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Address	Floor A29, Pengrun Mansion, No.26, Xiaoyun Road, Chaoyang District, Beijing

III. USE OF PROCEEDS RAISED FROM PUBLIC ISSUANCE OF THE COMPANY BONDS

The proceeds raised from public issuance of the Company bonds of this tranche were used for disclosing the bonds of this tranche. As at 30 June 2016, proceeds were utilized in full.

IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

During the Reporting Period, Dagong Global Credit Rating Co., Ltd. conducted a follow-up credit rating on bonds 14 Yitai 01 of the Company, and the bonds credit rating and long-term credit rating of the Company respectively maintained at AA+. The rating outlook is steady.

In line with the schedule of follow-up rating, Dagong Global Credit Rating Co., Ltd. will carry out a periodical follow-up rating on the bonds of this tranche within 2 months after release of the announcement of annual report by the bonds issuer and during the period of existence of the bonds of this tranche, and further conduct unscheduled follow-up rating according to the relevant situations within the period of existence of the bonds of this tranche. Dagong Global Credit Rating Co., Ltd. has presented the follow-up rating result on 29 April 2016.

RELEVANT INFORMATION ON CORPORATE BONDS *(Continued)*

V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, SOLVENCY PLAN AND OTHERS DURING THE REPORTING PERIOD

During the Reporting Period, said corporate bonds were not implemented with credit enhancement mechanism and there had been no change in the solvency plan. The Company strictly complied with the schedule of capital repayment with interest as set out in the prospectus and paid interest arising from the bonds and returned capital of the bonds to the investors.

VI. MEETING OF CORPORATE BONDHOLDERS

As at end of the Reporting Period, no meeting of corporate bondholders had been convened.

VII. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGER

Within the period of existence of the bonds of this tranche aforementioned, China International Capital Corporation Limited, the bonds trustee manager conscientiously complied with the agreement to the Bonds Trustee Management Agreement 《債券受托管理協議》 and conducted a continuous follow-up to the Company's rating, management and use of proceeds raised from the bonds, and condition of capital repayment with interest of the Company. China International Capital Corporation Limited also supervised the Company to perform the obligations set out in the prospectus and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders.

Report of Trustee Management Affairs 《受托管理事務報告》 has been disclosed by the trustee manager on 2 June 2016. See the details on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

RELEVANT INFORMATION ON CORPORATE BONDS (Continued)

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT END OF LAST YEAR AND END OF REPORTING PERIOD (OR DURING THE REPORTING PERIOD AND THE SAME PERIOD OF LAST YEAR)

Unit: RMB

Major indicator	End of Reporting Period	End of last year	Increase or decrease as compared with the end of last year (%)	Reasons of change
Liquidity ratio	1.12	1.16	-0.04	Mainly due to the increase in borrowings due within one year during the current period
Quick ratio	0.98	1.07	-0.09	Mainly due to the increase in borrowings due within one year during the current period
Gearing ratio	62.31%	60.73%	1.58	
Loan repayment ratio	100%	100%		

	During Reporting Period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)	Reasons of change
EBITDA times interest earned	1.69	1.93	-0.24	Mainly due to the increase in capitalized interest expenses during the current period
Interest repayment ratio	100%	100%		

IX. COMPANY'S ASSETS AS AT END OF REPORTING PERIOD

As at end of the Reporting Period, no assets had been mortgaged, pledged, closed down or frozen, realized with certain conditions or failed to be realized or used for debt payment. There had been no other rights under restriction or debts needing preferential payments against the third party.

RELEVANT INFORMATION ON CORPORATE BONDS (Continued)

X. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Name of medium-term notes	Issuing amount (RMB million)	Starting date	Date of expiry	Nominal interest rate
12 Yitai MTN1	1,000	2012-12-25	2017-12-25	5.5300%
13 Yitai MTN1	2,500	2013-4-16	2018-4-16	4.9500%

XI. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the Reporting Period, the lines of credit of the Company totalled RMB55,183,250,000 and the credit limit was RMB29,773,250,000. The credit available was RMB25,410,000,000.

XII. FULFILLMENT OF COMMITMENT IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

The Company strictly complied with and fulfilled the relevant commitments in the prospectus within the Reporting Period.

XIII. IMPACT OF MAJOR EVENTS TO OPERATING STATUS AND SOLVENCY OF THE COMPANY

There were no major events that affect the operating status and solvency of the Company during the Reporting Period.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**To the Board of Directors of
Inner Mongolia Yitai Coal Co., Ltd.**

(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Inner Mongolia Yitai Coal Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 86, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements for the six months ended 30 June 2016 are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 Unaudited RMB'000	2015 Unaudited RMB'000
Revenue	5	8,118,825	9,018,185
Cost of sales		(6,344,644)	(7,102,326)
Gross profit		1,774,181	1,915,859
Other gains and losses	5	22,687	107,923
Other income	5	211,532	103,140
Selling and distribution expenses		(404,188)	(516,685)
General and administrative expenses		(452,155)	(622,568)
Other expenses		(115,570)	(149,862)
Finance income		26,438	63,548
Finance costs	6	(464,316)	(417,372)
Exchange gains/(losses), net		(13,686)	573
Share of losses of joint ventures		(942)	–
Share of (losses)/profits of associates		(7,052)	11,267
Profit before tax	7	576,929	495,823
Income tax expense	8	(113,895)	(184,910)
Profit for the period		463,034	310,913
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value losses on available-for-sale investments		(14,718)	(37,469)
Income tax effect		3,680	9,368
Exchange differences on translation of foreign operation		435	(18)
		(10,603)	(28,119)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period		–	(65,215)
Other comprehensive expense for the period, net of tax		(10,603)	(93,334)
Total comprehensive income for the period		452,431	217,579

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 Unaudited RMB'000	2015 Unaudited RMB'000
Profit for the period attributable to:			
Owners of the Company		452,879	175,548
Non-controlling interests		10,155	135,365
		<u>463,034</u>	<u>310,913</u>
Total comprehensive income attributable to:			
Owners of the Company		442,276	82,214
Non-controlling interests		10,155	135,365
		<u>452,431</u>	<u>217,579</u>
Earnings per share – basic (RMB)	10	<u>0.14</u>	<u>0.05</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

		30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	46,427,805	43,855,452
Investment properties	12	451,163	461,847
Prepaid land lease payments		884,860	856,620
Mining rights		359,392	369,057
Other intangible assets		128,844	56,657
Investment in joint ventures		80,347	81,289
Investments in associates		811,083	794,529
Available-for-sale investments	13	8,464,986	6,567,704
Deferred tax assets		1,185,989	1,286,812
Other non-current assets		20,660	50,956
		<u>58,815,129</u>	<u>54,380,923</u>
Total non-current assets			
Current assets			
Inventories	14	1,526,363	1,085,494
Trade and bills receivables	15	1,665,454	3,815,259
Prepayments, deposits and other financial assets	16	2,241,226	1,814,040
Investment in financial products		300,000	200,000
Prepayments of corporate income tax		119,390	124,927
Restricted bank deposits	17	178,890	142,264
Cash and cash equivalents	17	7,043,395	6,605,859
		<u>13,074,718</u>	<u>13,787,843</u>
Total current assets			
Current liabilities			
Trade and bills payables	18	1,159,087	1,516,156
Financial liabilities at fair value through profit or loss		199	66
Other payables and accruals	19	6,390,651	5,113,982
Interest-bearing borrowings	20	4,157,876	5,218,750
Income tax payable		11,197	36,866
		<u>11,719,010</u>	<u>11,885,820</u>
Total current liabilities			
		<u>1,355,708</u>	<u>1,902,023</u>
Net current assets			
		<u>60,170,837</u>	<u>56,282,946</u>
Total assets less current liabilities			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2016

		30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
	Notes		
Non-current liabilities			
Interest-bearing borrowings	20	24,157,130	21,099,816
Long-term bonds		7,976,028	7,976,053
Deferred tax liabilities		5,019	5,019
Other borrowings	20	790,194	286,656
Deferred income		72,153	72,878
Other non-current liabilities		74,784	74,177
Total non-current liabilities		<u>33,075,308</u>	<u>29,514,599</u>
Net assets		<u>27,095,529</u>	<u>26,768,347</u>
Equity			
Equity attributable to owners of the Company			
Share capital		3,254,007	3,254,007
Reserves		19,312,036	18,869,757
Proposed final dividend	9	-	27,659
		<u>22,566,043</u>	<u>22,151,423</u>
Non-controlling interests		<u>4,529,486</u>	<u>4,616,924</u>
Total equity		<u>27,095,529</u>	<u>26,768,347</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Available- for-sale investment revaluation reserve RMB'000	Proposed final dividend (Note 9) RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	3,254,007	(510,862)	2,825,780	3,194	27,659	365	16,551,280	22,151,423	4,616,924	26,768,347
Profit for the period	-	-	-	-	-	-	452,879	452,879	10,155	463,034
Other comprehensive income for the period:										
Change in fair value of available-for-sale investments (net of tax)	-	-	-	(11,038)	-	-	-	(11,038)	-	(11,038)
Exchange differences on translation of foreign operations	-	-	-	-	-	435	-	435	-	435
Total comprehensive income for the period	-	-	-	(11,038)	-	435	452,879	442,276	10,155	452,431
Capital contributions from non-controlling interests	-	3	-	-	-	-	-	3	6,087	6,090
Dividend paid to non- controlling interests	-	-	-	-	-	-	-	-	(103,680)	(103,680)
2015 final dividends declared	-	-	-	-	(27,659)	-	-	(27,659)	-	(27,659)
At 30 June 2016 (Unaudited)	<u>3,254,007</u>	<u>(510,859)</u>	<u>2,825,780</u>	<u>(7,844)</u>	<u>-</u>	<u>800</u>	<u>17,004,159</u>	<u>22,566,043</u>	<u>4,529,486</u>	<u>27,095,529</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2016

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Available- for-sale investment revaluation reserve RMB'000	Proposed final dividend (Note 9) RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	3,254,007	(411,877)	2,813,144	99,375	676,833	(816)	16,501,074	22,931,740	4,564,913	27,496,653
Profit for the period	-	-	-	-	-	-	175,548	175,548	135,365	310,913
Other comprehensive income for the period:										
Change in fair value of available-for-sale investments (net of tax)	-	-	-	(28,101)	-	-	-	(28,101)	-	(28,101)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period	-	-	-	(65,215)	-	-	-	(65,215)	-	(65,215)
Exchange differences on translation of foreign operations	-	-	-	-	-	(18)	-	(18)	-	(18)
Total comprehensive income for the period	-	-	-	(93,316)	-	(18)	175,548	82,214	135,365	217,579
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	54,000	54,000
Dividend paid to non- controlling interests	-	-	-	-	-	-	-	-	(64,800)	(64,800)
2014 final dividends declared	-	-	-	-	(676,833)	-	-	(676,833)	-	(676,833)
At 30 June 2015 (Unaudited)	<u>3,254,007</u>	<u>(411,877)</u>	<u>2,813,144</u>	<u>6,059</u>	<u>-</u>	<u>(834)</u>	<u>16,676,622</u>	<u>22,337,121</u>	<u>4,689,478</u>	<u>27,026,599</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Net cash flow generated from operating activities	<u>2,632,644</u>	<u>1,434,650</u>
Payment on acquisition of property, plant and equipment	(1,783,412)	(3,041,618)
Investment in available-for-sale investment	(1,800,000)	(1,058,484)
Other cash flows (used in)/generated from investing activities	<u>(163,689)</u>	<u>209,894</u>
Net cash flow used in investing activities	<u>(3,747,101)</u>	<u>(3,890,208)</u>
Proceeds from bank and other loans	4,395,502	3,289,331
Repayment of borrowings	(1,914,142)	(3,241,000)
Other cash flow (used in)/generated from in financing activities	<u>(928,492)</u>	<u>2,138,476</u>
Net cash flow generated from financing activities	<u>1,552,868</u>	<u>2,186,807</u>
Net increase/(decrease) in cash and cash equivalents	438,411	(268,751)
Net foreign exchange difference	(875)	573
Cash and cash equivalents at 1 January	<u>6,605,859</u>	<u>5,030,944</u>
Cash and cash equivalents at 30 June	<u><u>7,043,395</u></u>	<u><u>4,762,766</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. CORPORATE INFORMATION

Inner Mongolia Yitai Coal Co., Ltd. (the “Company”) was incorporated as a joint stock company with limited liability on 23 September 1997. On 12 July 2012, the Company consummated its global offering of H shares and listed on the Main Board of The Stock Exchange of Hong Kong Limited.

In the opinion of the directors, the parent company of the Company is Inner Mongolia Yitai Group Co., Ltd. (“Yitai Group”).

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) *Interim Financial Reporting* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2015.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to standards (“new and revised IFRSs”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IAS 1 *Disclosure Initiative*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IFRSs *Annual Improvements to IFRSs 2012-2014 Cycle*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The application of the above new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

4. OPERATING SEGMENT

Information reported to the executive directors of the Company, being chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

The CODM reviews operating results and financial information for each operating company separately. Accordingly, each operating company, including associates and joint ventures held by the relevant operating company, is identified as an operating segment. Those operating companies are aggregated into coal segment, transportation segment and coal-related chemical segment respectively for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar products and services and similar methods used to distribute their products and under the same regulatory environment.

From this year on, the elimination of investments costs is regularly provided to the CODM separately from segment assets for the purpose of better understanding. The comparable figure is also modified accordingly.

Specifically, the Group’s reportable segments under IFRS 8 *Operating Segments* are 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.

The “others” comprises a number of immaterial businesses and none of these units has ever individually met the quantitative thresholds for determining a reportable segment.

All income and expenses are attributed to the respective segments. Accordingly, the aggregated segment result is the same as the consolidated profit of the Group.

Revenue from major products/services

The following is an analysis of the Group’s revenue from its major products and services:

	30 June 2016 RMB'000	30 June 2015 RMB'000
Coal	7,305,250	7,866,000
Coal-related chemical products	586,559	933,439
Transportation services	227,016	216,306
Others	—	2,440
	<u>8,118,825</u>	<u>9,018,185</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

4. OPERATING SEGMENT (CONTINUED)

Six months ended 30 June 2016 (Unaudited)	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Reportable segment total RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue:						
External customers	7,305,250	227,016	586,559	8,118,825	–	8,118,825
Intersegment sales	64,505	570,824	16,836	652,165	–	652,165
	7,369,755	797,840	603,395	8,770,990	–	8,770,990
<i>Reconciliation</i>						
Elimination of intersegment sales						(652,165)
Total revenue						<u>8,118,825</u>
Segment result:						
Profit/(loss) before tax	501,014	103,479	(26,912)	577,581	(652)	576,929
Income tax expense	(104,786)	(10,364)	1,255	(113,895)	–	(113,895)
	396,228	93,115	(25,657)	463,686	(652)	463,034
Profit for the period						<u>463,034</u>
Segment assets as at						
30 June 2016 (unaudited)	43,505,985	13,470,492	27,255,615	84,232,092	2,001	84,234,093
<i>Reconciliation</i>						
Elimination of investments costs						(10,101,868)
Elimination of intersegment receivables						(2,156,210)
Elimination of capitalised intersegment finance costs						(86,168)
Total assets as at 30 June 2016						<u>71,889,847</u>
Segment liabilities as at						
30 June 2016 (unaudited)	20,384,562	5,875,563	20,684,652	46,944,777	5,751	46,950,528
<i>Reconciliation</i>						
Elimination of intersegment payables						(2,156,210)
Total liabilities as at 30 June 2016						<u>44,794,318</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

4. OPERATING SEGMENT (CONTINUED)

Six months ended 30 June 2015 (Unaudited)	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Reportable segment total RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue:						
External customers	7,866,000	216,306	933,439	9,015,745	2,440	9,018,185
Intersegment sales	77,087	742,127	5,906	825,120	–	825,120
	7,943,087	958,433	939,345	9,840,865	2,440	9,843,305
<i>Reconciliation</i>						
Elimination of intersegment sales						(825,120)
Total revenue						<u>9,018,185</u>
Segment result:						
Profit/(loss) before tax	83,523	411,480	1,618	496,621	(798)	495,823
Income tax expense	(139,783)	(42,467)	(2,660)	(184,910)	–	(184,910)
	(56,260)	369,013	(1,042)	311,711	(798)	310,913
Profit for the period						<u>310,913</u>
Segment assets as at						
31 December 2015 (Audited)	41,849,699	13,303,799	25,132,059	80,285,557	2,540	80,288,097
<i>Reconciliation</i>						
Elimination of investments costs						(10,101,868)
Elimination of intersegment receivables						(1,931,295)
Elimination of capitalised intersegment finance costs						(86,168)
Total assets as at 31 December 2015						<u>68,168,766</u>
Segment liabilities as at						
31 December 2015 (Audited)	21,363,362	5,808,077	16,154,636	43,326,075	5,639	43,331,714
<i>Reconciliation</i>						
Elimination of intersegment payables						(1,931,295)
Total liabilities as at 31 December 2015						<u>41,400,419</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Revenue		
Sales of goods	7,891,809	8,799,439
Rendering of services	227,016	218,746
	<u>8,118,825</u>	<u>9,018,185</u>
Other income		
Income from sale of materials	9,663	4,802
Income from rendering of other services	87,014	80,635
Dividend income from available-for-sale investments	100,642	5,988
Government grants	8,574	3,891
Indemnities received	1,380	2,223
Others	4,259	5,601
	<u>211,532</u>	<u>103,140</u>
Other gains and losses		
Gain on disposal of available-for-sale investments	–	101,205
Gain on disposal of items of property, plant and equipment and intangible assets	24,614	6,718
Loss on impairment of inventories	(815)	–
Reversal of impairment losses on other receivables	4,000	–
Fair value loss on future contracts	(133)	–
Realised loss on future contracts	(4,979)	–
	<u>22,687</u>	<u>107,923</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

6. FINANCE COSTS

	Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Interest on bank borrowings	828,985	637,486
Interest on 5-year corporate bonds	254,275	254,127
Total interest	1,083,260	891,613
Less: Interest capitalised	(618,944)	(474,241)
	<u>464,316</u>	<u>417,372</u>

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Cost of inventories sold	6,188,083	7,008,555
Cost of services provided	156,561	93,771
Depreciation of items of property, plant and equipment	711,132	703,266
Depreciation of investment properties	10,684	7,927
Amortisation of prepaid land lease prepayments	12,544	14,562
Amortisation of mining rights	9,665	13,083
Amortisation of other intangible assets	14,186	14,303
Amortisation of other non-current assets	4,984	2,996
Total depreciation and amortisation	<u>763,195</u>	<u>756,137</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Income tax		
Current tax – Mainland China	13,072	105,721
Deferred tax	100,823	79,189
	<u>113,895</u>	<u>184,910</u>

PRC corporate income tax (the “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.

Certain subsidiaries were entitled to a preferential CIT rate of 15% from 1 January 2011 to 31 December 2020 based on the revised version of the Guidance Catalogue for Adjustment of Industrial Structure (產業結構調整指導目錄(2011年本)修正) issued by the National Development and Reform Commission which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

Certain subsidiaries were entitled to be exempted from income tax in three years starting from the first profit-making year and allowed a 50 percent reduction in the following three years (三免三減半) from March 2014, based on the Catalogue of Income Tax Preference for Corporations Implementing Public Infrastructure Programs issued by the National Administration of Taxation (國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄-財稅[2008]46號).

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group had no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2016 and 2015.

As detailed in note 4 to the Group’s consolidated financial statements for the year ended 31 December 2015, the Group had tax contingencies relating to the implementation of tax policy regarding the Catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄, “CEIWC”) in respect of the Group’s entitlement of the preferential corporate income rate (“CIT”) of 15%. The tax contingencies amount to RMB586 million, RMB470 million and RMB135 million for the years ended 31 December 2011, 2012 and 2013, respectively. Continuing communication and clarification has been made with the relevant tax authority, and based on the latest clarification from the relevant tax authority that no retrospective adjustments would be made to the tax assessments for the aforesaid periods, the directors consider it is remote that the Group would have to pay additional tax for the aforesaid periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

9. DIVIDENDS

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

The board of directors of the Company recommended on 30 March 2016 to propose a final cash dividend of RMB0.085 (tax inclusive) per 10 ordinary shares amounted to approximately RMB27,659,000 (tax inclusive). The above-mentioned proposed final dividends for the year ended 31 December 2015 were approved by the Company's shareholders at the annual general meeting held on 28 June 2016.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2016 and 2015 attributable to owners of the Company and the number of ordinary shares in issue during the periods ended 30 June 2016 and 2015.

The Company had no potential ordinary shares in issue for the six months ended 30 June 2016 and 2015, hence no diluted earnings per share amount is presented.

The calculation of basic earnings per share is based on the followings:

	Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
<i>Earnings</i>		
Profit for the period attributable to owners of the Company	<u>452,879</u>	<u>175,548</u>
<i>Shares</i>		
Number of ordinary shares in issue during the period (in thousand)	<u>3,254,007</u>	<u>3,254,007</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired certain buildings, mining structures, machinery and equipment, motor vehicles, railway, highway and construction in progress with an aggregate costs amounting to approximately RMB3,486 million (six months ended 30 June 2015: RMB3,150 million).

Certain buildings, railway, highway, motor vehicles, machinery and equipment, with carrying amount of RMB202 million (six months ended 30 June 2015: RMB39.80 million) were disposed of in 2016, which resulted in a net gain on disposal of RMB24.61 million (six months ended 30 June 2015: a net gain on disposal of RMB6.7 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

12. INVESTMENT PROPERTIES

The Group's investment properties are situated in Mainland China, and are leased to third parties under operating leases with lease terms of 1 to 10 years.

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Listed equity investments, at fair value:		
In Hong Kong	43,581	58,299
Unlisted equity investments, at cost	8,421,405	6,509,405
	<u>8,464,986</u>	<u>6,567,704</u>

The Company increased the equity investment in unlisted companies of RMB1,912 million in total for a capital injection.

14. INVENTORIES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Materials and supplies	586,388	556,432
Finished goods	939,975	529,062
	<u>1,526,363</u>	<u>1,085,494</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

15. TRADE AND BILLS RECEIVABLES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade receivables from third parties	1,270,770	2,419,873
Trade receivables from associates	34,542	25,803
Trade receivables from joint ventures	22,877	–
Trade receivables from Yitai Group	26	10
	<u>1,328,215</u>	<u>2,445,686</u>
Bills receivable	<u>337,239</u>	<u>1,369,573</u>
	<u><u>1,665,454</u></u>	<u><u>3,815,259</u></u>

The Group requires certain of its customers to pay in advance and no specific credit period provided to customers. The Group makes provision for the doubtful trade receivables balance at the end of each reporting period. The carrying amounts of the trade receivables and bills receivable approximate to their fair values.

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

Bills receivable are bills of exchange with maturity of less than six months.

An aged analysis of the Group's trade receivables, based on revenue recognition date and net of provisions, is as follows:

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Within 6 months	1,319,436	2,440,755
Over 6 months but within one year	4,550	3,306
Over one year but within two years	2,742	1,625
Over three years	1,487	–
	<u>1,328,215</u>	<u>2,445,686</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

15. TRADE AND BILLS RECEIVABLES (CONTINUED)

At 30 June 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB131,200,000 (31 December 2015: RMB1,458,387,000). The Bills had a maturity of one to five months at the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Bills. Accordingly, it has derecognised the full carrying amounts of the Bills and the associated liabilities. The maximum exposure to loss from the Bills is equal to their carrying amounts. During the six months period ended 30 June 2016 and 2015, the Group has not recognised any loss in relation to the continuing involvement, both during the period or cumulatively.

16. PREPAYMENTS, DEPOSITS AND OTHER FINANCIAL ASSETS

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Amounts due from Yitai Group	25,468	—
Amounts due from associates	13,730	—
Amounts due from other related party	16,404	—
Advances to suppliers	761,187	747,583
Prepayments of value added tax	950,870	703,761
Other prepayments	211,936	336,683
Staff advances	10,668	7,235
Deposits	36,869	22,866
Other receivables	44,851	10,669
Entrusted loans*	180,000	—
	<u>2,251,983</u>	<u>1,828,797</u>
Less: Provision for impairment	<u>(10,757)</u>	<u>(14,757)</u>
	<u><u>2,241,226</u></u>	<u><u>1,814,040</u></u>

* In January 2016, the Group lent RMB180,000,000 to Qapqal Investment Development Group Co., Ltd., an entity owned by Qapqal Xibe Autonomous County State-owned Property Management Center through China Development Bank as entrusted loans. The loan bears a fixed interest rate of 8% per annum and is repayable on 21 December 2016.

In the opinion of the directors, the above entrusted loans, totalling RMB180,000,000, were executed in accordance with the applicable rules and regulations, and no impairment provision against them is required.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Cash and bank balances	4,177,948	4,469,070
Deposits with financial institution (Note a)	3,044,337	1,903,501
Time deposits with maturity within three months	–	375,552
Less: Restricted bank deposits (Note b)	<u>(178,890)</u>	<u>(142,264)</u>
Cash and cash equivalents	<u><u>7,043,395</u></u>	<u><u>6,605,859</u></u>
Denominated in RMB (Note c)	6,994,312	6,557,899
Denominated in other currencies	<u>49,083</u>	<u>47,960</u>
	<u><u>7,043,395</u></u>	<u><u>6,605,859</u></u>

Notes:

- (a) Inner Mongolia Yitai Finance Co., Ltd., which is an associate of the Group.
- (b) As at 30 June 2016 and 31 December 2015, the Group's bank balances of approximately RMB18,921,000 and RMB21,132,000 respectively 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. The rest are deposits at banks as guarantees for bank acceptance bills.
- (c) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

18. TRADE AND BILLS PAYABLES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade payables to third parties	782,651	1,180,632
Trade payables to associates	340	2,313
Trade payables to other related party	60	61
Trade payables to Yitai Group	6,075	8,000
	<u>789,126</u>	<u>1,191,006</u>
Bills payable	369,961	325,150
	<u><u>1,159,087</u></u>	<u><u>1,516,156</u></u>

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Within 6 months	959,978	1,245,174
Over 6 months but within one year	89,229	162,726
Over one year but within two years	44,863	74,581
Over two years but within three years	37,602	33,675
Over three years	27,415	-
	<u>1,159,087</u>	<u>1,516,156</u>

The trade payables are non-interest-bearing and have a 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

19. OTHER PAYABLES AND ACCRUALS

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Advances from customers	331,921	184,383
Accrued salaries, wages and benefits	85,072	209,836
Other tax payables	947,212	1,129,494
Accrued interest	346,242	233,083
Payables for property, plant and equipment	3,753,849	3,205,640
Accruals	309,139	20,910
Amounts due to Yitai Group	370,271	28,472
Amounts due to associates	3,191	666
Amounts due to other related parties	9,963	328
Other payables	101,742	100,460
Dividend payables	132,049	710
	<u>6,390,651</u>	<u>5,113,982</u>

20. INTEREST-BEARING BORROWINGS AND OTHER BORROWINGS

During the six months ended 30 June 2016, the Group repaid the borrowings amounted to RMB1,914 million (2015: RMB3,241 million), and obtained new loans amounting to RMB4,396 million (2015: RMB3,289 million) which carry interest at variable market rates from 1.5% to 8.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

21. COMMITMENTS

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	24,211,599	25,194,558
– Capital injection into available-for-sale investments	<u>–</u>	<u>48,000</u>
	<u>24,211,599</u>	<u>25,242,558</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

22. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2016 and 2015:

	2016 Unaudited RMB'000	2015 Unaudited RMB'000
i. Purchase of services from:		
– Yitai Group	150,735	133,824
– Associates	2,499	–
– Other related party (Note a)	181	451
	<u>153,415</u>	<u>134,275</u>
ii. Purchase of goods from:		
– Yitai Group	31,356	45,376
– Associates	336	–
	<u>31,692</u>	<u>45,376</u>
iii. Sale of goods to:		
– Yitai Group	7,117	8,769
– Associates	40,994	58,174
– Joint ventures	62,046	–
	<u>110,157</u>	<u>66,943</u>
iv. Provision of services to other related parties (Note b)	69,059	72,951
v. Interest income from an associate	4,625	–
vi. Borrowings due to an associate (Note c)	1,121,000	–

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, on normal commercial terms and the pricing terms were mutually agreed.

Notes:

- (a) They are companies controlled by an immediate family member of the chairman of the board of directors of the Company.
- (b) The non-controlling interest of a subsidiary of the Company.
- (c) Inner Mongolia Yitai Finance Co., Ltd., which is an associate of the Group. The above borrowings are unsecured and repayable within three years with variable interest rates from 4.9% to 8.05% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

The Group had the following outstanding balances with related parties with details set out in respective notes:

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
(i) Trade and bills receivables	<u>57,445</u>	<u>25,813</u>
(ii) Prepayments, deposits and other financial assets	<u>55,602</u>	<u>—</u>
(iii) Trade payables	<u>(6,475)</u>	<u>(10,374)</u>
(iv) Other payables and accruals	<u>(383,425)</u>	<u>(29,466)</u>
(v) Deposits with financial institution	<u>3,044,337</u>	<u>1,903,501</u>

The above balances are unsecured and repayable on demand. Except for the deposits with financial institution which carry prevailing market interest rate, the above balances are interest free.

(c) Guarantees received from related parties

As at 30 June 2016 and 31 December 2015, bank loans of RMB1,867,641,000 and RMB1,874,659,000, respectively, were guaranteed by Yitai Group.

(d) Guarantees given to related parties

As at 30 June 2016, the Group did not have any guarantees given to banks for loans of associates.

As at 31 December 2015, guarantees of RMB11,200,000, were given to banks for loans of associates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Short-term employee benefits	2,297	2,287
Post-employment benefits	225	201
Total compensation paid to key management personnel	2,522	2,488

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and financial 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 cash equivalents, restricted bank deposits, financial assets included in prepayments, deposits and other financial assets, trade and bills receivables, trade and bills payables, financial liabilities included in other payables and accruals, and the variable interest bearing borrowings together with relevant interest payable approximate to their carrying amounts largely due to the short term maturities of these instruments or carried prevailing market interest rate.

The fair values of the non-current portion of fixed interest bearing borrowings and fixed-rate long-term bonds together with relevant interest payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed available-for-sale equity investments are based on quoted market prices.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value:

As at 30 June 2016 (Unaudited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments	43,581	–	–	43,581

Financial liabilities measured at fair value:

As at 30 June 2016 (Unaudited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at fair value through profit or loss	–	199	–	199

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2015, the Group held the following classes of financial instruments measured at fair value:

Financial assets measured at fair value:

As at 31 December 2015 (Audited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments	58,299	–	–	58,299

Financial liabilities measured at fair value:

As at 31 December 2015 (Audited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at fair value through profit or loss	–	66	–	66

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2016

24. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Subsequent to 30 June 2016, there are no significant events occurred.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of the directors on 15 August 2016.