



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



2017

Interim Report

*For identification purposes only



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IMPORTANT NOTICE AND DEFINITIONS

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 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 2017 ("Reporting Period") have been reviewed independently by the Company's external auditor Deloitte Touche Tohmatsu in accordance with the Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.
- IV. The Company's Chairman, Zhang Donghai, person in charge of accounting, Lv Guiliang, and Head of the Accounting Department (accounting chief), Lv Xudong, warrant the truthfulness, accuracy and completeness of the financial report set out in this 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 related parties?
No
- VII. Did the Company provide third-party guarantees in violation of stipulated decision-making procedures?
No
- VIII. Unless otherwise stated, the data is presented in Renminbi in this report.

IMPORTANT NOTICE AND DEFINITIONS *(Continued)*

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 AND MAJOR FINANCIAL INDICATORS

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 Wang Sanmin Song Zhanyou Lv Guiliang Independent Non-executive Directors: Yu Youguang Huang Sujian Zhang Zhiming Wong Hin Wing
Members of the Strategy Committee	Zhang Donghai (Chairman) Liu Chunlin Ge Yaoyong Zhang Dongsheng Song Zhanyou Wang Sanmin Lv Guiliang Zhang Zhiming Yu Youguang Huang Sujian Wong Hin Wing
Members of the Audit Committee	Yu Youguang (Chairman) Zhang Zhiming Huang Sujian Wong Hin Wing
Members of the Nomination Committee	Zhang Zhiming (Chairman) Zhang Donghai Liu Chunlin Wang Sanmin Yu Youguang Huang Sujian Wong Hin Wing

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

Members of the Remuneration and Appraisal Committee	Huang Sujian (Chairman) Zhang Donghai Liu Chunlin Wang Sanmin Zhang Zhiming Yu Youguang Wong Hin Wing
Members of the Production Committee	Zhang Donghai (Chairman) Ge Yaoyong Wang Sanmin Huang Sujian Yu Youguang
Members of the Supervisory Committee	Yuan Bing Liu Xianghua Jia Xiaolan Li Cailing He Peixun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternate Authorized Representative	Wong Wai Ling
Joint Company Secretaries	Zhao Xin Wong Wai Ling

II. CONTACT PERSON AND CONTACT METHOD

	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

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

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

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspaper selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Websites designed 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	03948	/

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VI. OTHER RELEVANT INFORMATION

		B share/Domestic	H share/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	Global Law Office	Clifford Chance
	Address	15/F & 20/F, Tower 1, China Central Place, No. 81, Jianguo Road, Chaoyang District, 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	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(1) Key Business Data

Unit: million tonnes Currency: RMB

Major Accounting Data	From January to June 2017	From January to June 2016	Increase/Decrease
Coal production	21.35	17.18	24.27%
Coal sales volume	37.90	27.76	36.53%
Railway transport volume	46.68	40.69	14.72%
Coal-related chemical production	0.0976	0.0918	6.32%

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (CONTINUED)

(2) Major Accounting Data

Unit: '000 yuan Currency: RMB

Major Accounting Data	From January to June 2017	From January to June 2016	Change(%)
Revenue	16,043,924	8,118,825	97.61
Profit for the period	2,808,435	463,034	506.53
Profit for the period attributable to owners of the Company	2,361,036	452,879	421.34
Basic earnings per share (RMB)	0.73	0.14	421.43
Net cash flow from operating activities	4,060,774	2,632,644	54.25

	As at 30 June 2017	As at 31 December 2016	Change(%)
Net assets attributable to owners of the Company	25,785,798	24,015,800	7.37
Total assets	73,126,153	70,941,604	3.08

(3) Major Financial Indicators

Unit: yuan Currency: RMB

Major Financial Indicators	During Reporting Period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Basic earnings per share (RMB/share)	0.73	0.14	421.43
Diluted earnings per share (RMB/share)	0.73	0.14	421.43
Basic earnings per share after deduction of extraordinary gain and loss (RMB/share)	0.71	0.13	446.15
Weighted average return on net assets (%)	9.35	2.02	Increased by 7.33 percentage points
Weighted average return on net assets after deduction of extraordinary gain and loss (%)	9.24	1.89	Increased by 7.35 percentage points



COMPANY BUSINESS PROFILE

I. PRINCIPAL ACTIVITIES, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION ON INDUSTRY SITUATION DURING THE REPORTING PERIOD

The Company is a large industrial group with coal production as its principal business, railway transportation as its supplementary business and coal-to-chemicals business as extension of its business. The Company directly owns and controls a total of 12 mechanized coal mines with production capacity of 4.5 Mtpa in operation. At present, the Company controls three main railways in operation, namely the Zhundong Railway (191.79km, including 59.35km for double line), Huzhun Railway (237.98km, including 113.79km for double line) and a special railway line for Suancigou Mine (26.85km). At the same time, the Company also holds 15% equity interest in Xin Baoshen Railway, 18.96% equity interest in Zhunshuo Railway, 10% equity interest in Mengxi-Huazhong Railway, 10% equity interest in the south Ordos railway line and 9% equity interest in Mengji Railway respectively. In addition, the Company has built the mine roads of 150km covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area. The Company has kept increasing technical and equipment input in railway management for years, thus realizing interconnection with national railways. Currently, the design delivery capacity of the self-operated railways and the coal transport capacity reached 220 million tonnes/year and 100 million tonnes/year, respectively. A complete transport network covering all main mines of the Company has been established, thus creating a good condition for transporting the coal both owned by the Company and from the peripheral area. The Company possesses the world-leading indirect coal-to-liquid conversion technique and plans to construct large-size coal-to-chemicals projects in Inner Mongolia and Xinjiang by applying such technique. As a major product of the Company at present, environment-friendly and quality thermal coal mainly serves as fuel coal for various industries in the downstream of the coal industry including thermal power, construction materials and chemicals.

Presently, affected by policies such as the national reform of the supply side and cutting overcapacity in coal industry, the problem of overcapacity in coal market has been eased. However, in general, the fundamental problem of supply exceeding demand in Chinese coal market has not changed, and the aggregate supply of coal tends to increase. It is predicted that the coal market will basically balance in the second half year, though some regions with resource and transportation constraints may face the problem of temporary tight supply.



COMPANY BUSINESS PROFILE (Continued)

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As the largest local coal enterprise in Inner Mongolia, the Company has comparative advantages over its peers by boosting its size, improving quality and efficiency, optimizing industrial structure and enhancing financial strength after 20 years of development. The Company's footprint covers East China, South China, North China, Northeast, Central China and other areas, and the Company has also forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy consumers with an eye to mutual benefits and win-win scenarios, achieving relatively high brand effect. The Company has abundant coal reserves, superior mining conditions, modern mining technology and sustained opportunities for integration of internal and external resources. Meanwhile, the Company has always kept its operation strategy of integrating production, delivery and sales, creating new profit growth point in railway and coal to-chemicals, which will be beneficial to the long-run stable development for its own.

Firstly, as its coal products are typical environmental-protection high-quality thermal coal, with such characteristics as medium to high calorific value, medium to low ash content, ultra-low sulphur content, ultra-low phosphorous content, and low moisture content, which is among the best in the domestic large scale coalfield, all of which are highly competitive in the market.

Secondly, the Company has leading advantages in low-cost mining in the industry, and the major mining areas have stable ground conditions, simple geological structures, relatively thick flat-lying coal seams located at relatively shallow depths, and low methane gas concentration levels, which greatly reduced safety hazards in its mining operations, and lowered coal production costs.

Thirdly, the Company is in an advantageous position in railway transportation and has currently formed a railway transportation network, connecting Dazhun, Daqin Lines to the east, Dongwu Line to the west, Jingbao Line to the North, Shenshuo Line to the south, which centers on Zhungeer, Dongsheng Coalfield and spread hereof. Furthermore, several large scale coal dispatched stations, coal storage yards and transfer stations were established so as to be in favor of controlling transportation costs and promoting the transportation efficiency.

Fourthly, the Company actively expanded the coal-to-chemicals operation in terms of the world-leading coal-to-oil production technologies possessed, which could extend the Company's coal industrial chain, realize industrial transformation and upgrading, and enhance its core competitiveness and consolidate its position in the industry.

Fifthly, the Company has been adhering to the responsibilities to all shareholders, local and society while strengthening and expanding its business. It maintained an outstanding profit sharing and tax paying record for a number of years, and actively participated in local environmental governance and ecological improvement, practically achieving harmonious development of the enterprise and the society.

REPORT OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

(I) Summary

In the first half of 2017, affected by the periodic changes in demand and supply and policy control, the price of coal fluctuated frequently and there are ups and downs in the market. Under the leadership of the Board of Directors and the management, the Company timely analysed and studied policies such as national capacity control and capacity replacement, orderly made arrangements on coal production, transportation and sales, actively advanced the construction, review and approval of key projects, and therefore, realised a sharp increase in results year-on-year and revolutionary development in all businesses. As at the end of the Reporting Period, the Company recorded total assets of RMB73.1 billion, revenue of RMB16.0 billion in the first half of 2017 and net profit attributable to shareholders of the parent company of RMB2.361 billion.

1. Coal sector

During the Reporting Period, the Company has realized production of commodity coal of 21.35 million tonnes and sales of coal of 37.90 million tonnes.

(1) Coal production

The Company closely followed the trend of national capacity adjusting and controlling policies, seized market opportunities, and improved the production efficiency as much as possible in the premise of ensuring safe production and compliance production. Meanwhile, the Company planned for the demand for its coal assets and production capacity indicators, actively prepared for capacity replacement and participated in the trade of production capacity indicators, and ensured the mines in production were producing normally and achieving maximum asset utilisation.

(2) Coal transportation and sales

In the first half of 2017, with a shortage of coal sources in the region and keen competition, the Company strove for getting social coal sources to the largest extent by actively taking part in long-term cooperation contracts for mutual insurance, pit-mouth exclusive sale, quantity and price linkage, expanding transportation radius, increasing the variety and binding different types of coal. In addition, the Company timely adjusted coal procurement price and freight according to the changes in market price and strove for increasing the volume with an aim of reducing procurement cost.

For coal transportation, with an effort on striving for transport volume of Dazhun Line and Shuohuang Line, the Company flexibly adjusted the Hohhot transportation and focused on getting direct rail access with better economic benefits. Meanwhile, the Company opened up the transportation from Hohhot to Dongdagu, so that a new channel of raw coal sales and transportation was opened.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(I) Summary (Continued)

1. Coal sector (Continued)

(2) Coal transportation and sales (Continued)

For coal sales, on the basis of ensuring contract fulfillment rate, the Company increased the market sales of coal appropriately by using customer grading management. In addition, on the basis of ensuring the total number of contracts, the Company adjusted the site-delivery ratio to increase income.

2. Railway sector

In the first half of 2017, facing the constantly changing market trend and keen competition, Zhundong Railway Company and Huzhun Railway Company continuously improved their service quality, actively contracted in transportation and guaranteed the throughput. Also, by making reasonable arrangements on transport organisation and doing well in train connection, the Company kept optimising its operation procedures, lowered the turnaround time of trains, and further enhanced its operational efficiency. Meanwhile, by arranging appropriately on coal storage and guaranteeing the container quality, the Company effectively controlled the amount of coal inventory, reasonably used the station area, and thus, to greatly improve the container management level. The comprehensive railway planning in Dalu Industrial Park set up a fundamental basis for Huzhun Railway Company to improve its collection, distribution and transportation system in the future. Moreover, the Company actively promoted the construction of Gonggou Container and the planning of Zhundong Railway–Dongwu Railway connecting line, further increased the dispatched stations of Zhundong Railway and promoted its interconnection.

During the Reporting Period, Zhundong Railway Company and Huzhun Railway Company dispatched 33.87 million tonnes and 12.81 million tonnes of coal, respectively.

3. Coal-to-chemicals sector

(1) Demonstration project of coal-to-oil production of 0.16 Mtpa

During the Reporting Period, Coal-to-oil Company made an effort to lower the cost and enhance efficiency, refined the purchase indicators and inventory of raw coal, and optimised the proportion of coal ratio usage. In addition, the Company improved and adjusted production process, and increased the production ratio of high value-added products according to customers' needs. In the first half of the year, the Company produced 97,600 tons of various types of oils and chemicals.

REPORT OF DIRECTORS *(Continued)*

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS *(CONTINUED)*

(I) Summary *(Continued)*

3. Coal-to-chemicals sector *(Continued)*

(2) Product sales

During the Reporting Period, Coal-to-oil Company and the petrochemical companies had a sales of various products totaling 130,900 tons. Meanwhile, in order to ensure the smooth interlink of 1.20 Mtpa of fine chemicals project, the Company did a lot of excellent work in coal-related chemicals market expansion, target market investigation, and logistics and warehouse construction.

(3) Project construction

During the Reporting Period, Yitai Chemical, with safety and stability as the cornerstone, firmly promoted commissioning work. In the first half of the year, the Company achieved important stages, such as getting a pass in air purging of processing technique system, and completing the airtight construction of process technique system and catalyst filling, which established a basis for opening up the whole production process and entering into the stage of united trail operation in the beginning of July.

The 2 Mtpa indirect coal to liquids conversion pilot project of Coal-to-oil Company was approved by the National Development and Reform Commission in the end of 2016 and convened a mobilizing meeting as the project foundation in June this year.

During the Reporting Period, Yili Energy Company mainly focused on development of approved projects by editing and submitting environmental evaluation approval of projects and approval application, and closely followed and submitted the related information required by the National Development and Reform Commission during the approval process. On 26 July 2017, the project obtained "The National Development and Reform Commission's Reply to the Approval of Yitai Yili Energy Co., Ltd. 's 1 Mtpa Coal-to-oil Project" (FGNY No. [2017] 1393).

In the first half of 2017, Yitai Xinjiang made its emphasis of work as actively promoting project approval and enhancing on-site management. All work is now going orderly. While actively submitting the supporting documents for project approval, the Company has finished the first draft of project approval application and is now organising internal review.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(I) Summary (Continued)

4. Safety and environmental protection

During the Reporting Period, the Company adhered to the safe production guidance “safety first, prioritizing precaution and comprehensive governance”, fully carried out “double control” measures, the prevention and control of safety risks and hidden danger investigation, strengthened the responsibility of persons in charge of safety production, firmly and effectively started different safety supervising work. For environmental protection, the Company actively sped up the approval process of environmental protection and water protection construction, insisted on the synchronous implementation, checking, examination of environmental protection work and production and business activities, and thus, to improve the environment quality stably.

5. Business outlook

In the second half of 2017, on one hand, the consumption of coal will keep growing with the stable and improving macroeconomic development. On the other hand, under the national control on coal consumption and the increasing substitution usage of non-fossil fuel over coal, coal consumption will decrease. Affected by adjustments on reducing production policy and improvement in productivity of some quality mines, the speed of such exchange and eliminating outdated production capacity will increase, resulting in relatively more uncertainty in coal supply, which is affected by policies. In general, the fundamental problem of overcapacity and supply exceeding demand in Chinese coal market has not changed. It is predicted that the coal market will basically balance in the second half year, though some regions with resource and transportation constraints may face the problem of temporary tight supply.

The Company will closely follow the trend of national policies, positively face market changes, and timely adjust operational strategies, and thus, creating larger values to shareholders at its best. The Company will also seize opportunities brought by national policies, actively prepare for capacity replacement and participate in the trade of production capacity indicators, ensure the normal production of the Company's mines in production. In the premise of ensuring safe production, the Company will further dig for resources and lower loss, reduce cost from coal production, continuously optimise transportation channels, flexibly adjust transportation route and port flow, and lower coal transportation cost. Moreover, the Company will positively expand its customer scale based on its current one, further expand into internal and external market, balance the ratio of market sales and long-term contracted sales. In addition, the Company will make an effort to handle the connection work between production and sales of 1.20 Mtpa of fine chemicals project of Yitai Chemical, and reasonably arrange the design and construction schedule of approved coal-to-oil projects.

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(II) Analysis on the principal business

1. Analysis on changes in items of the financial statements

Unit: thousand yuan Currency: RMB

Item	Amount for the Reporting Period	Amount for the same period last year	Change (%)
Revenue	16,043,924	8,118,825	97.61
Cost of sales	(11,281,394)	(6,344,644)	77.81
Selling and distribution expenses	(541,923)	(404,188)	34.08
Administrative expenses	(482,937)	(452,155)	6.81
Finance costs	(429,202)	(464,316)	-7.56
Net cash flow from operating activities	4,060,774	2,632,644	54.25
Net cash flow from investing activities	(1,711,708)	(3,747,101)	-54.32
Net cash flow from financing activities	(880,242)	1,552,868	-156.68
Research and development costs	25.40	17.99	41.19

2. Others

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.

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(III) Analysis on the operations by segments, products or regions

1. Principal business by segments and by products

Unit: thousand yuan Currency: RMB

Six months ended 30 June 2017 (Unaudited)	Coal	Transportation	Coal-related chemical	Total	Others	Consolidated
Segment revenue:						
External customers	15,079,151	332,759	627,819	16,039,729	4,195	16,043,924
Intersegment sales	235,134	755,839	4,170	995,143	-	995,143
	15,314,285	1,088,598	631,989	17,034,872	4,195	17,039,067
Segment profit:						
Profit/(loss) before tax	3,097,602	303,935	1,165	3,402,702	(532)	3,402,170
Income tax expense						(593,735)
Net profit for the period						<u>2,808,435</u>
Segment assets	55,202,573	13,277,068	30,855,520	99,335,161	558,838	<u>99,893,999</u>
Segment liabilities	28,534,470	5,500,052	21,037,440	55,071,962	509,480	<u>55,581,442</u>

2. Principal business by regions

Unit: million yuan Currency: RMB

Regions	Operating revenue	Increase/decrease of operating revenue compared to last year (%)
North China	5,724.31	123.97
East China	7,219.36	83.57
South China	2,844.46	135.34
Northeast	217.66	56.98
Central China	195.50	-29.92
Northwest	11.57	-82.31
Southwest	1.13	141.14
Total	<u>16,213.99</u>	<u>98.20</u>

Note: The above financial information is based on PRC Accounting Standards for Business Enterprises.

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(IV) Analysis on assets and liabilities

1. Assets and liabilities

Unit: yuan

Item	Closing balance for the period	Closing balance for the period over the total assets(%)	Closing balance for the last period	Closing balance for the last period over the total assets(%)	Percentage of change of closing balance for the period compared to the last period(%)	Explanation
Prepayments	1,113,679,476.95	1.52	580,277,819.43	0.82	91.92	Mainly due to the increase in prepayment of freight and coal purchasing cost;
Other non-current assets	378,824,018.61	0.52	45,667,684.76	0.06	729.52	Mainly due to the debentures obtained and reclassification of the payment of land use rights;
Short-term borrowings	2,100,000,000.00	2.87	1,400,000,000.00	1.97	50.00	Mainly due to the increase in short-term borrowings;
Bills payables	867,582,881.81	1.19	1,242,329,186.18	1.75	-30.16	Mainly due to the decrease in payment for bills;
Payments received in advance	864,988,346.64	1.18	407,455,066.78	0.57	112.29	Mainly due to the increase in sales advances received;
Payroll payable	65,984,627.78	0.09	224,035,546.26	0.32	-70.55	Mainly due to the payment of year-end bonus for the previous year;
Taxes payable	551,564,254.27	0.75	1,054,938,960.22	1.49	-47.72	Mainly due to the payment of price regulation fund;
Interest payable	343,979,240.44	0.47	238,353,526.41	0.34	44.31	Mainly due to the non-payment of accrued interest in the Reporting Period;
Dividends payables	605,042,718.00	0.83	76,078,665.07	0.11	695.29	Mainly due to the non-payment of cash dividends for the year 2016 in the Reporting Period;
Non-current liabilities due within one year	2,248,279,685.00	3.07	1,634,584,616.00	2.30	37.54	Mainly due to the increase in long-term borrowings due within one year;

The above financial information is based on PRC Accounting Standards for Business Enterprises.

2. Company's major assets under restriction as at the end of the Reporting Period

Item	Balance	Reasons for restriction
Cash at bank and on hand	532,405,562.47	Bank acceptance bill guarantee and environment protection guarantee deposited at banks
Bills receivables	111,890,000.00	Securing the notes
Total	644,295,562.47	

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(V) Analysis on investment

1. Overall analysis on external equity investment

(1) Material equity investment

In order to satisfy the capital demand for daily operation of Yitai Chemical, the Company increased its capital contribution to Yitai Chemical with an amount of RMB2.91346 billion in cash on 22 June 2017. At the same time, Yitai Group also increased its capital contribution to Yitai Chemical with an amount of RMB316.54 million in cash. The registered capital of Yitai Chemical increased to RMB4 billion after the capital increase, among which the amount of contribution of the Company and Yitai Group were RMB3.608 billion and RMB392 million respectively, with a shareholding of 90.2% and 9.8% respectively. There is no change in the shareholding ratio of Yitai Chemical between the Company and Yitai Group before or after the capital increase. Please refer to the overseas regulatory announcement dated 22 June 2017 of the Company for details.

(2) Significant non-equity investment

No.	Type of securities	Stock code	Stock Abbreviation	Initial investment (in ten thousand yuan)	Shareholdings (share)	Closing Book Value (in ten thousand yuan)	Percentage of total securities investment at the end of the period (%)
1	Share	3369	QHD PORT	7,923.79	19,013,000.00	4,128.54	100
Total				7,923.79	19,013,000.00	4,128.54	100

Shareholding in non-listed financial entities:

Name of the investee	Initial investment (in ten thousand yuan)	Closing book value (in ten thousand yuan)	Profit and loss during the Reporting Period (in ten thousand yuan)	Accounting item	Source of shareholding
Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)	10,000.00	4,047.94	798.96	Available-for-sale financial assets	Capital contribution
Total	10,000.00	4,047.94	798.96	/	/

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(V) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(3) Financial assets measured at fair value:

Unit: yuan Currency: RMB

Item	Balance at the beginning of the period	Balance at the end of the period	Change for the period	Amounts that affect the profit for the period
Financial assets at fair value through profit or loss	–	571,920.00	571,920.00	571,920.00
Available-for-sale financial assets	30,273,027.16	41,285,356.95	11,012,329.79	–
Total	30,273,027.16	41,857,276.95	11,584,249.79	571,920.00

(VI) Analysis on major subsidiaries and investees

Unit: yuan Currency: RMB

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net profit
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Railway transport operations	Railway transportation	1,554,000,000.00	6,646,345,878.38	352,552,836.42
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司)	Railway transport operations	Railway transportation	2,074,598,000.00	6,636,623,036.74	-97,118,922.13
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Coal-related chemical	Production and sales of coal-related chemical products	2,352,900,000.00	3,719,361,471.22	7,848,064.86
Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal-related chemical	Processing and sales of coal	1,080,000,000.00	4,735,828,156.63	860,226,697.45
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Coal-related chemical	Production and sales of coal-related chemical products	4,000,000,000.00	15,519,652,424.84	403,239.98



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(VI) 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 33.87 million tonnes of coal, representing an increase of 25.95% as compared with the same period last year. Its net profit amounted to RMB352.55 million, representing an increase of 239.33% as compared with the same period last year. As at 30 June 2017, Zhundong Railway Company realised having no Responsible Category C or Above Railway Transportation Incidents for 6,041 consecutive days. The Gonggou Container project was approved in May 2017. Its design of construction plan of railway project and preliminary design of transportation system and access highway were completed. Preparation work such as tendering of construction units and land requisition, demolition and relocation work were under process.

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

During the Reporting Period, Huzhun Railway Company dispatched an aggregate of 12.81 million tonnes of coal, and the loss amounted to RMB97.12 million, which was mainly due to the fact that the coal volume dispatched was affected by the renovation of Huzhun railway centralization and transport system. As at 30 June 2017, Huzhun Railway realised having no Responsible Category C or Above Railway Transportation Incidents for 3,877 consecutive days. During the Reporting Period, the construction project of South Hohhot-Wangqi and the up line second Huzhun line was undergoing as scheduled, while land requisition, demolition and relocation work and preliminary procedures were orderly handled.

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

During the Reporting Period, the production devices of Coal-to-oil Company performed stable running for 177.12 days. Its production of various oil products and chemicals amounted to 0.0976 million tonnes, representing a year-on-year increase of 6.35%. The company realised operating revenue of RMB453 million, representing a year-on-year increase of 30.83%; and a net profit of RMB7.85 million, representing a year-on-year increase of 138.05%.



REPORT OF DIRECTORS *(Continued)*

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS *(CONTINUED)*

(VI) Analysis on major subsidiaries and investees (Continued)

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

During the Reporting Period, by optimising the integrated mining working platform and continuously adjusting and improving follow-up schemes, Suancigou Mine reasonably arranged the mining order of underground integrated mining machines, effectively resolved the tight situation of continuous mining, and guaranteed the normal connection of recovery platform. In the first half of 2017, Suancigou Mine realized production of commodity coal of 7.70 million tonnes, recording a total revenue of RMB1.728 billion and net profit of RMB860.23 million.

5. Inner Mongolia Yitai Chemical Co., Ltd.

During the Reporting Period, in order to ensure 1.20 Mtpa Refined Chemical Project to be a one-time success, Inner Mongolia Yitai Chemical Co., Ltd. set up a working principle of “not urging on speed but guaranteeing safety and quality”, emphasized on the strict follow on procedures of trial operation and did it step by step. The Company guaranteed on the safety of trial operation with measures including on-site inspection, risk investigation and standardized management of safety checking, and thus, no serious and above accidents happened. In the premise of safe production, the Company actively optimised the production process and underwent technical reform to ensure the stable running of machinery. Moreover, the company put great effort into building its talent team and connecting production and sales.

II. OTHER DISCLOSURES

(I) The warning and explanation on the prediction 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

With further promotion on supply-side reform in coal industry, the existence of supply exceeding demand in the PRC coal market will keep improving. If the price of coal continues to keep high, the Company predicts that the accumulative net profit from the beginning of the year to the end of next Reporting Period will increase significantly compared to the same period last year.



REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(II) Potential risks of the Company

1. Policy risks

Given its predominance in China's resource endowment and energy consumption structure, coal has always been the top priority in the country's energy plan and is markedly affected by national policy. On the one hand, with the promotion of energy conservation and emission reduction and reinforcement of ecological civilization construction, the constraints from resource and environment will increase, and the risks of environmental protection and ecological issues generated from energy development will gradually grow, thus the requirements regarding threshold to entry coal mining and coal chemical projects, energy conservation and environmental protection, production safety and others will be more stringent. On the other hand, as China gradually increases the supply-side reform efforts, government regulation and control policies, including cutting overcapacity and capacity replacement will also have a greater impact on the Company's production and operation.

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

2. Risks of macro-economic fluctuations

The coal industry which the Company belongs to as well as its downstream industries are basic industries of national economy and closely connected with the macro-economy. Therefore, it is very vulnerable to macroeconomic fluctuations. Along with changes in the structure, the development pattern and the system in the domestic macro economy, it will have certain impact on production and operation of the Company, thereby affecting the operating results of the Company.

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



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Potential risks of the Company *(Continued)*

3. Risks of industrial competition

Currently the domestic coal market presents a situation with weak demand and over-capacity. The situation of supply over demand will lead to fiercer competition among coal industry. Under the circumstances of a prolonged slump in the international oil price, the coal-to-chemicals industry will encounter many difficulties, such as low oil price, high coal price and fierce competition in production sales and so forth.

To cope with intensifying industrial competition, the Company will continuously maintain the leading position in the industry by strengthening cost management. Meanwhile, the company will continuously improve market competitiveness by enhancing quality of coal products and brand awareness, expanding market through multiple channels, improving customer service level, adjusting products and sale structure. Facing a prolonged slump in international oil price and other disadvantages, the Company will realize cost reduction and efficiency increase through optimizing the production technology process and adjusting product structure to adapt to the changes in the market as well as actively striving for the preferential policies and tax deduction and exemption for coal-to-chemical industry.

4. Risk of the increase in capital needs

Coal-to-chemical industry is a capital intensive industry. The Company is currently conducting a layout of three large-scale coal-to-oil projects in Inner Mongolia and Xinjiang. The previous funds invested into these three projects are mainly used for the preliminary work such as feasibility study, design and land acquisition. After obtaining the approval for the formal construction of those projects, more funds will be needed.

In this regard, the Company will, based on the approval progress of projects, the international crude oil market situation and the Company's overall fund arrangements, gradually promote the project construction work, timely follow-up and implement project loans, and further promote the equity financing, debt financing to expand the Company's financing channels and ease the fund pressure.



REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(II) Potential risks of the Company (Continued)

5. Safety risks

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

To cope with these, the Company will focus on safety work and adhere to the guidance of "safety first, prioritizing precaution and comprehensive governance" to continuously increase investment in production safety, improve the administration system of production safety, enhance on-site management and intensify process control; clarify the responsibilities of persons in charge of production safety, specify responsibilities, objectives, rewards and punishment; continue to promote the safety quality standardization of coal mines, improve coal-to-chemical operation and safety technical regulations as soon as possible; step up efforts for establishing professional team, safety and technical training as well as safety culture cultivation to improve employees' professional competence and increase their awareness of safety; strengthen safety regulation to ensure production safety.

6. Risks of rising of costs

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

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

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) 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 2017	Mineable reserve in the PRC at the end of June 2017
Suancigou	1,289.45	690.57
Nalinmiao No. 2 mine	119.50	52.90
Hongjingta No. 1 mine	102.51	34.66
Nalinmiao No. 1 Mine	23.96	4.16
Yangwangou	13.89	6.32
Fuhua	5.21	2.22
Kaida	191.09	110.25
Dadijing	79.06	45.03
Baoshan	37.90	20.73
Chengyi	15.33	4.53
Baijialiang	4.50	0
Talahao	863.44	585.97
Total	<u>2,745.84</u>	<u>1,557.34</u>

Mine of the Company: Yangwangou Mine, Chengyi Mine and Fuhua Mine are planned to close before the end of September 2017. The Company is now going through procedures for mine closure and waiting for the approval from the relevant departments.

(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 DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

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

(3) Capital expenditure incurred from coal mines

Unit: million yuan Currency: RMB

Mines of the Company	Capital expenditure during January to June 2017
Suancigou	8.32
Hongjingta No. 1 mine	16.76
Kaida	12.40
Dadijing	1.33
Baoshan	1.43
Total	40.24

(4) Construction of mines

The construction of Talahao Mine and technology reconstruction of Kaida Mine have been completed and they are now put into trial production and united trail operation respectively.

(5) Construction contracts for coal mines

Unit: yuan Currency: RMB

Using unit	Details of contract	Name of provider	Amount of contract
Talahao Mine	Pipe Installation Project of Talahao Mine No 2 Coal Channel and No 3 Second Panel Coal Channel	China Coal Third Construction (Group) Co, Ltd. (中煤第三建設(集團)有限責任公司)	1,880,000
Kaida Mine	Installation Project of Kaida Mine Belt Conveyor and Main Pier	China Coal Third Construction (Group) Mechanical and Electronic Installation Engineering Co, Ltd. (中煤第三建設(集團)機電安裝工程有限責任公司)	10,980,000

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

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

(6) Procurement contracts of facilities for coal mine

Unit: yuan Currency: RMB

Using unit	Details of contract	Name of provider	Amount of contract
Kaida Mine	Belt conveyor	Anhui Sail Machinery Co., LTD (安徽揚帆機械股份有限公司)	7,999,800
Kaida Mine	Supply of steel wire belt	Wuxi Boton Technology Co., Ltd. (無錫寶通科技股份有限公司)	4,862,160
Baoshan Mine	Scraper conveyor	Ningxia Tiandi Hardware Technology Co., Ltd. (寧夏天地 重型裝備科技有限公司)	6,980,000
Talahao Mine	Portable nitrogen generator	SMS Asia Gas Systems Co., Ltd- Chengdu (西梅卡亞洲氣體系統 成都有限公司)	1,780,000
Baoshan Mine	Wireless communication system	China Coal Research Institute (煤炭科學技術研究院有限公司)	1,653,750
Baoshan Mine	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)	4,380,000
Kaida Mine	Boiler desulfurization project	Changsha Aobang Environmental Protection Industry Co., Ltd. (長沙奧邦環保實業有限公司)	6,454,000
Production and Service Center	Hydraulic chock section	Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份 有限責任公司)	58,320,000
Talahao Mine	Decelerator	Worldtech Transmission Technology (Tianjin) Co., Ltd. (沃德傳動(天津)股份有限公司)	1,675,264
Baoshan Mine	Hydraulic pressure stand	Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份 有限責任公司)	6,075,000

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) 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 2017	January to June 2016
Suancigou	7.70	4.71
Nalinmiao No. 2 Mine	4.13	4.83
Hongjingta No. 1 Mine	3.32	3.92
Nalinmiao No. 1 Mine	0.79	0
Kaida	0.43	0
Dadijing	2.16	2.63
Baoshan	1.04	1.08
Chengyi	0	0.0084
Talahao	1.79	0
Total	21.36	17.18

Remarks: The mining work of Nalinmiao Mine No. 1 mine was done. Remaining resources will be put into disaster control project of open mining and recovery.

(8) Cost of coal

Unit: yuan Currency: RMB

Project	Type	January to June 2017	January to June 2016
Production cost per unit of self-produced coal	Labor cost	16.18	15.73
	Raw material, fuel and power	9.50	8.72
	Depreciation and amortisation	7.72	8.71
	Other production costs	36.95	21.64
	Total production cost for coal	70.35	54.80
Cost per unit of coal purchased domestically		290	137

The above financial data were prepared according to PRC accounting standards.

REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures (Continued)

2. Compliance Procedure of the Agreement on Avoidance of Horizontal Competition and its Implementation

- (1) The Company has entered into the Agreement on Avoidance of 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. 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;
 3. save as the retained business and target business group, during the effective period of the Agreement on Avoidance of 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;
 4. 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;
 5. 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;



REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

2. Compliance Procedure of the Agreement on Avoidance of Horizontal Competition and its Implementation (Continued)

(1) (Continued)

6. 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;
7. 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.

- (2) On 29 May 2012, Yitai Group and the Company entered into the Agreement on Avoidance of 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 preemptive 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.

REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures *(Continued)*

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

(2) *(Continued)*

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.

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 DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

2. Compliance Procedure of the Agreement on Avoidance of Horizontal Competition and its Implementation (Continued)

(2) (Continued)

Fulfillment of undertakings:

The Company entered into an equity transfer agreement with Yitai Group on 25 March 2014 in Ordos, and transferred 5% equity interest in Yitai Guanglian at a consideration of RMB1.912 billion. The equity transfer was considered and approved at the thirty-second meeting of the fifth session of Board of Directors of the Company convened on 25 March 2014, and the 2013 annual general meeting held on 30 May 2014, at which the independent non-executive Directors presented independent opinions. Payment for the equity transfer and change of industrial and commercial registration have been completed.

The Company entered into an equity transfer agreement with Yitai Group on 18 March 2015, and proposed to acquire 5% of equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. therefrom at a consideration of RMB1.912 billion. The transaction has been approved at the seventh meeting of the sixth session of the Board of Directors convened on 18 March 2015 and the 2014 annual general meeting convened on 9 June 2015 respectively, at which the independent non-executive Directors presented independent opinions. As at 30 June 2017, the Company has completed the procedures of changes in business registration.

3. Liquidity and Capital Resources

As at 30 June 2017, the Company's capital mainly came from capital generated from business operation, medium term note, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company was 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.

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

3. Liquidity and capital resources (Continued)

(1) Capital structure

Unit: '000 yuan Currency: RMB

	30 June 2017	30 June 2016
Interest-bearing borrowings	24,569,600	28,315,006
Long-term bonds	7,981,302	7,976,028
Trade and bills payables	2,538,415	1,159,087
Other payables and accruals	5,853,592	6,390,651
Less: Cash and cash equivalents	(5,898,592)	(7,043,395)
Net debt	35,044,317	36,797,377
Equity attributable to equity holders of parent company	25,785,798	22,566,043
Gearing ratio*	74%	62%

* 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 2017

Please refer to the section "Discussion and Analysis on the Company's Future Development" in the Report of Directors in the 2016 Annual Report of the Company.

(3) Exchange rate movement risk and relevant hedging

The Company was not affected by exchange rate movement.

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

4. Employees

- (1) 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	RMB3.94 million

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

4. Employees (Continued)

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

Number of in-service employees in the parent company	2,542
Number of in-service employees in major subsidiaries	3,620
Total number of in-service employees	6,162
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	302

Specialty composition

Category of specialty composition	Headcount
Production	3,043
Sales	1,722
Technician	442
Finance	196
Administration	759
Total	6,162

Education level

Category of education level	Headcount
Postgraduate	250
Undergraduate	2,724
College graduate and secondary technical school	2,127
Below secondary technical school	1,061
Total	6,162

(3) 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 RMB375 million.



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures *(Continued)*

4. Employees *(Continued)*

(4) Training program

The Company's human resources and strategic planning department implemented a vertical management of training work of each department of the Company and performed an effective integration of the training projects, training contents, organization methods and etc. The Company gave a proper authorization to its branches and subsidiaries, for an implementation of a planned management and control, in order to realize the goal of management finally. Secondly, as to the Company's training at all levels, the Company combined the internal training and external training, with an intention to give internal training mainly, which would help to reduce training costs and improve the training effect. At the same time, the Company cultivated a large number of internal lecturers, laying a foundation for promoting internal course development in the future.

(5) Employee Motivation

The Group has established a comprehensive performance evaluation system to link the annual business objectives with the performance of different departments and staff. The comprehensive performance evaluation system is established across the Company and its departments, branches and individuals to ensure overall coverage of key indicators and level-by-level management and to ensure effective implementation and achievement of goals. Through multiple measures and approaches, the Company's business and individual motivation are connected, thereby stimulating the creative capability of the organization and the individuals. With the notion of pursuing shareholder interest and corporate social responsibility, we hope to contribute to the sustainable development of the Company.

(6) Pension Scheme

The Company has established a pension system to provide the qualified and voluntary employees with the supplementary pension plan with certain guarantee on retirement income. The Company and the employees participating in the plan shall make relevant payment by a certain proportion. A third party trustee is entrusted to act as account manager, custodian and investment manager to carry out fund management and investment activities. In accordance with the provisions of the pension system, such payment shall be payable at the time of employee retirement.

SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

I. PARTICULARS OF GENERAL MEETINGS

Session of the meeting	Convening date	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals
Annual general meeting for 2016	25 May 2017	http://www.sse.com.cn http://www.hkexnews.hk	26 May 2017 25 May 2017

Information on the general meeting

During the Reporting Period, the Company convened one general meeting, which was the annual general meeting. There was no objection against a proposed resolution on the general meeting.

II. PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

III. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

Information of appointment or termination of appointment of auditors

The Company convened the twenty-third meeting of the sixth session of the Board on 23 March 2017 and the Proposal relating to the Appointment of Audit Institution of the Company for 2017 was considered and approved. 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 2017, and agreed to appoint Deloitte Touche Tohmatsu as the overseas audit institution of the Company for 2017. The Board of the Company agreed to reappoint Da Hua Certified Public Accountants (Special General Partnership) as the internal control audit institution of the Company for 2017. The above-mentioned proposals relating to the Appointment of Audit Institution for 2017 were considered and passed by the shareholders at the 2016 annual general meeting.

IV. GROUP ASSETS

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.

V. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

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

VI. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no contingent liabilities.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

VII. MATERIAL LITIGATION AND ARBITRATION

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

VIII. PUNISHMENT ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, 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.

IX. EXPLANATION OF INTEGRITY OF THE COMPANY, CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

During the Reporting Period, there had been no refusal to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the controlling shareholders or de facto controller of the Company.

X. SHARE INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER INCENTIVE MEASURES FOR EMPLOYEES AND THEIR IMPACTS

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

SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XI. MAJOR RELATED PARTIES TRANSACTIONS

(1) Related parties transactions in relation to daily operation

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods to Yitai Group	44,541	7,117
Provision of services to Yitai Group	13,399	–
Purchase of goods from Yitai Group	1,537,058	31,356
Procurement of services from Yitai Group	8,254	–
Construction and other services from Yitai Group	5,128	150,735
Sales of goods to associates	113,580	40,994
Purchase of goods from associates	–	336
Procurement of services from associates	–	2,499
Sales of goods to joint ventures	–	62,046
Provision of services to an other related party ¹	39,135	69,059
Procurement of services from an other related party ²	3,831	181
Interest income received from associates	17,163	4,625
Interest expense to an associate	21,932	–

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.

1 The non-controlling interest of a subsidiary of the Company.

2 A company controlled by an immediate family member of the chairman of the board of directors of the Company.

SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XI. MAJOR RELATED PARTIES TRANSACTIONS (CONTINUED)

(2) Material related parties transactions relating to common external investments

1. Events disclosed in extraordinary announcements without progress or change in the follow-up implementation

Overview of matter	Query index
<p>To meet the fund needs of the usual business of Yitai Chemical, the Company and Yitai Group jointly increased capital contribution in cash to Yitai Chemical in an amount of RMB2.91346 billion and RMB316.54 million respectively. The registered capital of Yitai Chemical increased to RMB4 billion after the capital contribution. Among which, the total contribution amount of the Company was RMB3.608 billion, and the shareholding ratio was 90.2%; the contribution amount of Yitai Group was RMB392 million, and the shareholding ratio was 9.8%. The shareholding ratios of the Company and Yitai Group did not change after the capital contribution.</p>	<p>For details, please refer to the overseas regulatory announcement published on the website of the Hong Kong Stock Exchange by the Company on 22 June 2017 and the Announcement on Related Parties Transaction Regarding the Increase of Capital Contribution to Inner Mongolia Yitai Chemical Co., Ltd. by Inner Mongolia Yitai Coal Co., Ltd. published by the Company on the website of Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 23 June 2017.</p>

(3) Other material related parties transactions

Based on the Company and its controlling shareholder Yitai Group's need for business development and need of credit resources of shared financial institutions, the Company and its controlling shareholder, Yitai Group, entered into the Cross-guarantee Agreement, and would provide guarantee for each other in respect of borrowings or funds from financial institutions. The Company and Yitai Group will provide guarantee services in respect of borrowings or funds from financial institutions for each other and the subsidiaries of each other in every accounting year of 2017, 2018 and 2019 with guarantee amount no more than RMB2 billion. For details, please refer to the Announcement on Cross-Guarantee with Related Party of Inner Mongolia Yitai Coal Co., Ltd. published by the Company on the website of Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 24 March 2017.

SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Trusteeship, contracting and leasing

During the Reporting Period, the Company had no material trusteeship, contracting or leasing.

2. Guarantee

Unit: yuan Currency: 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	2,188,960,000
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)	11,099,595,356.88
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	11,099,595,356.88
Percentage of total guarantee in the Company's net assets (%)	53.33%
Including:	
Amount of guarantees for shareholders, de facto controllers and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	6,349,908,757.96
Amount of total guarantees in excess of 50% of net assets (E)	692,270,766.02
Amount of total three guarantees above (C+D+E)	7,042,179,523.98
Statement on the contingent joint liability in connection with unexpired guarantees	Nil
Statement on guarantee	Nil

3. Material Acquisition and Disposal

During the Reporting Period, the Company did not have any material acquisition or disposal.

4. Other Material Contracts

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



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. EXPLANATION ON ENVIRONMENTAL PROTECTION WORK OF THE COMPANY AND SUBSIDIARIES BELONGING TO KEY POLLUTION EMITTED UNIT ANNOUNCED BY THE NATIONAL ENVIRONMENTAL PROTECTION DEPARTMENTS

The Company is under supervision by each level of environmental protection departments and administration. The Company has established a special environmental protection supervision department and formulated the internal management system, assessment mechanism and contingency plans for environmental accidents. Powerful supervision and instruction enabled the pollution prevention facilities of all units of the Company to run effectively and stably and realized up-to-standard discharge of pollutants. At the same time, the Company carried forward ecological construction with steady steps and made remarkable progress.

XIV. 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 23 August 2017, the audit committee reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2017, the interim report for 2017, and the unaudited interim financial statements for the six months ended 30 June 2017.

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 2017.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(1) CHANGES IN SHARE CAPITAL

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

II. INFORMATION ON SHAREHOLDERS

(1) Total Number of Shareholders:

Total number of shareholders as at the end of the Reporting Period (in the number of accounts)	65,584
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

(2) 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)	Increase/ Decrease during the Reporting Period	Shareholdings of the Top Ten Shareholders		The number of shares held subject to selling restrictions	Pledged or frozen shares Status of the shares	Class of Shareholder
		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	1,600	325,953,200	10.02	0	Unknown	Foreign legal person
Yitai Group (Hongkong) Co., Ltd.	0	312,000,000	9.59	0	Nil	Foreign legal person
FTIF TEMPLETON ASIAN GROWTH FUND 5496	0	74,061,448	2.28	0	Unknown	Foreign legal person
China Merchants Securities (HK) Co., Limited	-151,300	21,931,200	0.67	0	Unknown	Foreign legal person
EMPLOYEES PROVIDENT FUND BOARD	813,800	18,030,806	0.55	0	Unknown	Foreign legal person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	0	17,723,998	0.54	0	Unknown	Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,430,649	13,314,343	0.41	0	Unknown	Foreign legal person
Hu Jiaying	0	11,884,914	0.37	0	Unknown	Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	2,288,000	7,168,316	0.22	0	Unknown	Foreign legal person

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(2) 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)

Unit: Share

Name of shareholder	Top Ten Holders of Shares Not Subject to Selling Restrictions		Class and number of shares	Share
	Number of shares held not subject to selling restrictions	Class		
HKSCC NOMINEES LIMITED	325,953,200	Overseas listed foreign shares		325,953,200
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	21,931,200	Domestic listed foreign shares		21,931,200
EMPLOYEES PROVIDENT FUND BOARD	18,030,806	Domestic listed foreign shares		18,030,806
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,723,998	Domestic listed foreign shares		17,723,998
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	13,314,343	Domestic listed foreign shares		13,314,343
Hu Jiaying	11,884,914	Domestic listed foreign shares		11,884,914
ISHARES CORE MSCI EMERGING MARKETS ETF	7,168,316	Domestic listed foreign shares		7,168,316
BANK JULIUS BAER & CO.LTD	7,108,416	Domestic listed foreign shares		7,108,416
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.		
Details of the preference shareholders whose voting rights have been restored and the number of shares held	N/A			

Note: The H shares held by HKSCC Nominees Limited are held on behalf of its multiple clients.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(2) 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 (in full name)	Number of shares held subject to selling restrictions	Listing status of shares which are subject to selling restrictions		
			Eligible listing time	Number of new listed shares	Reason for selling restrictions
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.

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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 (Chapter 571 of the Laws of Hong Kong) ("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(%) ^{6,7}	Percentage of the total issued shares (%) ^{6,7}
Billion Giant Development Limited ¹	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
BOS Trustee Limited as Trustee ¹	H shares	Trustee	Long	20,017,000	6.14	0.61
Chen Yihong ²	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61

CHANGES IN ORDINARY SHARES 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(%) ^{6,7}	Percentage of the total issued shares (%) ^{6,7}
China Datang Corporation ³	H shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
CITIC Mezzanine (Shanghai) Investment Centre (Limited Partnership)	H shares	Beneficial owner	Long	17,543,200	5.38	0.53
Datang International (Hong Kong) Limited ³	H shares	Beneficial owner	Long	18,031,100	11.08	0.55
Datang International Power Generation Co., Ltd. ³	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 ²	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Inner Mongolia Manshi 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
Inner Mongolia Yitai Group Co., Ltd. ⁴	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. ⁵	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	20,017,000	6.14	0.61
Talent Rainbow Far East Limited ¹	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Yitai Group (Hongkong) Co., Ltd. ⁴	Non-overseas-listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

Notes:

1. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Poseidon Sports Limited holds 20,017,000 shares (long position) of the Company. Talent Rainbow Far East Limited and Smart Stage Holdings Limited hold 50% 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 Trustee Limited as Trustee. Smart Stage Holdings Limited is wholly owned by Wise Bonus Group Limited which is wholly owned by BOS Trustee Limited as Trustee. Pursuant to the SFO, Billion Giant Development Limited, BOS Trustee Limited as Trustee and Talent Rainbow Far East Limited are deemed to be interested in the 20,017,000 shares (long position) held by Poseidon Sports Limited, representing 6.14% of the H shares in issue.
2. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Harvest Luck Development Limited holds 42.43% in Poseidon Sports Limited while Harvest Luck Development Limited is wholly owned by Chen Yihong. Pursuant to the SFO, Chen Yihong and Harvest Luck Development Limited are deemed to be interested in the 20,017,000 shares (long position) held by Poseidon Sports Limited.
3. According to the disclosure of interest 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 2017, 18,031,100 shares represented 5.53% of the H shares in issue.
4. 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.
5. Inner Mongolia Yitai Investment Co., Ltd. holds 99.64% 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..
6. 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.
7. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 30 June 2017, 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 SHAREHOLDINGS

During the Reporting Period, there was no change in the holding of the Company's shares of directors, supervisors and senior management of the Company.

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

Name	Position	Change
Zhang Jingquan	Director, General Manager	Retired
Wang Sanmin	Director	Elected
Wang Sanmin	General Manager	Appointed
Tam Kwok Ming, Banny	Independent non-executive Director	Retired
Wong Hin Wing	Independent non-executive Director	Elected
Li Wenshan	Supervisor	Retired
Wang Xiaodong	Supervisor	Retired
Han Zhanchun	Supervisor	Retired
Ji Zhifu	Supervisor	Retired
Yuan Bing	Supervisor	Elected
Liu Xianghua	Supervisor	Elected
Li Cailing	Supervisor	Elected
He Peixun	Supervisor	Elected

Explanation for Changes of Directors, Supervisors and senior management officers of the Company

The twenty-third meeting of the sixth session of the Board of Director was convened on 23 March 2017, at which the proposal in relation to change of general manager of the Company was considered and approved: namely resignation of Mr. Zhang Jingquan (張晶泉) as general manager of the Company and appointment of Mr. Wang Sanmin (王三民) as general manager of the Company; on the twenty-third meeting of the sixth session of the Board of Director convened on 23 March 2017 and the 2016 annual general meeting held on 25 May 2017, the proposal in relation to the election of executive directors and independent non-executive directors of the seventh session of the Board was considered and approved, electing Zhang Donghai (張東海), Liu Chunlin (劉春林), Ge Yaoyong (葛耀勇), Zhang Dongsheng (張東升), Wang Sanmin (王三民), Song Zhanyou (宋占有), Lv Guiliang (呂貴良) as executive directors of the Company, and Yu Youguang (俞有光), Zhang Zhiming (張志銘), Huang Sujian (黃速建), Wong Hin Wing (黃顯榮) as independent non-executive directors of the Company; on the seventeenth meeting of the sixth session of the Supervisory Committee convened on 23 March 2017 and the 2016 annual general meeting held on 25 May 2017, the proposal in relation to the election of the members of the seventh session of the Supervisory Committee of the Company was considered and approved, electing Yuan Bing (袁兵) and Liu Xianghua (劉向華) as shareholder representative supervisors and Wang Yongliang (王永亮), Wu Qu (鄒曲) as independent supervisors of the seventh session of the Supervisory Committee and Jia Xiaolan (賈小蘭), Li Cailing (李彩玲), He Peixun (賀佩勳) as staff supervisors that together would constitute the seventh session of the Supervisory Committee of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

As at 30 June 2017, 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	11,232,943	1.56
		Interest of spouse	515,103	0.07
		Interest held as a trustee	15,486,670 ¹	2.15
Mr Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,181,234	0.86
		Interest held as a trustee	8,805,065 ¹	1.22
Mr Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	52,798	0.01
		Interest held as a trustee	7,260,740 ¹	1.01
Mr Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	153,446	0.02
		Interest held as a trustee	7,160,092 ¹	0.99
Mr Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr Song Zhanyou	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr Wang Sanmin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	515,103	0.07
Supervisors:				
Mr Yuan Bing	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	1,157,878	0.16
Mr Liu Xianghua	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	358,993	0.05
Ms Jia Xiaolan	Inner Mongolia Yitai Investment Co., Ltd.	Interest of spouse	257,551	0.04
Ms Li Cailing	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	257,551	0.04



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

III. 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)*

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 2017, 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: RMB100 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	45	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	010-65051166
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 CORPORATE BONDS

The proceeds raised from public issuance of the corporate bonds of this tranche were used for disclosing the bonds of this tranche. As at 30 June 2017, proceeds were utilized in full.

IV. BRIEF INTRODUCTION TO CORPORATE BONDS RATING

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 during the period of existence of the bonds of this tranche. Dagong Global Credit Rating Co., Ltd. has presented the follow-up rating result on 27 April 2017.



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

During 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 《受託管理事務報告(2016)》 has been disclosed by the trustee manager on 18 May 2017. 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: yuan Currency: 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	1.00	1.01	-0.01	Mainly due to the increase in short-term borrowings during the current period
Quick ratio	0.86	0.85	0.01	Mainly due to the increase in short-term borrowings during the current period
Debt to assets ratio	54.47%	59.73%	-2.26	
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	4.99	1.69	3.30	Mainly due to the increase in total profit during the current period
Interest repayment ratio	100%	100%		

RELEVANT INFORMATION ON CORPORATE BONDS *(Continued)*

IX. 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%

X. BANK CREDIT BUSINESS DURING THE REPORTING PERIOD

During the Reporting Period, the lines of credit of the Company totalled RMB52,889,810,000 and the credit limit was RMB26,573,697,600. The credit available was RMB26,316,112,400.

XI. 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 during the Reporting Period.

XII. 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 58 to 82, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 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 2017 are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 Unaudited RMB'000	2016 Unaudited RMB'000
Revenue	5	16,043,924	8,118,825
Cost of sales		<u>(11,281,394)</u>	<u>(6,344,644)</u>
Gross profit		4,762,530	1,774,181
Other gains and losses	5	32,585	22,687
Other income	5	188,667	211,532
Selling and distribution expenses		(541,923)	(404,188)
General and administrative expenses		(482,937)	(452,155)
Other expenses		(154,374)	(115,570)
Finance income		30,637	26,438
Finance costs	6	(429,202)	(464,316)
Exchange losses, net		(1,268)	(13,686)
Share of losses of joint ventures		–	(942)
Share of losses of associates		<u>(2,545)</u>	<u>(7,052)</u>
Profit before tax	7	3,402,170	576,929
Income tax expense	8	<u>(593,735)</u>	<u>(113,895)</u>
Profit for the period		<u>2,808,435</u>	<u>463,034</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gains/(losses) on available-for-sale investments		11,012	(14,718)
Income tax effect		(2,753)	3,680
Exchange differences on translation of foreign operation		<u>(540)</u>	<u>435</u>
		<u>7,719</u>	<u>(10,603)</u>
Other comprehensive income/(expense) for the period, net of tax		<u>7,719</u>	<u>(10,603)</u>
Total comprehensive income for the period		<u><u>2,816,154</u></u>	<u><u>452,431</u></u>

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

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 Unaudited RMB'000	2016 Unaudited RMB'000
Profit for the period attributable to:			
Owners of the Company		2,361,036	452,879
Non-controlling interests		447,399	10,155
		<u>2,808,435</u>	<u>463,034</u>
Total comprehensive income attributable to:			
Owners of the Company		2,368,755	442,276
Non-controlling interests		447,399	10,155
		<u>2,816,154</u>	<u>452,431</u>
Earnings per share – basic (RMB)	10	<u>0.73</u>	<u>0.14</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	46,859,126	45,971,465
Investment properties	12	540,430	440,479
Prepaid land lease payments		1,340,232	1,310,534
Mining rights		328,699	338,877
Other intangible assets		59,062	29,798
Investment in joint ventures		49,000	80,041
Investments in associates		893,456	892,851
Available-for-sale investments	13	8,875,897	8,868,153
Deferred tax assets		847,950	1,009,510
Other non-current assets		391,344	337,868
		<u>60,185,196</u>	<u>59,279,576</u>
Total non-current assets			
Current assets			
Inventories		1,848,174	1,803,803
Prepayments of corporate income tax		52,190	71,952
Trade and bills receivables	14	1,704,269	2,332,291
Prepayments, deposits and other financial assets	15	2,904,754	2,408,390
Financial assets at fair value through profit or loss		572	–
Restricted cash	16	532,406	612,832
Cash and cash equivalents	16	5,898,592	4,432,760
		<u>12,940,957</u>	<u>11,662,028</u>
Total current assets			
Current liabilities			
Trade and bills payables	17	2,538,415	2,697,582
Financial liabilities at fair value through profit or loss		–	80
Other payables and accruals	18	5,853,592	5,711,680
Interest-bearing borrowings – unsecured	19	3,348,280	2,034,585
Income tax payable		152,612	98,690
Bonds payable		1,000,000	1,000,000
		<u>12,892,899</u>	<u>11,542,617</u>
Total current liabilities			
Net current assets		<u>48,058</u>	119,411
Total assets less current liabilities		<u>60,233,254</u>	<u>59,398,987</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2017

		30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
	<i>Notes</i>		
Non-current liabilities			
Interest-bearing borrowings – unsecured	19	21,221,320	22,919,274
Bonds payable		6,981,302	6,980,575
Deferred tax liabilities		3,379	3,379
Other borrowings	19	806,263	807,335
Deferred income		71,509	72,238
Other non-current liabilities		48,519	47,886
		<u>29,132,292</u>	<u>30,830,687</u>
Total non-current liabilities			
		<u>29,132,292</u>	<u>30,830,687</u>
Net assets		<u>31,100,962</u>	<u>28,568,300</u>
Equity			
Equity attributable to owners of the Company			
Share capital		3,254,007	3,254,007
Reserves		22,531,791	20,163,056
Proposed final dividend	9	–	598,737
		<u>25,785,798</u>	<u>24,015,800</u>
Non-controlling interests		<u>5,315,164</u>	<u>4,552,500</u>
		<u>25,785,798</u>	<u>24,015,800</u>
Total equity		<u>31,100,962</u>	<u>28,568,300</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Safety and maintenance fund RMB'000	Available- for-sale investment revaluation reserve RMB'000	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 2017	3,254,007	(602,790)	2,985,967	-	-	598,737	1,761	17,778,118	24,015,800	4,552,500	28,568,300
Profit for the period	-	-	-	-	-	-	-	2,361,036	2,361,036	447,399	2,808,435
Other comprehensive income/(expense) for the period	-	-	-	-	8,259	-	(540)	-	7,719	-	7,719
Total comprehensive income/(expense) for the period	-	-	-	-	8,259	-	(540)	2,361,036	2,368,755	447,399	2,816,154
Acquisition of non-controlling interests	-	(20)	-	-	-	-	-	-	(20)	20	-
Additional non-controlling interests arising on the capital injection	-	-	-	-	-	-	-	-	-	320,840	320,840
Appropriation to safety and maintenance fund	-	-	-	33,781	-	-	-	(33,781)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,595)	(5,595)
2016 final dividends declared	-	-	-	-	-	(598,737)	-	-	(598,737)	-	(598,737)
At 30 June 2017 (Unaudited)	3,254,007	(602,810)	2,985,967	33,781	8,259	-	1,221	20,105,373	25,785,798	5,315,164	31,100,962

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2017

	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	<u>3,254,007</u>	<u>(510,862)</u>	<u>2,825,780</u>	<u>3,194</u>	<u>27,659</u>	<u>365</u>	<u>16,551,280</u>	<u>22,151,423</u>	<u>4,616,924</u>	<u>26,768,347</u>
Profit for the period	-	-	-	-	-	-	452,879	452,879	10,155	463,034
Other comprehensive income/(expense) for the period	-	-	-	(11,038)	-	435	-	(10,603)	-	(10,603)
Total comprehensive income/(expense) for the period	-	-	-	(11,038)	-	435	452,879	442,276	10,155	452,431
Additional non-controlling interests arising on the capital injection	-	3	-	-	-	-	-	3	6,087	6,090
Dividends 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 CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Net cash generated from operating activities	<u>4,060,774</u>	<u>2,632,644</u>
Payment on acquisition of property, plant and equipment	(1,642,084)	(1,783,412)
Investment in available-for-sale investment	–	(1,800,000)
Other cash flows used in investing activities	<u>(69,624)</u>	<u>(163,689)</u>
Net cash used in investing activities	<u>(1,711,708)</u>	<u>(3,747,101)</u>
Proceeds from borrowings	3,337,000	4,395,502
Repayment of borrowings	(3,719,536)	(1,914,142)
Other cash flows used in from financing activities	<u>(497,706)</u>	<u>(928,492)</u>
Net cash (used in)/generated from financing activities	<u>(880,242)</u>	<u>1,552,868</u>
Net increase in cash and cash equivalents	1,468,824	438,411
Net foreign exchange difference	(2,992)	(875)
Cash and cash equivalents at 1 January	<u>4,432,760</u>	<u>6,605,859</u>
Cash and cash equivalents at 30 June	<u><u>5,898,592</u></u>	<u><u>7,043,395</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2017 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 2016.

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s financial statements for the year ended 31 December 2016.

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 IAS 7 *Disclosure Initiative*
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IFRS 12 as part of the *Annual Improvements to IFRS Standards 2014-2016 Cycle*

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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

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.

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 (other than income tax expense) are attributed to the respective segments. Accordingly, the aggregated segment result is the same as the consolidated profit before tax of the Group.

Revenue from major products/services

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

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB’000	RMB’000
Coal	15,079,151	7,305,250
Coal-related chemical products	627,819	586,559
Transportation services	332,759	227,016
Others	4,195	—
	<u>16,043,924</u>	<u>8,118,825</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

4. OPERATING SEGMENT (CONTINUED)

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

Six months ended 30 June 2017 (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:						
Sales to external customers	15,079,151	332,759	627,819	16,039,729	4,195	16,043,924
Inter-segment sales	235,134	755,839	4,170	995,143	–	995,143
	15,314,285	1,088,598	631,989	17,034,872	4,195	17,039,067
<i>Reconciliation</i>						
Elimination of inter-segment sales						(995,143)
Revenue						<u>16,043,924</u>
Segment result:						
Profit/(loss) before tax	3,097,602	303,935	1,165	3,402,702	(532)	3,402,170
Income tax expense						(593,735)
Profit for the period						<u>2,808,435</u>
Segment assets as at						
30 June 2017 (Unaudited)	55,202,573	13,277,068	30,855,520	99,335,161	558,838	99,893,999
<i>Reconciliation</i>						
Elimination of investments costs						(12,841,708)
Elimination of inter-segment receivables						(13,556,251)
Elimination of capitalised inter-segment finance costs						(369,887)
Total assets						<u>73,126,153</u>
Segment liabilities as at						
30 June 2017 (Unaudited)	28,534,470	5,500,052	21,037,440	55,071,962	509,480	55,581,442
<i>Reconciliation</i>						
Elimination of inter-segment payables						(13,556,251)
Total liabilities						<u>42,025,191</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

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:						
Sales to external customers	7,305,250	227,016	586,559	8,118,825	–	8,118,825
Inter-segment 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 inter-segment sales						(652,165)
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						<u>(113,895)</u>
Profit for the period						<u>463,034</u>
Segment assets as at						
31 December 2016 (Audited)	50,172,243	13,347,769	27,819,012	91,339,024	524,103	91,863,127
<i>Reconciliation</i>						
Elimination of investments costs						(9,731,083)
Elimination of inter-segment receivables						(10,930,912)
Elimination of capitalised inter-segment finance costs						<u>(259,528)</u>
Total assets as at 31 December 2016						<u>70,941,604</u>
Segment liabilities as at						
31 December 2016 (Audited)	25,877,427	5,739,124	21,171,708	52,788,259	515,957	53,304,216
<i>Reconciliation</i>						
Elimination of inter-segment payables						<u>(10,930,912)</u>
Total liabilities as at 31 December 2016						<u>42,373,304</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

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	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sales of goods	15,711,165	7,891,809
Rendering of services	332,759	227,016
	<u>16,043,924</u>	<u>8,118,825</u>
Other income		
Income from the sale of materials	35,732	9,663
Income from the rendering of other services	48,257	26,927
Road toll collection	63,919	53,072
Rental income	18,413	7,015
Dividend income from available-for-sale investments	7,990	100,642
Government grants	8,873	8,574
Indemnities received	1,893	1,380
Tax refund	2,231	–
Others	1,359	4,259
	<u>188,667</u>	<u>211,532</u>
Other gains and losses		
Gain on disposal/written off of items of property, plant and equipment and intangible assets, net	12,434	24,614
Loss on impairment of inventories	–	(815)
Loss on impairment of trade and bills receivables	(55)	–
Reversal of impairment losses on other receivables	–	4,000
Gain on disposal of a joint venture	6,141	–
Fair value gain/(loss) on future contracts	14,252	(5,112)
Other	(187)	–
	<u>32,585</u>	<u>22,687</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest on borrowings	742,938	828,985
Interest on bonds payable	246,934	254,275
Total interest expense	989,872	1,083,260
Less: Interest capitalised	(560,670)	(618,944)
	429,202	464,316

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold	11,090,489	6,188,083
Cost of services provided	190,905	156,561
Depreciation of property, plant and equipment	747,611	711,132
Depreciation of investment properties	10,608	10,684
Amortisation of prepaid land lease prepayments	27,302	12,544
Amortisation of mining rights	10,178	9,665
Amortisation of other intangible assets	10,688	14,186
Amortisation of other non-current assets	1,819	4,984
Total depreciation and amortisation	808,206	763,195

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Income tax		
Current tax – Mainland China	432,175	13,072
Deferred tax	161,560	100,823
	<u>593,735</u>	<u>113,895</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).

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 2017 (six months ended 30 June 2016: Nil).

The board of directors of the Company recommended on 23 March 2017 to propose a final cash dividend of RMB598,737,000 or RMB1.84 (tax inclusive) per 10 ordinary shares (2015: RMB27,659,060 or RMB0.085 (tax inclusive) per 10) ordinary shares. The above-mentioned proposed final dividends for the year ended 31 December 2016 were approved by the Company’s shareholders at the annual general meeting held on 25 May 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

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 2017 and 2016 attributable to owners of the Company and the number of ordinary shares in issue during the periods ended 30 June 2017 and 2016.

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

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
<i>Earnings</i>		
Profit for the period attributable to owners of the Company	<u>2,361,036</u>	<u>452,879</u>
<i>Number of shares</i>		
Number of ordinary shares in issue during the period (in thousands)	<u>3,254,007</u>	<u>3,254,007</u>

No diluted earnings per share was calculated since the Group had no potential ordinary shares in issue for the six months ended 30 June 2017 and 2016.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the additions of certain buildings, mining structures, machinery and equipment, motor vehicles and construction in progress were amounting to RMB1,772 million (unaudited) (six months ended 30 June 2016: certain buildings, mining structures, machinery and equipment, motor vehicles, railway, highway and construction in progress amounting to RMB3,486 million (unaudited)).

Certain buildings, railway, motor vehicles, machinery and equipment with carrying amount of RMB26 million (unaudited) (six months ended 30 June 2016: certain buildings, railway, highway, motor vehicles, machinery and equipment with carrying amount of RMB202 million (unaudited)) were disposed of in 2017, which resulted in a net gain on disposal of RMB12.43 million (unaudited) (six months ended 30 June 2016: a net gain on disposal of RMB24.61 million (unaudited)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

12. INVESTMENT PROPERTIES

Certain buildings amounting to RMB111 million have been rented out during the Reporting Period.

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Listed equity investments, at fair value:		
In Hong Kong	41,285	30,273
Unlisted equity investments, at cost	8,834,612	8,837,880
	<u>8,875,897</u>	<u>8,868,153</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

14. TRADE AND BILLS RECEIVABLES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade receivables from Yitai Group	30	–
Trade receivables from associates	38,971	8,164
Trade receivables from an other related party*	103	–
Trade receivables from third parties	<u>1,526,583</u>	<u>2,158,087</u>
	1,565,687	2,166,251
Less: Provision for impairment	<u>(7,563)</u>	<u>(7,508)</u>
	1,558,124	2,158,743
Bills receivable from associates	15,200	–
Bills receivable from an other related party*	16,000	–
Bills receivable from third parties	<u>114,945</u>	<u>173,548</u>
	1,704,269	2,332,291

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

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

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Within six months	1,555,196	2,158,743
Over six months but within one year	<u>2,928</u>	–
	1,558,124	2,158,743

All the receivables were not past due and relate to a wide range of customers for whom there was no recent history of default.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

14. TRADE AND BILLS RECEIVABLES (CONTINUED)

At 30 June 2017, the Group endorsed certain bills receivable guaranteed 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 RMB776,351,000 (unaudited) (31 December 2016: RMB613,600,000). The Bills had a maturity of one to twelve 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 2017 and 2016, the Group has not recognised any loss in relation to the continuing involvement, both during the period or cumulatively.

* The non-controlling interest of a subsidiary of the Company.

15. PREPAYMENTS, DEPOSITS AND OTHER FINANCIAL ASSETS

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Amounts due from Yitai Group	37,637	–
Amounts due from associates	1,891	2,516
Amounts due from an other related party*	225	2,282
Advances to suppliers	1,113,455	577,499
Prepayments of value added tax	1,354,733	1,162,825
Other prepayments	197,839	268,695
Staff advances	12,223	10,984
Deposits	133,891	59,099
Investment in financial products	20,000	200,000
Consideration of disposal of a subsidiary	–	129,000
Consideration of disposal of a joint venture	37,182	–
Other receivables	344	156
	<u>2,909,420</u>	<u>2,413,056</u>
Less: Provision for impairment	(4,666)	(4,666)
	<u><u>2,904,754</u></u>	<u><u>2,408,390</u></u>

* A company controlled by an immediate family member of the chairman of the board of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		30 June 2017	31 December 2016
	<i>Notes</i>	Unaudited RMB'000	Audited RMB'000
Cash and bank balances		5,864,024	2,448,697
Deposits with other financial institution		566,974	2,547,895
Time deposits with maturity within three months		–	49,000
Less: Restricted cash	(a)	<u>(532,406)</u>	<u>(612,832)</u>
Cash and cash equivalents		<u>5,898,592</u>	<u>4,432,760</u>
Denominated in RMB	(b)	5,893,397	4,417,958
Denominated in other currencies		<u>5,195</u>	<u>14,802</u>
		<u>5,898,592</u>	<u>4,432,760</u>

Notes:

- (a) As at 30 June 2017, the Group's bank balances of approximately RMB35,245,000 (unaudited) (as at 31 December 2016: RMB34,830,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government agencies. The directors of the Company anticipate that the obligations of environment protection mentioned above will be fulfilled within twelve months from the end of the Reporting Period.
- As at 30 June 2017, amounts of RMB497,161,000 (unaudited) (as at 31 December 2016: RMB578,002,000) were deposited at banks as guarantee fund for the bills issued by the Group.
- (b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

17. TRADE AND BILLS PAYABLES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade payables to Yitai Group	561,994	162,771
Trade payables to associates	84	18,061
Trade payables to an other related party*	98	104
Trade payables to third parties	<u>1,108,656</u>	<u>1,293,786</u>
	<u>1,670,832</u>	<u>1,474,722</u>
Bills payable to Yitai Group	3,700	–
Bills payable to third parties	<u>863,883</u>	<u>1,222,860</u>
	<u>2,538,415</u>	<u>2,697,582</u>

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Within six months	1,526,619	840,369
Over six months but within one year	73,987	459,119
Over one year but within two years	22,877	121,482
Over two years but within three years	28,365	33,659
Over three years	<u>18,984</u>	<u>20,093</u>
	<u>1,670,832</u>	<u>1,474,722</u>

Bills payable are bills of exchange with maturity of less than twelve months.

The trade payables are non-interest-bearing and have a credit term ranging from 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.

* A company controlled by an immediate family member of the chairman of the board of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

18. OTHER PAYABLES AND ACCRUALS

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Amounts due to Yitai Group	175,213	311,736
Amounts due to associates	3,307	3,307
Amounts due to other related parties*	10,752	7,644
Advances from customers	864,865	407,650
Accrued salaries, wages and benefits	91,368	256,825
Other tax payables	400,692	1,114,308
Accrued interest	345,118	238,354
Payables for property, plant and equipment	2,902,981	2,990,732
Accruals	340,910	61,340
Consideration payable for acquisition of non-controlling interests	–	129,000
Other payables	113,343	114,705
Dividend payable	605,043	76,079
	5,853,592	5,711,680

* A company controlled by an immediate family member of the chairman of the board of the Company and the non-controlling interest of a subsidiary of the Company.

19. INTEREST-BEARING BORROWINGS AND OTHER BORROWINGS

During the six months ended 30 June 2017, the Group repaid borrowings amounted to RMB3,720 million (unaudited) (six months ended 30 June 2016: RMB1,914 million (unaudited)), and obtained new loans amounting to RMB3,337 million (unaudited) (six months ended 30 June 2016: RMB4,396 million (unaudited)) which carry interest at variable market rates from 3.3% to 8.5%.

20. COMMITMENTS

The Group had the following commitments at the end of the Reporting Period:

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	24,813,114	25,506,374
– Share purchase of an available-for-sale investment	–	1,912,000
– Capital injection into an associate	–	300,000
	24,813,114	27,718,374

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

21. 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 2017 and 2016:

	Six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Sales of goods to Yitai Group	44,541	7,117
Provision of services to Yitai Group	13,399	–
Purchase of goods from Yitai Group	1,537,058	31,356
Procurement of services from Yitai Group	8,254	–
Construction and other services from Yitai Group	5,128	150,735
Sales of goods to associates	113,580	40,994
Purchase of goods from associates	–	336
Procurement of services from associates	–	2,499
Sales of goods to joint ventures	–	62,046
Provision of services to an other related party ¹	39,135	69,059
Procurement of services from an other related party ²	3,831	181
Interest income received from an associate	17,163	4,625
Interest expense to an associate	21,932	–

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.

¹ The non-controlling interest of a subsidiary of the Company.

² A company controlled by an immediate family member of the chairman of the board of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade and bills receivables	70,304	8,164
Prepayments, deposits and other financial assets	39,753	4,798
Trade payables	(565,876)	(180,936)
Other payables and accruals	(189,272)	(322,687)
	<u> </u>	<u> </u>
<p>The above balances are unsecured, non-interest-bearing and repayable on demand. Further information are disclosed in previous notes.</p>		
Borrowings ³	1,200,000	1,200,000
Deposits with a financial institution ⁴	566,974	2,547,895
	<u> </u>	<u> </u>

³ The borrowings from an associate are unsecured and unguaranteed with maturity of 3 years.

⁴ The deposits were with an associate of the Group. The interest rate of deposits are subject to supervision of the China Banking Regulatory Commission.

(c) Guarantees received from related parties

As at 30 June 2017, loans of RMB1,962,454,000 (unaudited) and RMB444,699,000 (unaudited) (as at 31 December 2016: RMB1,427,999,000 and RMB551,189,000) were guaranteed by Yitai Group and a non-controlling interest of a subsidiary of the Company respectively.

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

	Six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Short-term employee benefits	2,575	2,297
Post-employment benefits	182	225
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	2,757	2,522
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, restricted cash, 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, interest-bearing borrowings and bonds payable due within one year (together with relevant interest payable) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the other borrowings, interest-bearing borrowings and bonds payable which carried fixed interest rate and due more than one year (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.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2017 (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	41,285	–	–	41,285
Financial assets at fair value through profit or loss – future contracts	–	572	–	572

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

As at 31 December 2016, the Group held the following classes of financial instruments measured at fair value:

Assets measured at fair value:

As at 31 December 2016 (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	30,273	–	–	30,273

Liabilities measured at fair value:

As at 31 December 2016 (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 – future contracts	–	80	–	80

During the period ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. (2016: Nil)

23. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Subsequent to 30 June 2017, there are no significant events occurred.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of the directors on 23 August 2017.