



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



INNER MONGOLIA YITAI COAL CO., LTD.



2017
ANNUAL REPORT

IMPORTANT NOTICE

- I. The Board of Directors, and the Supervisory Committee of the Company and its Directors, supervisors and senior management warrant that the information herein contained is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full legal responsibility.
- II. All of the Company's Directors attended the Board meeting.
- III. Deloitte Touche Tohmatsu has issued its standard unmodified auditor's report for the Company.
- IV. The Company's Chairman, Mr. Zhang Donghai, Senior Management responsible for finance and accounting, Mr. Lv Guiliang, and Head of Financial Department (accounting chief), Mr. Lv Guiliang, warrant the truthfulness, accuracy and completeness of the financial report.
- V. Preliminary Plans for Profit Distribution or Transfer of Public Reserve into Share Capital for the reporting period as reviewed by the Board of Directors

For the year ended 31 December 2017, the net profit attributable to the owners of the parent company amounted to RMB4,925.370 million and RMB4,925.370 million as set out in the audited consolidated financial statements of the year 2017 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. To provide better rewards to our shareholders as well as improving corporate values, taking into consideration of our cash dividends policy and the cash dividends distribution record for the last three years, the Board of the Company recommended a cash dividend of RMB4.55 (tax inclusive) per 10 shares, calculated by total share capital of 3,254,007,000 shares, to be paid to all shareholders of the Company. The total dividends to be distributed are RMB1,480.573 million, representing 30.06% of the net profit attributable to the owners of the parent company of RMB4,925.370 million as set out in the consolidated financial statements of the year 2017 of the Company.

- VI. Statement for the risks involved in the forward-looking statement

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

- Value VII. During the reporting period, there were no non-operational funds appropriated by controlling shareholders and their connected parties.
- Value VIII. During the reporting period, the Company did not provide external guarantees in violation of stipulated decision-making procedures.

- Value IX. Major Risk Notice

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

- Value X. All amounts presented in this report are expressed in RMB unless otherwise indicated.



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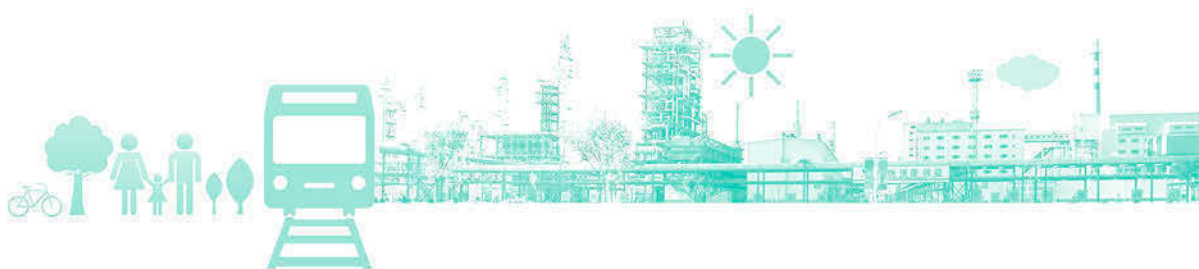
DEFINITIONS

I. DEFINITIONS

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

Definitions of frequently-used terms

Board of Directors or Board	the board of directors of the Company
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)
Company or the Company	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)
Director(s)	director(s) of the Company
Huzhun Railway Company	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)
RMB	Renminbi, the lawful currency of China
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)
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Talahao Mine	Inner Mongolia Yitai Coal Co., Ltd. Talahao Mine (內蒙古伊泰煤炭股份有限公司塔拉壕煤礦)
Yili Energy	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Yitai Chemical	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai Group (Hong Kong) Co., Ltd. (伊泰(集團)香港有限公司)
Yitai Xinjiang	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)
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)



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	<p><i>Executive Directors</i></p> <p>Zhang Donghai (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Dongsheng Wang Sanmin Song Zhanyou Lv Guiliang</p> <p><i>Independent non-executive Directors</i></p> <p>Yu Youguang Zhang Zhiming Huang Sujian Wong Hin Wing</p>
Members of the Strategy Committee	<p>Zhang Donghai (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Dongsheng Song Zhanyou Wang Sanmin Lv Guiliang Zhang Zhiming Yu Youguang Huang Sujian Wong Hin Wing</p>
Members of the Audit Committee	<p>Yu Youguang (<i>Chairman</i>) Zhang Zhiming Huang Sujian Wong Hin Wing</p>



CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS *(Continued)*

I. CORPORATE INFORMATION *(CONTINUED)*

Members of the Nomination Committee	Zhang Zhiming <i>(Chairman)</i> Zhang Donghai Liu Chunlin Wang Sanmin Yu Youguang Huang Sujian Wong Hin Wing
Members of the Remuneration and Appraisal Committee	Huang Sujian <i>(Chairman)</i> Zhang Donghai Liu Chunlin Wang Sanmin Zhang Zhiming Yu Youguang Wong Hin Wing
Members of the Production Committee	Zhang Donghai <i>(Chairman)</i> 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
Alternative Authorized Representative	Wong Wai Ling
Joint Company Secretaries	Zhao Xin Wong Wai Ling



CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

II. CONTACT PERSONS AND CONTACT METHODS

	Board Secretary	Securities Affairs Representative
Name	Zhao Xin	Li Yuan
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565731	0477-8565733
Facsimile	0477-8565415	0477-8565415
E-mail	zhaoxin_yitai@126.com	liyuan@ir-yitaicoal.com

III. BASIC INFORMATION OF THE COMPANY

Registered address	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the registered address	017000
Office address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the office address	017000
Principal place of business in Hong Kong	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Media 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 annual report	Website designated by CSRC for publishing the B share annual 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 annual report: http://www.hkexnews.hk
Place for inspection for the Company's annual report	Investor relations department of the Company and principal place of business in Hong Kong



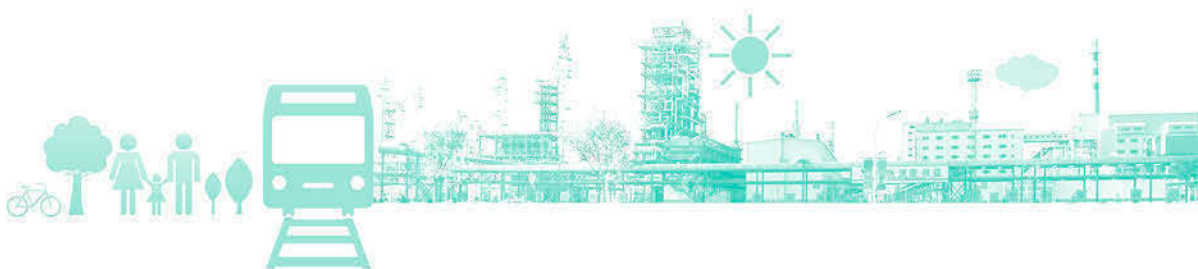
CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

V. BASIC INFORMATION ON THE COMPANY'S SHARES

Class of shares	Basic information on the Company's shares			Stock abbreviation before change
	Stock exchange	Stock abbreviation	Stock Code	
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	/

VI. OTHER RELEVANT INFORMATION

		B share/Domestic	H share/Overseas
Auditor	Name	Da Hua Certified Public Accountants Deloitte Touche Tohmatsu (Special General Partnership)	
	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



CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(I) Key Business Data

Unit: million tonnes

Major Accounting Data	2017	2016	Increase/ Decrease (%)
Coal production	47.29	36.88	28.23
Coal sales volume	85.46	63.80	33.95
Of which: Local sales at mines	16.91	11.19	51.12
Local sales at loading facilities	13.39	5.79	131.26
Sales via direct rail access	6.33	12.41	-48.99
Sales at ports	48.83	34.41	41.91
Railway transport volume:	96.86	85.73	12.98
Huzhun Railway Line	27.26	29.66	-8.09
Zhundong Railway Line	69.60	56.07	24.13
Coal-related chemical production	0.19	0.19	0

(II) Major Accounting Data

Unit: '000 yuan Currency: RMB

Major Accounting Data	2017	2016	Change (%)
Revenue	35,897,399	22,317,130	60.85
Profit for the year	5,713,957	2,125,361	168.85
Profit for the year attributable to owners of the Company	4,925,370	1,985,762	148.03
Net increase/(decrease) in cash and cash equivalents	9,306,217	(2,175,281)	-527.82

	At the end of 2017	At the end of 2016	Change (%)
Net assets attributable to owners of the Company	28,682,872	24,015,800	19.43
Total assets	84,560,528	70,941,604	19.20

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

(III) Major Financial Indicators

Major Financial Indicators	2017	2016	Increase or decrease year on year (%)
Basic earnings per share (yuan/share)	1.51	0.61	147.54
Basic earnings per share after deduction of non-recurring profit or loss (yuan/share)	1.52	0.57	166.67
Weighted average return on net assets (%)	18.80	8.6	increase by 10.2 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	18.87	8.07	increase by 10.8 percentage points

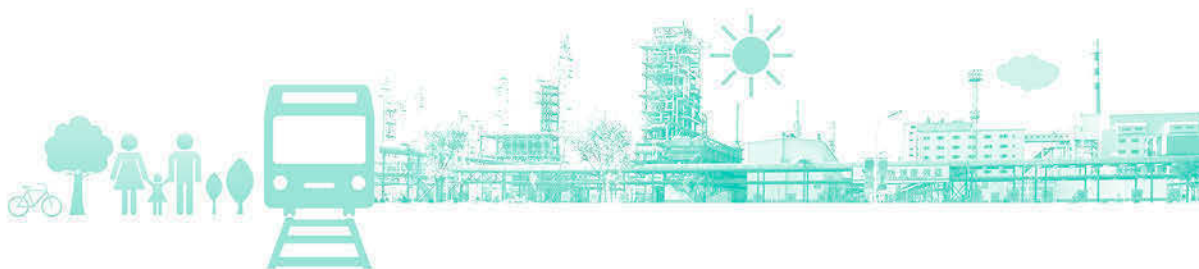
Note: The above financial information is based on the PRC Accounting Standards for Business Enterprises

VIII. MAJOR FINANCIAL DATA IN 2017 BY QUARTERS

Unit: yuan Currency: RMB

	First quarter (January-March)	Second quarter (April-June)	Third quarter (July-September)	Fourth quarter (October-December)
Revenue	7,114,577,370.72	9,265,733,536.06	10,554,937,416.83	10,073,425,456.61
Net profits attributable to shareholders of the listed companies	881,383,892.31	1,445,870,454.82	1,441,941,099.32	1,156,174,166.92
Net profit after non-recurring profit or loss attributable to shareholders of listed companies	865,293,494.20	1,433,236,255.27	1,429,887,239.38	1,215,729,659.60
Net cash flow from operating activities	2,809,753,473.04	1,088,201,853.70	3,666,327,475.18	510,587,229.63

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



CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

IX. ITEMS MEASURED AT FAIR VALUE

Unit: yuan Currency: RMB

Items	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	30,273,027.16	41,957,934.03	11,684,906.87	0
Financial Liabilities	80,240.00	3,600.00	(76,640.00)	76,640.00
Total	30,353,267.16	41,961,534.03	11,608,266.87	76,640.00

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

X. FIVE-YEAR FINANCIAL SUMMARY

The following financial information is extracted from the regular reports of the Company prepared in accordance with IFRSs.

Unit: '000 yuan Currency: RMB

	2013	2014	2015	2016	2017
Revenue and profit					
Revenue	24,274,873	24,806,104	19,116,172	22,317,130	35,897,399
Cost of sales	(16,085,179)	(18,004,758)	(15,442,988)	(16,682,378)	(25,368,663)
Gross profit	8,189,694	6,801,346	3,673,184	5,634,752	10,528,736
Profit before tax	4,633,864	3,400,075	294,323	2,564,871	7,146,990
Profit for the year	3,924,396	2,761,317	252,726	2,125,361	5,713,957
Profit attributable to the owners of the Company	3,427,575	2,252,637	90,501	1,985,762	4,925,370
Earnings per share – basic (RMB)	1.05	0.69	0.03	0.61	1.51
Assets and Liabilities					
Current assets	10,354,913	13,055,979	13,787,843	11,662,028	22,335,878
Non-current assets	35,129,595	45,688,099	54,380,923	59,279,576	62,224,650
Current liabilities	4,536,453	5,626,640	11,885,820	11,542,617	18,043,830
Non-current liabilities	15,933,646	25,620,785	29,514,599	30,830,687	29,026,585
Total equity	25,014,409	27,496,653	26,768,347	28,568,300	37,490,113

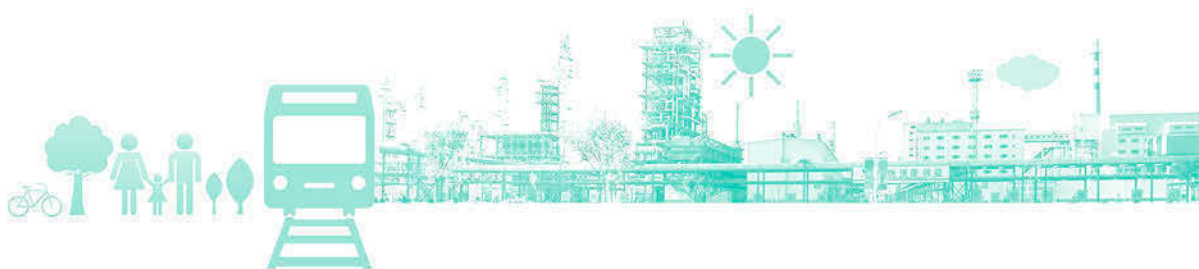


COMPANY BUSINESS PROFILE

I. PRINCIPAL ACTIVITIES, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION FOR 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 nine mechanized coal mines in operation. At present, the Company controls three main railways in operation, namely the Zhundong Railway (191.41km, including 56.52km for double line), Huzhun Railway (237.98km, including 113.79km for double line) and a special railway line for Suancigou Mine (26.127km). 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 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 Mtpa and over 100 Mtpa, 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 and constructs large-size coal-to-chemicals projects in Xinjiang and Inner Mongolia 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.

In 2017, the macroeconomy embraced stable development and a large number of industrial enterprises obtained recovery. Influenced by the policy of medium- and long-term coal contracts implementation for the first time guided by the state, the overall coal supply and demand was in a state of balance. In addition, due to the significant national and local meetings, intensified safety and environmental inspection in the main producing areas of Shanxi, Shaanxi and Inner Mongolia, extreme heat in summer and other effects, the supply and demand of coal faced periodic tension and the overall coal price fluctuated continuously at high level.



COMPANY BUSINESS PROFILE (Continued)

II. MATERIAL CHANGES OF PRINCIPAL ASSET OF THE COMPANY DURING THE REPORTING PERIOD

1. On 1 December 2017, the Proposal on Transfer of Equity in Inner Mongolia Yitai Zhundong Railway Co., Ltd. Held by the Company was considered and approved at the ninth meeting of the seventh session of the Board of Directors and accordingly, the Company transferred the 25% equity held in Zhundong Railway Company to Yanzhou Coal Mining Ordos Neng Hua Co., Ltd. at the consideration of RMB1.9425 billion and entered into the relevant equity transfer agreement. Upon the completion of the transaction, the Company held 71.27% equity in Zhundong Railway Company, Yanzhou Coal Mining Ordos Neng Hua Co., Ltd. held 25% equity in Zhundong Railway Company and Inner Mongolia State-owned Capital Management Co., Ltd. (內蒙古國有資本運營有限公司) held 3.73% equity in Zhundong Railway Company. The industrial and commercial registration of changes of the aforesaid equity transfer was completed on 4 January 2018.
2. Due to the low resource reserves as well as the poor mining conditions, high mining costs, low economic efficiency and high safety risk exposures of the Company's Fuhua Coal, Chengyi Coal and Yangwangou Coal, these coals were in shutdown status for a long term. The Proposal on the Transfer of the Capacity Replacement Quotas of Fuhua Coal, Chengyi Coal and Yangwangou Coal That Are to Be Closed and Withdrawn by the Company to Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. was considered and approved at the fourth meeting of the seventh session of the Board of Directors held on 28 July 2017. Accordingly, the Company has closed the above-mentioned coal mines, of which the aggregate capacity replacement quotas of 3 Mtpa was transferred to Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. ("**Yitai Guanglian**"). The consideration for the transaction totaled RMB240 million.



COMPANY BUSINESS PROFILE (Continued)

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As the largest local coal enterprise in Inner Mongolia, the Company has overall competitive advantages over its peers by boosting its size, development quality and efficiency, optimizing industrial structure and enhancing material basis 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 sectors, which will be beneficial to the long-run stable development for its own.

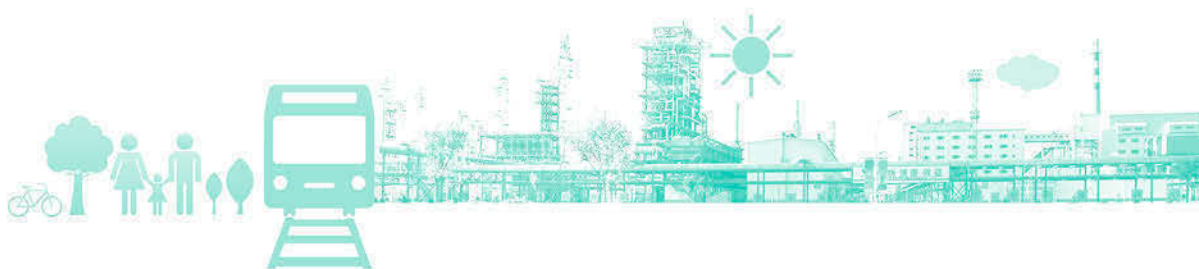
Firstly, the Company's coal products are typical environmental-protection high-quality thermal coal, with such characteristics as medium to high calorific value, medium to low ash content, ultra-low sulphur content, ultra-low phosphorous content and low moisture content, which is among the best in the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

Secondly, the Company has leading advantages in low-cost mining in the industry, and the major mining areas of the Company 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 risks 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 Jungar and 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 creating low-cost once and high-efficiency conditions for the coal storage and transportation for the Company.

Fourthly, the Company actively expanded the coal-to-chemicals business based on 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 years, and actively participated in local environmental governance and ecological improvement, practically achieving harmonious development between the enterprise and the society.



REPORT OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2017, the coal market gradually returned to a relatively healthy and stable operation under the national macro-control. The Company proactively adapted to the market conditions under the economy new normal and implemented the innovation-driven development strategy of integrating production, delivery and trading of coal and coal chemicals to gradually release the high-quality coal production capacity and steadily enhance the synergy in the integration of production, delivery and sales, initially establishing a competitive layout for the construction of coal and coal chemicals projects and operation management. And positive results in all aspects of work were achieved. As of the end of the reporting period, the Company recorded a total asset of RMB84.561 billion, a revenue of RMB35.897 billion in 2017 and a net profit attributable to owners of the parent company of RMB4.925 billion.

(I) Coal sector

During the reporting period, the Company has realized production of commodity coal of 47.29 million tonnes and sales of coal of 85.46 million tonnes.

1. Coal production

During the reporting period, the Company completed capacity replacement of Talahao Mine, Kaida Mine and Suancigou Mine by purchasing production capacity indicators and closing outdated mines in accordance with the requirement to resolve overcapacity and the production capacity replacement policies of the State;

Reforms were adopted to the coal production service organization, which enhanced the level of specialization and lowered the cost;

Plans like optimizing coal mine washing and screening technology reform and improving the quality of coal were implemented, increasing lump coal rate and economic efficiency;

The popularization and application of new technologies and new materials were reinforced and the intelligent mining of coal mines was promoted, effectively ensuring the safety and improving the production efficiency.

2. Transportation and sales of coal

In 2017, the Company set up an integrated transport business center to get society's coal sources to the largest extent by signing long-term cooperation contracts, pit-mouth exclusive sale, quantity and price linkage and expanding transportation radius. Based on the transfer amount obtained and the changes of market price, the Company timely adjusted the coal purchase price and transportation costs, saving substantial costs.

During the reporting period, the Company improved the transportation and sales efficiency of coal by optimizing the logistics and transportation system, flexibly adjusting shipping lines, strengthening strategic cooperation with ports, opening up new channels for coal outbound transportation, innovating sales modes and other methods.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(II) Railway sector

In 2017, we focused on improving the efficiency of the storage and transportation services of the Zhundong Railway and the Huzhun Railway and proactively communicated with the Huadin Railway Administration and Dazhun Company to optimize the driving organization and operating procedures, significantly reducing the turn-around time of the train. Meanwhile, we proactively contracted outbound transportation and continuously upgraded our service levels. We sought to maximize the benefits through cooperation with more than 10 local coal-mining customers, increasing contracting capacity for outbound transportation, and performing well in site leasing and other services.

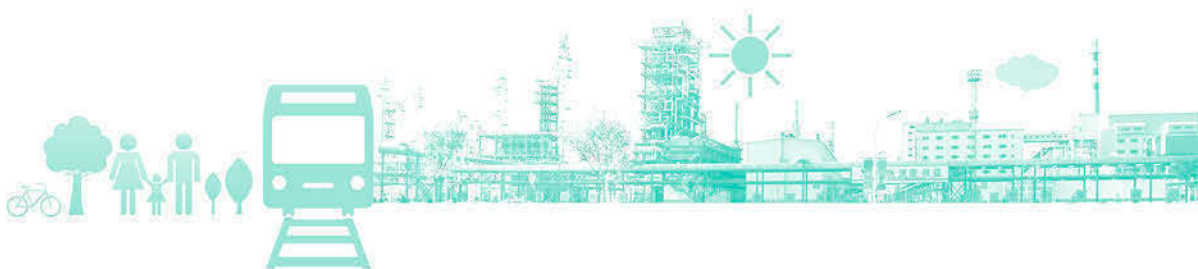
During the reporting period, Zhundong Railway and Huzhun Railway dispatched 69.60 million tonnes and 27.26 million tonnes of coal, respectively.

(III) Coal-to-chemicals sector

The layout of coal-to-chemicals industry is an important strategic move for the Company to extend its industrial chain, achieve transformation and upgrading and enhance its core competitiveness. The “13th Five-Year Plan for Energy Development” clearly states that the pace of development should be rationally controlled, technological innovation and market risk assessment should be strengthened, the conditions for environmental protection accession should be strictly implemented, the deep processing of coal should be developed in order, the upgrading of coal-to-fuel, coal-to-olefin production and other demonstrations should be steadily promoted and the competitiveness and risk-resistance of the project should be enhanced according to the orientation of the National Energy Technology Reserve and Capacity Reserve Demonstration Project. A total of three projects of “Xinjiang Yili”, “Xinjiang Ganquanpu” and “Inner Mongolia Yitai” were selected as key coal liquefaction projects in the “13th Five-Year Plan” for deep processing of coal. The Company has been unwaveringly speeding up the approval and construction of coal chemical projects.

1. Demonstration project of coal-to-oil production of 0.16 Mtpa

During the reporting period, Coal-to-oil Company implemented a series of measures to optimize process, strengthen equipment quality management and reasonably arrange catalyst loading and unloading cycles to increase production efficiency; by optimizing the operation of the plant, strengthening technical innovation and making great efforts to reduce material consumption, the costs were greatly reduced. Equipment kept stable operation for 344.95 days of the whole year and a total of 0.189 million tonnes of various types of oil and chemicals were produced.



REPORT OF DIRECTORS *(Continued)*

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

(III) Coal-to-chemicals sector *(Continued)*

2. Oil and chemicals sales

During the reporting period, the petrochemical companies, on the one hand optimized the product pricing process and achieved scientific pricing through reference to benchmark price, industry big data analysis and bidding, etc. and responded quickly to market fluctuations. On the other hand, the companies determined the long-term cooperation with key customers and shaped a stable support to the sales of the products. At the same time, the companies actively promoted logistics solutions, carried out logistics and distribution services to promote sales, and sold 0.27 million tonnes of various products in the whole year.

3. Project construction

During the reporting period, as for its 1.2 Mtpa of fine chemical project, Yitai Chemical with safety and quality as the cornerstone, centralized its superior forces to promote the construction schedule, arrange and control the investment cost reasonably and entered the device commissioning phase overall. The progress of the project was 81.51%. In July 2017, it got through the production process across the board and entered the joint commissioning test phase. According to the test run data, the safety, technology, operation and management in all aspects were in the industry-leading level. Currently, technical processes and production conditions are being gradually optimized and research and development of downstream product are being strengthened.

As to the Phase II 2 Mtpa indirect coal to liquids conversion demonstration project of Coal-to-oil Company, in June 2017, the project mobilization meeting was held and a foundation was laid for the project. It is currently focusing on product program demonstration, major process technology and equipment research and investment cost control.

The 1 Mtpa coal-to-oil project of Yili Energy obtained “The National Development and Reform Commission’s Approval on Yitai Yili Energy Co., Ltd. ’s 1 Mtpa Coal-to-oil Project” (Fa Gai Neng Yuan [2017] No. 1393) on 26 July 2017 and the environmental impact assessment report of the project was also approved by the Ministry of Environmental Protection on 27 September 2017.

The 2 Mtpa coal-to-oil project of Yitai Xinjiang Ganquanpu is coordinating to accelerate the reporting of the environment impact assessment report and the application approval report, and other supporting documents have been approved.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(IV) Safety and environmental protection

In 2017, the Company further promoted the safety quality standardization work to improve its safety management level. Through the risk of security and other safety assessment of rewards and punishments and risk classification control, the main responsibility for safety at all levels of production was strengthened and the safety management initiative was mobilized. At the same time, various types of safety inspection were carried out, greater efforts for risk investigation and management were made and the annual safety management and control objectives were completed to a good extent. As of the end of the reporting period, Zhundong Railway Company achieved continuous safe production of 6,225 days and Huzhun Railway Company achieved continuous safe production of 4,061 days. There were no railway accidents of general Class B and above or minor personal injuries in the whole year. Coal-to-oil Company and Yitai Chemical did not have major and above safety incidents.

During the reporting period, faced by the “new normal” for environmental protection, the Company strictly complied with the environmental protection responsibility, revised and improved the system of rewards and penalties for environmental protection inspections and checks, activated the effectiveness of grass-roots environmental management, and ensured the “three simultaneous” constructions of environmental protection facilities and stable and effective operation. All kinds of pollutant emissions have reached the corresponding national emission standards, and the collection and disposal rates of all types of solid waste reached 100%.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD

(I) Analysis on the principal business

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

Unit: '000 yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period last year	Change (%)
Revenue	35,897,399	22,317,130	60.85
Cost of sales	(25,368,663)	(16,682,378)	52.07
Selling and distribution expenses	(1,269,996)	(820,284)	54.82
General and administrative expenses	(1,051,185)	(1,024,559)	2.60
Finance costs	(918,595)	(933,929)	(1.64)
Net increase/(decrease) in cash and cash equivalents	9,306,217	(2,175,281)	(527.82)
Research and development costs	711,796	48,788	1,358.96



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the principal business (Continued)

1. Revenue and cost analysis

(1) Principal business by segments

Unit: '000 yuan Currency: RMB

As of 31 December 2017	Coal Transportation	Coal-related chemical	Others	Total	
Segment revenue					
Sales to external customers	35,198,737	2,101,612	1,250,948	8,806	38,560,103
	<u>33,963,270</u>	<u>683,959</u>	<u>1,241,364</u>	<u>8,806</u>	<u>35,897,399</u>
Intersegment sales	<u>1,235,467</u>	<u>1,417,653</u>	<u>9,584</u>	<u>-</u>	<u>2,662,704</u>
Segment results					
Profit/(loss) before tax	<u>6,661,877</u>	<u>518,893</u>	<u>(10,626)</u>	<u>(23,154)</u>	<u>7,146,990</u>
Income tax expense					<u>(1,433,033)</u>
Net profit for the period					<u>5,713,957</u>
Segment assets	49,349,515	13,330,621	34,358,574	513,721	97,552,431
Intersegment elimination					<u>(12,991,903)</u>
Total assets					<u>84,560,528</u>
Segment liabilities	27,425,622	5,259,264	15,928,956	523,575	49,137,417
Intersegment elimination					<u>(2,067,002)</u>
Total liabilities					<u>47,070,415</u>



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the principal business (Continued)

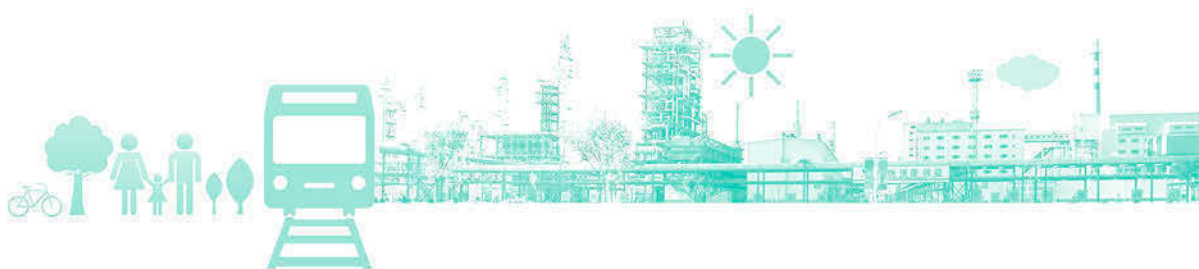
1. Revenue and cost analysis (Continued)

(2) Principal business by regions

Unit: '0,000 yuan Currency: RMB

Principal business by regions		
Regions	Operating income	Increase or decrease of operating income over the previous year (%)
North China	1,258,302.01	73.47
East China	1,550,219.76	51.40
South China	666,269.71	60.08
Northeast China	80,896.45	137.17
Central China	71,429.28	39.93
Northwest China	8,635.23	5.57
Southwest China	148.87	49.02
Total	3,635,901.31	60.96

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



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the principal business (Continued)

1. Revenue and cost analysis (Continued)

(3) Synergies between each business segments

	2017		2016	
	Sales volume (ten-thousand tonnes)	Percentage	Sales volume (ten-thousand tonnes)	Percentage
Coal operation				
Sales to external customers	8,546	95.61%	6,380	97.97%
Sales to internal coal-related chemical operation	392	4.39%	132	2.03%
	Transportation volume (ten-thousand tonnes)	Percentage	Transportation volume (ten-thousand tonnes)	Percentage
Railway operation				
Internal transportation service	6,599	68%	6,150	72.00%
Transportation service to third parties	3,087	32%	2,423	28.00%
	Purchase volume (ten-thousand tonnes)	Percentage	Purchase volume (ten-thousand tonnes)	Percentage
Coal-related chemical operation				
Internal purchase	392	100%	132	100.00%
External purchase	0	0	0	0.00%

(4) Analysis on production and sales

Principal products	Production (ten-thousand tonnes)	Sales (ten-thousand tonnes)	Inventory (ten-thousand tonnes)	Increase/ decrease of production compared to last year (%)	Increase/ decrease of sales compared to last year (%)	Increase/ decrease of inventory compared to last year (%)
Thermal coal	4,728.96	8,546.23	369.79	28.22	33.94	-37.64
Coal chemical products	18.92	26.67	0.78	-2.72	-20.74	-15.22



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the principal business (Continued)

1. Revenue and cost analysis (Continued)

(5) Analysis of factors causing changes in business revenue

Item	From January to December 2017		From January to December 2016	
	Quantity (ten-thousand tonnes)	Unit price (yuan/tonne) (tax exclusive)	Quantity (ten-thousand tonnes)	Unit price (yuan/tonne) (tax exclusive)
Local sales at mines	1,691	245	1,119	188
Local sales at loading facilities	1,339	274	579	164
Sales via direct rail access	633	461	1,241	348
Sales at ports	4,883	484	3,441	383
Total	8,546	402	6,380	322

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

Unit: '0,000 tonnes

Item	From January to December 2017 Quantity	From January to December 2016 Quantity
Self-produced coal	4,366	3,556
Coal purchased externally	4,180	2,824



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the principal business (Continued)

1. Revenue and cost analysis (Continued)

(6) Analysis of factors influencing revenue from physical product sales (Continued)

Unit: '0,000 tonnes

Company-owned railways	From January to December 2017		From January to December 2016	
	Total throughput	Freight volume for the Company	Total throughput	Freight volume for the Company
Zhundong Railway Line	6,960	5,405	5,607	4,723
Huzhun Railway Line	2,726	1,194	2,966	1,427

(7) Cost analysis

Unit: 0'000 yuan

By Segment	Amount in the period	By Segment			
		Amount for the reporting period over the total costs (%)	Amount in the same period of last year	Amount in the same period of last year over the total costs (%)	Amount for the reporting period compared to the same period last year (%)
Coal operation	2,288,777.44	93.73	1,459,629.90	90.40	56.81
Transportation business	45,239.32	1.85	33,032.23	2.05	36.96
Coal-related chemical operation	105,145.66	4.31	121,645.64	7.53	-13.56
Other	2,801.96	0.11	281.08	0.02	896.85
Total	2,441,964.38	100.00	1,614,588.85	100.00	51.24



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the principal business (Continued)

2. Expenses

Items of statements	Amount in the period ('000 yuan)	Amount of last period ('000 yuan)	Percentage change (%)	Reasons for change
Selling and distribution expenses	1,269,996	820,284	54.82	Mainly due to the increase in port expenses caused by the increase in sales during the current period
Management expense	1,051,185	1,024,559	2.60	

3. Research and development costs

Statement of the research and development costs

	<i>Unit: yuan</i>
Research and development costs in the period	711,796,000
Capitalized research and development in the period	0
Total research and development costs	711,796,000
Percentage of total contribution in research and development over operating income (%)	1.92
Percentage of capitalized research and development (%)	0

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

Explanation:

During the reporting period, the Company increased investment in scientific research and innovation of coal mining and washing, with which the Company mainly carried out the research and development of the processes and equipment in terms of coal mining, supporting, safety information system, washing, coal refining and coal blending. Such investment has played a significant role in ensuring safe and efficient production, promoting environmental protection, energy conservation and consumption reduction, improving product quality and expanding the range of product applications and improving our profitability.



REPORT OF DIRECTORS *(Continued)*

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on the principal business *(Continued)*

4. Cash flow

As at 31 December 2017, the balance of cash and cash equivalents was RMB13,733.10 million, increased by RMB9,300.34 million, representing an increase of 209.81% as compared with that of RMB4,432.76 million for the same period of last year.

Cash and cash equivalents for the period increased by RMB9,300.34 million, mainly due to the increase in borrowings and the capital injection by the shareholders of subsidiaries of approximately RMB6,922.15 million, the increase in the sales and selling prices of coal and the purchase of long-term assets during the reporting period.

5. Liquidity and capital resources

For the year ended 31 December 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 of the Company.

The cash generated from the operating 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. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on assets and liabilities

1. Property, plant and equipment

As at 31 December 2017, the net value of Company's property, plant and equipment amounted to RMB48,573,789 thousand, increased by RMB2,602,324 thousand or 5.66% as compared with RMB45,971,465 thousand as at 31 December 2016.

The Company's property, plant and equipment (net value) as at 31 December 2017 and at 31 December 2016 are as follows:

Unit: '000 yuan

	As at 31 December 2017	Percentage (%)	As at 31 December 2016	Percentage (%)
Buildings	4,415,887	10	4,724,669	10
Mining structures	2,942,126	6	2,572,599	6
Plant and machinery	4,395,025	9	4,686,721	10
Motor vehicles	196,241	0	221,063	0
Railway	9,848,520	20	10,319,774	22
Road	477,020	1	495,812	1
Office equipment and others	651,192	1	354,189	1
Construction in progress	25,647,778	53	22,596,638	50
Total	48,573,789	100	45,971,465	100

2. Trade and bills receivables

As at 31 December 2017, the net value of the Company's trade and bills receivables amounted to RMB2,287,069 thousand, decreased by RMB45,222 thousand or 1.94% as compared with RMB2,332,291 thousand as at 31 December 2016.

3. Borrowings

As at 31 December 2017, the balance of the Company's borrowings amounted to RMB29,652,268 thousand, increased by RMB4,698,409 thousand or 18.83% as compared with RMB24,953,859 thousand as at 31 December 2016, mainly due to the increase of bank borrowings in the current period.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on assets and liabilities (Continued)

4. Analysis of assets and liabilities

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

Unit: yuan

Item	Closing balance for the period	Closing balance for the balance 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
Cash at bank and on hand	14,578,357,778.41	17.24	5,045,592,111.47	7.11	188.93	Mainly due to the increase in borrowings for the period;
Bills receivable	111,874,208.32	0.13	179,140,543.96	0.25	-37.55	Mainly due to increase in bill endorsement payments;
Prepayments	910,930,909.48	1.08	580,277,819.43	0.82	56.98	Mainly due to the increase in prepayments for coal;
Dividends receivable	100,000,000.00	0.12	-	-	100	Mainly due to the increase in the dividends receivable of Yitai Guanglian;
Other receivables	1,323,814,580.39	1.57	439,452,887.78	0.62	201.24	Mainly due to the payment for equity transfer due to Zhudong;
Construction Equipment	1,582,661,380.66	1.87	1,039,696,127.33	1.47	52.22	Mainly due to the purchase of equipment not yet installed;
Other non-current assets	469,567,158.38	0.56	45,667,684.76	0.06	928.23	Mainly due to the increase in land transfer fees and the creditor rights due to Jinhuaaji;
Short-term borrowings	2,200,000,000.00	2.60	1,400,000,000.00	1.97	57.14	Mainly due to the increase in credit borrowing;
Accounts payable	2,186,380,424.74	2.59	1,455,252,349.48	2.05	50.24	Mainly due to the increase in coal purchases and project funds;
Payroll payable	363,700,287.31	0.43	224,035,546.26	0.32	62.34	Mainly due to the increase in wages and bonuses payable;



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on assets and liabilities (Continued)

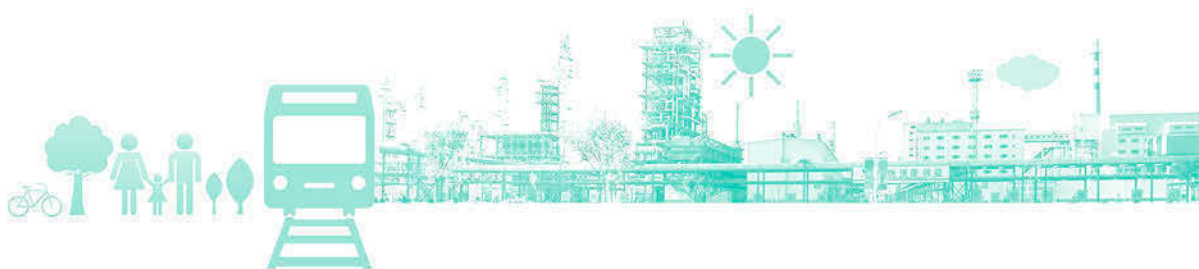
4. Analysis of assets and liabilities (Continued)

Unit: yuan

Item	Closing balance for the period	Closing balance for the balance 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
Dividends payable	710,430.00	0.00	76,078,665.07	0.11	-99.07	Main due to dividends paid for the period;
Non-current liabilities due within one year	6,764,111,366.97	8.00	1,634,584,616.00	2.30	313.81	Mainly due to the increase in long-term borrowings and bonds payable due within one year;
Other current liabilities	4,731,689.92	0.01	155,836,612.35	0.22	-96.96	Mainly due to the reduction of taxation to be written off;
Bonds payable	4,490,584,828.99	5.31	6,980,574,571.42	9.84	-35.67	Mainly due to near expiration of 13 Yitai Coal MTN1 bonds due within 1 year;
Deferred income tax liabilities	375,192,549.89	0.44	3,378,937.85	0.00	11,003.86	Mainly due to disposal of equity;

As at 31 December 2016, the gearing ratio of the Company was 59.73%. As at 31 December 2017, the gearing ratio of the Company was 52.84%, decreased by 6.89 percentage points as compared with last year.

The gearing ratio is net debt divided by total capital plus net debt. Net debt includes interest-bearing borrowings, other borrowings, bonds payable, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on assets and liabilities (Continued)

5. Restrictions on major assets as of the end of the reporting period

Unit: yuan Currency: RMB

Item	Balance	Reason for restrictions
Cash at bank and on hand	845,259,576.84	Bank acceptance bills deposits, environmental deposits and guarantee fund for letter of credit deposited with the bank
Bills receivable	30,690,000.00	Bill pledge
Other current assets	30,000,000.00	Financial products pledged to banks to issue bank acceptance bills
Total	905,949,576.84	

(III) Analysis on operational information in the industry

1. Coal mining and operating status

During the reporting period, the Company completed capacity replacement of Talahao Mine, Kaida Mine and Suancigou Mine by purchasing production capacity indicators and closing outdated mines in accordance with the requirement to resolve overcapacity and the production capacity replacement policies of the State;

Reforms were adopted to the coal production service organization, which enhanced the level of specialization and lowered the cost; plans like optimizing coal mine washing and screening technology reform and improving the quality of coal were implemented, increasing lump coal rate and economic efficiency; the popularization and application of new technologies and new materials were reinforced and the intelligent mining of coal mines was promoted, effectively ensuring the safety and improving the production efficiency.

Coal produced and sold by the Group is mainly thermal coal.

Type of coal	Production (tonnes)	Sales volume (tonnes)	Sales revenue (‘00 million yuan)	Sales costs (‘00 million yuan)	Gross profit (‘00 million yuan)
Thermal coal	47,289,625.64	85,462,317.16	343.43	228.88	114.55
Total	47,289,625.64	85,462,317.16	343.43	228.88	114.55



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on operational information in the industry (Continued)

1. Coal mining and operating status (Continued)

During the reporting period, the Company has realized production of commodity coal of 47.29 million tonnes, representing an increase of 28.23% year-on-year; completed the total drivage of 115,400 meters, representing an increase of 12.22% year-on-year. During the reporting period, the Company did not carry out exploration in its mines.

In 2017, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB683 million which was mainly related to exploitation of mining areas and related expenditures such as the payment of mining rights for mining sites including Suancigou, Kaida and Talahao and the purchase of fixed assets.

2. Construction of mines

Talahao Mine has passed the comprehensive pre-acceptance inspection, obtained the safety production license and reached the designed production capacity.

(1) Construction contracts for coal mine

Unit: yuan Currency: RMB

Unit	Details of contract	Name of provider	Amount of contract
Suancigou Mine	New product warehouse, transfer points and distribution room project	China Coal Building and Installation Engineering Group Co., Ltd. (中煤建築安裝工程集團有限公司)	45,258,859
Talahao Mine	3202 South Region Gate Road, 3202 Working Face Head Chamber and Two Head Chamber Engineering	Shanxi Anchang Building Engineering Co., Ltd. (山西安暢建築工程有限公司)	9,880,036
Suancigou Mine	Materials factory hardening and other projects around the line	Jiangsu Nantong Liujuan Construction Group Co., Ltd. (江蘇南通六建建設集團有限公司)	5,897,671
Dadijing Mine	Screening workshop renovation project	Ordos Zhongyu Taide Coal Co., Ltd. (鄂爾多斯市中鈺泰德煤炭有限公司)	4,898,000
Suancigou Mine	Factory hardening project	Yijin Building Co., Ltd. (億錦建築有限責任公司)	1,883,347
Talahao Mine	2017 scattered projects	Inner Mongolia Yintai Building and Installation Co., Ltd. (內蒙古胤泰建築安裝有限責任公司)	1,491,432



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on operational information in the industry (Continued)

2. Construction of mines (Continued)

(2) Procurement contracts of facilities for coal mine

Unit: yuan Currency: RMB

Unit	Details of contract	Name of provider	Amount of contract
Talahao Mine	Double drum shearer/ MG750/1860-WD	Tiandi Science and Technology Co., Ltd. Shanghai Branch (天地 科技股份有限公司上海 分公司)	8,400,000
Baoshan Mine	Double drum shearer/ MG400/890-AWD	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
Baoshan Mine	Hydraulic stand/ ZY/6800/09/19	Zhengzhou Coal Mining Machinery Group Co., Ltd. (鄭州煤礦機械集團 股份有限公司)	3,869,999
Hongjingta No. 1 Mine	Hydraulic stand/ ZY/6800/11/22	Zhengzhou Coal Mining Machinery Group Co., Ltd. (鄭州煤礦機械集團 股份有限公司)	1,935,001
Talahao Mine	Integrated mine pumping station system/31.5mpa	Wuxi Weishun Coal Mine Machinery Co., Ltd. (無錫威順煤礦機械有限 公司)	1,885,680



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on operational information in the industry (Continued)

3. Reserves of the Company's mines

Major mining areas	Resource Reserve (ten-thousand tonnes)	Mineable reserve (ten-thousand tonnes)
Suancigou Mine	128,105.59	68,217.59
Nalinmiao No. 2 Mine	11,910.62	5,251.12
Hongjingta No. 1 Mine	10,055.59	3,270.59
Nalinmiao No. 1 Mine	2,396	416
Kaida Mine	19,109.2	11,025.2
Dadijing Mine	7,715.82	4,312.82
Baoshan Mine	3,741	2,024
Baijialiag Mine	450	405
Talahao Mine	85,894	52,452
Total reserves	<u>269,377.82</u>	<u>147,374.32</u>

Explanation:

Calculation criteria: Quantity of resources and reserves of the Company estimated as at 31 December 2017 is obtained from the resources latest recorded by the Ministry of Land and Resources less the used resources year by year. There have been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in the Annual Report are pursuant to the currently prevailing code standard of China: reserves of corresponding grade are calculated according to Management Rule of Reserves of Operating Mines (《生產礦井儲量管理辦法》), and Coal and Peat Geology Exploration Regulation (《煤、泥炭地質勘查規範》). The reserves sheet shall be examined and verified by internal geological experts of the Company.

During the reporting period, due to the low remaining mineable reserves, the difficulty of mining, the low economic benefits and the high security risk of the Company's Fuhua Coal, Chengyi Coal and Yangwangou Coal, the Company completed the procedures for mine closure and completed the transaction of capacity replacement quotas. Accordingly, the aforementioned coal reserves are no longer included in the Company's coal reserves. Talahao Mine, due to urban planning and railway, new village for migrants and other overlaid resources, was changed in designing and obtained approval. At the same time, the Company deducted the corresponding overlaid resources.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on operational information in the industry (Continued)

4. Information on major customers

Unit: yuan Currency: RMB

Customer name	Sales revenue	Percentage of the total sales revenue (%)
Zhejiang Zheneng Fuxing Fuel Co., Ltd. (浙江浙能富興燃料有限公司)	2,550,193,069.01	6.89
Guangdong Zhutou Power Fuel Co., Ltd. (廣東珠投電力燃料有限公司)	1,656,044,774.87	4.47
Guangzhou Zhujiang Electricity Fuel Co., Ltd. (廣州珠江電力燃料有限公司)	1,318,866,342.67	3.56
Guangdong Electric Power Industrial Fuel Co., Ltd. (廣東省電力工業燃料有限公司)	1,208,157,022.57	3.26
Zhoushan Fuxing Fuel Co., Ltd. (舟山富興燃料有限公司)	<u>1,167,223,342.77</u>	<u>3.15</u>
Total	<u>7,900,484,551.89</u>	<u>21.35</u>

Sales to top five customers amounted to RMB7,900.48 million, accounting for 21.35% of the total annual sales; among which sales to related parties amounted to RMB0 million accounting for 0% of the total annual sales.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on operational information in the industry (Continued)

5. Information on major suppliers

Unit: yuan Currency: RMB

Supplier name	Purchase amount (tax exclusive)
Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)	2,864,395,907.25
Jungar Banner Gongjiata Buerdong Coal Co., Ltd. (准格爾旗弓家塔布爾洞煤炭有限責任公司)	873,417,639.28
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)	478,651,008.87
Inner Mongolia Huineng Coal Power Group Yangshita Coal Co., Ltd. (內蒙古匯能煤電集團羊市塔煤炭有限責任公司)	437,764,354.25
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. (兗州煤業鄂爾多斯能化有限公司煤炭運銷分公司)	357,500,298.92
Total:	<u>5,011,729,208.57</u>

Purchases from top five suppliers amounted to RMB5,011.73 million, accounting for 40.15% of the total annual purchases; among which purchases from related parties amounted to RMB3,396.28 million, accounting for 27.21% of the total annual purchases. The purchase made by the Group from the largest supplier accounts for 22.95% of the Company's total purchase amount in 2017.

Zhang Donghai, Liu Chunlin, Ge Yaoyong and Zhang Dongsheng, the Directors of the Company, also serve as the directors of Yitai Group, the controlling shareholder of the Company, directly holding 1,600 million shares of the Company, representing 49.17% of the total share capital of the Company; Zhang Donghai, Liu Chunlin and Ge Yaoyong, the Directors of the Company, also serve as the directors of Yitai Guanglian, a non-wholly-owned subsidiary of Yitai Group. As at 31 December 2017, Yitai Group held 80% equity interests in Yitai Guanglian, 10% equity interests in Yitai Guanglian were held by the Company.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on operational information in the industry (Continued)

6. Cost of coal

Unit: yuan Currency: RMB

Project	Category	January to December 2017	January to December 2016
Production cost per unit of self-produced coal	Labor cost	16.89	17.88
	Raw material, fuel and power	7.85	9.12
	Depreciation and amortization	6.77	15.65
	Other production costs	34.09	19.63
	Total production cost for coal	65.60	62.28
Cost per unit of coal purchased domestically		306.08	213.29



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on Investment

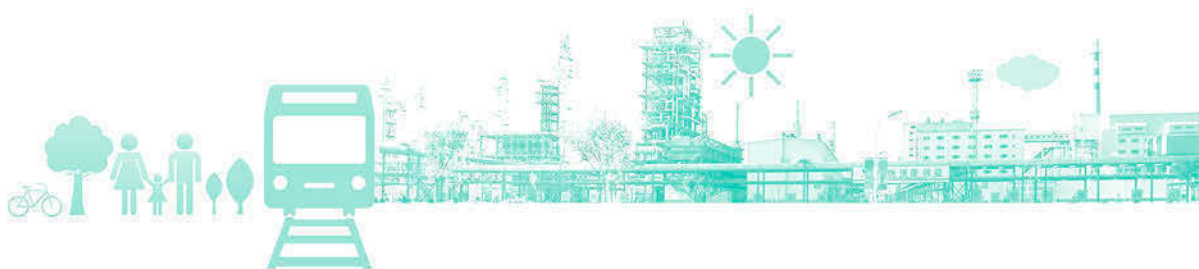
1. Overall analysis on external equity investment

(1) Material equity investment

On 23 August 2017, the Company entered into the Equity Transfer Agreement with Yitai Group in Ordos City to acquire the 10% equity interests held in Yitai Guanglian from Yitai Group at the consideration of RMB3.824 billion. Yitai Guanglian is working on the coal mine construction project of the 15 Mtpa Hongqinghe Coal Mine. Before this equity transfer, Yitai Group held 80% equity interests in Yitai Guanglian, 10% equity interests in Yitai Guanglian were held by the Company and 5% equity interests were held by Inner Mongolia Guanglian Ethnic and Economic Development Company (內蒙古廣聯民族經濟發展公司) and the Coal Geology Bureau of the Inner Mongolia Autonomous Region, respectively. Upon amicable negotiation with Yitai Group and on the basis of the Consulting Report for Value of Mining Rights in Hongqinghe Mine of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司紅慶河煤礦採礦權價值諮詢報告), both parties agreed to carry out this acquisition at an exploitable price of RMB18/ton and based on the total exploitable reserve of the mining rights of Hongqinghe Mine, being 2.124 billion tonnes. The coal industry is in the overall adjustment phase at the current stage, as such, the acquisition of coal resources at present will reduce the Company's costs and be favourable to earnings growth in the future after the industry stabilises.

The transaction has been considered and approved by the Company at the fifth meeting of the seventh session of the Board held on 23 August 2017, and the first extraordinary general meeting of 2017 respectively. As of 31 December 2017, the transaction was not yet completed. Yitai Guanglian produced a total of 10.65 million tonnes of commercial coal in the year with total operating revenue of RMB3,310.14 million (unaudited) and realized a net profit of RMB1,382.75 million (unaudited) during the year. The Group received a cash bonus of RMB100 million during the current period.

For the details of the investments in the above investee, please refer to Note 21 to the consolidated financial statements on page 211 of this report.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on Investment (Continued)

1. Overall analysis on external equity investment (Continued)

(2) Significant non-equity investment

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (0'000 yuan)	Shareholdings (share)	Closing book value (0'000 yuan)	Percentage of total securities investment at the end of the period (%)
1	Share	3369	QHD PORT	7,923.79	19,013,000.00	4,195.79	100
Total				7,923.79	19,013,000.00	4,195.79	100

Shareholding in non-listed financial entities:

Name of the investee	Initial investment (0'000 yuan)	Closing book value (0'000 yuan)	Profit or loss during the reporting period (0'000 yuan)	Accounting item	Source of shareholding
Mianyang Science and Technology City Industrial Investment Fund (綿陽科技城產業投資基金)	10,000.00	3,648.65	1,928.56	Available-for-sale financial assets	Capital contribution
Total	10,000.00	3,648.65	1,928.56	/	/

Explanations on shareholding in non-listed financial entities:

Book value during the period decreased by RMB7.26 million due to offset against costs by revenue from fund investments. According to the partnership agreement and the profit distribution plan, investment income for the project obtained during the period of fund operation shall be allocated to the partners until the partners recover their in-paid capital contribution, and clarify the amounts of the offset against investment cost and investment revenue in the distribution of cash per month.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) Disposal of major assets and equity

The Company held the ninth meeting of the seventh session of the Board of Directors on 1 December 2017, at which the Proposal on Transfer of Equity in Inner Mongolia Yitai Zhundong Railway Co., Ltd. was considered and approved, pursuant to which the Company transferred the 25% equity of Zhundong Railway Company held by the Company to Yanzhou Coal Mining Ordos Neng Hua Co., Ltd. (hereinafter referred to “**Ordos Neng Hua**”) at the consideration of RMB1,942.5 million and signed the relevant equity transfer agreements. Up to now, the changes of the industrial and commercial registration has been completed and the consideration of equity transfer has been delivered.

The acquisition of the equity of Zhundong Railway Company by Ordos Neng Hua is conducive to the growth of profits and efficiency of Zhundong Railway Company and is in the interests of the Company and its shareholders as a whole. In addition, it is critical to strengthen cooperation between coal companies for the Company’s future development. As a well-known domestic coal enterprise, Ordos Neng Hua’s acquisition of the equity of Zhundong Railway Company has important strategic significance for the Company.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

(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 Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Mining and sales of coal	1,080,000,000.00	5,257,419,767.91	1,573,269,122.58
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	6,803,309,954.27	687,773,163.94
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	2,074,598,000.00	6,474,014,992.09	-268,737,037.07
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Coal chemical products	Construction and operation of the production projects of 1# low-aromatic solvents, 85# fischer tropesch wax, light synthetic lubricants, propane, LPG and other chemical products	2,352,900,000.00	3,736,649,479.73	-4,495,840.59

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

Suancigou Mine was jointly funded and established by the Company, Beijing Jingneng Power Co., Ltd. (北京京能電力股份有限公司) and Shanxi Yudean Energy Co., Ltd. (山西粵電能源有限公司) on 18 September 2007. It has a registered capital of RMB1.08 billion and is owned as to 52% by the Company.

During the reporting period, Suancigou Mine amended and improved all safety management systems, strengthened the safety of operations and established a dual prevention mechanism for hierarchical control of safety risks, identification and elimination of hidden risks in accidents, significantly improving its safety and security capabilities. At the same time, based on the State's production capacity control policy and combined with the geographical conditions of the coal mine and mining equipment and other actual situation, production was organized reasonably, the management of production technology, mechanical and electrical equipment, washing, scheduling and ground production ancillary systems was enhanced and the adjustment and optimization of plan for continuous production were continuously conducted, with mine advanced production capacity increasing significantly. During the year, the total operating revenue and net profit for the year amounted to RMB3.199 billion and RMB1.573 billion, respectively.



REPORT OF DIRECTORS *(Continued)*

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(CONTINUED)*

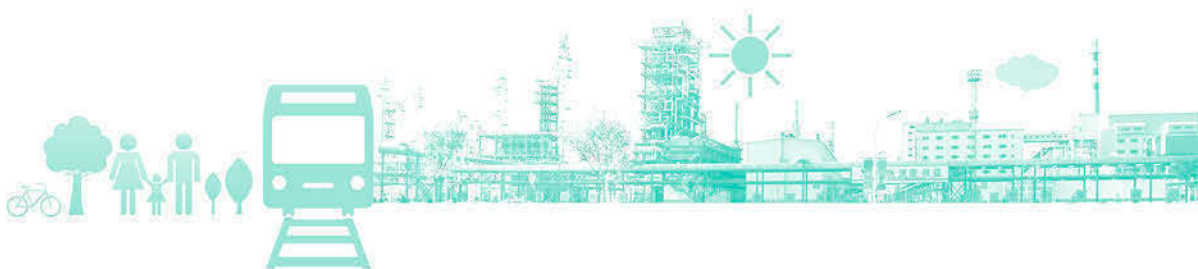
(VI) Analysis on major subsidiaries and investees (Continued)

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

Zhundong Railway Company, principally engaged in railway transport business, has a registered capital of RMB1.554 billion and is owned as to 71.27% by the Company. Zhundong Railway Line has a total length of 191.41 kilometers, stretching from Zhoujiawan Railway Station in the Jungar Coalfield westward to Jungar Zhao in the Dongsheng Coalfield, providing a railway transportation route from the Company's mines in the Dongsheng Coalfield to Dazhun Railway and Huzhun Railway, which further connects to Tianjin Port, Qinhuangdao Port and Caofeidian Port through the Daqin Railway and the Jingbao Railway.

During the reporting period, through strict loading standards, loading process adjustment, effective control of coal stocks, rational use of station space which optimized storage and transportation management, Zhundong Railway Company dispatched an aggregate of 69.60 million tonnes of coal in the whole year. Its operating revenue amounted to RMB1,781 million and the net profit amounted to RMB688 million. As at 31 December 2017, Zhundong Railway Company achieved continuous safety production of 6,225 days and there were no railway accidents of general Class B and above or personal minor injuries in the whole year.

In December 2017, Ordos Neng Hua received the 25% equity of Zhundong Railway Company held by the Company at a consideration of RMB1,942.50 million. The coal mines belonging to Ordos Neng Hua are located in Ordos with rich coal reserves, long-life mining rights, a high degree of modernization and other advantages. Its acquisition of the equity in Zhundong Railway Company is conducive to further improving the Zhundong Railway Company's future transport volume and further enhancing the overall profitability of Zhundong Railway Company.



REPORT OF DIRECTORS *(Continued)*

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(CONTINUED)*

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

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

Huzhun Railway Company, which was jointly funded and established by the Company, Inner Mongolia Mengtai Buliangou Coal Co., Ltd., Datang Electric Power Fuel Co., Ltd. and Hohhot Railway Bureau, is principally engaged in transportation of railway cargo. It has a registered capital of RMB2,074,598,000 and is owned as to 76.9917% by the Company. Huzhun Railway Line has a length of 237.98 kilometers, stretching from Zhoujiawan Railway Station in Jungar Banner northward to Hohhot Station of the Jingbao Railway. Huzhun Railway is an important channel for transporting the coal produced by the Company to the markets in eastern and northern China.

In 2017, Huzhun Railway Company actively optimized the driving organization, based on the traffic volume planning and the decomposition of each dispatching station's traffic volume and combined with the supply structure of each station, clarified the stage loading volume, optimized the distribution of traffic flow under its control and organized loading rationally. At the same time, Huzhun Railway Company strengthened the communication and coordination among retail customers, mastered the medium- and long-term dispatching volume plans of individual retail customers, facilitated the decomposition and matching of transport volume ahead of schedule and increased the transport volume of retail customers. During the reporting period, Huzhun Railway Company has dispatched an aggregate of 27.26 million tonnes of coal. It recorded operating revenue of RMB404 million and the loss for the year amounted to RMB269 million. Since the environmental protection renovation of the container station around the Huzhun Line and the construction of the dedicated transportation line connecting the surrounding coal-using companies and the Huzhun Line have not yet been completed, the actual dispatching volume of the Huzhun Railway Company has not yet reached the designed dispatching volume. In the future, with the completion of the construction of surrounding projects, the dispatching volume of Huzhun Railway Company will increase year by year achieving profitability.

As to project construction, the construction of key bridges on Wangqi-South Hohhot Line, the second line added to the Jialanying-Tuoketuo section of Huzhun Railway has basically completed, and its subgrade earthwork construction is also coming to an end.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

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

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

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

During the reporting period, Coal-to-oil Company carried out the annual production and business plan to guarantee the safe and stable production of 0.16 Mtpa coal-to-oil plant. The company continued to innovate in technological reformation, further verifying that the indirect coal liquefaction technology used could be used not only for the production of diesel, naphtha and other oil products but also for the stable production of liquid paraffins, low-aromatic solvents, high melting point waxes and other chemical products. Two annual utility model patents were authorized and three national honors including the “Intellectual Property Competitive Enterprise”, the “19th China Patent Excellence Award” and the “National Industrial Brand Cultivation Pilot Enterprise” were won.

In 2017, Coal-to-oil Company kept stable operation of equipment for 344.95 days of the whole year. Its production in various oil products and chemicals amounted to 0.1892 Mtpa, and the sales revenue and net loss for the year reached RMB898 million and RMB4.50 million, respectively. The loss of the year was caused by a loss of RMB15.89 million invested in Zhonghang Liming Jinhuaaji Petro Equipment Co., Ltd. (中航黎明錦化機石化裝備(內蒙古)有限公司) as recognized in the computation by employing equity method in current period.

In June 2017, the project mobilization meeting was held and a foundation was laid for Coal-to-oil Company’s Phase II 2 Mtpa project. At present, Coal-to-oil Company is focusing on product program demonstration, research on major process technology and equipment issues, investment cost control and other works.



REPORT OF DIRECTORS (Continued)

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (CONTINUED)

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

5. Subsidiaries not being controlled by the Company

(1) Inner Mongolia Yitai Finance Company Limited

Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司) (“**Finance Company**”) was established in July 2015, jointly funded by the Company and Yitai Group. The Company held 40% of its shares. In order to further enhance the financial strength of the Finance Company, fully meet the credit support provided by member companies and comprehensively enhance the financial services capabilities of the Finance Company and resist external risks, the Company and Yitai Group made a capital increase in equal proportion in cash to the Finance Company in November 2017. After the capital increase, the registered capital of the Finance Company increased to RMB2 billion. In 2017, the Finance Company accumulatively handled a total of 44,900 deals of settlement business with a total settlement amount of RMB268.57 billion.

(2) Inner Mongolia Jingtai Power Generation Co., Ltd.

Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司) (“**Jingtai Power Generation Company**”) was co-invested and founded by the Company, Beijing Jingneng Power Co., Ltd. and Shanxi Yudean Energy Co., Ltd., which is owned as to 29% by the Company, and the main business scope covers coal gangue power generation, sales and heat supply. During the reporting period, Jingtai Power Generation Company completed 3.067 billion kWh of power generation and recorded a net loss of RMB50.62 million. The main reason for the loss was insufficient power generation and high coal price. On 15 August 2017, Jingtai Power Generation Company received the Reply on the Approval of the Phase II Project of Suancangou Power Plant of Inner Mongolia Jingtai Power Generation Co., Ltd. (《關於內蒙古京泰發電有限責任公司酸刺溝電廠二期項目核准的批復》) issued by the Development and Reform Commission of Inner Mongolia Autonomous Region, which laid a good foundation to further expand the power generation, increase business volume and to enlarge revenue scale.



REPORT OF DIRECTORS *(Continued)*

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(CONTINUED)*

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

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

(3) *Railway companies not being controlled by the Company*

In terms of Mengji Railway, during the reporting period, the total volume of goods reached through the Zhangji Line was 5.6 million tons, and the throughput of goods was 62.83 million tons. The volume of goods shipped from the Jibao Line was 26.62 million tons and the throughput of goods was 206.1 million tons. The billing throughput of goods of the Zhangtang Line was 51.49 million tons and the total operating revenue was RMB7,091,060,000 and the total profit was RMB2,513,320,000. The cash dividend for the reporting period was RMB64,774,100.

Meanwhile, Port Caofeidian also strengthens the connection and communication among the coal companies in regions like Inner Mongolia and Shaanxi and increases their inbound resources, as a result, more coal from Inner Mongolian will be transported to Caofeidian Port via the Mengji Railway for water transportation, and the volume of shipment from the Mengji Railway will continue to grow.

In terms of Xinbaoshen Railway, during the reporting period, the volume of goods shipped from it was 28.28 million tons and the annual throughput of goods was 20.17 million tons. The operating revenue for the year was RMB1,178,120,000 and the net profit was RMB338,690,000.

Xinbaoshen Railway is an important supplement to Baoshen Railway, and it directly attracts the Shendong Base, the largest coal production base in China. Xinbaoshen Railway assumes critical coal transportation task with significant contribution to China's energy supply and sustainable economic development. This line enhances the railway transportation capacity of coal in northern Shaanxi and western Inner Mongolia, promotes the large-scale comprehensive development and utilization of coal fields along the line, and plays an essential role in ensuring the security of energy supply. It is expected that the coal transportation along Xinbaoshen Railway will continue to grow.

In terms of Xintao Line of South Ordos Railway, during the reporting period, a total of 9.6211 million tons of goods were shipped from the Xintao Line of South Ordos Railway, recording a total operating revenue of RMB131,800,000 and a loss of RMB234,770,000 for the current year. The loss was mainly due to the small amount of traffic and high operating costs.



REPORT OF DIRECTORS *(Continued)*

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD *(CONTINUED)*

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

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

(3) Railway companies not being controlled by the Company *(Continued)*

In the future, the South Railway is expected to provide guarantee for the large-scale exploitation of coal mines in Wushenqi, reducing transportation costs and improving product competitiveness. At the same time, it can also meet the transportation needs of production and living of the regions along the line and promote the further development of the regional and the economic development along the line, thus serving as a concrete embodiment of the strategy of western China's development.

In terms of Zhunshuo Railway, the Zhunshuo Line is scheduled to be completed and satisfy the conditions for operation by the end of 2018, while the Shuoshan Connecting Line is expected to be completed by the end of 2018.

The western Inner Mongolia region boasts rich coal resources and excellent coal quality. The coal mining region is endowed with superior conditions for construction and has a good foundation for the rapid construction of super-large coal base. The western Inner Mongolia region is an important coal source base in China in the future. The construction of the Zhunshuo Railway to extend the Daqin Line directly to the heartland of Western Inner Mongolia's coalfield hinterland will provide a stable supply of 30 million to 60 million tons for the Daqin Line, which will greatly satisfy the need for capacity of the Daqin Railway after its expansion and reconstruction.

Mengxi Huazhong Railway Co., Ltd. is expected to commence operations on 1 December 2019. As of 31 December 2017, the Company has invested a total of RMB600 million and no new investment was made in 2017.

With the unique advantage in terms of line location, Mengxi Huazhong Railway constitutes the network of "direct reach from production and sales, comprehensive network of centralized and diverted transportation, railway-maritime-highway transportation" and forms a relatively complete and integrated transportation system.

For the details of the investments in the above investees, please refer to Note 21 to the consolidated financial statements on page 211 of this report.



REPORT OF DIRECTORS (Continued)

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Setup and trend of the industry

Judging from the macroeconomic situation, China's economy has entered the phase of high-quality development from the phase of rapid growth, in which the transformation of the mode of economic development is promoted, the economic structure is further optimized, the transformation of growth momentum is accelerated and the quality and efficiency of economic growth is improved, with the economy presenting a generally stable and steady-going trend. It is estimated that by 2018 in the aspects of industrial support, development momentum, development environment and other aspects, China will embrace the steady development of a sound and steady environment and maintain a medium-high GDP growth speed. The coal consumption in the major coal consuming industries including the power industry, metallurgical industry, chemical industry and building materials industry will all keep a steady growth. The national coal consumption will still maintain a certain growth rate. However, due to the influence of factors such as hydropower and new energy and climate change, there are also some uncertainties. Whereas the supply of coal is mainly affected by regulation policies such as environmental protection policies and capacity replacement, the probability of substantial increase is small and the output of coal may rise slightly. The effect of the policy of superposition of supply and demand will determine the coal price in 2018.

With regard to the industrial policies, as the coal supply-side reform progresses, production capacity and output of the industry are both reduced and high inventories are gradually de-stocked. As a result, supply and demand fundamentals are gradually moving toward a steady and healthy direction. In the future, the coal supply-side reform will enter a new phase, in which the policy objective will change from static production capacity deduction to a dynamic optimization of production capacity structure, which means backward production capacity will be eliminated and high-quality production capacity will be increased through capacity replacement. The standards, methods and targets of the overcapacity deduction work plan will be clearer. Regional differences will be more obvious with regards to addressing overcapacity, which is in line with the overall layout of the coal industry development of the "13th Five-Year Plan", which is to compress the eastern, to limit the central and western and the northeast, and to optimize the western.



REPORT OF DIRECTORS (Continued)

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(II) Development strategies of the Company

In 2018, the Company will fully grasp the national control policies for the optimization of production capacity structure and the development of advanced production capacity. On the basis of strengthening the main business of coal and enriching the resources reserve, the Company will actively seek business and strategic cooperation opportunities in the railway and coal chemical industry and speed up industrial upgrading pace to enhance the Company's core competitiveness.

Firstly, the Company will take the national thorough implementation of supply-side reform as an opportunity to participate in production capacity replacement, in order to ensure the release of advanced production capacity of existing mines. Meanwhile, the Company will actively seek mergers and acquisitions opportunities, integrate internal and external high-quality coal resources and enrich the strategic reserves of the Company.

Secondly, the Company will, according to market conditions, timely adjust railway freight standards, optimize transport organization and improve the storage and transportation services, to attract customers with shipping needs so as to improve operating income. The Company will grasp the opportunities for strategic cooperation in the railway transportation industry and enhance the utilization efficiency of the railway sector assets.

Thirdly, we will develop clean coal technology, improve added value of products and extend the coal industry chain. On the basis of steadily advancing the examination and approval of coal chemical projects, the Company will enhance the market competitiveness of the Company's coal chemical industry by subdividing the industrial chain and increasing the development of downstream product markets so as to become the leader in the coal deep processing industry in the future.

Fourthly, we will continue to improve the production safety mechanism and perform our environmental social responsibilities. The Company will continue to adhere to the principle of "safety-foremost with prevention-oriented and comprehensive treatment" and strengthen safety investment and management to further improve the level of production safety. We will maintain the effective functioning of the ISO14001 environment management system, scale up comprehensive utilization of resources and ecological environment protection in mining areas, and make the Company's mines become intrinsically safe, resource-conserving, eco-friendly and socially harmonious clean high-efficient mines.

Fifthly, the Company will continue to deepen the reform of management, conduct internal market-oriented operation pilot system, enhance the autonomy of production and management of all grass-roots units and comprehensively improve the strategic management and control level of the Company. We will implement flat management to divest some professional functions, businesses and supporting personnel in order to reduce operating costs and improve service efficiency.



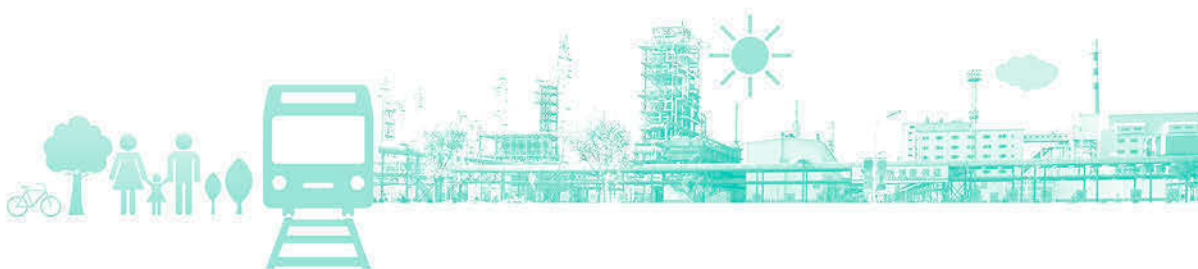
REPORT OF DIRECTORS (Continued)

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(III) Business plan

	Expected in 2018	Increase/decrease	Basis
Production volume (million tonnes)	50.60	Increased by 7.00% compared with the volume in 2017	Determined on the internal production capacity and plan of the Company
Sales volume (million tonnes)	89.24	Increased by 4.42% compared with the volume in 2017	Determined on the market demand
Unit cost of sales (yuan/tonne)	268.00	In line with the unit cost of sales in 2017	Determined on the internal estimate of the Company

* The operation target and estimation may be exposed to risks, uncertainties and assumptions. The actual outcome may differ materially from these statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.



REPORT OF DIRECTORS (Continued)

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(III) Business plan (Continued)

In 2018, the Company will resolutely promote its transformation and upgrading, continue to reduce costs and increase efficiency, step up efforts to complete various business indicators and strive to achieve a steady development trend of keeping stable development while improving the quality and making progress.

1. To Increase Profits through Linkages of Coal Production, Transportation and Sales.

First of all, the Company will reasonably organize its production and expand the production capacity of advanced mines in strict accordance with the requirements of the State's industrial policies. We will continue to promote the strategic cooperation between the Company and coal research institutes, specializing institutions and large-scale high-tech coal enterprises to enhance the overall level and efficiency of mining technology for the coal mines.

Secondly, the Company will speed up the progress of the construction of double-track and special-purpose lines of the railway sector. We will actively communicate with all railway bureaus, improve the linkage mechanism of railway freight adjustment, upgrade the service level and attract more customers with shipping needs.

Thirdly, we will spare no efforts to win the transportation of Shuohuang Line and Taiyuan Bureau, flexibly adjust the transportation of Huhhot Bureau and maximize the port's throughput of outward transport. At the same time, we will increase the port operation efficiency and reduce the transit costs.

Finally, we will actively seek to establish strategic cooperation with large-scale coal mines and high-quality customers to stabilize the coal supply channels. We will continue to explore ways to expand the business of coal trade through a variety of trade modes such as the combination of futures and spot.

2. To Improve the Level of Coal Chemical Project Construction and Operation and to Speed Up the Pace of Industrial Transformation and Upgrading.

As to the coal chemical production, we will continue to improve the production and operation management level, increase the effective operating time of the plant to realize the goal of high yield and high efficiency and enhance the economic benefits, and at the same time, optimize the coal blending plan and process technology to reduce the production cost.

As to coal chemical project construction, we will strive for the early realization of Yitai Chemical 1.2 Mtpa fine chemicals project and its official operation; continue to optimize the design of the second phase of coal-to-oil 2 Mtpa coal indirect liquefaction demonstration project; focus on improving product and sales plan for Yili Energy 1 Mtpa coal liquefaction demonstration project and step up efforts to speed up the reporting of the environmental impact assessment report and the approval documents for Xinjiang Energy 2 Mtpa coal-to-oil project. At the same time, we will accelerate the implementation of deep processing projects such as stabilizing light hydrocarbons and Fischer-Tropsch wax.



REPORT OF DIRECTORS *(Continued)*

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(III) Business plan *(Continued)*

2. To Improve the Level of Coal Chemical Project Construction and Operation and Speed Up the Pace of Industrial Transformation and Upgrading. *(Continued)*

As to the cooperation in research and development of coal chemical products and downstream projects, we will step up technological innovation and development of downstream products, deepen strategic cooperation with industry-leading enterprises in various ways, with the goal of successfully developing products with independent intellectual property rights and leading international and domestic high value-added coal chemicals preparation process as the goal, and as soon as possible develop and promote the use of a batch of high value-added products to achieve maximum use of coal chemical project assets and product refinement, high-end extension and increase project benefits.

3. To Strengthen Safety Control and Create a New Prospect of Environmental Protection.

We will strictly abide by the requirements of national laws and regulations, firmly establish the concept of safe development and awareness of the red line, build and improve the responsibility system for work safety to ensure the input in safe production and maintain the effective safety facilities, and consolidate the double prevention mechanism for the management and control of safety risks by different levels and the investigation and treatment of hidden risks and earnestly implement the subject safety responsibilities of enterprise so as to realize the safe development of the Company.

According to the newly promulgated laws and regulations of the State and the relevant provisions, we will revise and improve the Company's environmental protection rules and regulations; actively study the environmental protection tax relief policy to reduce the Company's environmental protection tax; follow the carbon market policy trends with the actual development of carbon assets and establish an internal carbon asset management mechanism for the Company and timely promote the certificate applications of projects with conditions to lay the foundation for carbon trading.



REPORT OF DIRECTORS (Continued)

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(IV) 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 the entry barrier, energy conservation and environmental protection, production safety and others of coal mining and coal chemical projects will be more stringent. On the other hand, as China gradually increases the supply-side reform efforts, government regulation and control policies, including decapacity and optimization of capacity structure, will also have a greater impact on the Company's production and operation.

To minimize the above risks, the Company will continuously enhance the level of corporate management, accelerate industrial upgrading and scale up research innovation as well as environmental protection and energy conservation to comprehensively achieve or exceed the requirements of the policy in terms of production safety, energy conservation 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, organize production reasonably and proactively grasp policies to release advanced production capacity to guarantee Company's normal production and operation.

2. Risks of macro-economic fluctuations

The coal industry which the Company belongs to as well as its downstream industries are both fundamental industries of national economy and are closely connected with the macro-economy. Therefore, it is very vulnerable to macroeconomic fluctuations. Changes in the structure, the development pattern and the system in the domestic macro economy 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 the 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, proactively improve its capability and enhance capabilities in diversified and integrative operation to better deal with macro-economic fluctuations.



REPORT OF DIRECTORS *(Continued)*

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

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

3. Risks of industrial competition

In the long run, the overcapacity of domestic coal production has not been fundamentally alleviated. With the elimination of backward production capacity and the increase in industry concentration, the competition in the coal industry will become more intense. Under the circumstances of a prolonged slump in the international oil price and the continuous commencement of large-scale domestic coal chemical projects, the coal-to-chemical industry will encounter many difficulties such as low oil price, high coal price and fierce competition in product sales and so forth.

To cope with intensifying industrial competition, the Company will reduce costs and increase benefits through management reform, and continuously maintain the industry-leading low-cost and high-efficiency production advantages. Meanwhile, the Company will improve the Company's industry competitiveness and market share by adjusting product structure and sales structure, expanding market through multiple channels and strengthening strategic cooperation with key customers. Facing a prolonged slump in international oil price and other disadvantages, the Company will achieve product refinement and high-end extension and increase benefits by adjusting the product structure to adapt to market changes, while strengthening technological innovation and downstream product development efforts.

4. Risks of increasing need in capital

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 were mainly used for the preliminary work such as feasibility study, design and land requisition. After 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 process of project construction in an ordered way, timely follow up and implement project loans, and further promote the equity financing, debt financing to expand the Company's financing channels; Meanwhile, the Company will spread project risks and ease the fund pressure by subdividing the industrial chain and actively looking for strategic and business cooperation opportunities.

5. Safety risks

As coal production involves underground mining operation, even though the Company maintains a high-level of mechanization and safety management level, 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-chemical industry from coal industry, further increasing the production safety risks.



REPORT OF DIRECTORS *(Continued)*

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

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

5. Safety risks *(Continued)*

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 technique training as well as safety culture cultivation to comprehensively improve employees' professional competence and increase their awareness of safety and strengthen safety regulation to ensure production safety.

6. Risks of rising of costs

As the State scales up measures for energy conservation, emission reduction, environmental management and production safety, the mining supplies prices and wages rise, and compensation for land requisition for mining and relocation increases, 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, strengthen budget management of controllable cost, implement quota-based assessment system, develop potentials, reduce consumption and minimize the impact of fixed cost on the Company.

7. Risks of currency exchange rate

The Group attaches great importance to the monitoring and research on the currency exchange rate, keeps close communication with domestic and foreign financial institutions in respect of businesses regarding currency exchange rate, reasonably designs approaches to use foreign currencies, and adopts various approaches to improve risk management of the currency exchange rate. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue any derivative financial instruments for trading purposes.



REPORT OF DIRECTORS (Continued)

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(V) Other

1. The Company's capital expenditure plan for 2018

Project	Plan for 2018 (million yuan)
1.2 Mtpa fine chemicals project of Inner Mongolia Yitai Chemical Co., Ltd.	2,257
2 Mtpa coal-based polygeneration comprehensive project of Yitai Xinjiang Energy Co., Ltd.	380
1 Mtpa coal-to-oil pilot project of Yitai Yili Energy Co., Ltd.	370
2 Mtpa indirect coal-to-liquids conversion pilot project of Inner Mongolia Yitai Coal-to-oil Co., Ltd.	40
Talahao Mine	75
The second track of Huzhun Railway	150
Zhundong Railway – Dongwu Railway connecting line	20
Dama railway project	45
Yitai Yili Mining	54
Production and operation investment	1,155
Total	4,546

2. Financing plan

The Company's existing capital expenditure plan for 2018 may vary in line with the development of the business plan (including potential acquisitions), progress of capital projects, market conditions, outlook for future business conditions and the acquisition of necessary permits and regulatory approvals. In addition to the legal requirements, the Company does not undertake any responsibility to update any data of the capital expenditure plan. The Company will develop an overall plan for funds scheduling, optimize the asset structure, and meanwhile strictly control the costs, accelerate the capital turnover rate, and reasonably arrange the plans for fund use, in order to support the healthy development of the Company. The Company will sustain the capital demands for day-to-day business operation by collectively drawing on the operating revenue, equity financing and debt financing as well as other financing means to meet the Company's capital needs.



REPORT OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES

(I) Material events after the balance sheet date

The Group's material events after the balance sheet date are detailed in "Other Significant Events" under section VI – Significant Events.

(II) Pledge of assets

As at 31 December 2017, the Group did not pledge any assets.

(III) Contingent liabilities

As at 31 December 2017, the Group did not have any contingent liabilities.

(IV) Issue, purchase, sale and redemption of share

During the reporting period, the Group did not issue, purchase, sell or redeem any share.

(V) Issue of warranty

During the reporting period, the Group did not issue any warranty.

(VI) Donation

During the reporting period, the Group made an aggregate donation of approximately RMB22 million.

(VII) Share-linked agreement

During the reporting period, the Group did not enter into any share-linked agreement.

(VIII) Directors' insurance

During the reporting period, the Group has purchased valid directors' insurance for Directors (holding office and resigned).

(IX) Directors' interests

During the reporting period, there was not any arrangement that the Company procured its Directors to obtain shares or warranties from listed companies or other companies.



REPORT OF DIRECTORS (Continued)

IV. OTHER DISCLOSURES (CONTINUED)

(X) Financial, business, family relationship between directors, supervisors and senior management

During the reporting period and as of the date of this report, except for Mr. Zhang Dongsheng, the Director of the Company being the nephew of the father of the Chairman of the Company Mr. Zhang Donghai, there was no financial, business or family relationship between other Directors, supervisors and senior management of the Company.

(XI) Share option incentive granted to directors, supervisors and senior management

During the reporting period, the Company did not carry out any share incentive policies.

(XII) Diversification policies of the Board

The Group believed that a diversified Board will be beneficial to enhance the Company's performance. In setting the composition of the Board, the Company will consider the diversification of members of the Board from various aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates. Selection of candidate to the Board will be based on a series of diversified scope, including but not limited to age, culture and education background, professional experience, skills and knowledge.

The nomination committee will annually disclose the composition of the Board in the Corporate Governance Report and supervise the implementation of the policy. The nomination committee will review the policy in due time to ensure its effectiveness in performance. The nomination committee will discuss any possible amendments needed, and offer the advice on amendments to the Board for its consideration and approval.

(XIII) Articles of Association

During the reporting period, the Company did not amend the Articles of Association of the Company. The effective date of the current Articles of Association is 29 November 2016 and has been published on the website of the Company and the Hong Kong Stock Exchange.

(XIV) Proposed dividend

The Directors of the Group proposed to pay the final dividend of RMB4.55 per 10 shares (tax inclusive) in 2017. For details please refer to "Plans for Profit Distribution or Transfer of Capital Reserve to Ordinary Share" in Significant Events under section VI in this report.



REPORT OF DIRECTORS (Continued)

IV. OTHER DISCLOSURES (CONTINUED)

(XV) Resignation of Directors

For details please see “DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES” under section VIII in this report.

(XVI) Compliance with Relevant Laws and Rules that have Significant Impact on the Company

The Group is in strictly compliance with relevant laws and regulations in the Mainland China and Hong Kong.

(XVII) Directors’ and Supervisors’ Material Interest in Transactions, Arrangements or Contracts of Significance

No Directors, supervisors or entities connected with them are materially interested in the transactions, arrangements or contracts of significance in the Company or its subsidiaries.

(XVIII) Management Contracts

In 2017, the Company did not sign or have any contract on the management or administrative work of its overall business or any major business.

(XIX) Pre-emptive Right and Stock Option Arrangement

In 2017, the Company had no arrangement on pre-emptive right and stock option; both Chinese laws and the Articles of Association of the Company have no clear provisions on the pre-emptive right.

(XX) Permitted Indemnity Provisions

As of the year ended 31 December 2017, the Company did not have any permitted indemnity provisions once in effect or in effect for the benefit of Directors of the Company (whether entered by the Company or not) or any directors of associated companies of the Company (if entered by the Company).

The Company has insured against liability for relevant legal proceedings filed for Directors, supervisors and senior management personnel.

(XXI) Public Float

In accordance with the publicly-available information of the Company or the knowledge of the Directors of the Company, the Company’s public float was sufficient on the issuing date of this report.



REPORT OF DIRECTORS (Continued)

IV. OTHER DISCLOSURES (CONTINUED)

(XXII) Service Contracts of Directors and Supervisors

The Company did not enter into any service contracts, which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), with the Directors and Supervisors.

(XXIII) Auditors

The financial statements in this report has been audited by Deloitte Touche Tohmastu. In the forthcoming 2017 annual general meeting, a proposal for the re-appointment of Da Hua Certified Public Accountants (special general partnership) and Deloitte Touche Tohmastu as the PRC auditor and the international auditor of the Company for the year 2018 will be proposed respectively.

(XXIV) Major Legal Proceedings

As of 31 December 2017, the Company did not involve any major legal proceeding or arbitration and, to the knowledge of our Directors, there was also no major legal proceeding or claim that had not been learnt or might be by faced by the Company.

(XXV) Business Review

The Major Results Review of the Group in 2017	Page 16 to Page 27
Explanation on the Significant Relationships between the Group and Customers and Suppliers	Page 31 to Page 32
Discussion and Analysis on the Company's Future Development of the Group	Page 44 to Page 52
The Description on the Major Risks that the Group is Exposed to	Page 49 to Page 51
The Group's Compliance with Relevant Laws and Rules that have Significant Impact on the Company	Page 55
Information on Employees of the Group	Page 114 to Page 116
Active Fulfillment of Social Responsibility of the Group	Appendix I



REPORT OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES *(CONTINUED)*

(XXVI) Compliance Procedure of the Agreement on Avoidance of Non-horizontal Competition and its Implementation

- (1) The Group has entered into the Agreement on Avoidance of Non-Horizontal Competition on 29 May 2012 with controlling shareholders. To implement the strategy of expanding the coal business of the Company, and minimize the potential competition in the business of the Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company acquired the target assets of Yitai Group under the agreement at the consideration RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group. The Company confirmed:
- ① all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;
 - ② the Company purchased all coal produced by Sujiahao Mine after entering into the Coal Framework Agreement on 27 August 2013, during the period from the listing date to the acquisition date of Sujiahao Mine by the Company;
 - ③ all coal products extracted from the target mines were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;
 - ④ save as retained business and target business group, during the effective period of the Agreement on Avoidance of Non-Horizontal Competition, the controlling shareholder and its subsidiaries (excluding the Group) did not or did not procure its respective associates on not engaging in direct or indirect competition activities with core business of the Company in any manner through itself or other entities, or holding any interests or rights in any such competition business through a third party;
 - ⑤ the controlling shareholder did not engage or participate in any activities, by leveraging on their respective identity of shareholders or relationship with the Company's shareholders, resulting in a damage to legal interests of the Company and the Company's shareholders;



REPORT OF DIRECTORS (Continued)

IV. OTHER DISCLOSURES (CONTINUED)

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

(1) (Continued)

- ⑥ upon completion of the acquisition, (i) all the transportation quotas granted by the Ministry of Railways to Yitai Group will be provided to the Company for use at nil consideration; (ii) Yitai Group did not use transportation quotas or grant a third party any transportation quotas before satisfying the Company's demands; and (iii) Yitai Group applied to the Ministry of Railways for changing its account holder to the Company;
 - ⑦ since the listing date, Yitai Group did not sell any above coal products to any third parties or engage in coal trade business, including but not limited to purchase of coal products from a third party; and
 - ⑧ Yitai Group did not make any notice to the Company in writing for the matters that constituted a business opportunity of horizontal competition, thereby needed to be brought to the Company's attention, and confirmed that there was no written notice about business interests of horizontal competition being transferred, disposed, leased or permitted to a third party.
- (2) On 29 May 2012, Yitai Group and the Company entered into the Agreement on Avoidance of Non-Horizontal Competition, pursuant to which, Yitai Group undertook to preferentially sell Hongqinghe Mine to the Company or its subsidiaries provided that Hongqinghe Mine obtained the legitimate mining right qualification of resources licenses in compliance with production condition required, and was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights.

Supplement explanation of the undertaking:

① Analysis of ability to perform contracts

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 other resources licenses were in the process of the proactive application. Under preliminary estimation, Hongqinghe Mine will obtain all resources licenses and satisfy the production condition required by 2017.

The Company will exercise its options and pre-emptive rights to require Yitai Guanglian to prioritize the sale of Hongqinghe Mine to the Company or its subsidiaries provided that Hongqinghe Mine owned by Yitai Guanglian obtained the legitimate mining right qualification of resources licenses in compliance with production condition required and was in accordance with reasonable and fair terms and conditions, the actual situation, capital arrangement and the Agreement on Avoidance of Non-Horizontal Competition signed with Yitai Group through ways of financing.



REPORT OF DIRECTORS (Continued)

IV. OTHER DISCLOSURES (CONTINUED)

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

(2) (Continued)

② Analysis on risks in respect of performance of 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 obtaining other mining right qualification before satisfying the condition of company acquisition. The Company considered that there were no material obstacles to obtain the mining right qualification under current condition, and there were no material 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 did not obtain the approval of coal mining of Hongqinghe Mine and was not allowed for the Company's acquisition when the Company issued H shares and listed on the main board of the Hong Kong Stock Exchange in 2012. Yitai Group undertook in the Agreement on Avoidance of Non-Horizontal Competition to prioritize the sale of Hongqinghe Mine to the Company or its subsidiaries provided that Hongqinghe Mine owned by Yitai Guanglian obtained the legitimate mining right qualification of resources licenses in compliance with production condition required and was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights in order to solve the horizontal competition arising from the aforesaid situation.

Based on the obligations of solving the issue of horizontal competition of Yitai Group under the supervision of relevant regulatory authorities and the right of option and pre-emptive rights, the Company can be guaranteed to have advantageous status and 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 Agreement on Avoidance of Non-Horizontal Competition, Yitai Group should compensate all loss (including but not limited to business loss) caused thereby to the Company.



REPORT OF DIRECTORS (Continued)

IV. OTHER DISCLOSURES (CONTINUED)

(XXVI) Compliance Procedure of the Agreement on Avoidance of Non-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 acquired 5% of equity interest of Yitai Guanglian at a consideration of RMB1.912 billion. The stock right 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 stock right transfer and change of business 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 Yitai Guanglian at a consideration of RMB1.912 billion. The stock right transfer has been considered and 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, at which the independent non-executive Directors presented independent opinions. The Company has paid all the equity transfer consideration pursuant to the payment term of the equity transfer agreement, and the procedures of changes in business registration were completed on 14 February 2017.

The Company entered into an equity transfer agreement with Yitai Group on 23 August 2017, and proposed to acquire 10% of equity interest of Yitai Guanglian at a consideration of RMB3.824 billion. Such transaction has been considered and approved respectively by the fifth meeting of the seventh session of Board of Directors on 23 August 2017 and the first extraordinary general meeting in 2017, at which independent non-executive Directors expressed independent opinions.



REPORT OF THE SUPERVISORY COMMITTEE

In 2017, pursuant to the relevant requirements set out in the Company Law, the Articles of Association and Rules of Procedure of the Supervisory Committee, the Supervisory Committee of the Company adhered to the spirit of being responsible to all shareholders, conscientiously implemented the function of supervision for effective supervision on the material operating activities as well as execution of duty of all Directors and senior management of the Company, thus safeguarding the legal interests of the shareholders and the Company and legal rights of all employees satisfactorily, and accelerating standardization operation of the Company. The specific work of the Supervisory Committee in the past year is as follows:

I. MEETING OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

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

The seventeenth meeting of the sixth session of the Supervisory Committee was convened on 23 March 2017, at which the proposal in relation to the 2016 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2016 Financial Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2016 Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2016 Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to profit distribution plan of the Company for 2016; the proposal in relation to the 2016 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to Annual Results Report for 2016 of Inner Mongolia Yitai Coal Co., Ltd.; the proposal relating to confirmation of the actual amount of daily connected transactions of the Company for 2016; the proposal relating to confirmation of continuing connected transactions of the Company for 2016; the proposal in relation to the supplementary estimation for maximum of daily connected transactions of the Company for 2017; the proposal relating to the Appointment of Audit Institution of the Company for 2017; the proposal relating to the Appointment of Internal Control Audit Institution of the Company for 2017; the proposal in relation to guarantee provided by the Company to its subsidiaries; the proposal in relation to provisions for asset impairment of the Company; the proposal in relation to the cross-guarantee agreement entered into between the Company and Inner Mongolia Yitai Group Co., Ltd.; the proposal in relation to the election of the supervisors of the seventh session of the Supervisory Committee of the Company; and the proposal in relation to compensation package for supervisors of the seventh session of the Supervisory Committee of the Company; the proposal in relation to amendments to Rules of Procedure of The Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd. were considered and approved.

The eighteenth meeting of the sixth session of the Supervisory Committee was convened on 27 April 2017, at which the proposal of the First Quarterly Report for the Year 2017 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The first meeting of the seventh session of the Supervisory Committee was convened on 25 May 2017, at which the proposal in relation to electing the chairman of the seventh session of the Supervisory Committee was considered and approved.



REPORT OF THE SUPERVISORY COMMITTEE (Continued)

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

The second meeting of the seventh session of the Supervisory Committee was convened on 23 August 2017, at which the proposal in relation to the 2017 Interim Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to the Interim Results Report for 2017 of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to conducting financial leasing by controlling subsidiaries of the Company with Guangbo Huitong Finance Leasing (Shenzhen) Company Limited (廣博匯通融資租賃(深圳)有限公司); and the proposal in relation to the acquisition of 10% equity in Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限責任公司) were considered and approved.

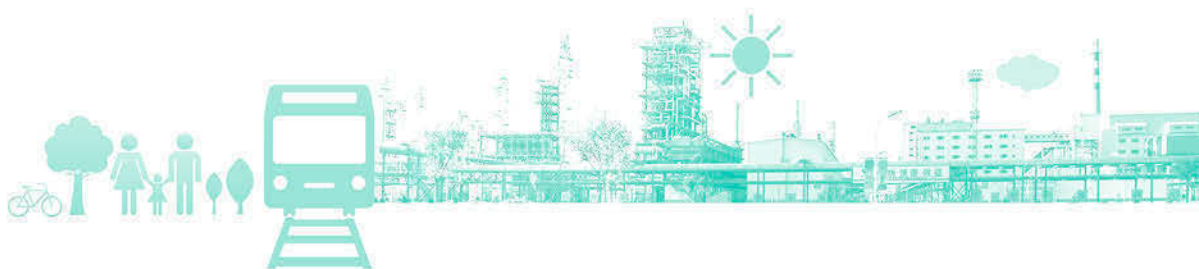
The third meeting of the seventh session of the Supervisory Committee was convened on 29 September 2017, at which the proposal in relation to the supplementary estimation for maximum of daily connected/continuing connected transactions of the Company for 2017 was considered and approved.

The fourth meeting of the seventh session of the Supervisory Committee was convened on 25 October 2017, at which the proposal of the Third Quarterly Report for the Year 2017 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The fifth meeting of the seventh session of the Supervisory Committee was convened on 6 November 2017, at which the proposal in relation to the estimation for maximum of continuing connected transactions (H shares) for 2018-2020; the proposal in relation to the estimation for maximum of daily connected transactions (B shares) for 2018-2020; and the proposal in relation to the capital increase of Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司) were considered and approved.

The sixth meeting of the seventh session of the Supervisory Committee was convened on 1 December 2017, at which the proposal in relation to the transfer of the equity in Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司); the proposal in relation to the acquisition of the 10.2% equity in Yitai Petroleum & Chemical Co., Ltd. (伊泰石油化工有限公司); and the proposal in relation to the Daily Related Transaction Agreement entered into between Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司) (a subsidiary of the Company) and Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司) were considered and approved.

The seventh meeting of the seventh session of the Supervisory Committee was convened on 28 December 2017, at which the proposal in relation to the capital increase of Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司) by Shanghai Hanqing Enterprise Management Partnership (limited partnership) (上海漢磬企業管理合夥企業(有限合夥)); and the proposal in relation to conducting financial leasing by controlling subsidiaries of the Company with Guangbo Huitong Finance Leasing Company Limited (廣博匯通融資租賃有限公司) were considered and approved.



REPORT OF THE SUPERVISORY COMMITTEE (Continued)

II. SUPERVISION OF THE SUPERVISORY COMMITTEE FOR THE PERFORMANCE OF THE DIRECTORS AND SENIOR MANAGEMENT OF THEIR DUTIES

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

III. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT SITUATION OF THE COMPANY

During the reporting period, the Company further standardised the information disclosure procedures, took measures to ensure confidentiality before information disclosure to prevent insider transactions, and disclosed all information in a timely and fair way, therefore the right to be informed and participation right of shareholders were enlarged and the transparency and standard operation level of the Company were enhanced. The Company implemented a proactive profit distribution plan in the principle of operation in good faith, attached importance to a reasonable return to investors, and strengthened the exchange and communication with investors by various channels to establish a favourable corporate image. The Company set up a sound internal control mechanism and formed a standard management system.

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

(I) Independent Opinions of Supervisory Committee on Inspection of the Financial Position of the Company

During the reporting period, the Supervisory Committee inspected and supervised the financial activities of the Company by debriefing the special report from the financial officers of the Company, reviewing the regular report of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company was in compliance with the related provisions under the laws and regulations including the Accounting Law, the Accounting Standards for Business Enterprises and International Financial Reporting Standards. The 2017 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flow and shareholders' equity of the Company, etc. The audit opinions issued by the auditor are objective and fair, and the auditor issued standard unqualified auditor's report for the Company.



REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

IV. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY *(CONTINUED)*

(II) Independent Opinions of Supervisory Committee on Acquisition and Disposal of Assets by the Company

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

(III) Independent Opinions of Supervisory Committee on the Related Party Transactions of the Company

During the reporting period, the connected transactions between the Company and its controlling shareholder and its subsidiaries were fair, reasonable, lawful and had no harm to the interests of the shareholders.

(IV) Independent Opinions of Supervisory Committee on the Auditor's Standard Opinion

Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) and Deloitte Touche Tohmatsu issued a standard unmodified auditor's report on the Company's 2017 financial statements respectively and the auditor's reports give a true, objective and accurate view of the Company's financial position.

(V) Supervisory Committee's Review of and Opinions on Internal Control Self-assessment Report

The Supervisory Committee reviewed the 2017 Annual Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that the annual report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2017, no material or significant defects were found in the design or execution of the Company's internal control.



SIGNIFICANT EVENTS

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

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

The net profit attributable to shareholders of the Company amounts to RMB4,925,369,613.37 under the PRC Accounting Standards for Business Enterprises in 2017 and basic earnings per share amounts to RMB1.51. The Board proposed to distribute a cash dividend of RMB4.55 per 10 shares (tax inclusive) to the shareholders, based on the total number of shares, 3,254,007,000. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working day after the general meeting (namely the 2017 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average of middle rate of RMB against HKD as published by the People's Bank of China on the first working day after the date of the general meeting (namely the 2017 annual general meeting) at which the resolution on distribution of dividend is approved.

The Company will convene the 2017 annual general meeting on Thursday, 28 June 2018 for consideration and approval of relevant proposals, including the above proposal regarding final dividends for 2017. The final dividends for 2017 will be paid on Wednesday, 8 August 2018 (if approved by shareholders).

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

Unit: yuan Currency: RMB

Year	Bonus shares for every 10 shares (share(s))	Dividends paid for every 10 existing shares (tax inclusive)	Number of scrip shares for every 10 shares (share(s))	Amount of cash dividend (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to ordinary shareholders of the Company in the consolidated statements (%)
2017	0	4.55	0	1,480,573,185	4,925,369,613.37	30.06
2016	0	1.84	0	598,737,288	1,985,762,176.05	30.15
2015	0	0.085	0	27,659,059.50	90,500,985.99	30.56



SIGNIFICANT EVENTS *(Continued)*

I. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO ORDINARY SHARE *(CONTINUED)*

(III) Closure of register of members

1. Record date and dividend distribution for B shares

Given that the Company will convene the 2017 annual general meeting on Thursday, 28 June 2018, and under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares after the 2017 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B Shares.

2. Closure of the register of members of H Shares

The Company will convene the 2017 annual general meeting on Thursday, 28 June 2018. The register of members of the Company will be closed from 29 May 2018 to 28 June 2018 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at no later than 4:30 p.m. on 28 May 2018.

The register of members of the Company will be closed from 18 July 2018 to 23 July 2018 (both days inclusive). In order to qualify for receiving dividend, holders of H Shares should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 17 July 2018.

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

(IV) Taxation

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



SIGNIFICANT EVENTS *(Continued)*

I. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO ORDINARY SHARE *(CONTINUED)*

(IV) Taxation *(Continued)*

1. *(Continued)*

Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agents or custodian organizations for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 23 July 2018.

2. For individual shareholders of B Shares, according to Notice on Issues concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Caishui [2015] No. 101), for individuals who acquire the stocks of a listed company from public offering or transferring market and hold the stocks for more than one year, the income from dividends and bonuses shall be temporarily exempt from individual income tax. For individuals who acquire the stocks of a listed company from public offering or transferring market, all the income from dividends and bonuses shall be included into the taxable amounts in case the holding period is less than one month (inclusive of one month); 50% thereof will be included into the taxable amounts in case the holding period is from one month to one year (inclusive of one year) temporarily; a unified tax rate at 20% shall be applicable to the aforesaid incomes in the levy of individual income tax.

When distributing dividends and bonuses, the listed company shall not withhold income tax temporarily for the individuals holding the stocks for less than one year (inclusive of one year); when the individuals transfer the stocks, China Securities Depository and Clearing Company Limited (CSDCC) will calculate the taxable amounts based on the holding period of the individuals, which will be collected from the individuals' capital account and transferred to CSDCC by securities companies and other stock custody institutions. CSDCC shall transfer the same amounts to the listed company within 5 working days of the following month and the listed company shall declare and contribute the tax payment to competent tax authorities within the statutory declaration period of the month of receiving the tax payment.

Other matters on the implementation of differentiated individual income tax policies on dividends and bonuses of listed companies shall be in conformity with Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Caishui [2015] No. 85).



SIGNIFICANT EVENTS *(Continued)*

II. APPOINTMENT OR TERMINATION OF ENGAGEMENT OF AUDITORS

Unit: million yuan Currency: RMB

Current appointee	
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1.50
Term of audit of the domestic accounting firm	7
Name of the overseas accounting firm	Deloitte Touche Tohmatsu
Remuneration of the overseas accounting firm	3.50
Term of audit of the overseas accounting firm	3

	Name	Remuneration
Accounting firm as internal control auditors	Da Hua Certified Public Accountants (Special General Partnership)	0.85

Appointment or Termination of Engagement of Auditors

The twenty-third meeting of the sixth session of the Board was convened on 23 March 2017, at which the proposal in relation to appointment of audit institution of the Company for 2017 was considered and approved: namely re-appointment of Da Hua Certified Public Accountants (special general partnership) as domestic audit institution of the Company for 2017, appointment of Deloitte Touche Tohmatsu as overseas audit institution of the Company for 2017, and re-appointment of Da Hua Certified Public Accountants (special general partnership) as internal control audit institution of the Company for 2017. The proposals relating to appointment of audit institution of the Company for 2017 were considered and approved at the 2016 annual general meeting.

Change of Auditors in the Recent Three Years

Deloitte Touche Tohmatsu was appointed as overseas accounting firm for the Company at the 2014 annual general meeting of the Company held on 9 June 2015 to replace Ernst & Young Certified Public Accountants.

III. MATERIAL LITIGATION AND ARBITRATION

In this year, the Company had no material litigation or arbitration.



SIGNIFICANT EVENTS *(Continued)*

IV. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND PURCHASER AND RELEVANT RECTIFICATIONS

In this year, the Company had no punishment and relevant rectifications on its Directors, supervisors, senior management, controlling shareholders, de facto controller and purchaser.

V. 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.



SIGNIFICANT EVENTS (Continued)

VI. MATERIAL CONNECTED TRANSACTIONS

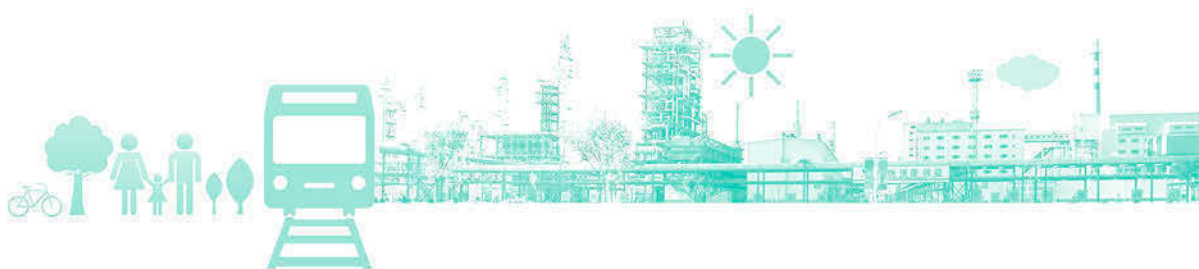
(I) Connected transactions in relation to daily operation

1. Non-exempt continuing connected transactions

(1) Summary of continuing connected transactions in 2017

Category of transaction	Nature of transaction	For the year ended 31 December 2017 RMB'000 Transaction amount
Products provided by the Company	Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiary, Inner Mongolia Jingtai Electric Power Generation Co., Ltd.	268,335
	Supply of equipment, materials or coal by the Company to Yitai Group and its subsidiaries	99,953
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	1,208,157
	Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	257,410
Products provided to the Company	Purchases of catalysts, chemical products, coal and other products by Company from Yitai Group and its subsidiaries	3,501,020
Services provided by the Company	Supply of rail transportation, maintenance and management and logistics services by the Company to Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	92,529
	Supply of working face relocation and leasing services by the Company to Yitai Group and its subsidiaries	28,411
Services provided to the Company	Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	4,981
	Supply of property information services from Yitai Group and its subsidiaries to the Company	22,242
	Supply of hazardous waste treatment services from Keling Environmental Protection Co., Ltd. to the Company and its subsidiaries	0
Financial services	Interest on deposit services provided by Yitai Group Finance Co., Ltd. to the Company	22,163

Note: The actual maximum daily deposit balance (after deducting accrued interest) and daily loan balance (including interest) of the Group were RMB3,985,699,000 and RMB1,515,440,000 respectively and the maximum limits were RMB4,000,000,000 and RMB4,500,000,000 respectively.



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(I) Connected transactions in relation to daily operation *(Continued)*

1. Non-exempt continuing connected transactions *(Continued)*

(2) The annual caps of the following continuing connected transactions in 2017 disclosed in the announcements on 18 March 2015, 30 March 2016, 23 March 2017 and 29 September 2017 are as follows:

Category of transaction	For the year ended 31 December 2017 RMB'000
Supply of equipment, materials or coal by the Company to Yitai Group and its subsidiaries	100,000
Supply of coal, coal slime, coal gangue, oil products and other products by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiaries	300,000
Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	1,900,000
Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	1,200,000
Supply of coal, chemical-related materials and information products from Yitai Group and its subsidiaries to the Company	4,255,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	320,000
Supply of property services related to power supply circuit, moving and equipment leasing services from the Company to Yitai Group and its subsidiaries	88,700
Supply of hazardous waste treatment services from Keling Environmental Protection Co., Ltd. to the Company and its subsidiaries	35,000
Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	30,000
Supply of property, information and equipment leasing services from Yitai Group and its subsidiaries to the Company	31,000
Supply of deposit service from Yitai Finance Company to the Company	4,000,000
Supply of loan service from Yitai Finance Company to the Company	4,500,000
Interest paid on deposit services provided by Yitai Finance Company to the Company	100,000

Note: Details for the relations with related parties and the date of transactions, please refer to the Company's announcements on "Continuing Connected Transactions", "Continuing Connected Transactions, Major Transactions, Renewal Of Existing Continuing Connected Transactions and Annual Caps Under Existing Continuing Connected Transactions", "The Company Entered Into The Services Framework Agreement with Keling Environmental Protection Co., Ltd." and "Renewal Of Annual Caps Under Existing Continuing Connected Transactions" dated 18 March 2015, 30 March 2016, 23 March 2017 and 29 September 2017 respectively.



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(I) Connected transactions in relation to daily operation *(Continued)*

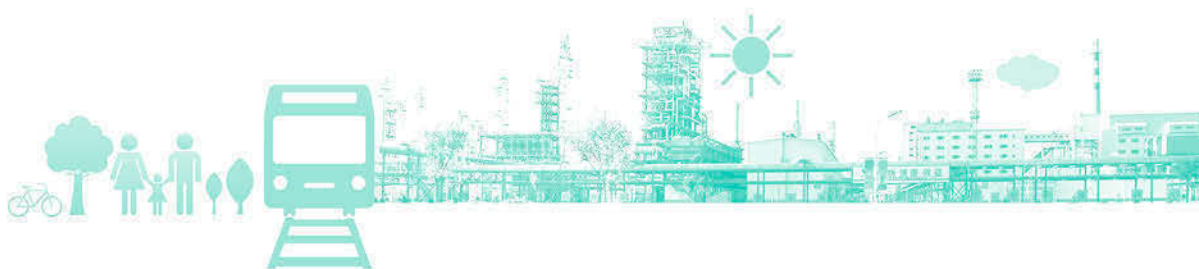
2. Independent non-executive Directors' opinions on the non-exempt continuing connected transactions

The independent non-executive Directors of the Company reviewed the continuing connected transactions and were of the view that:

- each continuing connected transaction was conducted pursuant to relevant agreement, terms of which were fair and reasonable and in the interests of the shareholders of the Company as a whole;
- the continuing connected transactions were entered into in the ordinary and usual course of business of the Group; and
- the continuing connected transactions were conducted on normal or better commercial terms (as defined under the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange (the "**Listing Rules**")).

3. Auditor's opinions on the non-exempt continuing connected transactions

Pursuant to Rule 14A.56 of the Listing Rules, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Hong Kong Stock Exchange.



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(II) Connected transaction arising from asset or equity acquisition and disposal

Overview of matter	Query index
<p>In order to solve the horizontal competition problem between the Company and the controlling shareholder – Yitai Group, and to fulfill the commitments made by Yitai Group when the Company was listed on H shares, the Company signed with Yitai Group the Equity Transfer Agreement on 23 August 2017, with an intention to acquire 10% equity held by Yitai Group in Yitai Guanglian with RMB3.824 billion. Such transaction was passed respectively by the fifth meeting of the seventh session of Board of Directors on 23 August 2017 and the first extraordinary general meeting in 2017.</p>	<p>For details, please refer to the Announcement on Related Parties Transaction Regarding the Acquisition of 10% Equity Interest in of Inner Mongolia Yitai Guanglian Coal 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 24 August 2017 and the Discloseable and Connected Transaction Announcement in Relation to Acquisition of 10% Equity in Yitai Guanglian published on the website of the Hong Kong Stock Exchange on 23 August 2017.</p>

(III) Material related transactions relating to common external investments

Overview of matter	Query index
<p>The Company and Yitai Group increased capital contribution by cash in proportion to their shareholdings to Yitai Finance Company in an amount of RMB400 million and RMB600 million respectively. The registered capital of Yitai Finance Company increased to RMB2 billion and the shareholding ratio of the Company and Yitai Group remained unchanged after the capital contribution.</p>	<p>For details, please refer to the Announcement on Related Parties Transaction Regarding the Increase of Capital Contribution to Inner Mongolia Yitai Finance Company Limited 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 7 November 2017 and the Connected Transaction in Relation to Capital Increase to Yitai Finance published on the website of the Hong Kong Stock Exchange on 21 November 2017.</p>



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(IV) Related creditors' rights and debts transactions

On 23 March 2017, the Company and Yitai Group entered into the Cross-guarantee Agreement and agreed to provide guarantee services in respect of borrowings or funds from financial institutions for Yitai Group and its subsidiaries in every accounting year of 2017, 2018 and 2019 with guarantee amount no more than RMB2 billion. The amount of guarantee provided by Yitai Group for the Company and its subsidiaries during the year amounted to RMB2,782,000,000 and the balance of the guarantee was RMB3,580,467,700; the amount of guarantee provided by the Company for Yitai Group and its subsidiaries amounted to RMB0 and the balance was RMB0. The reason why the Yitai Group provided more guarantee for the Company was due to the fact that the Company had more new business development during the year and Yitai Group provided guarantees for the Company's controlling subsidiaries based on the proportion of equity participation; as Yitai Group started new business less this year and the bank loans were all credit loans, the Company did not provide guarantees for Yitai Group and its subsidiaries. For the relationship with related parties and the purpose of the transaction, please refer to the announcement "The Company Entered Into The Cross-Guarantee Agreement With Inner Mongolia Yitai Group Co., Ltd." disclosed on 23 March 2017 by the Company.

(V) Other Connected Transactions

1. On 28 July 2017, the Company and Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd ("Yitai Guanglian") entered into the Agreement on Transfer of Coal Capacity Replacement Quota. Pursuant to which, the Company agreed to transfer the aggregate annual coal capacity replacement quotas of 3 million tons in Fuhua Coal of Inner Mongolia Yitai Coal Co., Ltd., Chengyi Coal of Inner Mongolia Yitai Coal Co., Ltd. and Yangwangou Coal of Inner Mongolia Yitai Coal Co., Ltd., which the Company proposed to close and exit. By making reference to the auction price of the annual coal capacity replacement quotas of 1.86 million tons (design capacity) in Wusi Gedu Coal of Inner Mongolia Beilian Electric Energy Development Co. Ltd. and 2.25 million tons (design capacity) in Inner Mongolia Yimeng Mining Co. Ltd. publicly auctioned by the Company at the Shanghai United Assets and Equity Exchange on 23 June 2017 amounted to RMB236.40 million, upon arm's length negotiation by both parties, the consideration for the transaction was determined to be RMB240 million. The transaction was expected to fully revitalize the existing assets of the Company, improve the asset utilization ratio of the Company, increase Yitai Guanglian's coal output, and thus help the Company to guarantee the contract fulfillment rate by the strategic customer of the Company, rapidly respond to customer's demands and seize business opportunities. The transaction was of the best interests of the Company and the Shareholders as a whole. For the related relationship of the parties under the transaction and relevant information, see the announcement of the Company dated 28 July 2017.
2. On 23 August 2017, Yitai Xinjiang Energy Co., Ltd., ("Yitai Xinjiang Energy"), a controlling subsidiary of the Company, entered into the Sale and Leaseback Agreement between Guangbo Huitong Finance Leasing (Shenzhen) Company Limited and Yitai Xinjiang Energy Co., Ltd. with Guangbo Huitong Finance Leasing (Shenzhen) Company Limited ("Guangbo Huitong (Shenzhen)"). Pursuant to which, Yitai Xinjiang Energy agreed to sell the related machinery and equipment to Guangbo Huiton (Shenzhen) at a consideration of RMB150,000,000 at first; and then Yitai Xinjiang Energy agreed to rent the related machinery and equipment from Guangbo Huiton (Shenzhen) at a consideration of RMB172,500,000. The entering into agreement was expected to enhance the working capital position of Yitai Xinjiang Energy and enable Yitai Xinjiang Energy to optimize its asset and debt structures by increasing the percentage of long-term financing. There were not any gain or loss accrued to the Company's consolidated financial statements arising from the sale of relevant machinery and equipment under the agreement. For the related relationship of the parties under the transaction and relevant information, see the announcement of the Company dated 23 August 2017.



SIGNIFICANT EVENTS (Continued)

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(V) Other Connected Transactions (Continued)

3. On 1 December 2017, the Company and Yitai Group entered into an equity transfer agreement, pursuant to which, Yitai Group agreed to transfer, and the Company agreed to acquire, the 10.2% equity interests held by the Company in Inner Mongolia Yitai Petroleum & Chemical Co., Ltd. ("Yitai Petroleum & Chemical"), and the consideration of the equity transfer was RMB29.34 million. Upon completion of the equity transfer, the shareholding of Yitai Group in Yitai Petroleum & Chemical decreased from 20% to 9.8%, while that of the Company increased from 80% to 90.2%, thus Yitai Petroleum & Chemical still constituted a non-wholly owned subsidiary of the Company, and the financial results, assets and liabilities of Yitai Petroleum & Chemical were also included in the consolidated financial statements of the Group. Through the above acquisition, the Company was expected to gradually increase in its equity interests in Yitai Petroleum & Chemical, which was conducive to enhancing its influence and control on Yitai Petroleum & Chemical and further consolidate the major businesses of the Company and safeguard the Company's legal interests. For the related relationship of the parties under the transaction and relevant information, see the announcement of the Company dated 1 December 2017.
4. On 28 December 2017, Yitai Xinjiang Energy entered into a sale and leaseback agreement with Guangbo Huitong Finance Leasing Company Limited ("Guangbo Huitong"), a subsidiary of Yitai Group. Pursuant to the agreement, Yitai Xinjiang Energy agreed to sell the related machinery, equipment and parts to Guangbo Huitong at a consideration of RMB180,000,000 at first; and then Yitai Xinjiang Energy agreed to rent the related machinery, equipment and parts from Guangbo Huitong at a consideration of RMB201,865,000. The entering into the agreement was expected to optimize the asset and debt structure of the Company, enhance the Group's assets liquidity, and enable to arrange the flexible repayment plans in accordance with its own capital position. The entering into the agreement was also in line with the Company's needs, and the pricing thereunder was fair and reasonable, and it was of the interests of the Company and the Shareholders as a whole. For the related relationship of the parties under the transaction and relevant information, see the announcement of the Company dated 28 December 2017.

The related party transactions set out in note 38 to the financial statements also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and have been subject to disclosure requirements in accordance with Chapter 14A of the Listing Rules.

VII. GUARANTEE

Unit: yuan Currency: RMB

Guarantor	Relations between the guarantor and the Company	The guaranteed	Amount of guarantee	Date of commencement (the date of the agreement)	External guarantees of the Company (excluding those for subsidiaries)					Whether counter guaranteed or not	Whether the guaranteed is a connected party	Relations
					Date of commencement	Date of expiry	Type of guarantee	Whether guarantee is completed	Whether guarantee is overdue			
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												8,500,650,240
Total balance of guarantees for subsidiaries at the end of the reporting period (B)												15,240,824,700.86
Total Guarantee Amount of the Company (including those for subsidiaries)												
Total guarantee (A+B)												15,240,824,700.86
Percentage of total guarantee in the Company's net assets (%)												53.14
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)												1,804,000,000
Amount of total guarantees in excess of 50% of net assets (E)												899,388,479.70
Amount of total three guarantees above (C+D+E)												2,703,388,479.70
Statement on the contingent joint liability in connection with unexpired guarantees												N/A

SIGNIFICANT EVENTS (Continued)

VIII. ENTRUSTED CASH ASSETS MANAGEMENT

1. Entrusted wealth management

(1) Overview of entrusted wealth management

Unit: million yuan Currency: RMB

Type	Sources of funds	Amount incurred	Unexpired balance	Overdue uncollected amount
Principal guaranteed with fixed returns	Private capital	1,050	Nil	Nil

(2) Single entrusted wealth management

Unit: yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Through a legal procedure or not	Whether the future entrusted wealth management exists	Impairment allowance
ICBC	Principal guaranteed with fixed return	20,000,000	2017-4-28	2017-10-26	Private capital	Various assets	Fixed return	3.11%	314,136.99	314,136.99	Due and received	Yes	Yes	Nil
Bank of Communications	Principal guaranteed with fixed return	500,000,000	2017-4-13	2017-5-24	Private capital	Various assets	Fixed return	2.91%	1,656,849.32	1,656,849.32	Due and received	Yes	Yes	Nil
ICBC	Principal guaranteed with fixed return	200,000,000	2017-1-3	2017-2-4	Private capital	Various assets	Fixed return	2.72%	438,356.16	438,356.16	Due and received	Yes	Yes	Nil
SPDB	Principal guaranteed with fixed return	100,000,000	2017-1-3	2017-1-12	Private capital	Various assets	Fixed return	2.17%	54,246.6	54,246.6	Due and received	Yes	Yes	Nil
China CITIC Bank	Principal guaranteed with fixed return	500,000,000	2017-1-4	2017-1-11	Private capital	Various assets	Fixed return	2.12%	235,616.44	235,616.44	Due and received	Yes	Yes	Nil
Agricultural Bank of China	Principal guaranteed with fixed return	50,000,000	2017-1-4	2017-1-4	Private capital	Various assets	Fixed return	2.2%	2,997.48	2,997.48	Due and received	Yes	Yes	Nil
Bank of Communications	Principal guaranteed with fixed return	200,000,000	2016-12-30	2017-1-9	Private capital	Various assets	Fixed return	2.15%	131,506.85	131,506.85	Due and received	Yes	Yes	Nil



SIGNIFICANT EVENTS (Continued)

VIII. ENTRUSTED CASH ASSETS MANAGEMENT (CONTINUED)

2. Entrusted loans

(1) Overview of entrusted loans

Unit: million yuan Currency: RMB

Type	Sources of funds	Amount incurred	Unexpired balance	Overdue uncollected amount
Entrusted borrowings	Private capital	3,520	6,862.798	Nil

(2) Single entrusted loans

Unit: million yuan Currency: RMB

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Through a legal procedure or not	Whether the future entrusted loans exist	Impairment allowance (if any)
Bank of China	Entrusted loans	90	2016-6-3	2019-8-2	Private capital	Payment of loans	Fixed interest rate	8%	21.60	7.20	Due and received	Yes	Yes	Nil
ICBC	Entrusted loans	200	2016-6-8	2019-6-7	Private capital	Project construction	Fixed interest rate	8%	48.00	16.00	Due and received	Yes	Yes	Nil
ICBC	Entrusted loans	1,050	2016-7-19	2019-6-7	Private capital	Project construction	Fixed interest rate	8%	242.43	84.00	Due and received	Yes	Yes	Nil
ICBC	Entrusted loans	750	2016-7-21	2019-7-20	Private capital	Payment of loans	Fixed interest rate	8%	180.00	60.00	Due and received	Yes	Yes	Nil
Agricultural Bank of China	Entrusted loans	80	2016-9-29	2019-9-28	Private capital	Project construction and payment of loans	Fixed interest rate	8%	19.20	6.40	Due and received	Yes	Yes	Nil
Finance Company	Entrusted loans	270	2017-9-20	2020-9-19	Private capital	Supplementary working capital	Fixed interest rate	6%	48.60	4.59	Due and received	Yes	Yes	Nil
Finance Company	Entrusted loans	150	2017-12-13	2020-12-12	Private capital	Repayment of loans	Fixed interest rate	4.75%	21.38	0.36	Due and received	Yes	Yes	Nil
Finance Company	Entrusted loans	200	2017-10-31	2020-10-30	Private capital	Repayment of loans and equipment	Fixed interest rate	6%	36.00	2.03	Due and received	Yes	Yes	Nil
Agricultural Bank of China	Entrusted loans	440	2016-10-27	2019-10-26	Private capital	Project construction and payment of loans	Fixed interest rate	8%	105.60	35.20	Due and received	Yes	Yes	Nil
CDB	Entrusted loans	100	2016-7-21	2019-5-20	Private capital	Payment of loans	Fixed interest rate	8%	22.64	8.00	Due and received	Yes	Yes	Nil

SIGNIFICANT EVENTS (Continued)

VIII. ENTRUSTED CASH ASSETS MANAGEMENT (CONTINUED)

2. Entrusted loans (Continued)

(2) Single entrusted loans (Continued)

Unit: million yuan Currency: RMB

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Through a legal procedure or not	Whether the future entrusted loans exist	Impairment allowance (if any)
Finance Company	Entrusted loans	100	2017-6-20	2020-6-19	Private capital	Supplementary working capital	Fixed interest rate	8%	24.00	4.31	Due and received	Yes	Yes	Nil
Agricultural Bank of China	Entrusted loans	1,000	2017-3-7	2020-3-6	Private capital	Project construction and payment of loans	Fixed interest rate	8%	240.00	64.89	Due and received	Yes	Yes	Nil
CDB	Entrusted loans	470	2016-7-21	2019-7-20	Private capital	Payment of loans	Fixed interest rate	8%	112.80	37.60	Due and received	Yes	Yes	Nil
Finance Company	Entrusted loans	160	2017-9-22	2020-9-21	Private capital	Supplementary working capital	Fixed interest rate	6%	28.80	2.67	Due and received	Yes	Yes	Nil
Finance Company	Entrusted loans	1,100	2017-12-13	2020-12-12	Private capital	Repayment of loans	Fixed interest rate	4.75%	156.75	2.61	Due and received	Yes	Yes	Nil
Finance Company	Entrusted loans	500	2017-11-23	2020-11-22	Private capital	Repayment of loans	Fixed interest rate	6%	90.00	3.17	Due and received	Yes	Yes	Nil
Agricultural Bank of China	Entrusted loans	75	2016-9-29	2019-9-28	Private capital	Project construction and payment of loans	Fixed interest rate	8%	18.00	6.00	Due and received	Yes	Yes	Nil
Finance Company	Entrusted loans	20	2017-6-20	2020-6-19	Private capital	Supplementary working capital	Fixed interest rate	8%	4.80	0.86	Due and received	Yes	Yes	Nil
Finance Company	Entrusted loans	20	2017-11-23	2020-11-22	Private capital	Repayment of loans and project funds	Fixed interest rate	6%	3.60	0.13	Due and received	Yes	Yes	Nil
Bank of Communications	Entrusted loans	87,798	2016-3-8	2019-3-8	Private capital	Operating turnover	Fixed interest rate	8%	21.07	7.02	Due and received	Yes	Yes	Nil

Explanation of entrusted loans: The above entrusted loans are all provided by the Company to its controlling subsidiaries under the consolidated financial statements.



SIGNIFICANT EVENTS (Continued)

IX. OTHER SIGNIFICANT EVENTS

1. In order to satisfy the capital demand for daily operation of Yitai Chemical, the Company reviewed and approved the proposal of the capital increase of Yitai Chemical on the second meeting of the seventh session of Board of Directors held on 22 June 2017, pursuant to which the Company increased its capital contribution to Yitai Chemical with an amount of RMB2.91346 billion in cash. 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.

During the reporting period, the aforesaid capital increase has completed the procedures for registration of industrial and commercial changes.

2. For the better development of coal chemical projects, the Company held the tenth meeting of the seventh session of Board of Directors on 28 December 2017, on which the Proposal on the Capital Increase of Inner Mongolia Yitai Chemical Co., Ltd. by Shanghai Hanqing Enterprise Management Partnership (limited partnership) (“**Shanghai Hanqing**”) was considered and approved. Shanghai Hanqing acquired RMB1.9 billion of new registered capital of Yitai Chemical at the consideration of RMB1.9 billion. After the capital increase, the registered capital of Yitai Chemical increased to RMB5.9 billion and the Company, Yitai Group and Shanghai Hanqing held 61.15%, 6.65% and 32.2% equity of the shareholdings of Yitai Chemical, respectively. The Company introduced Shanghai Hanqing through Yitai Chemical as a platform to jointly develop coal chemical projects, which would help better meet the capital needs of Yitai Chemical’s daily operation to support its sustainable and healthy development.

During the reporting period, the aforesaid capital increase has completed the procedures for registration of industrial and commercial changes.



SIGNIFICANT EVENTS *(Continued)*

X. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Poverty alleviation work of the Company

Please refer to the 2017 Annual Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd. for details.

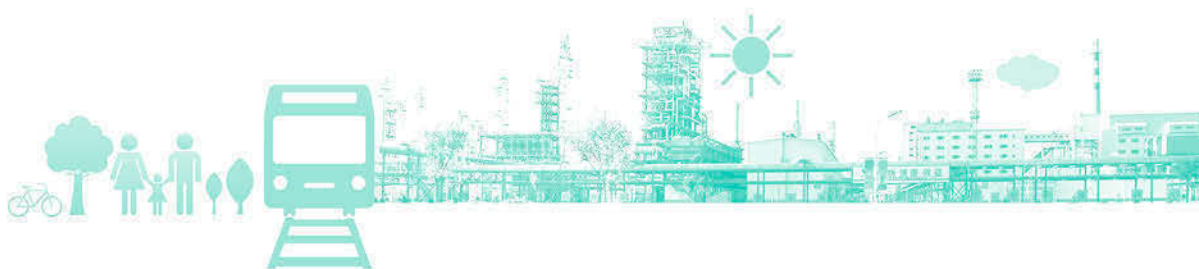
(II) Work on social responsibility

Please refer to the 2017 Annual Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd. for details.

(III) Environmental protection work

Explanation on environmental protection work of the company and the key 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.



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

During the reporting period, there was no change in the number of ordinary shares and share capital structure.

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the reporting period

Unit: share Currency: RMB

Types of shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved to be listed	Transaction Termination Date
Convertible corporate bonds, warrant bonds and corporate bonds						
Corporate bonds in 2014 (First tranche)	9 October 2014	6.99%	4,500,000,000	22 October 2014	4,500,000,000	9 October 2019

Details for the issue of securities during the reporting period (details of bonds with different interest rates within the duration to be specified separately):

Please refer to Section X "RELEVANT INFORMATION ON CORPORATE BOND".

(II) Changes in the total number of ordinary shares, shareholding structure and the structure of assets and liabilities of the Company

As at 31 December 2016, the gearing ratio of the Company was 59.73%. As at 31 December 2017, the gearing ratio of the Company was 55.66%, decreased by 4.07 percentage points as compared with last year.

III. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (in the number of accounts)	75,236
Total number of holders of ordinary shares at the end of the last month prior to the disclosure of annual report (in the number of accounts)	75,313
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
Total number of holders of preference shares with voting rights restored as at the end of the last month prior to the disclosure of annual report (in the number of accounts)	N/A

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

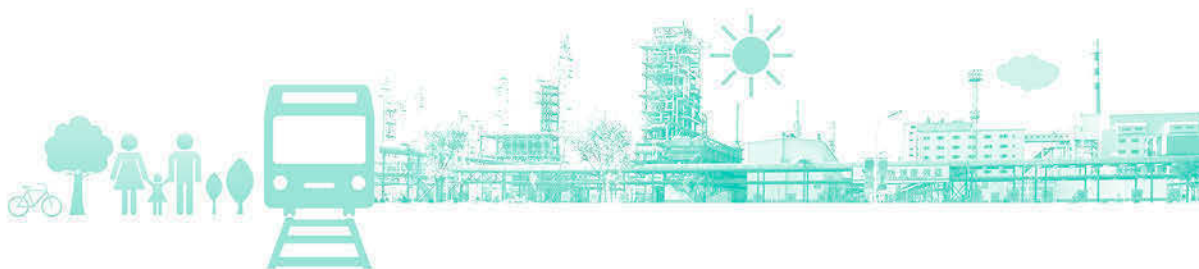
III. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER (CONTINUED)

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

Shareholdings of the Top Ten Shareholders

Unit: Share

Name of shareholder (in full name)	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period		The number of shares held subject to selling restrictions	Pledged or frozen shares		Class of Shareholder
			Proportion (%)		Status of the shares	No. of shares	
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	2,000	325,953,600	10.02	0	Unknown		Foreign legal person
Yitai Group (Hong Kong) 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	-106,900	21,975,600	0.68	0	Unknown		Foreign legal person
EMPLOYEES PROVIDENT FUND BOARD	3,023,800	20,240,806	0.62	0	Unknown		Foreign legal person
VANGUARD EMERGING MARKETS STOCK INDEX FUND	0	17,723,998	0.54	0	Unknown		Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	2,471,149	14,354,843	0.44	0	Unknown		Foreign legal person
Hu Jiaying	290,300	12,175,214	0.37	0	Unknown		Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	3,708,687	8,589,003	0.26	0	Unknown		Foreign legal person



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

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

Top Ten Holders of Shares Not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	325,953,600	Overseas listed foreign shares	325,953,600
Yitai Group (Hong Kong) 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	21,975,600	Domestic listed foreign shares	21,975,600
EMPLOYEES PROVIDENT FUND BOARD	20,240,806	Domestic listed foreign shares	20,240,806
VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,723,998	Domestic listed foreign shares	17,723,998
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,354,843	Domestic listed foreign shares	14,354,843
Hu Jiaying	12,175,214	Domestic listed foreign shares	12,175,214
ISHARES CORE MSCI EMERGING MARKETS ETF	8,589,003	Domestic listed foreign shares	8,589,003
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 (Hong Kong) Co., Ltd. is a wholly-owned subsidiary of Yitai Group, 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)*

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

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

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

Unit: Share

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Listing status of shares which are subject to selling restrictions		
			Eligible listing time	Number of new listed shares	Reason for selling restrictions
1	Yitai Group	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		Yitai Group is the controlling shareholder of the Company			



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

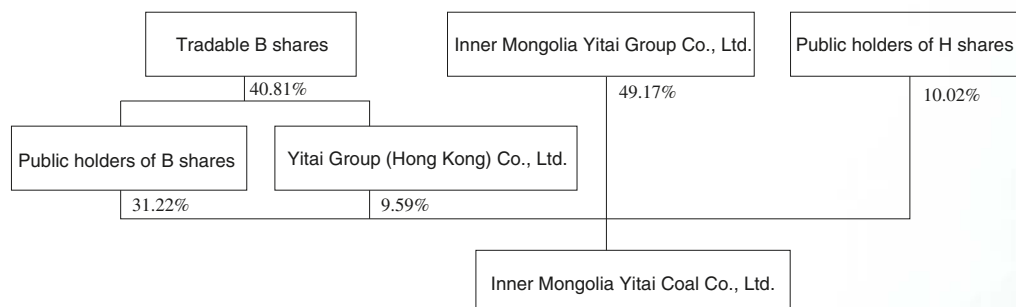
IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Information on the controlling shareholder

1. Legal person

Name	Yitai Group
Responsible person of the institution or legal representative	Zhang Donghai
Date of Incorporation	27 October 1999
Principal business	The production of raw coal; the processing, transportation and selling of raw coal; the railway construction and the railway transportation of passengers and goods; the import of equipments, accessories and technology for mines; the construction and operation of highways; the coal chemical operation and selling of coal chemical products; selling of pre-packaged, unpackaged food, and dairy products (excluding infant formula milk powder); and retail of vegetables, fruits and raw meat; processing and sale of livestock products; purchase and selling of electric energy. (for project subject to the approval of the law, business activities shall be only carried out after approval from relevant departments is obtained)
Equity interests in other controlled and invested domestic and foreign listed companies during the reporting period	Nil
Other explanation	Nil

2. Chart concerning the property rights and controlling relationship between the Company and the controlling shareholders



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

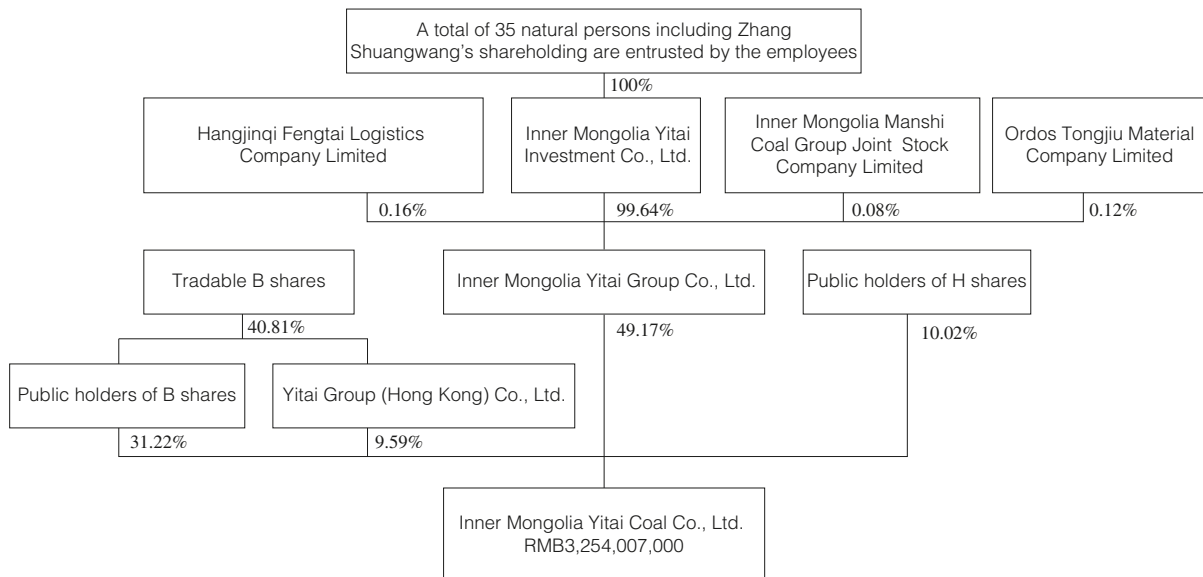
IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER (CONTINUED)

(II) Information on the de facto controller

1. Legal person

Name	Inner Mongolia Yitai Investment Co., Ltd. (內蒙古伊泰投資股份有限公司)
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of incorporation	2 December 2005
Principal business	The investment in the energy industry and the railway construction
Holdings or joint stock in other domestic and overseas listed companies during the reporting period	Nil
Other explanation	Nil

2. Chart concerning the property rights and controlling relationship between the company and the de facto controller



Explanation: Inner Mongolia Yitai Investment Co., Ltd. (“**Yitai Investment**”) intended to submit an application for the supervision of non-listed public companies and convened the inaugural meeting on 27 June 2017 to transform entirely into a joint stock limited company with the share issue at the audited book value of net assets of RMB1,557,147,038.66 as of 31 December 2016. And with the witness of Global Law Office (Beijing), the on-site confirmation of the registered equity of unlisted public companies was completed and the authentic rights and shareholding were clear without dispute. The next step is to handle equity escrow.



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

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

Yitai Group holds 1,600 million shares of the Company, representing 49.17% of the total share capital of the Company. The registered capital amounts to RMB1,250 million, of which Yitai Investment holds 99.64% of the shares. Inner Mongolia Manshi Coal Group Joint Stock Company Limited (內蒙古滿世煤炭集團股份有限公司) contributed RMB1 million, representing 0.08%, and Ordos Tongjiu Material Company Limited (鄂爾多斯市通九物資有限責任公司) contributed RMB1.5 million, representing 0.12%; Hangjinqi Fengtai Logistics Company Limited holds 0.16% (On 17 January 2017, Inner Mongolia Gaofeng Enterprise Group Company Limited transferred its 0.16% shareholding in Yitai Group to Hangjinqi Fengtai Logistics Company Limited (杭錦旗峰泰物流有限責任公司) at the consideration of RMB2.2 million). The corporate nature of the Company is a limited liability company. The scope of business of Yitai Group includes the production of raw coal, the processing, transportation and sales of raw coal, the railway construction and the railway transportation of passengers and goods, the import of equipments, accessories and technology for mines, the construction and operation of highways, the coal chemical operation and selling of coal chemical products, sales of pre-packaged food and bulk food, dairy products (excluding infant formula milk powder), retails of vegetables, fruits and raw meat, processing and sales of agricultural and livestock products and purchase and sales of power. (Items that are subject to approvals can only be traded upon obtainment of the approvals of relevant departments). The legal representative is Zhang Donghai. The registered address is Liuzhongnan Jiefang Area, No.14 South Yimei Road, Dongsheng District, Ordos City (鄂爾多斯市東勝區伊煤路南14號街坊區六中南). No shares held have been pledged or frozen.

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

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



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

VI. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 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
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
Yitai Group ⁴	Non-overseas-listed foreign shares	Beneficial owner/ Interest of controlled corporation	Long	1,912,000,000	65.30	58.75



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

VI. SUBSTANTIAL SHAREHOLDERS' INTEREST 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}
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 HK ⁴	Non-overseas-listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58



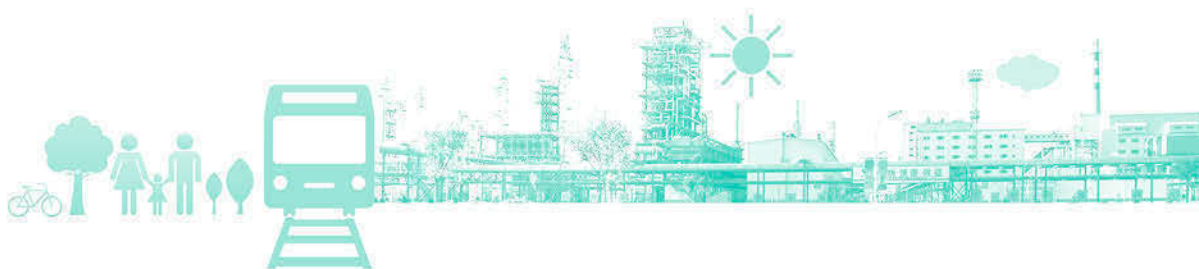
CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

VI. SUBSTANTIAL SHAREHOLDERS' INTEREST 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 31 December 2017, 18,031,100 shares represented 5.53% of the H shares in issue.
4. Yitai Group holds the entire issued share capital of Yitai HK and is thus deemed to be interested in the 312,000,000 B shares held by Yitai HK. Yitai Group directly holds 1,600,000,000 domestic shares.
5. Inner Mongolia Yitai Investment Co., Ltd. holds 99.64% of the registered capital of Yitai Group and is thus deemed to be interested in all of the 1,912,000,000 shares directly or indirectly held by Yitai Group.
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 31 December 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, SENIOR MANAGEMENT AND EMPLOYEES

I. BIOGRAPHIES AND REMUNERATION

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Total remuneration before tax received from the Company for the period (RMB'0,000)	Remuneration from related parties of the Company
Zhang Donghai	Chairman	male	48	May 2017	May 2020	181.55	Yes
Liu Chunlin	Executive Director	male	51	May 2017	May 2020	1.9	Yes
Zhang Dongsheng	Executive Director	male	47	May 2017	May 2020	1.9	Yes
Ge Yaoyong	Executive Director	male	48	May 2017	May 2020	1.9	Yes
Zhang Jingquan	Executive Director	male	48	December 2015	May 2017	0.5	Yes
	General Manager			September 2015	March 2017		
Wang Sanmin	Executive Director	male	44	May 2017	May 2020	78.29	No
	General Manager			March 2017	May 2020		
Lv Guiliang	Executive Director	male	52	May 2017	May 2020	79.85	No
	Chief Finance Officer			May 2017	May 2020		
Song Zhanyou	Executive Director	male	53	May 2017	May 2020	91.83	No
	Deputy Manager			May 2017	May 2020		
Yu Youguang	Independent Non-executive Director	male	63	May 2017	June 2019	15.83	No
Zhang Zhiming	Independent Non-executive Director	male	56	May 2017	May 2020	15.83	No
Huang Sujian	Independent Non-executive Director	male	63	May 2017	May 2020	15.83	No
Wong Hin Wing	Independent Non-executive Director	male	56	May 2017	May 2020	14.58	No
Tam Kwok Ming, Banny	Independent Non-executive Director	male	55	May 2014	May 2017	10.41	No
Li Wenshan	Chairman of the Supervisory Committee	male	56	May 2014	May 2017	0.3	Yes
Yuan Bing	Chairman of the Supervisory Committee	male	50	May 2017	May 2020	0.7	Yes
Liu Xianghua	Supervisor	male	40	May 2017	May 2020	0.7	Yes
Wang Xiaodong	Supervisor	male	47	May 2014	May 2017	41.46	No
Jia Xiaolan	Supervisor	female	44	May 2017	May 2020	37.17	No
Ji Zhifu	Supervisor	male	34	May 2014	May 2017	0.3	Yes
Han Zhanchun	Supervisor	male	54	May 2014	May 2017	42.87	No
Li Cailing	Supervisor	female	43	May 2017	May 2020	24.08	No
He Peixun	Supervisor	male	32	May 2017	May 2020	15.42	No
Wang Yongliang	Independent Supervisor	male	55	May 2017	May 2020	8.33	No
Wu Qu	Independent Supervisor	male	53	May 2017	May 2020	8.33	No
Liu Jian	Deputy Manager	male	51	May 2017	May 2020	77.35	No
Zhang Mingliang	Chief Engineer	male	49	May 2017	May 2020	76.34	No
Lv Junjie	Deputy Manager	male	50	May 2017	May 2020	76.53	No
Zhao Xin	Secretary to the Board/Joint Company Secretary	female	36	May 2017	May 2020	27.99	No
Total			/	/	/	948.07	/

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.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Donghai	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and joined Chinese Communist Party in June 1993. He possesses a master's degree, a title of senior economist and was awarded as the national model worker. Mr. Zhang served in Ikocho League Coal Company (伊克昭盟煤炭集團公司), from April 1990 to July 1999 as the vice chief and the chief of the Beijing branch office and the deputy head of the Operation Department and the deputy manager of the business operating company under the same company. He was our vice general manager from July 1999 to February 2001 and has been acting as an executive Director of our Company since March 2001 and has been served as the chairman of our Company since April 2003. Mr. Zhang served as the vice general manager of Yitai Group from April 2003 to June 2004, and the general manager of the Yitai Group from 2004 to January 2017. He acted as a director and general manager of Inner Mongolia Yitai Investment Limited Liability Company from March 2006 to June 2017. He has been a director and general manager of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been acting as a director of Yitai HK since October 2008. He has been acting as the Chairman of Yitai Group since August 2016. He also serves as the president of Yitai Group since January 2017.</p>
Liu Chunlin	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1967 and possesses a master's degree and a title of senior accountant. He worked in Ikocho League Coal Company from June 1989 to February 1993 and was appointed as the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997 and as the director of the Finance Department of our Company from August 1997 to July 1999. Mr. Liu served as the financial director of our Company from July 1999 to October 2002, the deputy chief accountant of Yitai Group from October 2002 to May 2004, the vice president of our Company from May 2004 to October 2004 and has been the director and chief account of Yitai Group since June 2004. He acted as the director and chief accountant of Inner Mongolia Yitai Investment Limited Liability Company from March 2006 to June 2017. He has been acting as the director and chief accountant of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been the director of Yitai HK since October 2008 and has been the executive Director of the Company since March 2001.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Dongsheng	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1971 and possesses a master's degree and titles of senior economist and business manager. He worked in Ikochao League Coal Company from October 1989 to January 2002, served as the director of the Operation Department of our Company from January 2002 to July 2005. Mr. Zhang was the deputy general manager of Zhundong Railway Company from August 2005 to January 2007, and acted as the chairman of Zhundong Railway Company since November 2008 to August 2014, and served as the general manager of Huzhun Railway Company from January 2007 to August 2014 and also as the Director of Yitai Group since November 2008. Mr. Zhang was entitled as the chairman of Huzhun Railway Company from July 2009 to August 2014. He acted as the deputy general manager of Yitai Group from March 2014 to January 2017 and the director of Inner Mongolia Yitai Investment Limited Liability Company from January 2015 to June 2017. He has been acting as a director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been the vice president of Yitai Group since January 2017 as well as the executive Director of the Company since May 2009. He is the nephew of the father of the Chairman Zhang Donghai. He is the nephew of the father of the Chairman Zhang Donghai.</p>
Ge Yaoyong	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Ge was born in 1970 and possesses a master's degree and a title of senior engineer. He served as the deputy manager and the manager of E'qian League Coking Factory from November 1996 to March 2001, and was promoted as the deputy general manager of the Company from March 2001 to August 2005. Mr. Ge was appointed as the deputy chief engineer of Yitai Group from August 2005 to November 2008, and from November 2008 to March 2014, the general manager of the Company. He was appointed and still serves as the director of Yitai Group since November 2008. From March 2014 to January 2017, he served as the deputy general manager of Yitai Group. He acted as the general manager of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) from July 2014 to September 2017 and has been acting as the chairman of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) since July 2014. He has been the vice president of Yitai Group since January 2017, the director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017 and the executive Director of the Company since December 2008.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Jingquan	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and graduated with a master degree in business administration major of China Europe International Business School. Mr. Zhang worked in Yihua United Wool Manufacturing Factory (伊華聯合毛紡織工廠) from January 1994 to January 1998; he served as the cashier in Tianjin Branch of the Company from March 1998 to August 2000, the manager of Guangzhou Sales Branch of the Operation Department under the Company from August 2000 to April 2001, the manager of the sales branch in South China of the Operation Department under the Company from April 2001 to August 2005, and the deputy manager of the Operation Department and manager of the sales company in South China sales branch of the Company from February 2002 to March 2003. Mr. Zhang acted as the director of the Operation Department of Yitai Group from August 2005 to 5 March 2006, the manager of coal transportation and sales business department of Yitai group from 5 March 2006 to 27 March 2006; the deputy general manager of Synfuels China under Yitai group from March 2006 to November 2010 and the deputy general manager of Yitai Energy Co., Ltd. of Yitai Group from November 2010 to January 2012; the general manager of Yitai Xinjiang Energy Co., Ltd. from January 2012 to September 2017 and then the chairman and general manager from December 2012 to September 2017; the president of Xinjiang Yitai Co., Ltd. from October 2014 to September 2017; the chairman and general manager of Inner Mongolia Yitai Chemical Co., Ltd. from September 2015 to March 2017; the general manager of the Company from September 2015 to March 2017; the director of Yitai Group since September 2015; the director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017; and the executive Director of the Company from December 2015 to May 2017.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Sanmin	<p>Gender: Male. Ethnicity: Mongol ethnicity. Mr. Wang was born in 1974. He is a member of the Communist Party of China and possesses a master's degree. Mr. Wang Sanmin graduated from Inner Mongolia Finance & Economics College in July 2005. He was granted the operating manager and licensed pharmacist in March 2006, senior IT project manager in November 2008 and qualification of international accountant in July 2010. Mr. Wang joined Yitai Group in 1996 and joined the Company in April 2005. Mr. Wang held different positions in Yitai Group as the director of the marketing department and the finance department of Taifeng Simengou Coke Flour Mill, Taifeng Variety Operating Company, Taifeng Coal Mine, Taifeng Hu City Clean Coal Branch and Taifeng General Company from 1996 to 2000. He was the head of finance department of E'qian League Coking Factory from December 2000 to October 2001. From October 2001 to April 2004, he held various positions in Yitai Pharmaceutical as the head of the finance department of Licorice Base, deputy head of the finance department, and head of both the finance department and corporate management department of Shenglong Branch. He was the head of the accounting department of Yitai Group from April 2004 to April 2005. Mr. Wang was the president of the labor union and the deputy general manager of the Shenglong Branch of Yitai Pharmaceutical from April 2005 to September 2006. He was the deputy administrative general manager of Yitai (Beijing) Pharmatech Co., Ltd. from October 2006 to March 2007. He was the head of our corporate management department from April 2007 to November 2010. Mr. Wang was the head of the supplies purchase and supply department of the Company from December 2010 to March 2013. He was the deputy manager of the Company from April 2013 to March 2014. He served as the chairman and general manager of Inner Mongolia Yitai Zhundong Railway Co., Ltd. and Inner Mongolia Yitai Huzhun Railway Co., Ltd. from March 2014 to March 2017 and has been the chairman of Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司) from April 2015 to March 2017. He was a supervisor of the Company from February 2011 to April 2013. He has been acting as the general manager of the Company since March 2017 and then the executive Director since May 2017.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Lv Guiliang	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1966 and possessed a master's degree of Business Administration and a title of semi- senior accountant. He served in Ikochao League Coal Company from August 1994 to August 1997 and joined our Company in August 1997, acting as the vice director of our Finance Department from July 1999 to November 2002, the director of the same department from March 2004 to February 2009. Since April 2008 and February 2011, Mr. Lv has been serving as the chief finance officer and the executive Director of our Company, respectively.</p>
Song Zhanyou	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Song was born in 1965 and graduated from Shanxi Mining Institute (山西礦務學院) majoring in mining engineering and has the qualification of senior engineer. Mr. Song was appointed as the technician and deputy director in the mining and stripping division of Houbulian Open Mine owned by Dongsheng Coalfield Development and Operation Company (東勝煤田開發經營公司) from July 1988 to September 1990, from October 1990 to September 1994, the chief of Engineering Division of Zhanpanliang Mine belonging to Ikochao League Coal Company. Mr. Song acted as the chief of the Production Technology Division of Yitai Group Co., Ltd. (predecessor: Ikochao League Coal Company) from October 1994 to February 1999, director of Erdaomao Mine of Yitai Group Co., Ltd. from March 1999 to December 2000, and the deputy manager of the Industry Company of Yitai Group Co., Ltd. (伊泰集團有限公司產業公司) from January 2001 to March 2001, the head of Safety Supervision Department of Yitai Group from April 2001 to July 2003; the head of Corporate Management Department of Yitai Group from August 2003 to April 2007. Served as the director of the engineering department and deputy general manager of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. from May 2007 to November 2010. He was also the deputy general manager of Yitai Yili Energy Co., Ltd. from December 2010 to February 2012; the general manager of Yitai Yili Energy Co., Ltd. from March 2012 to December 2012; and the chairman and general manager of Yitai Yili Energy Co., Ltd. from January 2013 to March 2014. Mr. Song was appointed as the deputy manager of the Company in March 2014 and appointed as the executive Director of the Company in May 2014.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Yu Youguang	<p>Gender: Male, Ethnicity: Han ethnicity, born in 1955, holds an associate degree and is a certified accountant and senior auditor. Mr. Yu is the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm and the executive councilor of Certified Public Accountant Association of Inner Mongolia Autonomous Region. He has extensive experience in financial and accounting. He taught in Inner Mongolia Light Industry School from July 1981 to November 1985. He worked in the Audit Bureau of Baotou from November 1985 to September 1999. He has been serving as the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm since September 1999. He was appointed as independent non-executive Director of the Company since June 2013.</p>
Zhang Zhiming	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1962 and possessed a doctoral degree of laws and now serves as the professor and doctoral supervisor of Renmin University of China. Mr. Zhang finished his undergraduate courses in law from Peking University in 1983 and the graduate courses in law from the same university in 1986. Mr. Zhang also served as the independent director of Shanxi Taigang Stainless Steel Co., Ltd., Zhejiang China Commodities City Group Co., Ltd. and Wolong Real Estate Group Co., Ltd.. Mr. Zhang has been serving as the independent non-executive Director of our company since June 2015.</p>

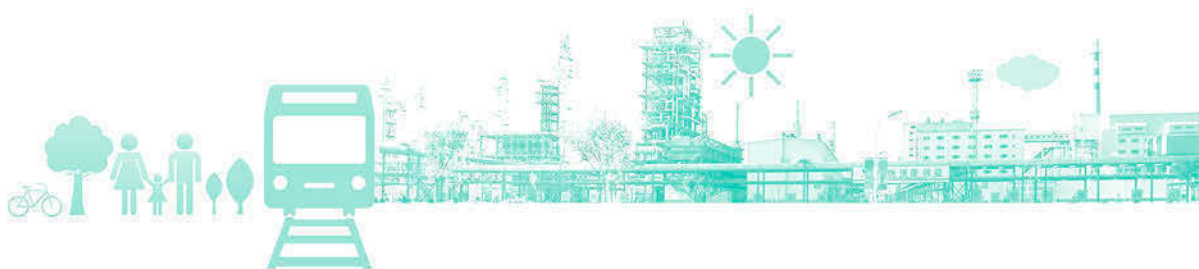


DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Huang Sujian	Gender: Male. Ethnicity: Han ethnicity. Mr. Huang was born in 1955, and has been working in the Institute of Industrial Economics of Chinese Academy of Social Sciences since 1988 and is a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences, a professor of Beijing Teachers' Academy and the president of Chinese Institute of Business Administration currently. Mr. Huang achieved a bachelor degree and a master degree of economics from Xiamen University in 1982 and 1985, respectively, and a doctor degree of economics from the Chinese Academy of Social Sciences in 1988. He also served as the director of Jianfeng Group Co., Ltd. and the independent non-executive director of Wolong Electric Group Co., Ltd.. Mr. Huang Sujian has been the independent non-executive Director of the Company since November 2016.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wong Hin Wing	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Wong was born in 1962 and holds a master's degree in Executive Business Administration from The Chinese University of Hong Kong (香港中文大學). He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants in the UK, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administration in the UK. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment in the UK. He is an independent non-executive director of AEON Credit Service (Asia) Co. Ltd. (AEON信貸財務亞洲有限公司) (a public company listed on the Stock Exchange), Dongjiang Environmental Company Limited (東江環保股份有限公司) (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange), CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (a public company with H shares listed on the Stock Exchange) and China Agri-Products Exchange Limited (中國農產品交易有限公司) (a public company listed on the Stock Exchange), Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) (a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司) (a public company with B shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange) and Wine's Link International Holdings Limited (威楊酒業國際控股有限公司) (a public company listed on the Stock Exchange). He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal, a member of the Nursing Council of Hong Kong and a member of Construction Industry Council. He is the managing director and has been the responsible officer of China Silk Road International Capital Limited (中國絲路國際資本有限公司) (formerly known as Legend Capital Partners, Inc. (安裡俊投資有限公司)), a licensed corporation under the Securities and Futures Ordinance since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. He has 34 years of experience in accounting, finance, investment management and advisory. Mr. Wong Hin Wing has been the independent non-executive Director of the Company since May 2017.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Tam Kwok Ming, Banny	Gender: Male, Ethnicity: Han ethnicity, born in 1963, Hong Kong resident. Mr. Tam obtained a certification of accountancy from the Hong Kong Polytechnic University (香港理工大學) in 1993. He holds the qualification of Certified Public Accountant and is a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Tam is currently a partner of a Hong Kong accounting firm. He was appointed as independent non-executive Director of the Company from February 2011 to May 2017.
Li Wenshan	Gender: Male. Ethnicity: Han ethnicity. Mr. Li was born in 1962 and possessed a bachelor's degree and a title of semi-senior economist. He worked in Ikocho League Coal Company from September 1992 to July 1997 and joined our Company in August 1997 as the Director of the Company from July 1997 to December 2008. From August 2005 to November 2008 and from January 2002 to March 2004, Mr. Li was appointed as the deputy general manager of the Company, and then the deputy general manager and general manager of Zhundong Railway Company from March 2004 to August 2005. Mr. Li acted as the chairman of the Supervisory Committee of Yitai Group from November 2008 to January 2018 and the chairman of the Supervisory Committee of our Company from December 2008 to May 2017.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Yuan Bing	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Yuan was born in 1968. He is a member of Chinese Communist Party and possesses a bachelor's degree and a title of political engineer. In September 1989, he worked as a teacher in Ikocho League Husiliang School (伊克昭盟呼斯梁學校); in September 1990, he was redesignated to the administrative department of labour of Ikocho League Coal Group Company; in January 1991, redesignated to Qinhuangdao office of Ikocho League Coal Group Company; has been working in the discipline inspecting commission of Ikocho League Coal Group Company since February 1995; served as deputy chief of supervisory section under discipline inspecting commission from March 1996 to March 1998; the chief of supervisory section from April 1998 to March 2001; ombudsman (deputy division level) in the discipline inspecting commission of Yitai Group from April 2001 to July 2004 and commissioner (division level) from August 2004 to October 2008; ombudsman (minister level) from November 2008 to February 2011; the deputy secretary of discipline inspecting commission in Yitai Group from March 2011 to September 2015 and the secretary of discipline inspecting commission in Yitai Group since October 2015. He was recognized as an outstanding discipline inspecting cadre by Erdos Discipline Inspection Commission. He is a people supervisor appointed by Erdos People's Procuratorate and the Inner Monggol Autonomous Region People's Procuratorate. He has been the supervisor of Yitai Group since April 2011 and the chairman of the Supervisory Committee of Inner Mongolia Yitai Investment Co., Ltd. and Yitai Group since January 2018. He has been acting as the chairman of the Supervisory Committee of the Company since May 2017.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Liu Xianghua	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1978. He is a member of the Communist Party of China and possesses a bachelor's degree. Mr. Liu worked for Zhundong Railway Company from August 2000 to July 2001. He was the deputy director for administrative affairs of Zhundong Railway Company from July 2001 to October 2002 and was the office director in administrative department of Zhundong Railway Company from November 2002 to February 2004. Mr. Liu was the head secretary of the general manager office of the Group Company from March 2004 to August 2005. He was the deputy director of the general manager office of the Group Company from September 2005 to December 2005. He was the deputy director of the general manager office of the Company from January 2006 to November 2010. He was the office director of the board of directors of Yitai Group from December 2010 to February 2012. He has been the secretary of the board of directors of Yitai Group since March 2012. He was the office director of the board of directors of Yitai Group from January 2013 to October 2016. He also was the general manager of the administrative department of the Company from November 2016 to September 2017. He has been acting as the office director of the board of directors of Yitai Group since September 2017. He has been the supervisor of the Company since May 2017.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Xiaodong	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1971 and possessed a master's degree. He joined Ikochao League Coal Company in September 1993 and served in the planning division and transportation office of Baotou Branch. Mr. Wang joined our Company in February 1997 and was successively appointed as the deputy office director of the transportation company, director of Planning Division for Wanshuiquan Project, and director of Baohuan Transportation and Dispatching Division. Mr. Wang was the deputy head of Loading Facility in Baoshen Line from April 2001 to February 2002, and deputy manager of the Transportation Department from February 2002 to February 2004. From February 2004 to July 2004, Mr. Wang was the head of the Office of Huhhot. He was the head of Tianjin Office of the Operation Department from July 2004 to August 2005. From August 2005 to March 2006, Mr. Wang was the chief of the Qinhuangdao Office of the Operation Department. From March 2006 to April 2007, he was the chief of the Qinhuangdao Office of the Coal Transportation and Sales Department. Mr. Wang was the head of the Supplies Purchase and Supply Department of the Company from April 2007 to November 2010. He was the deputy general manager of Coal-to-oil Company from November 2010 to July 2012. From July 2012 to March 2013, Mr. Wang was the general manager of the Yitai Oil Product Selling Co., Ltd. (伊泰油品銷售有限公司), and from March 2013 to the present, Mr. Wang is the general manager of Yitai Petroleum & Chemical Co., Ltd.(伊泰石油化工有限公司). He was appointed as the chairman of Inner Mongolia Yitai Petroleum & Chemical Co., Ltd. from January 2014 to February 2016 and was appointed as the supervisor of the Company from April 2013 to May 2017.</p>
Ji Zhifu	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Ji was born in 1984 and possesses a bachelor's degree. He worked in Zhundong Railway Company from July 2005 to October 2006 and served in the Finance department of our Company from October 2006 to February 2009. He was the deputy head of the finance department of our Company from March 2008 to February 2009, the director of general affair office of coal transportation and sales business department of our Company from February 2009 to September 2011 and to March 2013. Mr. Ji served as the head of our corporate management department from March 2013 to March 2015 and has been the deputy general manager in Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) since March 2015. He worked as the supervisor of our Company from February 2011 to May 2017.</p>

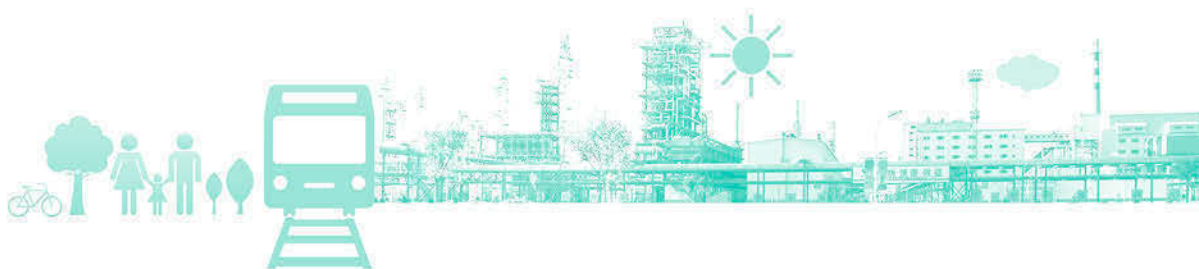


DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Han Zhanchun	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Han was born in 1964 and possessed an associate degree. Mr. Han was the accountant of the Tanggongta Mine of Ikochao League Coal Company from May 1992 to January 1995, the accountant, deputy director, deputy head and the head of finance department of the Fengzhen Office of Ikochao League Coal Company from January 1995 to November 1999, the head of Finance Department of our Qinhuangdao office from November 1999 to August 2005, the principal accountant of the office of Suancigou Mine from August 2005 to April 2007, the head of the finance department of Suancigou Mine from April 2007 to March 2010. He was the deputy head of the Finance Department of our Company from March 2010 to December 2010, the director of Operating Office of the Department of Coal Production of our Company from December 2010 to 14 July 2013, and an engineer at the level of deputy head of Cost-fixing Division of General Office of Department of Coal Production from 15 July 2013 to April 2015. Mr. Han has been acting as the secretary of Board of Directors of Suancigou Mine since April 2015, and worked as the supervisor of the Company from February 2011 to May 2017.</p>
Jia Xiaolan	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Jia was born in 1973 and possessed a bachelor's degree and was granted with qualifications of senior engineer and registered cost engineer. She worked in Ikochao League First Construction Engineering Company (伊盟一建) (now renamed Erdos Da Hua Construction Group LLC) (鄂爾多斯大華建築集團有限責任公司) from July 1993 to July 2000, and served in Erdos Defeng Project Management LLC. (鄂爾多斯市得豐工程項目管理有限責任公司) from July 2000 to July 2005 as the deputy director of Installation Budgeting Division (安裝預結算). In August 2005, Ms. Jia transferred to Yitai Group as the installation budgeting engineer in Construction Cost Center of the Group from August 2005 to October 2006 and served as the deputy chief and chief of the same division from October 2006 to March 2010, and from March 2010 to April 2011, respectively. She was the vice director of Internal Control and Audit Department of Yitai Group from April 2011 to July 2013 and was promoted as the director for a working period from July 2013 to January 2014. Ms. Jia acted as the director of Internal Control and Audit Department of the Company from January 2014 to March 2015, and worked as the director of the Audit and Discipline Department of the Company from March 2015 to August 2017. She has been the general manager of the Audit and Discipline Department of the Company since August 2017, the supervisor of Yitai Group since January 2018 and the supervisor of the Company since June 2015.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Li Cailing	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Li was born in 1975, she is a member of the Communist Party of China with a postgraduate degree. She is also a senior accountant, a certified tax agent and a certified public accountant. Ms. Li worked in Inner Mongolia Ordos Group Company (內蒙古鄂爾多斯集團公司) from June 1995 to January 1998. She once held the positions of Head of Auditing Department and Deputy Director in Inner Mongolia Zhonglei Accounting Firm (內蒙古中磊會計事務所) from February 1998 to July 2005 and she worked in the Finance Department of the Company from August 2005 to February 2012. She was the director of the Financial Information Section of the Finance Department (財務部財務資訊科) of the Company from March 2012 to July 2013. She was an accountant of deputy director level in the Finance Department of the Company from August 2013 to November 2014. She was the deputy director of the finance department of Yitai Group from December 2014 to March 2015. She has been the deputy director of the financial management center of the Company since April 2015 and the supervisor of the Company since May 2017.</p>
He Peixun	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. He was born in 1986 and possesses a bachelor's degree. Mr. He is a lawyer and has obtained the legal professional qualification certificate. He graduated from Inner Mongolia University in July 2009. He worked in the general manager office in the Company from July 2009 to December 2009. He worked in the Securities Department of the Company from January 2010 to May 2012. He was the director for security business in the Securities Department of the Company from June 2012 to July 2013. He was the business director of the Securities Department of the Company from August 2013 to April 2015. He was the business manager in the Investor Relations and Management Department of the Company from May 2015 to October 2016; the intermediate business manager in the Investor Relations and Management Department of the Company from November 2016 to December 2017; the deputy director of the Investor Relations and Management Department of the Company since December 2017; the supervisor of Inner Mongolia Yitai Investment Co., Ltd. since June 2017; and the supervisor of the Company since May 2017.</p>

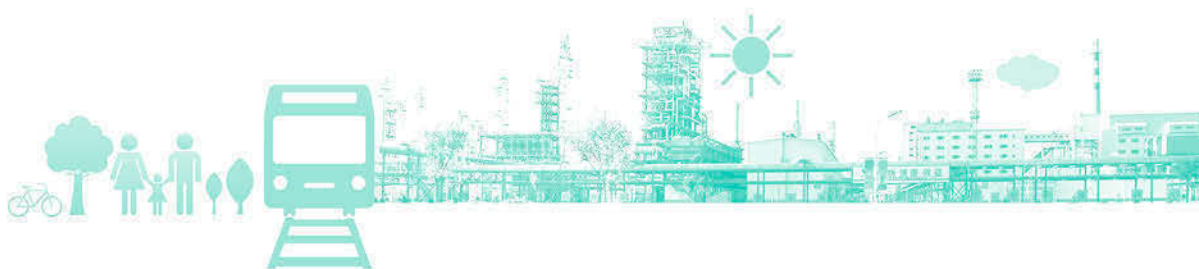


DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Yongliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1963 and possessed a master's degree and was granted the qualification of Level 2 Lawyer. He was a member of Ikochao League correctional division from August 1985 to December 1986, a teacher in Ikochao League Politics & Law School from December 1986 to March 1990, the deputy head of the correctional division and office of the judicial department of Ikochao League from March 1990 to April 1996, the head of business department of Ikochao League Law Firm from April 1996 to March 2001. Mr. Wang has been acting as the director of Inner Mongolia Ikochao League Law Firm since March 2001, and an independent supervisor of our Company since February 2011.
Wu Qu	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1965 and possessed a bachelor's degree. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company (伊克昭盟東勝食品工業公司) from July 1986 to October 1994, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998, the finance manager of Ordos Rongze Food Co., Ltd. (鄂爾多斯榮澤食品有限責任公司) from December 1998 to October 2000. Mr. Wu has been serving as the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd (內蒙古東審會計師事務所有限責任公司) since July 2001 and an independent supervisor of the Company since February 2011.
Liu Jian	Gender: Male. Ethnicity: Han ethnicity, born in 1967, holds a doctoral degree. He graduated from the Universitat Duisburg-Essen in July 2004 with a Doctor's degree in cardiology. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司) from August 2005 to February 2007, Mr. Liu was granted the qualification of fellow senior chief pharmacist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古人事廳) in July 2006. He was the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012. He was appointed as the deputy manager of the Company since December 2012.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Mingliang	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1969 and possessed a master's degree. He was granted with a qualification of semi senior engineer and held various positions in our Company as the deputy spot chief of Nalinmiao Mine No. 1 mine, the spot chief of Nalinmiao Mine No. 4 mine, the deputy head and the head of Nalinmiao Mine and the deputy head of Nalinmiao Mine No. 2 mine from November 1997 to June 2009. Mr. Zhang was appointed as the head of Sujiahao Mine of Yitai Group from June 2009 to March 2011, the director of Jungar Temple dispatching station of our Coal Transportation Department from March 2011 to February 2012, the deputy general manager of our Production Department from February 2012 to September 2012, the supervisor of our Company from April 2002 to October 2012 and the chief engineer of the Company from May 2014 to August 2015 and from October 2016 till present.</p>
Lv Junjie	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Lv is a member of Chinese Communist Party and was born in 1967. He graduated from Huazhong University of Science and Technology with a master degree in EMBA and is a senior economist. Mr. Lv Junjie worked as a teacher in Jungar Banner Nalin Middle School (准格爾旗納林中學) from July 1985 to July 1991; worked in the Administrative Department of Labour of Yimeng Coal Company (伊盟煤炭公司政工勞資科) from July 1991 to December 1991; acted as the secretary of Resident Chinese Communist Party Committee Office in Yimeng Coal Company from December 1991 to April 1992; acted as the deputy secretary and secretary of Communist Youth Party Committee of Yimeng Coal Company from April 1992 to April 1997; the director of Materials Sales Department of the Company and the manager assistant of Industrial Development Company from April 1997 to February 2001; the deputy manager and manager of Materials Supply Department of the Company from February 2001 to April 2004; the director of Xiyingsi Collection and Transportation Centre of the Company from April 2004 to May 2005; the minister of Business Development Department of the Company from May 2005 to October 2008; the minister of Environment Monitoring Department of the Company from October 2008 to February 2012; the deputy general manager of Coal-to-oil Company from February 2012 to November 2013; the deputy general manager of Coal-related Chemical Operation under Yitai Group from November 2013 to October 2016. He has been the deputy manager of the Company since October 2016.</p>

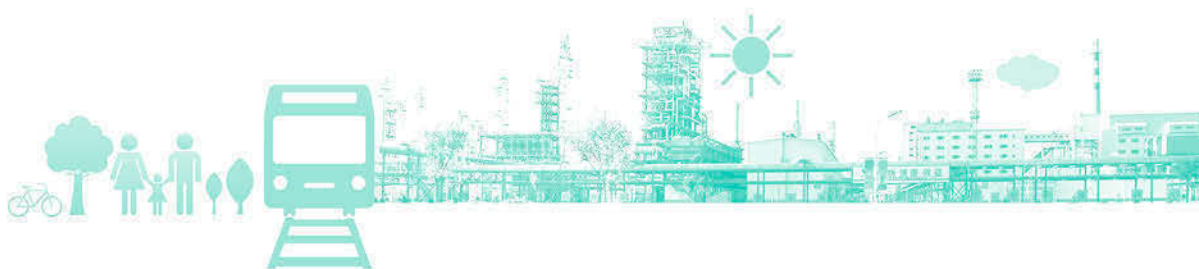


DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. BIOGRAPHIES AND REMUNERATION (CONTINUED)

(I) Biographies and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhao Xin	Gender: Female. Ethnicity: Han ethnicity. Born in 1981, she holds a doctoral degree and is the Board secretary/joint company secretary and director of the Investor Relation and Management Department of the Company. Ms. Zhao graduated from Inner Mongolia University of Finance and Economics with a bachelor's degree in management in July 2003 and graduated from Capital University of Economics and Business with a master's degree in management in July 2008. In July 2012, Ms. Zhao graduated from Chinese Academy of Social Sciences with a doctoral degree in management. Ms. Zhao joined the Securities Department of the Company in August 2008. She served as the head of the Information Disclosure Sector under the Securities Department of the Company from December 2010 to June 2013. She served as the vice director of the Securities Department of the Company from July 2013 to March 2015. Ms. Zhao has served as the securities affairs representative of the Company from August 2013 to March 2015 and she has been the director of Investor Relation and Management Department of the Company since March 2015. She was appointed as secretary to the Board/joint company secretary of the Company in April 2015.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

(I) Particulars concerning positions held in shareholders' entities

Name of incumbent	Name of shareholders' entity	Position held in shareholders' entity	Starting date of term	End date of term
Zhang Donghai	Yitai Group	Chairman	August 2016	
Liu Chunlin	Yitai Group	Chief Executive Officer	January 2017	
	Yitai Group	Director and Chief Accountant	June 2004	
Ge Yaoyong	Yitai Group	Director	November 2008	
	Yitai Group	Deputy Chief Executive Officer	January 2017	
Zhang Dongsheng	Yitai Group	Director	November 2008	
	Yitai Group	Deputy Chief Executive Officer	January 2017	
Zhang Jingquan	Yitai Group	Director	September 2015	
Li Wenshan	Yitai Group	Chairman of the Supervisory Committee	November 2008	January 2018
Yuan Bing	Yitai Group	Secretary of Discipline Inspecting Department	October 2015	
	Yitai Group	Supervisor	April 2011	
	Yitai Group	Chairman of the Supervisory Committee	January 2018	
Liu Xianghua	Yitai Group	Board Secretary	March 2012	
Ji Zhifu	Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司)	Deputy General Manager	March 2015	
Jia Xiaolan	Yitai Group	Supervisor	January 2018	



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

II. PARTICULARS ABOUT THE INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (CONTINUED)

(II) Particulars concerning positions held in other entities

Name of incumbent	Name of other entity	Position held in other entity	Starting date of term	End date of term
Yu Youguang	Inner Mongolia Zhongtian Huazheng	Deputy president	June 2013	
Zhang Zhiming	School of Law of Renmin University	Professor, Doctoral supervisor	September 2005	
Huang Sujian	Institute of Industrial Economics of Chinese Academy of Social Sciences	Researcher	July 1988	
Wong Hin Wing	China Silk Road International Capital Limited	Director, General Manager	July 1997	
Tam Kwok Ming, Banny	YATA Certified Public Accountants	Partner	July 2011	
Wang Yongliang	Inner Mongolia Ikochao League Law Firm	Director	March 2001	
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of Auditing Department	July 2001	



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

<p>Decision-making procedure for the remuneration of the directors, supervisors and senior management</p>	<p>The remuneration for the Directors, supervisors and senior management is proposed to the Board by the remuneration and appraisal committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and supervisors will be proposed to the general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.</p>
<p>Basis for determination on the remuneration of the directors, supervisors and senior management</p>	<p>The remuneration of Directors and senior management of the Company is on an annual basis. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is comprehensively determined according to the operational scale, profitability and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. Basic annual salary of Directors and senior management is paid on a monthly basis and annual performance salary is paid upon year end assessment.</p>
<p>Particulars about remuneration actually paid to directors, supervisors and senior management</p>	<p>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 on an annual or monthly basis after deducting individual income tax.</p>
<p>Total remuneration actually obtained by the directors, supervisors and senior management as a whole at the end of the reporting period</p>	<p>RMB9.4807 million</p>



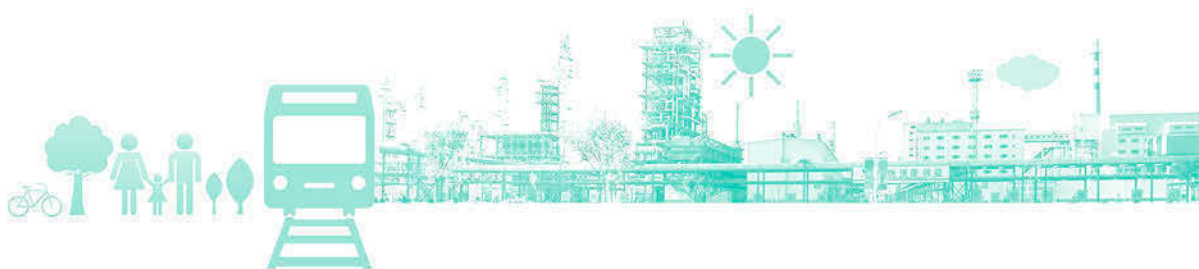
DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

Name	Position	Change	Reason for change
Zhang Jingquan	Executive Director	Resigned	Expiry of the term
Zhang Jingquan	General Manager	Dismissed	Work adjustment
Wang Sanmin	Executive Director	Elected	Expiry of the term
Wang Sanmin	General Manager	Appointed	Work adjustment
Li Wenshan	Supervisor, Chairman of the Supervisory Committee	Resigned	Expiry of the term
Wang Xiaodong	Supervisor	Resigned	Expiry of the term
Ji Zhifu	Supervisor	Resigned	Expiry of the term
Han Zhanchun	Supervisor	Resigned	Expiry of the term
Yuan Bing	Supervisor, Chairman of the Supervisory Committee	Elected	Expiry of the term
Liu Xianghua	Supervisor	Elected	Expiry of the term
Li Cailing	Supervisor	Elected	Expiry of the term
He Peixun	Supervisor	Elected	Expiry of the term

V. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

The Company has had no punishments imposed by securities regulatory authorities in the last three years.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

VI. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 or Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**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, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

VI. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Save as disclosed above, as at 31 December 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.

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

(I) Information on employees

Number of in-service employees in the parent company	2,520
Number of in-service employees in major subsidiaries	3,715
Total number of in-service employees	6,235
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	324

Specialty composition Category	Headcount
Production	3,206
Sales	1,910
Technician	357
Finance	200
Administration	562
Total	6,235

Education level Category	Headcount
Postgraduate	242
Undergraduate	2,791
College graduate and secondary technical school	2,166
Below secondary technical school	1,036
Total	6,235



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

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

(II) 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. The remuneration level strategy adopted by the Company consisted of market leading level for key personnel and talents, appropriately advanced level for ordinary staff members and average level for auxiliary staff members. In 2017, the total staff remuneration of the Company was RMB0.46 billion.

(III) Training Program

In 2018, the Company will continue to change its training methods. Based on the principle of "relying mainly on internal training and partially on external training", the Company will rely on the internal resources of tutors and curriculum system to significantly reduce training costs and improve training effects. According to the actual situation, the Company will introduce the knowledge and skills required by the strategy to its employees, and gradually nurture talents in line with the development strategy of the Company through training, making training an important tool of talents development and implement of strategic objectives.

(IV) Subcontracting Information

Total working hours for subcontracting	803,871 Hours
Total remuneration paid for subcontracting	RMB14,303,500



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

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

(V) 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 value and corporate social responsibility, we hope to contribute to the sustainable development of the Company.

(VI) 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.



CORPORATE GOVERNANCE

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

During the reporting period, the Company has gradually improved its corporate governance system and standardized its operation pursuant to the Company Law (《公司法》), Securities Law (《證券法》) and relevant laws and regulations. The general meeting, the Board and senior management of the Company carried out well performance and interaction among duties.

The Company continued to strengthen information disclosure and relationship with investors. During the reporting period, the Company disclosed all material information promptly, accurately, truly and completely to ensure that all shareholders could enjoy the right to be informed fairly. The Company communicates with investors in various forms, effectively enhancing communications and interactions with investors and promoting the reputation and influence of the Company in the capital market.

The Company strictly executed the management system of insider registration. During the sensitive period of information disclosure, the Company required specialists to provide sufficient reminders to relevant personnel through certain ways, including writing, messages, mails and internal OA system in the Company, preventing relevant personnel from breaking the regulations to deal in the shares of the Company.

The Company will continue to strictly comply with the Company Law and relevant stipulations and requirements of CSRC and other institutions with authority in respect of corporate governance, and improve its corporate governance system to gradually enhance the capability of corporate governance.

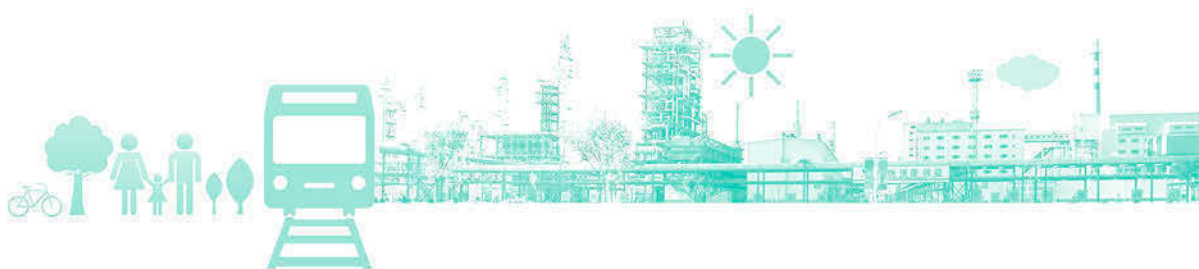
There is no inconformity between the corporate governance of the Company and the Company Law and requirements of CSRC.



CORPORATE GOVERNANCE (Continued)

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	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 (the "2016 AGM") (Note 1)	25 May 2017	<ol style="list-style-type: none"> 1. To consider and approve the report of the Board for the year 2016; 2. To consider and approve the report of the Supervisory Committee for the year 2016; 3. To consider and approve the performance report of the independent non-executive Directors for the year 2016; 4. To consider and approve the profit distribution for the year 2016; 5. To consider and approve the financial report for the year 2016; 6. To consider and approve the Company's capital expenditure for the year 2017; 7. To consider and approve the appointment of audit institution of the Company for the year 2017; 8. To consider and approve the appointment of internal control audit institution of the Company for the year 2017; 9. To consider and approve entrusted wealth management using the Company's idle equity fund; 10. To consider and approve the purchase of liability insurance for Directors, Supervisors, senior management of the Company; 11. To consider and approve the candidates of the executive Director of the seventh session of the Board of the Company: <ol style="list-style-type: none"> 11.1 To consider and approve the appointment of Mr. Zhang Donghai as executive Director of the Company; 11.2 To consider and approve the appointment of Mr. Liu Chunlin as executive Director of the Company; 11.3 To consider and approve the appointment of Mr. Ge Yaoyong as executive Director of the Company; 11.4 To consider and approve the appointment of Mr. Zhang Dongsheng as executive Director of the Company; 11.5 To consider and approve the appointment of Mr. Wang Sanmin as executive Director of the Company; 11.6 To consider and approve the appointment of Mr. Lv Guiliang as executive Director of the Company; 11.7 To consider and approve the appointment of Mr. Song Zhanyou as executive Director of the Company; 	All passed	http://www.hkexnews.hk http://www.sse.com.cn	25 May 2017 26 May 2017 and 27 May 2017



CORPORATE GOVERNANCE (Continued)

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD (CONTINUED)

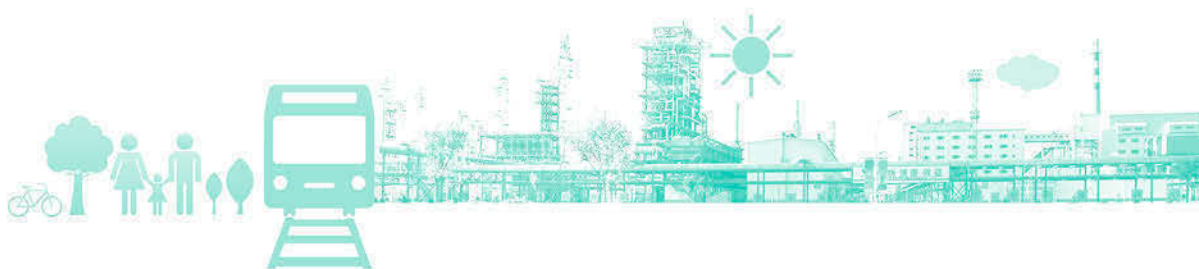
Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals
		12. To consider and approve the candidates of the independent non-executive Director of the seventh session of the Board of the Company:			
		12.1 To consider and approve the appointment of Mr. Yu Youguang as independent non-executive Director of the Company;			
		12.2 To consider and approve the appointment of Mr. Zhang Zhiming as independent non-executive Director of the Company;			
		12.3 To consider and approve the appointment of Mr. Huang Sujian as independent non-executive Director of the Company;			
		12.4 To consider and approve the appointment of Mr. Wong Hin Wing as independent non-executive Director of the Company;			
		13. To consider and approve the candidates of the Supervisor of the seventh session of the Supervisory Committee:			
		13.1 To consider and approve the appointment of Mr. Yuan Bing as shareholder representative Supervisor;			
		13.2 To consider and approve the appointment of Mr. Liu Xianghua as shareholder representative Supervisor;			
		13.3 To consider and approve the appointment of Mr. Wang Yongliang as independent Supervisor;			
		13.4 To consider and approve the appointment of Mr. Wu Qu as independent Supervisor;			
		14. To consider and approve the compensation package for Directors of the seventh session of the Board of the Company;			
		15. To consider and approve the compensation package for Supervisors of the seventh session of the Supervisory Committee of the Company;			
		16. To consider and approve the amendments to Policy on the Management of the External Guarantee of Inner Mongolia Yitai Coal Co., Ltd.;			
		17. To consider and approve the amendments to Rules of Procedure of the Supervisory Committee.;			
		18. To consider and approve the entering into Cross-Guarantee Agreement between the Company and Inner Mongolia Yitai Group Co., Ltd.;			
		19. To consider and approve the guarantee to be provided by the Company to subsidiaries;			
		20. To consider and approve the proposal relating to the General Mandate to the Board of the Company for the issuance of H shares.			



CORPORATE GOVERNANCE (Continued)

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD (CONTINUED)

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals
The first extraordinary general meeting in 2017 (the "first EGM in 2017") (Note 2)	20 October 2017	<ol style="list-style-type: none"> To consider and approve the equity transfer agreement entered into between Inner Mongolia Yitai Group Co., Ltd. (as the transferor) and the Company (as the transferee) on 23 August 2017 in respect of acquisition of the 10% equity in Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. as well as the discloseable and connected transaction contemplated thereunder; To consider and approve the renewal of the annual cap of continuing connected transactions of the Company: <ol style="list-style-type: none"> To consider and approve the renewal of the annual cap under the framework agreement on purchase and sale of products entered into between the Company (as the vendor) and Beijing Jingneng Power Co., Ltd. (as the buyer); To consider and approve the renewal of the annual cap under the framework agreement on purchase and sale of products and services entered into between the Company (as the buyer) and Inner Mongolia Yitai Group Co., Ltd. (as the vendor). 	All passed	http://www.hkexnews.hk http://www.sse.com.cn	20 October 2017 21 October 2017
The second extraordinary general meeting in 2017 (the "second EGM in 2017") (Note 3)	22 December 2017	<ol style="list-style-type: none"> To consider and approve the proposal relating to the estimation of the Company for the maximum of the continuing connected transactions (H shares) for 2018-2020: <ol style="list-style-type: none"> To consider and approve the Continuing Connected Transaction of products provided by the Company and/or its subsidiaries to Yitai Group and/or its subsidiaries under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services; To consider and approve the Continuing Connected Transaction of products provided by Yitai Group and/or its subsidiaries to the Company and/or its subsidiaries under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services; To consider and approve the Continuing Connected Transaction of products provided by the Company and/or its subsidiaries to Jingneng Power and/or its subsidiaries under the Jingneng Power Framework Agreement on Supply of Products and Services; To consider and approve the Continuing Connected Transaction of products provided by the Company and/or its subsidiaries to Guangdong Power and/or its subsidiaries under the Guangdong Power Framework Agreement on Supply of Products and Services; 	All passed	http://www.hkexnews.hk http://www.sse.com.cn	22 December 2017 23 December 2017



CORPORATE GOVERNANCE (Continued)

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD (CONTINUED)

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals
		1.5 To consider and approve the Continuing Connected Transaction of products provided by the Company and/or its subsidiaries to Huadian Coal and/or its subsidiaries under the Huadian Coal Framework Agreement on Supply of Products and Services;			
		1.6 To consider and approve the Continuing Connected Transaction of products provided by the Company and/or its subsidiaries to Luhe Coal Coking and/or its subsidiaries under the Luhe Coal Coking Framework Agreement on Supply of Products and Services;			
		1.7 To consider and approve the Continuing Connected Transaction of products provided by Luhe Coal Coking and/or its subsidiaries to the Company and/or its subsidiaries under the Luhe Coal Coking Framework Agreement on Supply of Products and Services;			
		1.8 To consider and approve the Continuing Connected Transaction of products provided by Yitai Investment and/or its subsidiaries to the Company and/or its subsidiaries under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services;			
		1.9 To consider and approve the Continuing Connected Transaction of deposit services provided by Yitai Finance to the Company/or its subsidiaries under the Financial Services Framework Agreement.			
		2. To consider and approve the proposal relating to the estimation of the Company for the maximum of the daily connected transactions (B shares) for 2018- 2020.			

Notes:

1. For details of the resolutions passed in the meeting, please refer to the circular of the Company dated 13 April 2017.
2. For details of the resolutions passed in the meeting, please refer to the circular of the Company dated 30 September 2017 and the announcement of the Company dated 11 October 2017 in connection with the adjustments to the sequence number of the resolutions of the first EGM in 2017.
3. For details of the resolutions passed in the meeting, please refer to the circular of the Company dated 1 December 2017 and the notice of the second EGM in 2017 dated 6 November 2017.

CORPORATE GOVERNANCE (Continued)

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(I) Particulars of Directors' Attendance in Board Meetings and General Meetings during the reporting period

Name of directors	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Attendance of Board meeting(s)				Attendance in general meeting(s)			
			Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence	Whether or not he has been absent in person for two consecutive times	Attendance rate of Board meetings (%)	Times/Number of attendance in general meetings	Attendance rate of general meetings (%)
Zhang Donghai	No	12	12	8	0	0	No	100	3/3	100
Liu Chunlin	No	12	12	8	0	0	No	100	3/3	100
Ge Yaoyong	No	12	11	8	1	1	No	91.67	3/3	100
Zhang Dongsheng	No	12	12	8	0	0	No	100	3/3	100
Wang Sanmin (Note A)	No	10	10	7	0	0	No	100	3/3	100
Lv Guiliang	No	12	12	8	0	0	No	100	3/3	100
Song Zhanyou	No	12	12	8	0	0	No	100	3/3	100
Zhang Jingquan (Note B)	No	2	2	1	0	0	No	100	1/1	100
Yu Youguang	Yes	12	12	9	0	0	No	100	3/3	100
Zhang Zhiming	Yes	12	12	9	0	0	No	100	2/3	66.67
Huang Sujian	Yes	12	12	9	0	0	No	100	2/3	66.67
Wong Hin Wing (Note C)	Yes	10	10	8	0	0	No	100	2/3	66.67
Tam Kwok Ming, Banny (Note D)	Yes	2	2	1	0	0	No	100	1/1	100

Note A: Wang Sanmin was appointed as an executive director of the Company on 25 May 2017.

Note B: Zhang Jingquan retired as an executive director of the Company on 25 May 2017.

Note C: Wong Hin Wing was appointed as an independent non-executive director of the Company on 25 May 2017.

Note D: Tam Kwok Ming, Banny retired as an independent non-executive director of the Company on 25 May 2017.

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

Number of Board meetings convened during the year	12
Of which: Number of meetings on-site	3
Number of meetings held by teleconference	8
Number of meetings held both on-site and via teleconferencing	1



CORPORATE GOVERNANCE *(Continued)*

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES *(CONTINUED)*

(II) Matters voted against by the independent non-executive Directors of the Company

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

(III) Others

During the reporting period, all directors were dedicated to their work, attended meetings punctually, performed their duties independently, fairly and responsibly, and made decisions in serious, accountable and reasonable manners, greatly contributing to the development of the Board and the Company.

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

Nil

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

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



CORPORATE GOVERNANCE (Continued)

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

The Company is completely independent of the Company's controlling shareholders (the "**Controlling Shareholder(s)**") with respect to business, personnel, assets, organization and finance, and is able to make decisions independently and operate autonomously. For the perspective of business, the Company owns independent and complete production, transportation and sales system, and is capable to operate autonomously, independently develop various businesses, and independently assume responsibility and risks. For personnel, the Company has established an independent human resources department, built a sound system for personnel management, developed an independent system for personnel employment, arrangement, assessment and appointment, independently decided to hire and dismiss the personnel in the Company, and it does not exist any intervention of appointment of personnel by the Controlling Shareholder in the Company. For assets, there is a transparent relationship between the Company and the Controlling Shareholder, and the Company owns integrated production equipment and places for operation, ensuring the completeness of assets during the production process. For institution, with sound and complete organizational and institutional system, the Company's holding subsidiaries and functional departments operate independently, and are not dependent on the Controlling Shareholder. In financial aspect, the Company has an independent financial accounting department to establish an independent accounting and auditing system and financial management system. Also, the Company has established independent financial accounts, so there does not exist sharing of bank accounts with the Controlling Shareholder.

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

Incentive mechanism of the Company has been implemented according to the Measures Regarding the Annual Remuneration for the Directors and Senior Management of the Company (《公司關於董事及高級管理人員年薪報酬的方案》). During the reporting period, as the pressure of downturn of industrial market has been increasing significantly the Company seized the opportunities and set up a system in the enterprise in which the management personnel was competitive and capable to take up different tasks, where employees were talented and proactive, and operating results with flexible revenue were prioritized. Position management was regarded as the core and competitive position was regarded as the basis and thus, a human resources management system backed by sound remuneration system, result assessment system and profession development system was formed.



CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

The board of directors (the “**Board**”) of the Company has committed to maintaining high corporate governance standards.

The Company’s corporate governance practices are based on the principles and code provisions (the “**Code Provision(s)**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules.

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

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

The Board is of the view that throughout the year ended 31 December 2017, the Company has complied with all the applicable Code Provisions as set out in the CG Code.

Directors’ and Supervisors’ Securities Transactions

The Company has adopted the Model Code.

Specific enquiry has been made to all the directors and supervisors, and all directors and supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

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

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



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Board of Directors

During the year ended 31 December 2017 and up to the date of this report, the Board of the Company comprises the following directors:

Executive Directors:

Zhang Donghai (*Chairman*)

Liu Chunlin

Ge Yaoyong

Zhang Dongsheng

Wang Sanmin (*Appointed as general manager on 23 March 2017 and Director on 25 May 2017*)

Song Zhanyou

Lv Guiliang

Zhang Jingquan (*Retired as Director on 25 May 2017*)

Independent Non-executive Directors:

Yu Youguang

Zhang Zhiming

Haung Sujian

Wong Hin Wing (*Appointed as Director on 25 May 2017*)

Tam Kwok Ming, Banny (*Retired as Director on 25 May 2017*)

Save as disclosed in the section headed “Directors, Supervisors, Senior Management and Employees” in this report, none of the members of the Board is related to one another, including financial, business, family or other material/relevant relationships, except that Zhang Dongsheng, the executive director, is the nephew of the father of Zhang Donghai, the Chairman.

Chairman and General Manager

The positions of Chairman and General Manager are held by Zhang Donghai and Wang Sanmin (appointed on 23 March 2017) respectively. The Chairman is responsible for the effective functioning and leading the Board. The General Manager focuses on the Company’s business development and daily management and operations generally.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Independent Non-executive Directors

During the year ended 31 December 2017, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Directors' Re-election

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

Each of the directors of the Company, including Independent non-executive Directors, is appointed for a specific term of 3 years and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Continuous Professional Development of Directors

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

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

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

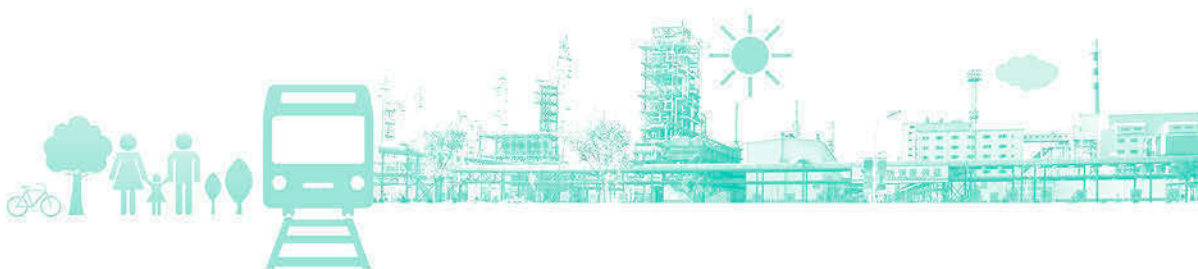
During the year ended 31 December 2017, the following directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Event/Topic <small>note</small>
Executive Directors	
Zhang Donghai	1, 2, 3, 4
Liu Chunlin	1, 2, 3, 4
Ge Yaoyong	1, 2, 3, 4
Zhang Dongsheng	1, 2, 3, 4
Wang Sanmin	1, 2, 3, 4
Lv Guiliang	1, 2, 3, 4
Song Zhanyou	1, 2, 3, 4
Independent non-executive Directors	
Yu Youguang	1, 2, 3, 4
Zhang Zhiming	1, 2, 3, 4
Huang Sujian	1, 2, 3, 4
Wong Hin Wing	1, 2, 3, 4

Notes:

- The several provisions on shareholding reduction by shareholders, directors, supervisors and senior management of listed companies organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司)
- The training courses for the directors, supervisors and senior management of the listed companies in the district for the year of 2017 organized by China Securities Regulatory Commission, Inner Mongolia Branch (內蒙古證監局)
- The training courses for the directors, supervisors and senior management of the listed companies to learn to cautiously publish comments on the listed companies organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司)
- A Guide on Directors' Duties issued by the Companies Registry in Hong Kong

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



CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Board Committees

The Board has established five committees, namely, the Strategy Committee, Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Production Committee, for overseeing particular aspects of the Company's affairs. The terms of reference of all the above Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request.

Strategy Committee

The Strategy Committee currently comprises a total of 11 members, being 7 Executive Directors, namely Zhang Donghai (Chairman), Liu Chunlin, Ge Yaoyong, Zhang Dongsheng, Wang Sanmin (appointed on 25 May 2017), Lv Guiliang and Song Zhanyou, and 4 Independent non-executive Directors, namely Yu Youguang, Zhang Zhiming, Huang Sujian and Wong Hin Wing (appointed on 25 May 2017).

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

The responsibilities of the Strategy Committee include, among others:

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

The Strategy Committee held 5 meetings during the year to review and make recommendation to the Board on 2017 Capital Expenditure of the Company, capital injection to as well as acquisition and disposal of shareholdings of the Group Companies.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Audit Committee

The Audit Committee currently comprises a total of 4 members, all being Independent non-executive Directors, namely Yu Youguang (Chairman), Zhang Zhiming, Huang Sujian and Wong Hin Wing (appointed on 25 May 2017).

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

The Audit Committee held 10 meetings to review the Group's annual financial results and reports, interim results, quarterly results, internal control and risk management systems, appointment of external auditors, related party transactions, continuing connected transactions and the proposal in relation to entrusted wealth management by use of the idle capital of the Company, etc.

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

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Donghai, Liu Chunlin and Wang Sanmin (appointed on 25 May 2017), and 4 Independent non-executive Directors, namely Yu Youguang, Huang Sujian (Chairman), Zhang Zhiming and Wong Hin Wing (appointed on 25 May 2017).

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

The Remuneration and Appraisal Committee held one meeting during the year to review and make recommendation to the Board on the remuneration of the directors of the seventh session of the Board, the remuneration policy and structure of the Company, and review the performance of the duties of the directors and senior management of the Company and the annual performance evaluation conducted on them.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Nomination Committee

The Nomination Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Donghai, Liu Chunlin and Wang Sanmin (appointed on 25 May 2017), and 4 Independent non-executive Directors, namely Yu Youguang, Huang Sujian, Zhang Zhiming (Chairman) and Wong Hin Wing (appointed on 25 May 2017).

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, conducting appraisal on candidates for the secretary of the Board nominated by the chairman and candidates for deputy manager and chief financial officer nominated by the manager, and provide appraisal opinions to the Board, conducting inspection of the candidates of directors, president and the secretary of the Board, formulating the Board diversity policy and assessing the independence of Independent non-executive Directors.

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

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

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

The Nomination Committee held 3 meetings during the year to review the structure, size and composition of the Board, to consider and recommend to the Board on the proposed appointment of executive directors and independent non-executive directors of the seventh session of the Board, Li Yuan (李淵) as representative of securities affairs, Wang Sanmin as general manager to replace Zhang Jingquan who resigned as general manager on 23 March 2017.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Production Committee

The Production Committee currently comprises a total of 5 members, being 3 Executive Directors, namely Zhang Donghai (Chairman), Ge Yaoyong and Wang Sanmin (appointed on 25 May 2017), and 2 Independent non-executive Directors, namely Yu Youguang and Huang Sujian.

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

The responsibilities of the Production Committee include, among others:

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

The Production Committee held one meeting during the year to review 2017 Annual Production Plan of the Company.

Corporate Governance Functions

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

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



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2017 is set out in the table below:

Name of Director	Attendance/Number of meetings						Annual general meeting	Other general meetings (if any)
	Board	Nomination committee	Remuneration and Appraisal committee	Audit committee	Production Committee	Strategy Committee		
Zhang Donghai	12/12	3/3	1/1	N/A	1/1	5/5	1/1	2/2
Liu Chunlin	12/12	3/3	1/1	N/A	N/A	5/5	1/1	2/2
Ge Yaoyong	11/12	N/A	N/A	N/A	1/1	5/5	1/1	2/2
Zhang Dongsheng	12/12	N/A	N/A	N/A	N/A	5/5	1/1	2/2
Wang Sanmin (Note A)	10/10	2/2	0/0	N/A	0/0	4/4	1/1	2/2
Lv Guiliang	12/12	N/A	N/A	N/A	N/A	5/5	1/1	2/2
Song Zhanyou	12/12	N/A	N/A	N/A	N/A	5/5	1/1	2/2
Zhang Jingquan (Note B)	2/2	1/1	1/1	N/A	1/1	1/1	1/1	0/0
Yu Youguang	12/12	3/3	1/1	10/10	1/1	5/5	1/1	2/2
Zhang Zhiming	12/12	3/3	1/1	10/10	N/A	5/5	1/1	1/2
Huang Sujian	12/12	3/3	1/1	10/10	1/1	5/5	1/1	1/2
Wong Hin Wing (Note C)	10/10	2/2	0/0	8/8	N/A	4/4	1/1	1/2
Tam Kwok Ming, Banny (Note D)	2/2	1/1	1/1	2/2	N/A	1/1	1/1	0/0

Note A: Wang Sanmin was appointed as an executive director of the Company on 25 May 2017.

Note B: Zhang Jingquan retired as an executive director of the Company on 25 May 2017.

Note C: Wong Hin Wing was appointed as an independent non-executive director of the Company on 25 May 2017.

Note D: Tam Kwok Ming, Banny retired as an independent non-executive director of the Company on 25 May 2017.

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



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's continuous operations.

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

Senior management's remunerations

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of 4 Senior Management (excluding Directors and Supervisors) by bands for the year ended 31 December 2017 is set out below:

Remuneration bands	Number of individuals
RMB0.5 million and below	1
RMB0.5 million to RMB1 million	3

Auditors' Remuneration

An analysis of the remuneration paid to the external oversea auditors of the Company, Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Service category	Fees paid/payable
Audit services	RMB3.5 million
Audit-related services	RMB0.6 million
Non-audit services	RMB0.16 million

For details of remuneration of domestic auditors, please refer to the section named "Appointment or termination of engagement of auditors" under "Significant events" of this report.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Risk Management and Internal Controls

During the year under review, the Board conducted one review of the effectiveness of the risk management and internal control systems of the Group, covering all material aspects of internal control, including internal control, operational control and compliance control for the year ended 31 December 2017. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is responsible for the risk management and internal control systems, and reviewed the effectiveness on such systems. Details as follows:

1. The Company established a sound internal control system, (i) Audit Committee was set up under the Board to be responsible for the communication, inspection and supervision on external audit, reviewing and monitoring the financial control, internal control and risk management systems; and to ensure the establishment of an effective internal control system by which the management fulfils their duty; and to study the substantive investigation results for internal control and responses to such results from the management, on a voluntary basis or based on the appointment of the Board; (ii) the in-house audit department of the Company is in charge of the organization and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; (iii) the internal control and assessment group is in charge of the organisation and assessment of the detailed internal control and is accountable to the Board.
2. In order to further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardised and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.
3. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the 2017 Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司2017年度內部控制評價方案》). Please refer to Appendix II 2017 Annual Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2017年度內部控制評價報告》) for the details of internal control.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Risk Management and Internal Controls (Continued)

4. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the Guidelines on Disclosure of Inside Information published by the Securities and Future Commission in June 2012, and established special agency and appointed special personnel to be responsible for registration and management of insiders, also set up internal management files for insiders management which subject to regular updating. Meanwhile, regular trainings have been conducted by the Group engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

The Group has established the Insider Management System in respect of senior management and employees who are familiar with insider information and other information unpublished by the Group in accordance with the Guidelines on Disclosure of Inside Information, which provides that confidential and inside information shall not be used without authorization, and only executive Directors and the Board secretary are authorized to communicate with external persons for inquiry and responding procedure of the Group's affairs.

There were no major breaches in the risk management and internal control systems that may have had an impact to the shareholders' interests, and the risk management and internal control systems were deemed to be effective and adequate.

In 2017, centering on five internal control elements of financial monitoring, risk assessment, compliance monitoring and communication and regulation, the Group implemented comprehensive inspection of the effectiveness of the Company's internal control system in 2017, including mechanisms for communication with and feedback from auditors on statutory audit work. Through the assessment of the Group's internal control system by the Audit Committee and the internal control department, the Board held that within the reporting period, no material failure or weakness was found in respect of risk monitoring. In addition, the Group had a complete internal control system covering corporate governance, operation, investment, finance, administration and human resources, and the internal control system could play its effective role.

Rather than eliminating the risk of failing to achieve the business goal, the risk management and internal control system of the Group aim to manage such risk and can only provide reasonable but not absolute guarantee that there are no material misrepresentations or losses.

For more details in relation to internal control, please refer to Appendix II of this report.

Joint Company Secretaries

Ms. Wong Wai Ling of SW Corporate Services Group Limited has been engaged by the Company as the Joint Company Secretary. Her primary contact person at the Company is Ms. Zhao Xin, another Joint Company Secretary. Both of them have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Shareholders' Rights

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

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Board or by the Supervisory Committee if the Board does not do so, on requisition of shareholders, individually or jointly, holding 10% or more of the Company's issued and outstanding voting shares (the "**Requisitionist(s)**"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s).

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Contact Details

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

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

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

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

Communication With Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

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

In addition, shareholders and investors are regularly received by the Company. The management of the Company will also communicate and exchange with investors and analysts outside office.

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

Articles of Association

During the year under review, no amendment to the Articles of Association has been made by the Company. An up to date version of the Company's Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.



RELEVANT INFORMATION ON CORPORATE BOND

I. OVERVIEW OF CORPORATE BONDS

Unit: yuan Currency: RMB

Bonds Name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2014 (first tranche)	14 Yitai 01	122329	9 October 2014	9 October 2019	4,500,000,000	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

Interest payment in respect of bonds

The Company has fully paid the interest on “14 Yitai 01” for 2017.

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

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



RELEVANT INFORMATION ON CORPORATE BOND *(Continued)*

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

The proceeds raised from public issuance of the Company bonds of this tranche were used for disclosing the bonds of this tranche. As at 31 December 2017, proceeds were utilized in full.

IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

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

In line with the schedule of follow-up rating, Dagong Global Credit Rating Co., Ltd. will carry out a periodical follow-up rating on the bonds of this tranche within 2 months after release of the announcement of annual report and during the period of existence of the bonds of this tranche, and further conduct unscheduled follow-up rating according to the relevant situations within the period of existence of the bonds of this tranche. Should the Company release the annual report on 22 March 2018, Dagong Global Credit Rating Co., Ltd. shall provide the follow-up rating report prior to 22 May and the rating result will be disclosed on the website of Shanghai Stock Exchange where the bonds of this tranche are transacted.

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

During the reporting period, corporate bonds aforementioned 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. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGER

Within the period of existence of the bonds of this tranche aforementioned, China International Capital Corporation Limited, the bonds trustee manager conscientiously complied with the agreement to the Bonds Trustee Management Agreement (《債券受托管理協議》) and conducted a continuous follow-up to the Company's rating, management and use of proceeds raised from the bonds, and condition of capital repayment with interest of the Company. China International Capital Corporation Limited. also supervised the Company to perform the obligations set out in the prospectus and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders. Report of Trustee Management Affairs (受托管理事務報告) is scheduled to be disclosed by the trustee manager within 3 months after disclosure of the Company's annual report. See the details on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).



RELEVANT INFORMATION ON CORPORATE BOND (Continued)

VII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY IN THE LATEST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

Unit: yuan Currency: RMB

Major indicator	2017	2016	Increase or decrease as compared with the same period of last year (%)	Reasons of change
EBITDA	10,533,946,591.09	5,568,068,719.08	89.18%	Mainly due to the increase in the profit in the period;
Liquidity ratio	1.24	1.01	0.23	Mainly due to the increase in bank deposits caused by new long-term borrowings in the period;
Quick ratio	1.15	0.85	0.30	Mainly due to the increase in bank deposits caused by new long-term borrowings in the period;
Gearing ratio (%)	52.84	59.73	-6.89	Mainly due to the increase in the profit in the period;
EBITDA ratio	0.28	0.16	0.12	Mainly due to the increase in the profit in the period;
Times interest earned	3.88	1.78	2.11	Mainly due to the increase in the profit in the period;
Cash interest coverage ratio	5.33	4.06	1.27	Mainly due to the increase in the net cash flow from operating activities;
EBITDA times interest earned	5.07	2.83	2.25	Mainly due to the increase in the profit in the period;
Loan repayment rate (%)	100	100	-	
Interest payment rate (%)	100	100	-	



RELEVANT INFORMATION ON CORPORATE BOND (Continued)

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

Name of medium-term notes	Issuing amount (‘0,000 yuan)	Starting date	Date of expiry	Nominal interest rate
12 Yitai MTN1	100,000	2012-12-25	2017-12-25	5.5300%
13 Yitai MTN1	250,000	2013-4-16	2018-4-16	4.9500%

During the reporting period, the Company paid interests of bonds and debt financing instruments on time and in a full amount.

IX. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totaled RMB51,205.75 million and the credit limit was RMB31,856.4158 million. The credit available was RMB19,349.3342 million.

X. FULFILLMENT OF COMMITMENT IN THE COMPANY’S PROSPECTUS DURING THE REPORTING PERIOD

The Company strictly complied with and fulfilled the relevant commitments in the prospectus within the reporting period.



INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF INNER MONGOLIA YITAI COAL CO., LTD.

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

OPINION

We have audited the consolidated financial statements of Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司, the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 147 to 248, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of property, plant and equipment in coal-related chemical segment</p> <p>We identified the impairment assessment on the property, plant and equipment of coal-related chemical segment as a key audit matter due to the significant amount of these property, plant and equipment and significant management judgements and assumptions involved in the impairment assessment.</p> <p>As disclosed in Note 14 to the consolidated financial statements, the carrying amount of the property, plant and equipment of coal-related chemical segment was RMB25,741 million at 31 December 2017.</p> <p>Details of significant judgements and assumptions in the impairment assessment are disclosed in Notes 4 and 14 to the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment assessment of the property, plant and equipment of coal-related chemical segment included:</p> <ul style="list-style-type: none"> – evaluating the appropriateness of other key assumptions and inputs based on historical performance and market available data; and – examining the latest feasibility study reports issued by external research institutes on the construction in progress projects.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT (Continued)

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITOR'S REPORT *(Continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mak Chi Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2018



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

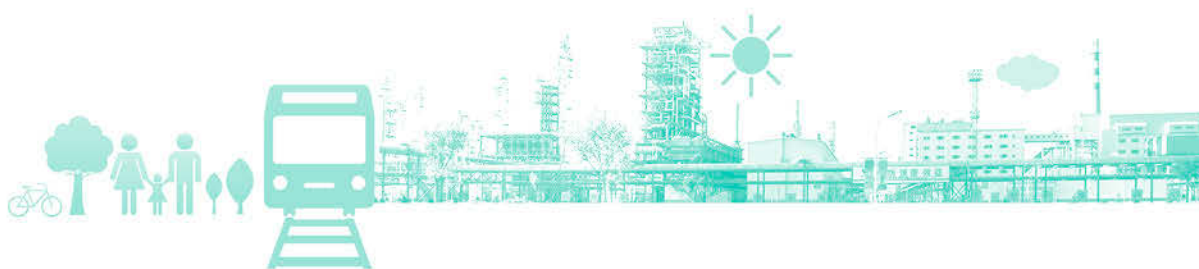
	Notes	2017 RMB'000	2016 RMB'000
REVENUE	6	35,897,399	22,317,130
Cost of sales		<u>(25,368,663)</u>	<u>(16,682,378)</u>
Gross profit		10,528,736	5,634,752
Other income	6	875,553	408,775
Other gains and losses	6	(80,510)	(443,545)
Selling and distribution expenses		(1,269,996)	(820,284)
General and administrative expenses		(1,051,185)	(1,024,559)
Other expenses		(1,021,311)	(253,326)
Finance income	7	61,910	68,035
Finance costs	8	(918,595)	(933,929)
Exchange losses, net		(676)	(5,236)
Share of profits/(losses) of associates		23,064	(64,564)
Share of losses of joint ventures		—	(1,248)
PROFIT BEFORE TAX	9	7,146,990	2,564,871
Income tax expense	11	<u>(1,433,033)</u>	<u>(439,510)</u>
PROFIT FOR THE YEAR		<u>5,713,957</u>	<u>2,125,361</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		11,685	(4,258)
Income tax effect		(2,921)	1,064
Exchange differences on translation of foreign operations		<u>(1,469)</u>	<u>1,396</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX		<u>7,295</u>	<u>(1,798)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>5,721,252</u>	<u>2,123,563</u>



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

For the year ended 31 December 2017

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		4,925,370	1,985,762
Non-controlling interests		<u>788,587</u>	<u>139,599</u>
		<u>5,713,957</u>	<u>2,125,361</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		4,932,665	1,983,964
Non-controlling interests		<u>788,587</u>	<u>139,599</u>
		<u>5,721,252</u>	<u>2,123,563</u>
Earnings per share – basic (RMB)	13	<u>1.51</u>	<u>0.61</u>



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

		31 December 2017 RMB'000	31 December 2016 RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	14	48,573,789	45,971,465
Investment properties	15	529,013	440,479
Prepaid land lease payments	16	1,353,636	1,310,534
Mining rights	17	473,890	338,877
Other intangible assets	18	243,757	29,798
Investments in joint ventures	19	49,000	80,041
Investments in associates	20	889,781	892,851
Available-for-sale investments	21	8,872,576	8,868,153
Deferred tax assets	22	752,480	1,009,510
Other non-current assets		486,728	337,868
Total non-current assets		<u>62,224,650</u>	<u>59,279,576</u>
CURRENT ASSETS			
Inventories	23	1,527,340	1,803,803
Prepayments of corporate income tax		5,073	71,952
Trade and bills receivables	24	2,287,069	2,332,291
Prepayments, deposits and other financial assets	25	3,938,038	2,408,390
Restricted cash	26	845,260	612,832
Cash and cash equivalents	26	13,733,098	4,432,760
Total current assets		<u>22,335,878</u>	<u>11,662,028</u>
CURRENT LIABILITIES			
Trade and bills payables	27	3,438,022	2,697,582
Financial liabilities at fair value through profit or loss		–	80
Other payables and accruals	28	5,342,522	5,711,680
Interest-bearing borrowings – unsecured	29	6,465,895	2,034,585
Income tax payable		299,175	98,690
Bonds payable	30	2,498,216	1,000,000
Total current liabilities		<u>18,043,830</u>	<u>11,542,617</u>
NET CURRENT ASSETS		<u>4,292,048</u>	<u>119,411</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>66,516,698</u>	<u>59,398,987</u>



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		66,516,698	59,398,987
NON-CURRENT LIABILITIES			
Interest-bearing borrowings – unsecured	29	23,186,373	22,919,274
Bonds payable	30	4,490,585	6,980,575
Deferred tax liabilities	31	375,193	3,379
Other borrowings	32	851,000	807,335
Deferred income		73,680	72,238
Other non-current liabilities		49,754	47,886
Total non-current liabilities		29,026,585	30,830,687
Net assets		37,490,113	28,568,300
EQUITY			
Equity attributable to owners of the Company			
Share capital	33	3,254,007	3,254,007
Reserves	34	23,948,292	20,163,056
Proposed final dividend	12	1,480,573	598,737
Non-controlling interests		28,682,872	24,015,800
		8,807,241	4,552,500
Total equity		37,490,113	28,568,300

The consolidated financial statements on pages 151 to 248 were approved and authorised for issue by the board of directors on 21 March 2018 and are signed on its behalf by:

Zhang Donghai
(Director)

Lv Guiliang
(Director)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital RMB'000	Capital reserve ⁴ RMB'000	Statutory reserve ⁵ RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000 (Note 12)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	3,254,007	(602,790)	2,985,967	-	1,761	17,778,118	598,737	24,015,800	4,552,500	28,568,300
Profit for the year	-	-	-	-	-	4,925,370	-	4,925,370	788,587	5,713,957
Other comprehensive income/ (expense) for the year	-	-	-	8,764	(1,469)	-	-	7,295	-	7,295
Total comprehensive income/ (expense) for the year	-	-	-	8,764	(1,469)	4,925,370	-	4,932,665	788,587	5,721,252
Acquisition of non-controlling interests ¹	-	300	-	-	-	-	-	300	(29,640)	(29,340)
Capital contributions from non-controlling a shareholder of Inner Mongolia Yitai Zhundong Jintai Storage and Transportation Co., Ltd. ²	-	-	-	-	-	-	-	-	4,300	4,300
Partial disposal of a subsidiary ²	-	26,714	-	-	-	-	-	26,714	111,687	138,401
Partial disposal of a subsidiary ³	-	305,874	-	-	-	-	-	305,874	1,263,858	1,569,732
Capital contributions from non-controlling shareholders of Yitai Chemical Co., Ltd. (Note 44(1))	-	(437)	-	-	-	-	-	(437)	2,216,977	2,216,540
Capital contributions from non-controlling shareholder of Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd.	-	-	-	-	-	-	-	-	2,000	2,000
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(102,536)	(102,536)
Final 2016 dividend declared and paid	-	-	-	-	-	-	(598,737)	(598,737)	-	(598,737)
Proposed final 2017 dividend	-	-	-	-	-	(1,480,573)	1,480,573	-	-	-
Others	-	693	-	-	-	-	-	693	(492)	201
At 31 December 2017	<u>3,254,007</u>	<u>(269,646)</u>	<u>2,985,967</u>	<u>8,764</u>	<u>292</u>	<u>21,222,915</u>	<u>1,480,573</u>	<u>28,682,872</u>	<u>8,807,241</u>	<u>37,490,113</u>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2017

- 1 In December 2017, the Company entered into an equity transfer agreement with Inner Mongolia Yitai Group Co., Ltd. to acquire 10.2% equity interest of Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司) for a cash consideration of RMB29,340,000. After the equity transfer, the Company has 90.2% equity interest of Inner Mongolia Yitai Petrochemical Co., Ltd..
- 2 The Group and Inner Mongolia Jintai Coal Industry Group Co., Ltd. (內蒙古金泰煤業集團有限責任公司) injected capital of RMB38,600,000 and RMB4,300,000 to an existing subsidiary, Inner Mongolia Yitai Zhundong Jintai Storage and Transportation Co., Ltd. ("Zhundong Jintai")(內蒙古伊泰准東金泰儲運有限責任公司) proportionately in February 2017. Thereafter, Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司), a subsidiary of the Company, entered into an equity transfer agreement with Inner Mongolia Zhungeer State Capital Investment Holding Group Co., Ltd., an independent third party, to transfer 39% equity interest in Zhundong Jintai for a cash consideration of RMB138,401,000 with a gain on disposal of RMB26,714,000 credited to capital reserve in July 2017. After the equity transfer, the Group retains 51% equity interest in Zhundong Jintai which is still a subsidiary of Inner Mongolia Yitai Zhundong Railway Co., Ltd.
- 3 In December 2017, the Group transferred 25% equity interests of Inner Mongolia Yitai Zhundong Railway Co., Ltd. to Yanzhou Coal Neng Hua Co., Ltd., an independent third party, at a consideration of RMB1,942,500,000 with a gain on disposal of RMB678,642,000 net of related tax of RMB372,768,000 credited to capital reserve. RMB971,250,000 of the total consideration has been received in 2017 and RMB971,250,000 has been recognised in other receivable. After completion of the transfer, Inner Mongolia Yitai Zhundong Railway Co., Ltd. remains as the Company's subsidiary, and the Company, Yanzhou Coal Neng Hua Co., Ltd., and Inner Mongolia State-owned Capital Management Co., Ltd. hold 71.27%, 25% and 3.73% equity interests, respectively.
- 4 The capital reserve recognised for business combinations, issuance of shares and equity transactions.
- 5 According to the People's Republic of China (the "PRC") Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with the PRC Generally Accepted Accounting Principles, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital	Capital reserve	Statutory reserve	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained earnings	Proposed final dividend	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	3,254,007	(510,862)	2,825,780	3,194	365	16,551,280	27,659	22,151,423	4,616,924	26,768,347
Profit for the year	-	-	-	-	-	1,985,762	-	1,985,762	139,599	2,125,361
Other comprehensive (expense)/ income for the year	-	-	-	(3,194)	1,396	-	-	(1,798)	-	(1,798)
Total comprehensive (expense)/ income for the year	-	-	-	(3,194)	1,396	1,985,762	-	1,983,964	139,599	2,123,563
Appropriation of statutory reserve	-	-	170,655	-	-	(170,655)	-	-	-	-
Disposal of subsidiaries (Note 37)	-	-	(10,468)	-	-	10,468	-	-	(54,684)	(54,684)
Acquisition of non-controlling interests (Note 44(2))	-	(90,782)	-	-	-	-	-	(90,782)	(38,218)	(129,000)
Additional non-controlling interests arising on the capital injection	-	3	-	-	-	-	-	3	16,087	16,090
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(127,208)	(127,208)
Final 2015 dividend declared and paid	-	-	-	-	-	-	(27,659)	(27,659)	-	(27,659)
Proposed final 2016 dividend	-	-	-	-	-	(598,737)	598,737	-	-	-
Others	-	(1,149)	-	-	-	-	-	(1,149)	-	(1,149)
At 31 December 2016	<u>3,254,007</u>	<u>(602,790)</u>	<u>2,985,967</u>	<u>-</u>	<u>1,761</u>	<u>17,778,118</u>	<u>598,737</u>	<u>24,015,800</u>	<u>4,552,500</u>	<u>28,568,300</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,146,990	2,564,871
Adjustments for:			
Finance costs	8	918,595	933,929
Exchange losses, net		676	5,557
Finance income	7	(61,910)	(68,035)
Share of (profits)/losses of associates and joint ventures		(23,064)	65,812
Dividend income from available-for-sale investments	6	(184,060)	(90,898)
Gain on disposal of available-for-sale investments	6	–	(23,947)
Gain on disposal of a joint venture	6	(6,141)	–
Loss on disposal/written off of items of property, plant and equipment and intangible assets, net	6	48,725	138,248
Gain on disposal of subsidiaries	6	(324)	(171,149)
Fair value gain on futures contracts	6	(5,308)	(7,969)
Depreciation of property, plant and equipment	9	2,393,539	1,929,967
Depreciation of investment properties	9	23,635	21,368
Amortisation of prepaid land lease payments	9	35,101	25,629
Amortisation of mining rights	9	21,319	22,905
Amortisation of other intangible assets	9	14,875	28,160
Amortisation of other non-current assets	9	31,029	6,890
Impairment of trade receivables	9	55	7,508
Impairment of property, plant and equipment	9	–	464,416
Impairment of available-for-sale investments	9	–	23,768
Impairment of inventories	9	42,949	–
Impairment of others	9	–	8,687
Reversal of impairment of other receivables	25	–	(4,000)
		10,396,681	5,881,717
Decrease/(increase) in inventories		276,463	(806,764)
Decrease in trade and bills receivables		45,167	1,475,460
Increase in prepayments, deposits and other financial assets		(673,095)	(247,637)
Increase in trade and bills payables		740,440	1,181,426
(Decrease)/increase in other payables and accruals		(190,342)	504,577
Decrease/(increase) in deferred income		1,442	(640)
Cash generated from operations		10,596,756	7,988,139
Income tax paid		(912,514)	(45,543)
Net cash flows from operating activities		9,684,242	7,942,596



CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		59,237	60,724
Interest received from financial products		2,673	7,311
Dividends received from associates		570	13,445
Dividend income from available-for-sale investments	6	184,060	90,898
Proceeds from disposal of available-for-sale investments		7,260	106,322
Proceeds from disposal of equity interests of subsidiaries		1,109,651	—
Proceeds from disposal of a subsidiary	37(a)	7,754	39,985
Proceeds from disposal of an associate		35,500	—
Proceeds from disposal of a joint venture		37,182	—
Purchases of property, plant and equipment		(5,403,159)	(3,606,135)
Additions to prepaid land lease payments		(90,561)	(459,938)
Additions to mining rights		(156,332)	—
Additions to other intangible assets		(228,834)	(2,522)
Additions to other non-current assets		(179,889)	(325,537)
Payment for settlement of future contracts		(85,384)	(42,207)
Proceeds from disposal of items of property, plant and equipment and intangible assets, net		147,937	257,060
Investments in an associates		(16,128)	—
Investments in an available-for-sale investment		—	(2,412,000)
Purchase of financial products		(1,400,000)	(7,924,173)
Proceeds from redemption of financial products		1,570,000	7,724,173
Placement of restricted cash		(737,108)	(578,002)
Withdrawal of restricted cash		504,680	107,434
Net cash flows used in investing activities		<u>(4,630,891)</u>	<u>(6,943,162)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of transaction costs on issue of bonds		(7,500)	(10,500)
Repayment of bond		(1,000,000)	—
Proceeds from bank borrowings		12,987,000	7,039,282
Repayment of bank borrowings		(8,283,391)	(7,917,049)
Acquisition of non-controlling interests		(29,340)	—
Interest paid		(903,766)	(2,223,039)
Capital injection by non-controlling interests		(2,222,840)	16,090
Dividends paid		(598,737)	(27,659)
Dividends paid to non-controlling interests		(177,905)	(51,840)
Proceed from other borrowings		330,000	—
Repayment of other borrowings		(286,335)	—
Net cash flows from/(used in) financing activities		<u>4,252,866</u>	<u>(3,174,715)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes, net		(5,879)	2,182
Cash and cash equivalents at beginning of year	26	<u>4,432,760</u>	<u>6,605,859</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	<u><u>13,733,098</u></u>	<u><u>4,432,760</u></u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Inner Mongolia Yitai Coal Co., Ltd. (the “Company”) was incorporated as a joint stock company with limited liability upon the completion of the initial public offering of domestic listed foreign shares (the “B shares”) on the Shanghai Stock Exchange on 23 September 1997.

On 12 July 2012, the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The direct and indirect shareholding of the Company by Inner Mongolia Yitai Group Co., Ltd. (“Yitai Group”) was 58.76% as at 31 December 2017.

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

In the opinion of the directors of the Company, the parent of the Company is Yitai Group and the ultimate holding company is Yitai Investment Co., Ltd., an enterprise incorporated in Inner Mongolia, the PRC, whose equity interests are held via a trust agreement by 35 individuals, comprising the senior management members and key technicians of Yitai Group, on behalf of a group of employees of Yitai Group.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

2.1 AMENDMENTS TO IFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has adopted the following amendments to IFRSs for the first time for the current year:

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12	<i>As part of the Annual Improvements to IFRSs 2012 – 2014 Cycle</i>

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(CONTINUED)*

2.1 AMENDMENTS TO IFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR *(Continued)*

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 40. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 40, the application of these amendments has had no impact on the Group’s consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments</i> ¹
IFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i> ¹
IFRS 16	<i>Leases</i> ²
IFRS 17	<i>Insurance Contracts</i> ⁴
IFRIC 22	<i>Foreign Currency Transactions and Advance and Consideration</i> ¹
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ²
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> ¹
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS19	<i>Plan Amendment Curtailment or Settlement</i> ²
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²
Amendments to IAS 40	<i>Transfers of Investment Property</i> ¹
Amendments to IAS 28	<i>As part of the Annual Improvements to IFRSs 2014–2016 Cycle</i> ¹
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2015–2017 Cycle</i> ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

Except as described below, the directors of the Company do not expect the application of all other new and amendments to IFRSs and Interpretations will have a material impact.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(CONTINUED)*

2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impacts on initial application of IFRS 9:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(CONTINUED)*

2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

IFRS 9 *Financial Instruments* *(Continued)*

Classification and measurement

Bills receivable classified as loans and receivables carried at amortised cost as disclosed in note 24: it is held within a business model whose objective is achieved both by collecting contractual cash flows and selling the bill receivables, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal. Bill receivables will be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in other comprehensive income will be subsequently reclassified to profit or loss when the bills receivable is derecognized.

Listed equity security classified as available-for-sale investments carried at fair value as disclosed in note 21: the security qualified for designation as measured at FVTOCI under IFRS 9, however, the fair value gains or losses accumulated in the investments revaluation reserve as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group’s profit or loss and other comprehensive income but will not affect total comprehensive income.

Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 21: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve except for one security, for which the Group decided to measure it at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, fair value gains related to these securities, representing the differences between cost less impairment and fair value would be adjusted to investments revaluation reserve and retained profits as at 1 January 2018.

All other financial assets and financial liabilities will continued to be measured on the same bases as are currently measured under IAS 39.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(CONTINUED)*

2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on available-for-sale investments, trade and bills receivables, financial assets included in prepayments, deposits and other financial assets, restricted cash, cash and cash equivalents and time deposits. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”) *(CONTINUED)*

2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

IFRS 15 Revenue from Contracts with Customers *(Continued)*

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

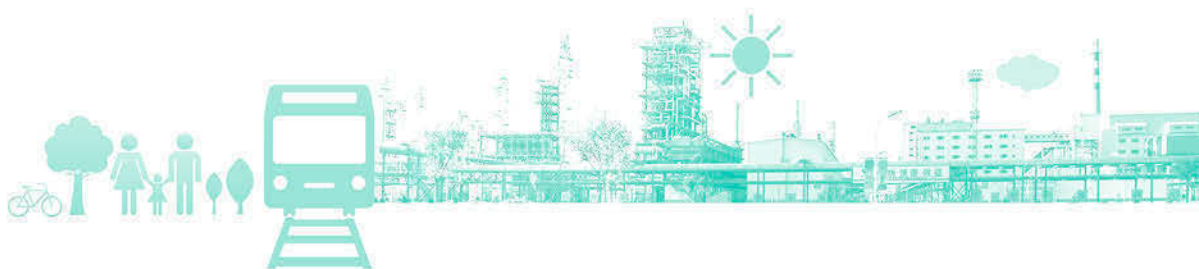
IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2017, the Group had no significant future minimum lease commitment under non-cancellable operating lease arrangement. The directors of the Company anticipate that the application of IFRS 16 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 16 will have a material impact of lease on the in the foreseeable future.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”). The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments in associates and joint ventures *(Continued)*

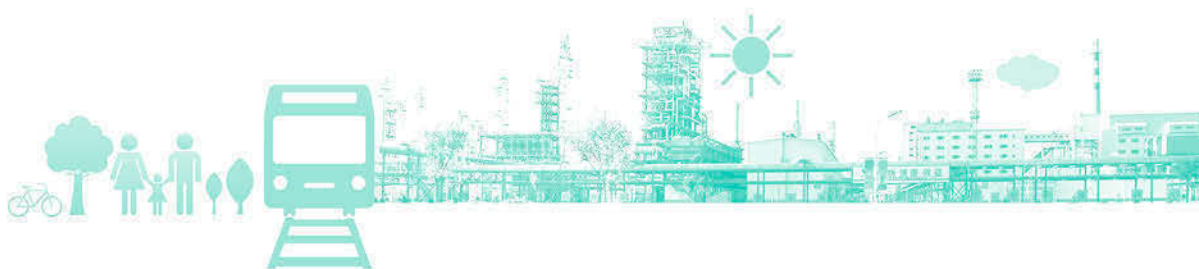
The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of the profit or loss of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, except for acquisition involving businesses under common control. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(Continued)*

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, on the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Merger accounting for business combinations under common control

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, financial statement items of the combining businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing carrying amounts from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

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

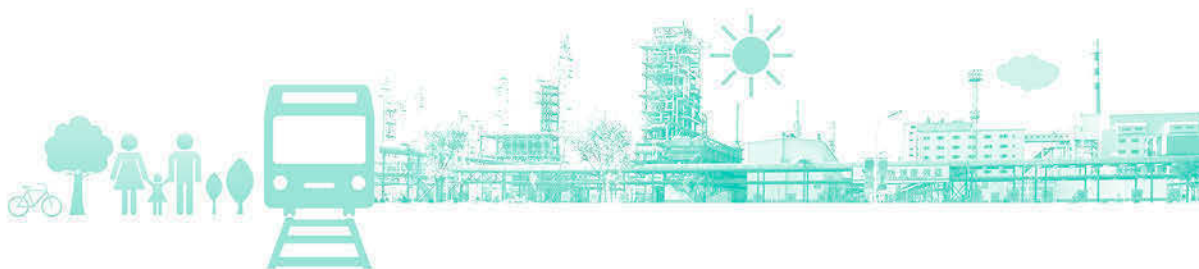
All significant intra-group transactions and balances have been eliminated on combination.

Impairment of non-financial assets

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Except for mining structures, depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, as follows:

Buildings	5 to 45 years
Plant and machinery	1 to 45 years
Motor vehicles	2 to 16 years
Railway	10 to 45 years
Road	10 to 45 years
Office equipment and others	1 to 30 years

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

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

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, the cost and the accumulated depreciation of that item at the date of transfer is transferred to investment properties correspondingly.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investment properties

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

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

A property is transferred to investment properties when, and only when, there is a change in use, as evidenced by the change of use has occurred. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Mining rights

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

Other intangible assets (other than goodwill)

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other intangible assets (other than goodwill) *(Continued)*

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leasing

A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement.

An arrangement that involves a legal form of a lease is not, in substance, accounted for as a lease if:

- (i) the Group retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;
- (ii) the primary reason for the arrangement is not to convey the right to use an asset; and
- (iii) an option is included on terms that make its exercise almost certain.

Operating leases

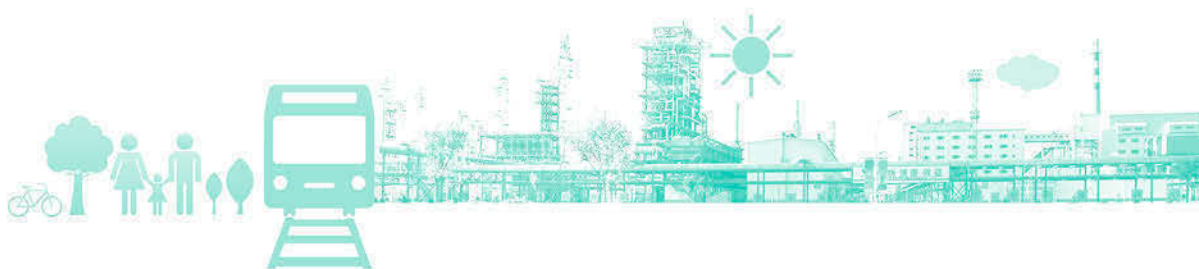
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held to maturity financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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

The Group's financial assets include available-for-sale investments, trade and bills receivables, financial assets included in prepayments, deposits and other financial assets, restricted cash and cash and cash equivalents.

Subsequent measurement

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative investment in listed and unlisted equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, at which time the cumulative loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains and losses. Dividends earned whilst holding the available-for-sale financial investments are reported as dividend income, and are recognised in profit or loss as other income in accordance with the policies set out for "Income recognition" below.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment of financial assets

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

Financial assets carried at amortised cost

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

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

Assets carried at cost

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

Available-for-sale financial investments

For available-for-sale financial investments carried at fair value, the Group assess at the end of each reporting period whether there is objective evidence that the investment is impaired.

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

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost, as appropriate.

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

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing borrowings, other borrowings and bonds payable.

Subsequent measurement

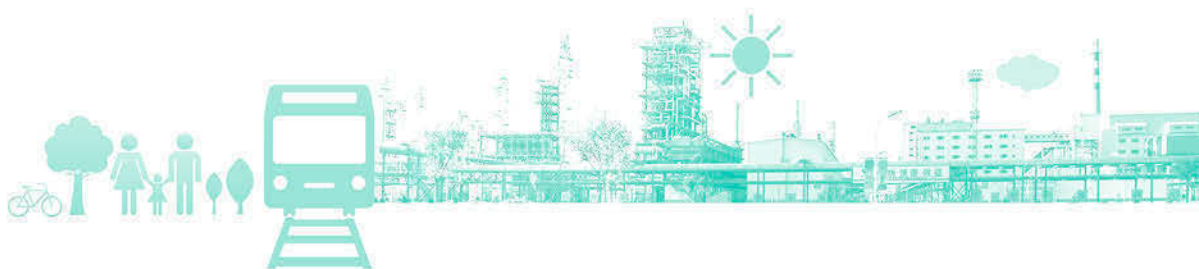
The subsequent measurement of financial liabilities depends on their classification as follows:

Trade and bills payables and financial liabilities included in other payables and accruals are subsequently measured at amortised cost.

Financial Liabilities at amortised cost

After initial recognition, financial liabilities including trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing borrowings, other borrowings and bonds payable are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortisation by effective interest rate is included in finance costs in profit or loss, or capitalised to qualifying assets, as appropriate.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions

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

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

Rehabilitation provision

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

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related coals. The Group applies IAS 2 Inventories to the costs of obligations for dismantling, removing and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax

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

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

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

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

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(Continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Where the grant relates to an asset, the amount of grant is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition

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

- (a) from the sale of goods, when the respective goods have been delivered to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) from the rendering of services, when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the Group;

Income recognition

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

- (a) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (b) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension obligations

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

Contributions to these plans are expensed as incurred, which is when employees have rendered services entitling them to the contributions. Details of the contributions are set out in Note 9 to the consolidated financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

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

Foreign currencies

These consolidated financial statements are presented in Renminbi (“RMB”), which is the Company’s functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the end of the reporting period. Differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

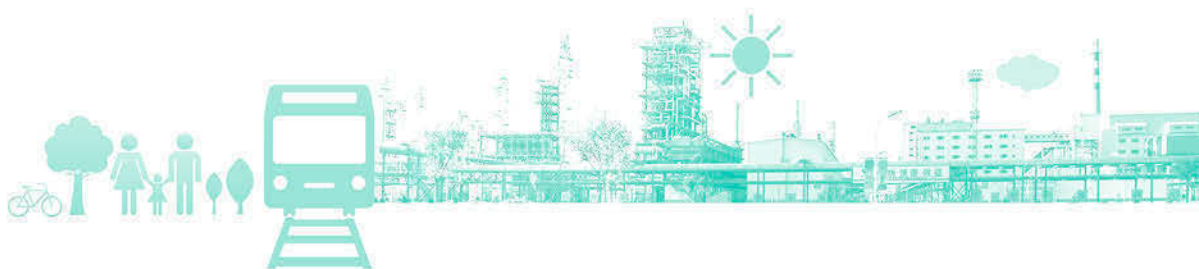
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of an overseas subsidiary is the United States dollar. As at the end of the reporting period, the assets and liabilities of this foreign operation are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and the income and expense of the entity is translated into RMB at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows.

Stripping costs

Stripping costs incurred to develop a mine (or pit) before the production commences or to improve access to the component of the ore body during the production stage are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a units-of-production basis. Stripping costs and secondary development expenditure, mainly comprising costs on blasting, haulage, excavation, etc. incurred during the production stage of the ore body are accounted for in accordance with IAS 2 Inventories.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual result may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Impairment of coal-related chemical segment assets

The Group assesses whether there are any indicators of impairment for coal-related chemical segment assets at the end of each reporting period. Coal-related chemical segment assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the relevant asset or the cash-generating unit in which the asset is attached to exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are contained in Note 14 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Significant estimates from the management is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 22 to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(Continued)*

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

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

Coal reserve and resource estimates

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

Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Details of the depreciation and amortisation of mine specific assets are set out in Note 14 and Note 17 below.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

5. OPERATING SEGMENT INFORMATION

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 or services delivered or 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; and
- (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:

	2017 RMB’000	2016 RMB’000
Coal	33,963,270	20,318,680
Coal-related chemical products	1,241,364	1,415,931
Transportation services	683,959	574,826
Others	8,806	7,693
	<u>35,897,399</u>	<u>22,317,130</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

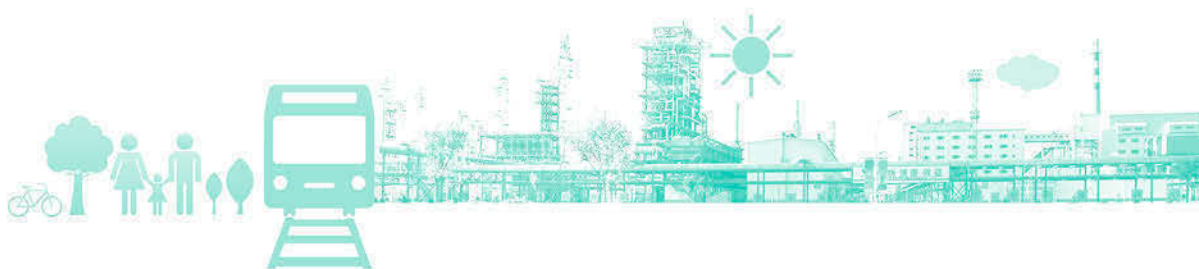
For the year ended 31 December 2017

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Revenue from major products/services (Continued)

Year ended 31 December 2017

	Coal	Transportation	Coal-related chemical	Segment total	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Sales to external customers	33,963,270	683,959	1,241,364	35,888,593	8,806	35,897,399
Intersegment sales	<u>1,235,467</u>	<u>1,417,653</u>	<u>9,584</u>	<u>2,662,704</u>	–	<u>2,662,704</u>
	35,198,737	2,101,612	1,250,948	38,551,297	8,806	38,560,103
<i>Reconciliation</i>						
Elimination of intersegment sales						<u>(2,662,704)</u>
Revenue						<u>35,897,399</u>
Segment results						
Profit/(loss) before tax	6,661,877	518,893	(10,626)	7,170,144	(23,154)	7,146,990
Income tax expense						<u>(1,433,033)</u>
Profit for the year						<u>5,713,957</u>
Segment assets	49,349,515	13,330,621	34,358,574	97,038,710	513,721	97,552,431
<i>Reconciliation</i>						
Elimination of investments costs						(10,627,089)
Elimination of intersegment receivables						(2,067,002)
Elimination of capitalised intersegment finance costs						<u>(297,812)</u>
Total assets						<u>84,560,528</u>
Segment liabilities	27,425,622	5,259,264	15,928,956	48,613,842	523,575	49,137,417
<i>Reconciliation</i>						
Elimination of intersegment payables						<u>(2,067,002)</u>
Total liabilities						<u>47,070,415</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Revenue from major products/services (Continued)

	Coal	Transportation	Coal-related chemical	Segment total	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other segment information						
Amounts included in the measure of segment results or segment assets:						
Share of gains/(losses) of associates	38,950	-	(15,886)	23,064	-	23,064
Finance income	61,910	-	-	61,910	-	61,910
Finance costs	(921,932)	(264,230)	273,967	(912,195)	(6,400)	(918,595)
Impairment losses	(43,004)	-	-	(43,004)	-	(43,004)
Depreciation and amortisation	(1,804,952)	(499,597)	(214,186)	(2,518,735)	(763)	(2,519,498)
Investments in associates	889,781	-	-	889,781	-	889,781
Investments in joint ventures	-	-	49,000	49,000	-	49,000
Capital expenditure*	1,857,392	175,055	3,926,339	5,958,786	-	5,958,786
(Loss)/gain on disposal/written off of items of property, plant and equipment and intangible assets	<u>(49,428)</u>	<u>(61)</u>	<u>787</u>	<u>(48,702)</u>	<u>(23)</u>	<u>(48,725)</u>

* Capital expenditure consists of additions to investments in associates, investments in joint ventures, property, plant and equipment, prepaid land lease payments, mining rights, other intangible assets and other non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

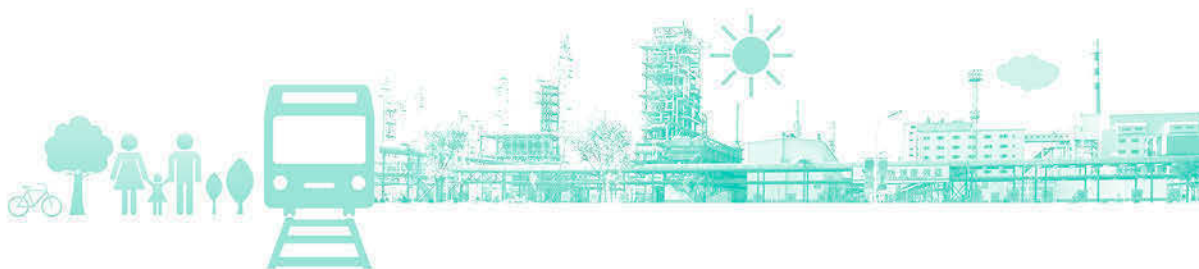
For the year ended 31 December 2017

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Revenue from major products/services (Continued)

Year ended 31 December 2016

	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Segment total RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue						
Sales to external customers	20,318,680	574,826	1,415,931	22,309,437	7,693	22,317,130
Intersegment sales	<u>266,362</u>	<u>1,185,196</u>	<u>31,769</u>	<u>1,483,327</u>	<u>–</u>	<u>1,483,327</u>
	20,585,042	1,760,022	1,447,700	23,792,764	7,693	23,800,457
<i>Reconciliation</i>						
Elimination of intersegment sales						<u>(1,483,327)</u>
Revenue						<u>22,317,130</u>
Segment results						
Profit/(loss) before tax	2,220,371	413,476	(40,778)	2,593,069	(28,198)	2,564,871
Income tax expense						<u>(439,510)</u>
Profit for the year						<u>2,125,361</u>
Segment assets	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 intersegment receivables						(10,930,912)
Elimination of capitalised intersegment finance costs						<u>(259,528)</u>
Total assets						<u>70,941,604</u>
Segment liabilities	25,877,427	5,739,124	21,171,708	52,788,259	515,957	53,304,216
<i>Reconciliation</i>						
Elimination of intersegment payables						<u>(10,930,912)</u>
Total liabilities						<u>42,373,304</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Revenue from major products/services (Continued)

	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Segment total RMB'000	Others RMB'000	Consolidated RMB'000
Other segment information						
Amounts included in the measure of segment results or segment assets:						
Share of losses of associates	(3,089)	–	(61,475)	(64,564)	–	(64,564)
Share of losses of joint ventures	(1,248)	–	–	(1,248)	–	(1,248)
Finance income	68,035	–	–	68,035	–	68,035
Finance costs	(656,809)	(226,084)	(47,558)	(930,451)	(3,478)	(933,929)
Impairment losses	(504,379)	–	–	(504,379)	–	(504,379)
Depreciation and amortisation	(1,410,543)	(414,519)	(208,897)	(2,033,959)	(960)	(2,034,919)
Investments in associates	835,273	–	57,578	892,851	–	892,851
Investments in joint ventures	31,041	–	49,000	80,041	–	80,041
Capital expenditure*	1,354,496	215,906	4,360,667	5,931,069	–	5,931,069
(Loss)/gain on disposal/written off of items of property, plant and equipment and intangible assets	(133,581)	(4,921)	254	(138,248)	–	(138,248)
Gain on disposal of subsidiaries	159,566	–	11,583	171,149	–	171,149

Geographical information

Over 90% of the revenue and operating results of the Group are derived from the PRC based on location of the operations.

The Group's non-current assets are all located in PRC.

During the year ended 31 December 2017, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

Revenue, which is also the Group's turnover, represents the amounts received and receivable for goods sold and service rendered after allowances for goods returns and trade discounts during the year.

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

	2017 RMB'000	2016 RMB'000
Revenue		
Sale of goods	35,213,440	21,742,304
Rendering of services	683,959	574,826
	<u>35,897,399</u>	<u>22,317,130</u>
Other income		
Income from the sale of materials	106,526	40,469
Income from the rendering of other services	316,719	225,937
Income from the sale of coal capacity to Yitai Group	226,415	–
Dividend income from available-for-sale investments	184,060	90,898
Tax refund	3,385	5,856
Government grants	8,431	20,204
Indemnities received	6,630	3,820
Realised fair value gain on futures contracts	–	7,969
Others	23,387	13,622
	<u>875,553</u>	<u>408,775</u>
Other gains and losses		
Gain on disposal of available-for-sale investments	–	23,947
Loss on disposal/written off of items of property, plant and equipment and intangible assets, net	(48,725)	(138,248)
Loss on impairment of assets (Note 9)	(43,004)	(504,379)
Gain on disposal of subsidiaries (Note 37(a))	324	171,149
Gain on disposal of a joint venture	6,141	–
Fair value gain/(loss) on future contracts	5,308	(14)
Reversal of impairment losses on other receivable	–	4,000
Others	(554)	–
	<u>(80,510)</u>	<u>(443,545)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

7. FINANCE INCOME

The Group's finance income is as follows:

	2017 RMB'000	2016 RMB'000
Interest income	59,237	60,724
Interest income from financial products	<u>2,673</u>	<u>7,311</u>
	<u>61,910</u>	<u>68,035</u>

8. FINANCE COSTS

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

	2017 RMB'000	2016 RMB'000
Interest on borrowings	1,517,980	1,728,212
Interest on bonds payable	<u>508,226</u>	<u>508,622</u>
Total interest expense	2,026,206	2,236,834
Less: Interest capitalised	<u>(1,107,611)</u>	<u>(1,302,905)</u>
	<u>918,595</u>	<u>933,929</u>

Borrowing costs capitalised during the year arose on the total borrowing pool and are calculated by applying a capitalisation rate of 6.60% (2016: 6.90%) per annum to expenditure on qualifying assets.

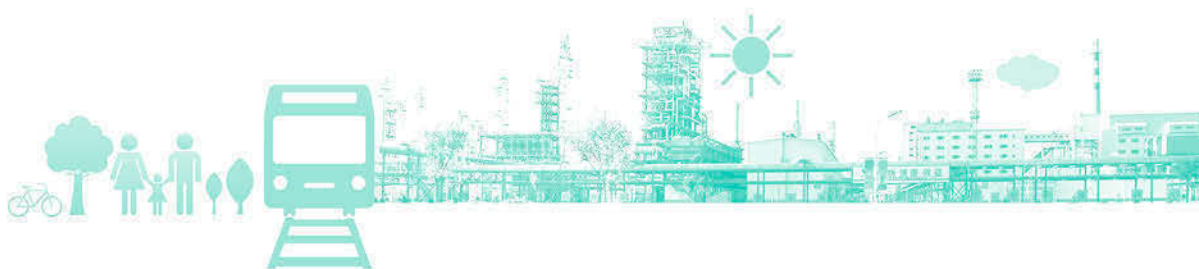
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		24,965,708	16,352,941
Cost of services provided		402,955	329,437
Depreciation of property, plant and equipment	14	2,393,539	1,929,967
Depreciation of investment properties	15	23,635	21,368
Amortisation of prepaid land lease payments	16	35,101	25,629
Amortisation of mining rights	17	21,319	22,905
Amortisation of other intangible assets	18	14,875	28,160
Amortisation of other non-current assets		31,029	6,890
Total depreciation and amortisation		2,519,498	2,034,919
Research and development costs		711,796	48,788
Auditors' remuneration		6,580	5,861
Employee benefit expense (excluding directors' and supervisors' remuneration) (Note 10):			
Wages, salaries and other employees' benefits		2,142,759	1,151,865
Pension scheme contributions (defined contribution plans)*		42,663	58,393
		2,185,422	1,210,258
Impairment losses included in other gains and losses:			
Impairment of trade receivables		55	7,508
Impairment of property, plant and equipment		–	464,416
Impairment of available-for-sale investments		–	23,768
Impairment of inventories		42,949	–
Others		–	8,687
		43,004	504,379
Rental income from investment properties		16,250	36,616
		16,250	36,616



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

9. PROFIT BEFORE TAX (CONTINUED)

- * The Group participates, in line with the regulations of the PRC, in a defined contribution retirement scheme operated by the government. In addition, the Group makes contribution to a supplemental defined contribution scheme for its employees. The supplemental defined contribution scheme, which is managed by a qualified fund manager, is funded from both employees (RMB50 per month per staff) and the Group (RMB250 per month per staff). The only obligation of the Group with respect to those schemes is to make the specified contributions.

10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the year is as follows:

	2017 RMB'000	2016 RMB'000
Salaries and allowances to Independent non-executive directors	724	500
Salaries and allowances to Executive directors and Supervisors	5,087	6,358
Discretionary bonuses	1,088	446
Pension scheme contributions	312	484
Total	<u>7,211</u>	<u>7,788</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

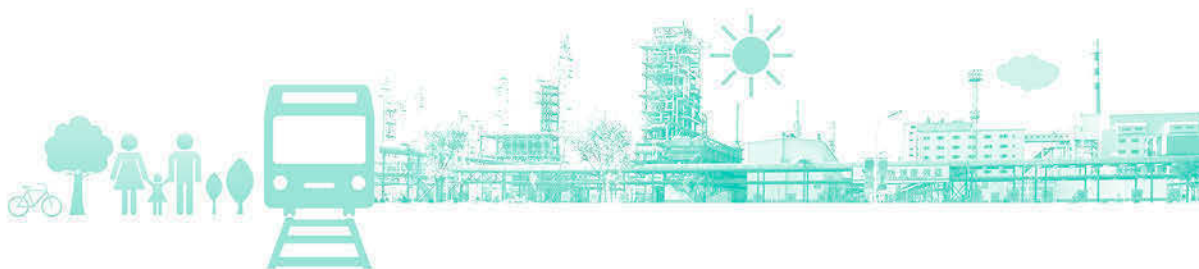
For the year ended 31 December 2017

10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and supervisors' remuneration (Continued)

The remuneration of each of the directors and supervisors of the Group for the years ended 31 December 2017 and 2016 is as follows:

	Fee RMB'000	Salaries and allowances to Executive directors and Supervisors RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2017					
Executive directors:					
Zhang Donghai ¹	–	1,473	343	34	1,850
Liu Chunlin ⁸	–	19	–	32	51
Lv Guiliang	–	721	78	34	833
Song Zhanyou	–	823	96	34	953
Zhang Jingquan ^{2&8}	–	5	–	–	5
Zhang Dongsheng ⁸	–	19	–	–	19
Ge Yaoyong ⁸	–	19	–	–	19
Wang Sanmin ³	–	494	289	27	810
	–	<u>3,573</u>	<u>806</u>	<u>161</u>	<u>4,540</u>
Independent non-executive directors:					
Tam Kwok Ming, Banny ⁴	104	–	–	–	104
Yu Youguang	158	–	–	–	158
Zhang Zhiming	158	–	–	–	158
Huang Sujian	158	–	–	–	158
Wong Hin Wing ⁵	146	–	–	–	146
	<u>724</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>724</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and supervisors' remuneration (Continued)

	Fee RMB'000	Salaries and allowances to Executive directors and Supervisors RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Supervisors:					
Li Wenshan ^{6&8}	-	3	-	-	3
Wang Xiaodong ⁶	-	402	12	33	447
Han Zhanchun ⁶	-	289	139	-	428
Jia Xiaolan	-	342	30	-	372
Wang Yongliang	-	83	-	-	83
Wu Qu	-	83	-	34	117
Ji Zhifu ^{6&8}	-	3	-	37	40
Yuan Bing ^{7&8}	-	7	-	-	7
Liu Xianghua ^{7&8}	-	7	-	26	33
Li Cailing ⁷	-	168	73	21	262
He Peixun ⁷	-	127	28	-	155
	-	1,514	282	151	1,947
	724	5,087	1,088	312	7,211

¹ Zhang Donghai is the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

² Zhang Jingquan resigned as an executive director in June 2017.

³ Wang Sanmin was appointed as an executive director in June 2017.

⁴ Tam Kwok Ming, Banny resigned as an oversea independent non-executive director in June 2017.

⁵ Wong Hin Wing was appointed as an oversea independent non-executive director in June 2017.

⁶ Li Wenshan, Ji Zhifu, Han Zhanchun and Wang Xiaodong resigned as supervisors in June 2017.

⁷ Yuan Bing, Liu Xianghua, Li Cailing and He Peixun were appointed as supervisors in June 2017.

⁸ Mr. Ge Yaoyong, Mr. Zhang Dongsheng, Mr. Zhang Jingquan, Mr. Li Wenshan, Mr. Ji Zhifu, Mr. Yuan Bing and Mr. Liu Xianghua did not receive basic salaries from the Group for their services provided to the Group from 2017 as they were also management of Yitai Group and their basic salaries were paid by Yitai Group from 2017. Mr. Liu Chunlin did not receive basic salary from the Group for his service provided to the Group from February 2017 as he was also management of Yitai Group from February 2017 and his basic salary was paid by Yitai Group from then.

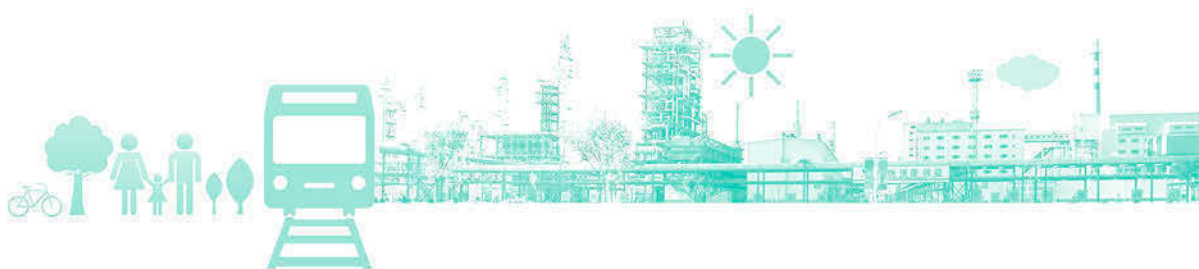
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and supervisors' remuneration (Continued)

	Fee RMB'000	Salaries and allowances to Executive directors and Supervisors RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2016					
Executive directors:					
Zhang Donghai	–	1,328	106	58	1,492
Liu Chunlin	–	828	94	58	980
Lv Guiliang	–	817	89	58	964
Song Zhanyou	–	816	95	58	969
Zhang Jingquan	–	707	40	58	805
Zhang Dongsheng	–	12	–	–	12
Ge Yaoyong	–	12	–	–	12
	–	4,520	424	290	5,234
Independent non-executive directors:					
Tam Kwok Ming, Banny	200	–	–	–	200
Yu Youguang	100	–	–	–	100
Zhang Zhiming	100	–	–	–	100
Qi Yongxing ¹	92	–	–	–	92
Huang Sujian ²	8	–	–	–	8
	500	–	–	–	500



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and supervisors' remuneration (Continued)

	Fee RMB'000	Salaries and allowances to Executive directors and Supervisors RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Supervisors:					
Li Wenshan	–	707	–	58	765
Wang Xiaodong	–	548	2	58	608
Han Zhanchun	–	239	20	39	298
Jia Xiaolan	–	217	–	39	256
Wang Yongliang	–	60	–	–	60
Wu Qu	–	60	–	–	60
Ji Zhifu	–	7	–	–	7
	–	1,838	22	194	2,054
	500	6,358	446	484	7,788

¹ Qi Yongxing resigned as an executive director in November 2016.

² Huang Sujian was appointed as an independent non-executive director in November 2016.

The executive directors' and supervisors' remunerations shown above were for their services in connection with the management of the affairs of the Company and Group.

The independent non-executive directors' remunerations shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

10. DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(b) Five highest paid employees

The five highest paid employees of the Group during the year include four executive directors (2016: five executive directors and a supervisor), details of whose remuneration are set out in Note 10(a) above.

The emoluments of the one (2016: nil) individual were as follows:

	2017 RMB'000	2016 RMB'000
Salaries and allowances	702	—
Performance related bonuses	72	—
Pension scheme contributions	34	—
Total	<u>808</u>	<u>—</u>

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2017 No. of employees	2016 No. of employees
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>—</u>

* Certain directors and supervisors of the Group are entitled to bonus payments which are determined based on both production safety and performance efficiency.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

11. INCOME TAX EXPENSE

	Notes	2017 RMB'000	2016 RMB'000
Current tax – Mainland China		1,307,049	163,390
(Over)/under provision in prior years		(127,171)	458
Deferred tax	22 & 31	<u>253,155</u>	<u>275,662</u>
Total tax charge for the year		<u><u>1,433,033</u></u>	<u><u>439,510</u></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 projects of a subsidiary, which was also entitled to a preferential CIT rate of 15% according to the revised version of the Guidance Catalogue for Adjustment of Industrial Structure, 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 2013, 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).

In 2017, the relevant authority clarified that the Company was eligible to enjoy preferential CIT rate of 15% for the period from June 2013 to October 2014 when the Catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄, “CEIWC”) effected. The CIT of RMB120,857,000 previously paid was refunded in 2017.

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rate to the tax expense for each of the years ended 31 December 2017 and 2016 is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

11. INCOME TAX EXPENSE (CONTINUED)

	2017 RMB'000	2016 RMB'000
Profit before tax	<u>7,146,990</u>	<u>2,564,871</u>
Tax at the statutory tax rate of 25%	1,786,748	641,218
Effect of preferential tax rates	(168,583)	(94,807)
Income not subject to tax	(137,575)	(103,791)
(Over)/under provision in respect of current tax of previous periods	(127,171)	458
Tax effect of entertainment expenses not deductible for tax purposes	19,846	7,070
Tax effect of profits and losses attributable to associates and joint ventures	(5,766)	10,305
Tax effect of tax losses and impairment not recognised	75,229	5,406
Utilisation of tax losses and impairment which were not recognised previously	(11,817)	(33,797)
Others	<u>2,122</u>	<u>7,448</u>
Tax charge at the Group's effective rate	<u><u>1,433,033</u></u>	<u><u>439,510</u></u>

12. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2016 final – RMB1.84 (2015 final: RMB0.08) per ten ordinary shares	<u><u>598,737</u></u>	<u><u>27,659</u></u>

The board of directors of the Company recommended on 21 March 2018 to propose a final cash dividend of RMB1,480,573,000 or RMB4.55 per ten (2016: RMB598,737,000 or RMB1.84 per ten) ordinary shares. The above-mentioned proposed final cash dividend for the year ended 31 December 2017 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

13. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company and the number of ordinary shares in issue during the year.

The calculations of basic earnings per share are based on:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	<u>4,925,370</u>	<u>1,985,762</u>
Shares		
Number of ordinary shares in issue during the year (in thousand)	<u>3,254,007</u>	<u>3,254,007</u>

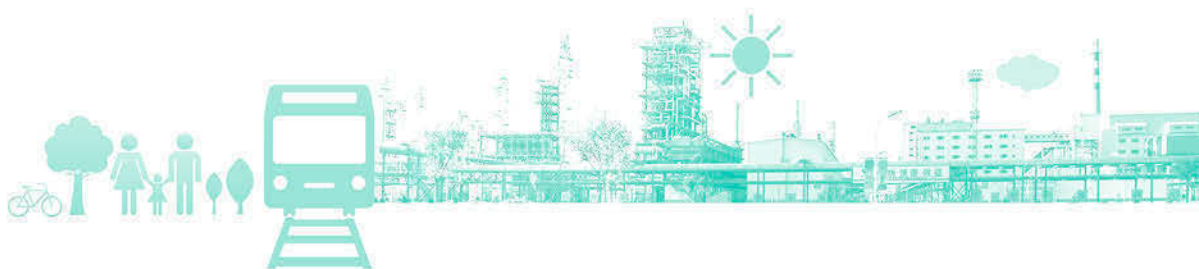
No diluted earnings per share was calculated since the Group had no potential ordinary shares in issue for the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017									
At 1 January 2017									
Cost	6,166,381	5,012,740	8,523,614	687,845	11,679,357	714,582	871,230	22,836,272	56,492,021
Accumulated depreciation and impairment	(1,441,712)	(2,440,141)	(3,836,893)	(466,782)	(1,359,583)	(218,770)	(517,041)	(239,634)	(10,520,556)
Net carrying amount	<u>4,724,669</u>	<u>2,572,599</u>	<u>4,686,721</u>	<u>221,063</u>	<u>10,319,774</u>	<u>495,812</u>	<u>354,189</u>	<u>22,596,638</u>	<u>45,971,465</u>
At 1 January 2017, net of accumulated depreciation and impairment	4,724,669	2,572,599	4,686,721	221,063	10,319,774	495,812	354,189	22,596,638	45,971,465
Additions	35,456	1,302,378	294,478	21,041	-	-	36,997	3,612,820	5,303,170
Depreciation provided during the year	(284,177)	(1,057,205)	(575,682)	(43,842)	(287,653)	(40,755)	(104,225)	-	(2,393,539)
Transfers/reclassifications	186,465	124,354	47,850	-	(183,601)	21,963	364,649	(561,680)	-
Disposals/written off	(110,776)	-	(58,342)	(2,021)	-	-	(418)	-	(171,557)
Transfers to investment properties (Note 15)	(135,750)	-	-	-	-	-	-	-	(135,750)
At 31 December 2017, net of accumulated depreciation and impairment	<u>4,415,887</u>	<u>2,942,126</u>	<u>4,395,025</u>	<u>196,241</u>	<u>9,848,520</u>	<u>477,020</u>	<u>651,192</u>	<u>25,647,778</u>	<u>48,573,789</u>
At 31 December 2017:									
Cost	6,042,154	6,439,467	8,610,247	685,403	11,447,376	738,482	1,287,320	25,887,379	61,137,828
Accumulated depreciation and impairment	(1,626,267)	(3,497,341)	(4,215,222)	(489,162)	(1,598,856)	(261,462)	(636,128)	(239,601)	(12,564,039)
Net carrying amount	<u>4,415,887</u>	<u>2,942,126</u>	<u>4,395,025</u>	<u>196,241</u>	<u>9,848,520</u>	<u>477,020</u>	<u>651,192</u>	<u>25,647,778</u>	<u>48,573,789</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Railway RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016									
At 1 January 2016:									
Cost	4,778,184	4,693,009	7,477,539	676,406	8,106,972	817,523	770,244	25,593,191	52,913,068
Accumulated depreciation and impairment	(1,060,457)	(2,157,540)	(3,480,019)	(415,810)	(1,139,121)	(320,852)	(441,879)	(41,938)	(9,057,616)
Net carrying amount	<u>3,717,727</u>	<u>2,535,469</u>	<u>3,997,520</u>	<u>260,596</u>	<u>6,967,851</u>	<u>496,671</u>	<u>328,365</u>	<u>25,551,253</u>	<u>43,855,452</u>
At 1 January 2016, net of accumulated depreciation and impairment	3,717,727	2,535,469	3,997,520	260,596	6,967,851	496,671	328,365	25,551,253	43,855,452
Additions	24,165	265,151	363,018	25,917	14,454	-	39,434	4,260,961	4,993,100
Depreciation provided during the year	(235,443)	(532,439)	(752,509)	(59,685)	(220,462)	(36,294)	(93,135)	-	(1,929,967)
Transfers/reclassifications	1,544,800	458,234	1,239,973	-	3,557,931	42,376	122,129	(6,965,443)	-
Disposal of subsidiaries	(33,838)	(66,715)	(3,981)	(743)	-	(2,702)	(3,706)	(8,667)	(120,352)
Disposals/written off	(72,615)	(85,022)	(157,300)	(5,022)	-	(1,663)	(38,898)	(1,832)	(362,352)
Impairment	(220,127)	(2,079)	-	-	-	(2,576)	-	(239,634)	(464,416)
At 31 December 2016, net of accumulated depreciation and impairment	<u>4,724,669</u>	<u>2,572,599</u>	<u>4,686,721</u>	<u>221,063</u>	<u>10,319,774</u>	<u>495,812</u>	<u>354,189</u>	<u>22,596,638</u>	<u>45,971,465</u>
At 31 December 2016:									
Cost	6,166,381	5,012,740	8,523,614	687,845	11,679,357	714,582	871,230	22,836,272	56,492,021
Accumulated depreciation and impairment	(1,441,712)	(2,440,141)	(3,836,893)	(466,782)	(1,359,583)	(218,770)	(517,041)	(239,634)	(10,520,556)
Net carrying amount	<u>4,724,669</u>	<u>2,572,599</u>	<u>4,686,721</u>	<u>221,063</u>	<u>10,319,774</u>	<u>495,812</u>	<u>354,189</u>	<u>22,596,638</u>	<u>45,971,465</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group is in the process of applying for or changing the registration of the title certificates for certain of its buildings with an aggregate net carrying amount of approximately RMB775,891,000 (2016: RMB589,042,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2017.

Impairment losses recognised

During the year ended 31 December 2016, the Group re-assessed the local economic environment and prospects of its hotel business, and considered that it is apparently the best available option to scale down the hotel business to minimise the Group's exposure. The director of the Company conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to low utilization. Accordingly, impairment losses of RMB458,235,000 have been recognised in respect of property, plant and equipment, which are used in the Group's hotel business. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amount of value in use was 10% in relation to property, plant and equipment. There was no further impairment on those assets for the year ended 31 December 2017.

Coal-related chemical segment

The property, plant and equipment of coal-related chemical segment amounted to RMB25,741 million, including construction in progress of RMB22,790 million. The recoverable amount of these assets were determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 2-year period after the respective planned construction periods, and discount rate of 11% (2016: 11%). The cash flows beyond 2-year budgets are extrapolated using a steady 3% (2016: 3%) growth rate. This growth rate is based on the expectation of long-term inflation in the PRC. Other key assumptions for the value in use calculation relates to the estimation of cash inflows/outflows which include budgeted sales and gross margin and construction periods, such estimation is based on the past experience and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions (including selling price, sales quantity, discount rate and construction period) would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of these assets.

No impairment loss has been recognised during the year and last year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

15. INVESTMENT PROPERTIES

	Note	2017 RMB'000	2016 RMB'000
Cost:			
At 1 January		572,936	572,936
Transfer from property, plant and equipment	14	135,750	–
Disposals/written off		(54,970)	–
At 31 December		<u>653,716</u>	<u>572,936</u>
Accumulated depreciation:			
At 1 January		(132,457)	(111,089)
Disposals/written off		31,389	–
Depreciation for the year		(23,635)	(21,368)
At 31 December		<u>(124,703)</u>	<u>(132,457)</u>
Net carrying amount at 31 December		<u><u>529,013</u></u>	<u><u>440,479</u></u>

The Group's investment properties are situated in Mainland China, and are leased to third parties under operating leases with lease terms of 1 to 10 years, further summary details of which are included in Note 35(a) to the consolidated financial statements.

16. PREPAID LAND LEASE PAYMENTS

	Note	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January		1,336,164	910,154
Additions		90,561	459,938
Disposals		(1,524)	–
Disposal of subsidiaries	37	–	(8,299)
Amortisation of the year		(35,101)	(25,629)
Carrying amount at 31 December		1,390,100	1,336,164
Current portion included in prepayments, deposits and other financial assets		<u>(36,464)</u>	<u>(25,630)</u>
Non-current portion		<u><u>1,353,636</u></u>	<u><u>1,310,534</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

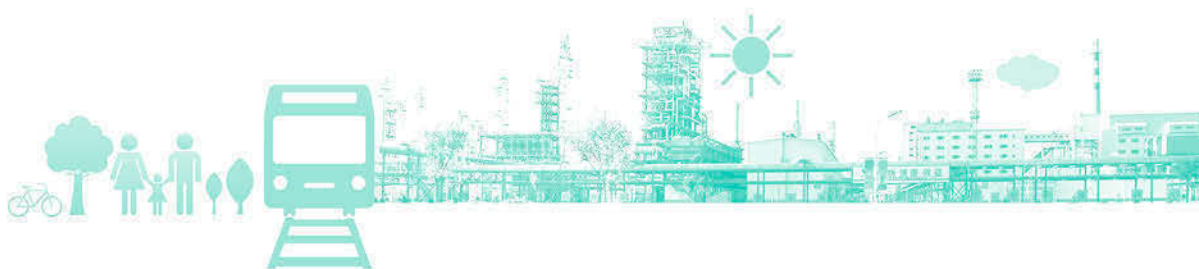
For the year ended 31 December 2017

17. MINING RIGHTS

	2017 RMB'000	2016 RMB'000
Cost as at 1 January, net of accumulated amortisation	338,877	369,057
Additions	156,332	–
Disposal of subsidiaries	–	(7,275)
Amortisation for the year	<u>(21,319)</u>	<u>(22,905)</u>
Cost as at 31 December, net of accumulated amortisation and impairment	<u>473,890</u>	<u>338,877</u>
As at 31 December:		
Cost	712,521	556,189
Accumulated amortisation and impairment	<u>(238,631)</u>	<u>(217,312)</u>
Net carrying amount	<u>473,890</u>	<u>338,877</u>

18. OTHER INTANGIBLE ASSETS

	Coal capacity RMB'000	Software and patent RMB'000	Total RMB'000
Cost as at 1 January 2016, net of accumulated amortisation	–	56,657	56,657
Additions	–	2,522	2,522
Disposal	–	(1,221)	(1,221)
Amortisation provided during the year	<u>–</u>	<u>(28,160)</u>	<u>(28,160)</u>
Cost as at 31 December 2016, net of accumulated amortisation	<u>–</u>	<u>29,798</u>	<u>29,798</u>
As at 31 December 2016:			
Cost	–	145,270	145,270
Accumulated amortisation	<u>–</u>	<u>(115,472)</u>	<u>(115,472)</u>
Net carrying amount	<u>–</u>	<u>29,798</u>	<u>29,798</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

18. OTHER INTANGIBLE ASSETS (CONTINUED)

	Coal capacity RMB'000	Software and patent RMB'000	Total RMB'000
Cost as at 1 January 2017, net of accumulated amortisation	–	29,798	29,798
Additions	227,479	1,355	228,834
Amortisation provided during the year	(4,096)	(10,779)	(14,875)
Cost as at 31 December 2017, net of accumulated amortisation	<u>223,383</u>	<u>20,374</u>	<u>243,757</u>
As at 31 December 2017:			
Cost	227,479	146,625	374,104
Accumulated amortisation	(4,096)	(126,251)	(130,347)
Net carrying amount	<u>223,383</u>	<u>20,374</u>	<u>243,757</u>

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software and patent	3-20 years
Coal capacity	20-30 years

The Company entered into two agreements on transfer of coal capacity replacement quota (the "Transfer Agreements") with two independent third parties at a total considerations of RMB227,479,000 in 2017. According to the Transfer Agreements and policies, the coal capacity of 2.808 million ton per quota year can be utilised by the Group. The coal capacity has been allocated to three coal mines after approved by the government. The acquired coal capacity has been recognised as other intangible assets and amortised in straight-line method.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

19. INVESTMENTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of investments in joint ventures	49,000	79,717
Share of post-acquisition profits and other comprehensive income	—	324
Share of net assets	<u>49,000</u>	<u>80,041</u>

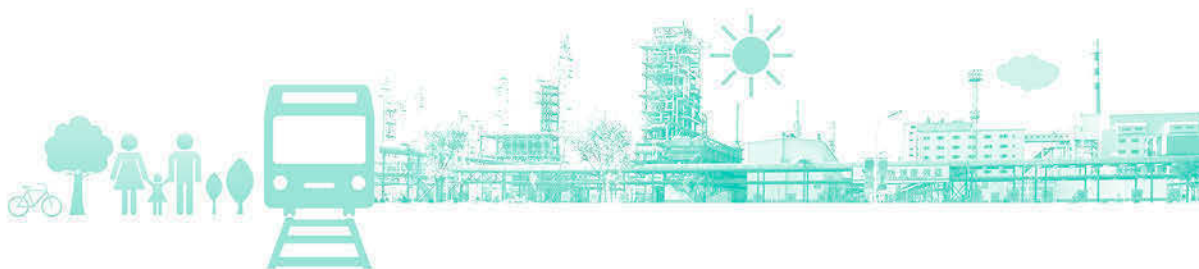
Particulars of joint ventures are set out in Note 44.

The Group's shareholdings in joint ventures listed in Note 44 comprise equity shares held through subsidiaries of the Company.

The following table illustrates the financial information of the Group's joint ventures which are individually immaterial:

	2017 RMB'000	2016 RMB'000
Share of joint ventures' profit for the year	—	1,248
Aggregate carrying amount of the Group's investments in joint ventures	<u>49,000</u>	<u>80,041</u>

On 3 March 2017, the Company entered into an equity transfer agreement with Noble Resources International PTE. LTD., an unrelated party, to transfer the entire 50% equity interest in Tailai Coal (Shanghai) Co., Ltd. (泰來煤炭(上海)有限公司) for a cash consideration of the United State Dollar ("USD") 5,396,885 (equivalent to approximately RMB37,182,000). Gain of RMB6,141,000 has been recognised for the disposal.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

20. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of investments in associates	846,534	872,301
Share of post-acquisition profits less dividends	43,247	20,550
Share of net assets	889,781	892,851

Particulars of the principal associates are set out in Note 44.

The Group's trade receivable and payable balances with the associates are disclosed in Notes 24 and 27, respectively.

The following table illustrates the summarised financial information in respect of material associates of the Group, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	Inner Mongolia Jingtai Electronic Power Generation Co., Ltd.		Inner Mongolia Yitai Finance Co., Ltd.	
	2017 RMB'000	2016 RMB'000	2017 RMB'000 (Note)	2016 RMB'000 (Note)
Current assets	207,003	166,789	Not relevant	Not relevant
Non-current assets	2,271,101	2,313,798	Not relevant	Not relevant
Total assets	2,478,104	2,480,587	6,898,121	3,762,874
Current liabilities	(1,171,083)	(386,059)	Not relevant	Not relevant
Non-current liabilities	(462,152)	(1,197,078)	Not relevant	Not relevant
Total liabilities	(1,633,235)	(1,583,137)	(5,812,178)	(2,751,355)
Net assets	844,869	897,450	1,085,943	1,011,519
Reconciliation to the Group's interest:				
Proportion of the Group's interest	29%	29%	40%	40%
Carrying amount of the Group's interest	245,012	260,261	434,377	404,608
Revenue	634,498	560,881	141,142	85,653
(Loss)/profit and total comprehensive income for the year	(50,615)	4,919	74,424	9,838
Dividend received	570	12,286	-	-

Note: The associates present the statement of financial position based on liquidity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

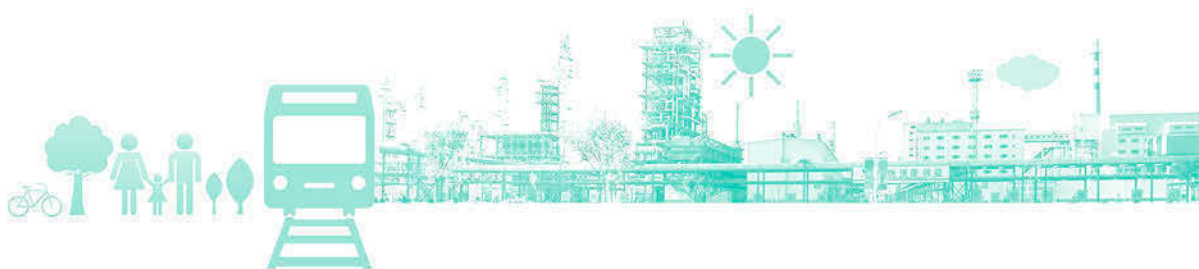
The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Share of profit/(loss) and total comprehensive income/ (expenses) for the year	7,973	(69,926)
Aggregate carrying amount of the Group's interest in these associates	<u>210,392</u>	<u>227,982</u>

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Listed equity investments, at fair value:		
Hong Kong	41,958	30,273
Unlisted equity investments, at cost	<u>8,830,618</u>	<u>8,837,880</u>
	<u>8,872,576</u>	<u>8,868,153</u>

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be reliably measured.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

21. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

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

	Percentage of equity interest attributable to the Group		2017 RMB'000	2016 RMB'000
	2017	2016		
Qinhuangdao Port Co., Ltd. (秦皇島港股份有限公司)	4%	4%	41,958	30,273
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9%	9%	2,700,045	2,700,045
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	15%	15%	532,800	532,800
Zhunshuo Railway Co., Ltd. (准朔鐵路有限公司)	19%	19%	865,287	865,287
Nanbu Railway Co., Ltd. (南部鐵路有限責任公司)	10%	10%	200,000	200,000
Mengxi-Huazhong Railway Co., Ltd. (蒙西華中鐵路股份有限公司)	10%	10%	600,000	600,000
Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)	10%	10%	3,824,000	3,824,000
Others			108,486	115,748
			8,872,576	8,868,153

22. DEFERRED TAX ASSETS

The movements in deferred tax during the year are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	1,009,510	1,286,812
Deferred tax charged to other comprehensive income	(2,921)	–
Deferred tax charged to profit or loss	(254,109)	(277,302)
At 31 December	752,480	1,009,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

22. DEFERRED TAX ASSETS

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

	Impairment RMB'000	Deferred income RMB'000	Fair value adjustments arising from acquisition of business RMB'000	Tax losses RMB'000	Accrued expense RMB'000	Unrealised profits from sales within the Group RMB'000	Profits from testing construction in progress RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	39,470	15,292	756,423	283,010	192,617	-	-	-	1,286,812
Credited/(charged) to profit or loss during the year	105,565	(12,757)	(144,554)	(276,378)	(67,888)	61,361	43,036	14,313	(277,302)
At 31 December 2016	145,035	2,535	611,869	6,632	124,729	61,361	43,036	14,313	1,009,510
Credited/(charged) to profit or loss during the year	6,600	(143)	(113,345)	(6,632)	(115,468)	(22,951)	(1,562)	(608)	(254,109)
Charged to other comprehensive income during the year	-	-	-	-	-	-	-	(2,921)	(2,921)
At 31 December 2017	151,635	2,392	498,524	-	9,261	38,410	41,474	10,784	752,480

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

	2017 RMB'000	2016 RMB'000
Impairments	16,371	12,531
Tax losses	474,616	224,808
	490,987	237,339

The above tax losses are available for a maximum of 5 years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

23. INVENTORIES

	2017 RMB'000	2016 RMB'000
Materials and supplies	502,283	377,889
Finished goods	1,072,321	1,429,801
	1,574,604	1,807,609
Less: Provision for impairment	(47,264)	(3,887)
	1,527,340	1,803,803

24. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	2,132,749	2,158,087
Amounts due from associates	49,710	8,164
Amounts due from Yitai Group	244	-
	2,182,703	2,166,251
Less: Provision for impairment	(7,508)	(7,508)
	2,175,195	2,158,743
Bills receivable	111,874	173,548
	2,287,069	2,332,291

The Group requires certain of its customers to pay in advance and makes provision for the doubtful trade receivable balance at the end of the 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 six months. As at 31 December 2017, amounts of RMB30,690,000 (2016:nil) of bills receivable were pledged to banks for the bills issued by the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within six months	<u>2,175,195</u>	<u>2,158,743</u>

Except RMB7,508,000 of receivables was impaired, all the receivables were neither past due nor impaired, and relate to a wide range of customers for whom there was no recent history of default.

At 31 December 2017, the Group endorsed certain bills receivables (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 RMB1,129,653,147 (2016: RMB613,600,000). The Bills had a maturity of one to five months at the end of the reporting period. In accordance to the relevant laws in the PRC, the holders of the bills receivables have a right of recourse against the Group if the issuing banks default payment (the "Continuing Involvement"). In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership relating to these bills receivables, and accordingly derecognised the full carrying amounts of the bills receivables. The fair values of the Continuing Involvement are insignificant, and the Group has not recognised any loss in relation to the Continuing Involvement both during the year or cumulatively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

25. PREPAYMENTS, DEPOSITS AND OTHER FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Amounts due from associates	–	2,516
Amounts due from a related party ¹	29,489	2,282
Advances to suppliers	882,512	577,499
Prepayments of value added tax	1,536,829	1,162,825
Dividends receivables	100,000	–
Other prepayments	210,899	268,695
Staff advances	9,375	10,984
Deposits	171,463	59,099
Investment in financial products	30,000	200,000
Consideration of disposal of a subsidiary	–	129,000
Consideration of disposal of equity interests of a subsidiary ²	971,250	–
Other receivables	887	156
	<u>3,942,704</u>	<u>2,413,056</u>
Less: Provision for impairment	<u>(4,666)</u>	<u>(4,666)</u>
	<u>3,938,038</u>	<u>2,408,390</u>

¹ A company controlled by an immediate family member of the chairman of the board of directors of the Company.

² Footnote 3 to consolidated statement of changes in equity.

The investment in financial products represents two investments measured at amortised cost and were operated by banks. The investments are principal protected with an annual fixed return ranged from 2.15% to 3.80% per annum (2016: 3.10% to 3.25% per annum). The maturity of the financial products is in January 2018 (2016: January 2017). As at 31 December 2017, amounts of RMB30,000,000 (2016:nil) of financial products were pledged to banks for the bills issued by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

26. CASH AND CASH EQUIVALENTS

	Notes	2017 RMB'000	2016 RMB'000
Cash and bank balances		11,033,829	2,448,697
Deposits with other financial institution		3,544,529	2,547,895
Time deposits with maturity within three months		–	49,000
Less: Restricted cash	(a)	(845,260)	(612,832)
Cash and cash equivalents		<u>13,733,098</u>	<u>4,432,760</u>
Denominated in RMB	(b)	13,579,608	4,417,958
Denominated in other currencies		<u>153,490</u>	<u>14,802</u>
		<u>13,733,098</u>	<u>4,432,760</u>

Notes:

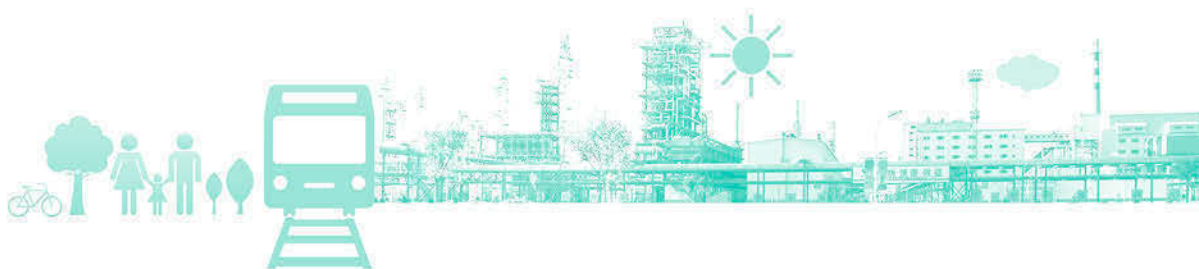
- (a) As at 31 December 2017, the Group's bank balances of approximately RMB33,605,000 (2016: RMB34,830,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations 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 31 December 2017, amounts of RMB787,233,000 (2016: RMB578,002,000) were deposited at banks as guarantee fund for the bills issued by the Group.

As at 31 December 2017, amounts of RMB24,422,000 were deposited at a bank as guarantee fund for international letter of credit.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

27. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables to third parties	1,648,737	1,293,786
Trade payables to associates	34	18,061
Trade payables to Yitai Group	537,598	162,771
Trade payables to other related parties	11	104
	<u>2,186,380</u>	<u>1,474,722</u>
Bills payable	<u>1,251,642</u>	<u>1,222,860</u>
	<u><u>3,438,022</u></u>	<u><u>2,697,582</u></u>

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

	2017 RMB'000	2016 RMB'000
Within six months	698,508	840,369
Over six months but within one year	785,653	459,119
Over one year but within two years	602,278	121,482
Over two years but within three years	90,364	33,659
Over three years	9,577	20,093
	<u>2,186,380</u>	<u>1,474,722</u>

Bills payable are bills of exchange with maturity of less than six 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

28. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Advances from customers	390,277	407,650
Accrued salaries, wages and benefits	413,506	256,825
Other tax payables	740,892	1,114,308
Accrued interest	235,588	238,354
Payables for property, plant and equipment	2,890,742	2,990,732
Accruals	107,684	61,340
Amounts due to Yitai Group	309,755	311,736
Amounts due to associates	3,414	3,307
Amounts due to a jointly-controlled entity	8,856	–
Amounts due to other related parties	980	7,644
Consideration payable for acquisition of non-controlling interests (Note 44)	–	129,000
Other payables	240,118	114,705
Dividend payable to non-controlling interests	710	76,079
	5,342,522	5,711,680



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

29. INTEREST-BEARING BORROWINGS – UNSECURED

	2017 RMB'000	2016 RMB'000
Current – at amortised cost:		
Guaranteed loans	1,500,000	–
Unguaranteed loans	700,000	1,400,000
Current portion of long-term guaranteed loans	184,525	78,672
Current portion of long-term unguaranteed loans	<u>4,081,370</u>	<u>555,913</u>
Total current loans	<u>6,465,895</u>	<u>2,034,585</u>
Non-current – at amortised cost:		
Guaranteed loans	2,525,530	2,022,060
Unguaranteed loans	<u>20,660,843</u>	<u>20,897,214</u>
Total non-current loans	<u>23,186,373</u>	<u>22,919,274</u>
Total loans	<u>29,652,268</u>	<u>24,953,859</u>
Denominated in RMB	29,544,502	24,823,582
Denominated in USD	<u>107,766</u>	<u>130,277</u>
	<u>29,652,268</u>	<u>24,953,859</u>
Fixed-rate loans	4,003,618	5,877,009
Floating-rate loans	<u>25,648,650</u>	<u>19,076,850</u>
	<u>29,652,268</u>	<u>24,953,859</u>

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

	2017 %	2016 %
Fixed-rate loans	3.33-8.00	3.33-8.50
Floating-rate loans	<u>4.35-6.15</u>	<u>4.41-5.61</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

29. INTEREST-BEARING BORROWINGS – UNSECURED (CONTINUED)

The maturity profile of the loans is as follows:

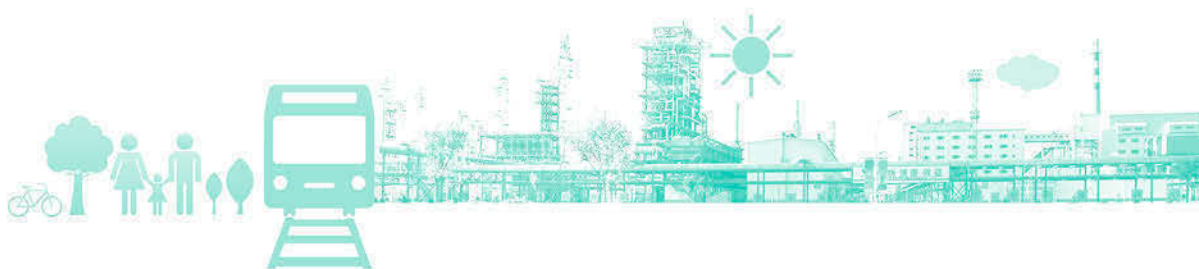
	2017 RMB'000	2016 RMB'000
Analysed into:		
Loans repayable:		
Within one year	6,465,895	2,034,585
1 – 2 years	5,644,148	8,564,585
2 – 5 years	8,971,854	9,953,585
> 5 years	<u>8,570,371</u>	<u>4,401,104</u>
	<u>29,652,268</u>	<u>24,953,859</u>

Included in the borrowings are borrowings from an associate amounting to RMB1,500,000,000 (2016: RMB1,200,000,000), which are unsecured and unguaranteed, and to be repaid in 2019 and 2020. The interest rate ranges from 3.33% to 8.00% (2016: 3.33% to 8.05%) per annum.

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

	2017 RMB'000	2016 RMB'000
Yitai Group	3,580,461	1,422,406
Independent third parties	99,961	121,543
Non-controlling shareholders of a subsidiary	<u>529,633</u>	<u>556,782</u>
	<u>4,210,055</u>	<u>2,100,731</u>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. BONDS PAYABLE

	2017 RMB'000	2016 RMB'000
Nominal value of corporate bond in issue during the year	<u>8,000,000</u>	<u>8,000,000</u>
Carrying amount at 1 January	7,980,575	7,976,053
Repayment	(1,000,000)	–
Interest expense	501,826	498,122
Interest paid	<u>(493,600)</u>	<u>(493,600)</u>
Corporate bonds at 31 December	<u>6,988,801</u>	<u>7,980,575</u>
Amounts repayable analysed into:		
Within one year	2,498,216	1,000,000
1 – 2 years	4,490,585	2,500,000
2 – 5 years	<u>–</u>	<u>4,480,575</u>
	6,988,801	7,980,575
Less: Amount classified as current liability	<u>(2,498,216)</u>	<u>(1,000,000)</u>
	<u>4,490,585</u>	<u>6,980,575</u>

On 9 October 2015, the Company issued 5-year corporate bonds, 6.99% coupon with a nominal value of RMB100.00 per bond, amounting to RMB4,500 million. The bonds were issued at discount, with an effective interest rate of 7.12%. Interest of the bonds is payable annually in arrears on 9 October, and the maturity date is 9 October 2019.

On 16 April 2013, the Company issued 5-year corporate bonds, 4.95% coupon with a nominal value of RMB100.00 per bond, amounting to RMB2,500 million. The bonds were issued at discount, with an effective interest rate of 5.27%. Interest of the bonds is payable annually in arrears on 16 April, and the maturity date is 16 April 2018.

On 25 December 2012, the Company issued 5-year corporate bonds, 5.53% coupon with a nominal value of RMB100.00 per bond, amounting to RMB1,000 million. The bonds were issued at discount, with an effective interest rate of 5.85%. Interest of the bonds is payable annually in arrears on 25 December, and the maturity date is 25 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

31. DEFERRED TAX LIABILITIES

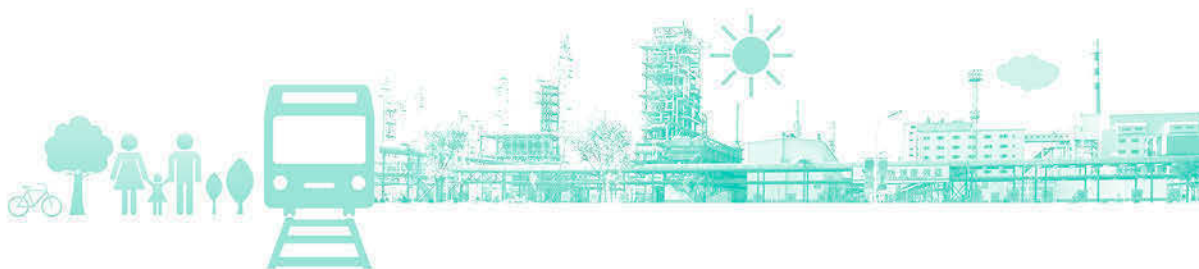
The movements in deferred tax during the year are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	3,379	5,019
Deferred tax credited to profit or loss	(954)	(1,640)
Deferred tax to capital reserve	<u>372,768</u>	–
At 31 December	<u><u>375,193</u></u>	<u><u>3,379</u></u>

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

	Deferred investment income from equity transaction RMB'000	Differences of accelerated tax depreciation between tax and accounting RMB'000	Total RMB'000
At 31 December 2015	–	5,019	5,019
Credited to profits or loss during the year	–	<u>(1,640)</u>	<u>(1,640)</u>
At 31 December 2016	–	<u>3,379</u>	<u>3,379</u>
Credited to profit or loss during the year	–	(954)	(954)
Deferred tax recognised from capital reserve ¹	<u>372,768</u>	<u>–</u>	<u>372,768</u>
At 31 December 2017	<u><u>372,768</u></u>	<u><u>2,425</u></u>	<u><u>375,193</u></u>

¹ Footnote 3 to consolidated statement of changes in equity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

32. OTHER BORROWINGS

	2017 RMB'000	2016 RMB'000
Finance lease	330,000	281,335
China Development Bank Development Fund (the "CDBDF")	521,000	526,000
	851,000	807,335

The maturity profile of other borrowings are as follows:

On 1 July 2017 and 15 December 2017, the Group had entered into agreements (the "Agreement") with a PRC financial institution (the "Financial Institution") whereby the Group drew down RMB330,000,000 in aggregate from the Financial Institution (included in other borrowings). The borrowings are to be repayable in 2018, 2020 and 2020 and carried interest at 5% per annum for all these three contracts.

As collaterals for the above financing,

- (i) The Group transferred the ownership title of certain machinery to the Financial Institution;
- (ii) The Group entered into a financial guarantee contract in favour of the Financial Institution for the due performance of the Group's obligations under the Agreement.
- (iii) Upon discharging all the Group's obligations under the Agreement, the Financial Institution will return the ownership title of those machinery to the Group for nil consideration.

Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the actual substance of the Agreement.

During the year ended 31 December 2016, the Group had entered into an agreement with CDBDF. According to the agreement, CDBDF injected capital of RMB500,000,000 to acquire 49.02% equity interest of Inner Mongolia Yitai Railway Investment Co., Ltd.. The Group agrees to repurchase and the CDBDF agrees to sell the 49.02% equity interest at a pre-determined price at the maturity of 2036. The Group will repayable the total amount of RMB500,000,000 to CDBDF from 2021 to 2036 with an interest at 1.81% per annum. The Group continues to account for Inner Mongolia Yitai Railway Investment Co., Ltd. as a wholly owned subsidiary, as the CDBDF doesn't participate in the operating of it and just receives fixed interests according to the agreement.

During the year ended 31 December 2015, the Group had entered into an agreement with CDBDF. According to the agreement, CDBDF injected capital of RMB26,000,000 to acquire 3.85% equity interest of Yitai Yili Mining Co., Ltd.. The Group agrees to repurchase and the CDBDF agrees to sell the 3.85% equity interest at a pre-determined price at the maturity of 2035. The Group will repayable the total amount of RMB26,000,000 to CDBDF from 2017 to 2035 with an interest at 1.2% per annum. The CDBDF doesn't participate in the operating of Yitai Yili Mining Co., Ltd. and just receives fixed interests according to the agreement. Yitai Yili Mining Co., Ltd. had repaid RMB5,000,000 in 2017.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

32. OTHER BORROWINGS (CONTINUED)

The maturity profile of the aforesaid borrowings is as follows:

	2017 RMB'000	2016 RMB'000
Analysed into:		
Within one year	–	5,000
2 – 5 years	60,000	30,000
5 – 10 years	155,000	150,000
> 10 years	306,000	341,000
	<u>521,000</u>	<u>526,000</u>

33. ISSUED CAPITAL

	2017 RMB'000	2016 RMB'000
Issued and fully paid		
1,600,000,000 B shares owned by Yitai Group	1,600,000	1,600,000
1,328,000,000 B shares	1,328,000	1,328,000
326,007,000 H shares	326,007	326,007
Ordinary shares	<u>3,254,007</u>	<u>3,254,007</u>

During the years ended 31 December 2017 and 2016, there were no movements in the Company's share capital.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2017 and 2016 are presented in the consolidated statement of changes in equity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 15 to the consolidated financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2017, the Group had no significant future minimum lease commitment from the tenants under non-cancellable operating lease arrangements.

(b) As lessee

The Group had no significant future minimum lease commitment under non-cancellable operating lease arrangement.

36. COMMITMENTS

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

	Group	
	2017	2016
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	13,332,890	25,506,374



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

37. DISPOSAL OF SUBSIDIARIES

- (a) In 2017, the Company established a wholly owned subsidiary (Inner Mongolia Yitai New Energy Development Co., Ltd. (內蒙古伊泰新能源開發有限公司)) and injected capital of RMB7,986,000. On 18 April 2017, the Company entered into an equity transfer agreement with Inner Mongolia Yitai Beimutianyuan Resource Development Co., Ltd. (內蒙古伊泰北牧田園資源開發公司), a fellow subsidiary of the Company, to transfer 100% equity interest in Inner Mongolia Yitai New Energy Development Co., Ltd. (內蒙古伊泰新能源開發有限公司) for a cash consideration of RMB8,310,000. Gain of RMB324,000 has been recognised for the disposal.
- (b) On 31 March 2016, the Company entered into an equity transfer agreement with Xinjiang Shengwei Real Estate Development Co., Ltd. (新疆盛威房地產開發有限公司), an unrelated party, to transfer 51% equity interest in Xinjiang Jia Xi Yuan Real Estate Development Co., Ltd. (新疆嘉禧源房地產開發有限公司) for a cash consideration of RMB43,605,000. After the equity transfer, the Company retains 49% equity interest in Xinjiang Jia Xi Yuan Real Estate Development Co., Ltd., which became the Group's associate.

On 30 September 2016, the Company entered into an equity transfer agreement with Ordos Huijiabao Investment Co., Ltd. (鄂爾多斯匯家寶投資有限公司), an unrelated party, to transfer 36% equity interest in Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司) for a cash consideration of RMB129,000,000. After the equity transfer, the Company retains 37% equity interest in Inner Mongolia Yitai Tongda Coal Co., Ltd., which became the Group's associate.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

37. DISPOSAL OF SUBSIDIARIES (CONTINUED)

The carrying amount of identifiable assets and liabilities of the disposed subsidiaries as at the disposal date are as follows:

	Notes	2016 RMB'000
Consideration received:		
Cash received		43,605
Consideration receivable		<u>129,000</u>
Total consideration		<u><u>172,605</u></u>
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	14	120,352
Inventories		88,603
Trade and other receivables		123,256
Bank balances and cash		3,620
Prepaid land lease payments	16	8,299
Mining rights	17	7,275
Trade and other payables		(65,371)
Tax payable		<u>(55,416)</u>
Net assets disposed of		<u><u>230,618</u></u>

	2016 RMB'000
Gain on disposal of subsidiaries:	
Consideration received and receivable	172,605
Net assets disposed of	(230,618)
Non-controlling interests	54,684
Interests in associates	<u>174,478</u>
Gain on disposal	<u><u>171,149</u></u>
Net cash flow arising on disposal:	
Cash consideration	43,605
Less: bank balances and cash disposal of	<u>(3,620)</u>
	<u><u>39,985</u></u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

38. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the years ended 31 December 2017 and 2016:

	Group	
	2017	2016
	RMB'000	RMB'000
Sales of goods to Yitai Group	326,051	30,387
Provision of services to Yitai Group	28,246	5,293
Purchase of goods from Yitai Group	3,515,558	228,435
Construction and other services from Yitai Group	19,645	458,172
Sales of goods to associates	268,335	203,299
Provision of services to associates	7,598	–
Purchase of services from associates	76,753	4,633
Dividend income from fellow subsidiary	100,000	–
Procurement of services from other related parties*	4,981	2,539
Interest income received by the Group ²	22,163	29,107
Interest expense to an associate	52,849	41,109

In the opinion of the directors of the Company, the transactions between the Group and the related parties were conducted in the ordinary and usual course of business and on normal commercial terms, the pricing terms were mutually agreed.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

38. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Outstanding balances with related parties

	Group	
	2017	2016
	RMB'000	RMB'000
Trade and bills receivables	49,954	8,164
Prepayments, deposits and other financial assets	1,100,739	4,798
Trade payables	(537,643)	(180,936)
Other payables and accruals	<u>(323,005)</u>	<u>(322,687)</u>

The above balances are unsecured, non-interest-bearing and repayable on demand. Further information are disclosed in previous notes.

Borrowings ¹	1,500,000	1,200,000
Deposits with financial institution ²	<u>3,544,529</u>	<u>2,547,895</u>

¹ The borrowings from an associate are unsecured and unguaranteed with maturity of three years.

² 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 31 December 2017, loans of RMB4,110,094,000 (2016: RMB1,979,188,000) were guaranteed by related parties for free. Details are set out in Note 29.

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

	Group	
	2017	2016
	RMB'000	RMB'000
Short-term employee benefits	9,481	9,937
Post-employment benefits	<u>447</u>	<u>753</u>
Total compensation paid to key management personnel	<u>9,928</u>	<u>10,690</u>

Further details of directors' emoluments are included in Note 10 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

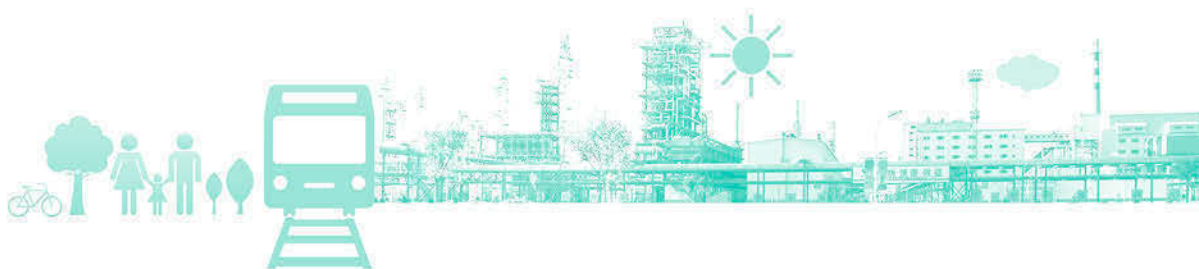
39. CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at 31 December of 2017 and 2016.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings <i>RMB'000</i>	Bond <i>RMB'000</i>	Interest <i>RMB'000</i>	Dividend payable <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017	25,761,194	7,980,575	238,354	76,079	34,056,202
Financing cash flows	4,747,274	(1,007,500)	(903,766)	(776,642)	2,059,366
Interest expense	–	15,726	2,008,611	–	2,024,337
Foreign exchange	(5,200)	–	–	–	(5,200)
Dividends proposed	–	–	–	701,273	701,273
Capitalised interest	–	–	(1,107,611)	–	(1,107,611)
At 31 December 2017	<u>30,503,268</u>	<u>6,988,801</u>	<u>235,588</u>	<u>710</u>	<u>37,728,367</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2017 and 2016 are as follows:

2017

Financial assets

	Loans and receivables RMB'000	Group Available- for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	8,872,576	8,872,576
Trade and bills receivables	2,287,069	–	2,287,069
Financial assets included in prepayments, deposits and other financial assets	1,103,429	–	1,103,429
Restricted cash	845,260	–	845,260
Cash and cash equivalents	13,733,098	–	13,733,098
	<u>17,968,856</u>	<u>8,872,576</u>	<u>26,841,432</u>

Financial liabilities

	Fair value through profit or loss RMB'000	Group Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	3,438,022	3,438,022
Financial liabilities included in other payables and accruals	–	3,797,847	3,797,847
Interest-bearing borrowings	–	29,652,268	29,652,268
Other borrowings	–	851,000	851,000
Bonds payable	–	6,988,801	6,988,801
	<u>–</u>	<u>44,727,938</u>	<u>44,727,938</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2016

Financial assets

	Loans and receivables <i>RMB'000</i>	Group Available- for-sale investments <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale investments	–	8,868,153	8,868,153
Trade and bills receivables	2,332,291	–	2,332,291
Financial assets included in prepayments, deposits and other financial assets	344,938	–	344,938
Restricted cash	612,832	–	612,832
Cash and cash equivalents	4,432,760	–	4,432,760
	<u>7,722,821</u>	<u>8,868,153</u>	<u>16,590,974</u>

Financial liabilities

	Fair value through profit or loss <i>RMB'000</i>	Group Financial liabilities at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	–	2,697,582	2,697,582
Financial liabilities at fair value through profit or loss	80	–	80
Financial liabilities included in other payables and accruals	–	3,932,897	3,932,897
Interest-bearing borrowings	–	24,953,859	24,953,859
Other borrowings	–	807,335	807,335
Bonds payable	–	7,980,575	7,980,575
	<u>80</u>	<u>40,372,248</u>	<u>40,372,328</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair values of cash and 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 bid 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 31 December 2017	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Fair value measurement using Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	41,958	–	–	41,958

As at 31 December 2016	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Fair value measurement using Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	30,273	–	–	30,273

During the year ended 31 December 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

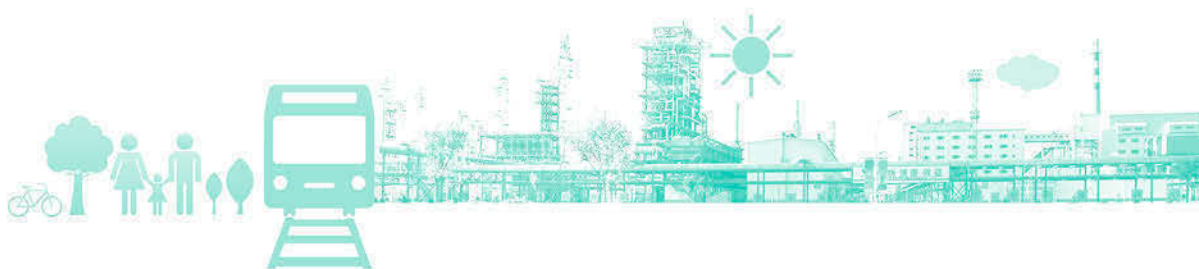
The main risks arising from the Group's financial instruments are interest rate risk, credit risk, other price risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold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

Interest rate risk

Interest rate risk is the risk of fluctuations on future cash flows of financial instruments or change in fair value which arise from changes in interest rates. Instruments carried floating interest rate, which is based on LIBOR, will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate interest-bearing borrowings) and the Group's equity. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

	Group Increase/ (decrease) in basis points	Decrease/ (increase) in profit after tax RMB'000
Year ended 31 December 2017	<u>100</u>	<u>192,365</u>
	<u>(100)</u>	<u>(192,365)</u>
Year ended 31 December 2016	<u>100</u>	<u>143,076</u>
	<u>(100)</u>	<u>(143,076)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2017

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk

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

As at 31 December 2017, those financial assets whose carrying amounts best represent the maximum exposure to credit risk.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 24.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations and a financial institution, which is a fellow subsidiary of the Group. The Group does not have any significant concentration of credit risk at the end of the reporting period.

Other price risk

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities classified as available-for-sale investments.

The Group's equity price risk is mainly concentrated on equity investments operating in railway industry. No sensitivity analysis was performed as most of the investments are measured at cost less impairment.

Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

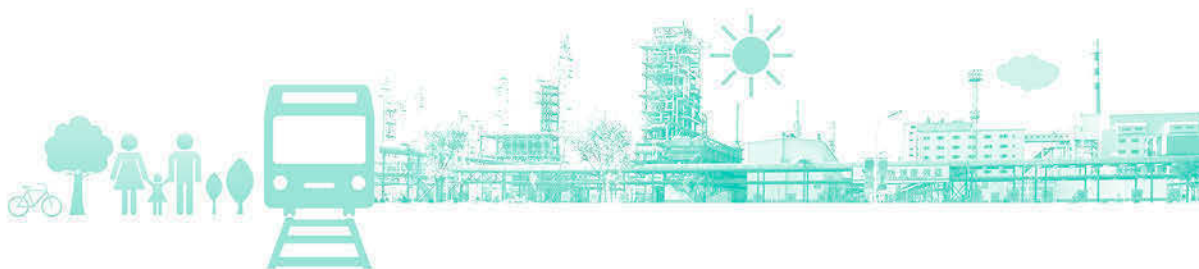
Liquidity risk (Continued)

Group

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Year ended 31 December 2017						
Interest-bearing borrowings	-	7,842,759	20,872,965	11,847,180	40,562,904	29,652,268
Bonds payable	-	2,938,300	4,814,550	-	7,752,850	6,988,801
Trade and bills payables	2,186,380	1,251,642	-	-	3,438,022	3,438,022
Other payables and accruals	240,118	3,557,729	-	-	3,797,847	3,797,847
Other borrowings	-	31,500	423,706	470,000	925,206	851,000
	<u>2,426,498</u>	<u>15,621,930</u>	<u>26,111,221</u>	<u>12,317,180</u>	<u>56,476,829</u>	<u>44,727,938</u>

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Year ended 31 December 2016						
Interest-bearing borrowings	-	3,189,522	20,777,627	5,006,338	28,973,487	24,953,859
Bonds payable	-	1,493,600	7,752,850	-	9,246,450	7,980,575
Trade and bills payables	1,474,722	1,222,860	-	-	2,697,582	2,697,582
Financial liabilities at fair value through profit or loss	-	80	-	-	80	80
Other payables and accruals	243,706	3,689,191	-	-	3,932,897	3,932,897
Other borrowings	-	19,382	348,461	556,885	924,728	807,335
	<u>1,718,428</u>	<u>9,614,635</u>	<u>28,878,938</u>	<u>5,563,223</u>	<u>45,775,224</u>	<u>40,372,328</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing borrowings, other borrowings, bonds payable, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

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

Group

	2017 RMB'000	2016 RMB'000
Interest-bearing borrowings	29,652,268	24,953,859
Bonds payable	6,988,801	7,980,575
Trade and bills payables	3,438,022	2,697,582
Financial liabilities at fair value through profit or loss	-	80
Financial liabilities included in other payables and accruals	3,797,847	3,932,897
Other borrowings	851,000	807,335
Less: Cash and cash equivalents	<u>(13,733,098)</u>	<u>(4,432,760)</u>
Net debt	<u>30,994,840</u>	<u>35,939,568</u>
Equity attributable to owners of the Company	<u>28,682,872</u>	<u>24,015,800</u>
Capital and net debt	<u>59,677,712</u>	<u>59,955,368</u>
Gearing ratio	<u>52%</u>	<u>60%</u>

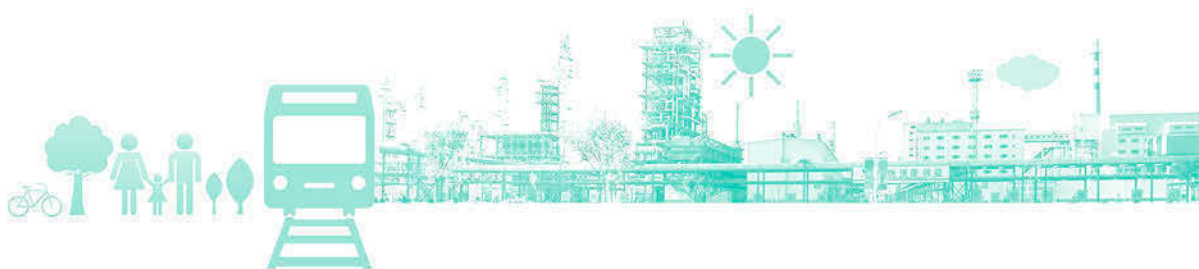
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

As at the end of the reporting period, the Company had investments in the following principal subsidiaries, associates and joint ventures, all of which are private companies with limited liability, the particulars of which are set out below:

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Proportion ownership interest held by the Company		Principal activities
			2017 %	2016 %	
Subsidiaries					
Inner Mongolia Yitai Zhundong Railway Co., Ltd. ⁶ (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC	1,554,000	71.3	96.3	Railway transportation
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Inner Mongolia, the PRC	2,352,900	51.0	51.0	Coal-to-oil production
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Inner Mongolia, the PRC	1,080,000	52.0	52.0	Coal mining
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC	2,074,598	77.0	77.0	Railway transportation
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限責任公司)	Inner Mongolia, the PRC	50,000	100.0	N/A	Coal trading
Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司)	Inner Mongolia, the PRC	196,500	51.0	51.0	Storage and transportation
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰(山西)煤炭運銷有限責任公司)	Inner Mongolia, the PRC	–	100.0	N/A	Coal wholesale



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (CONTINUED)

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Proportion ownership interest held by the Company		Principal activities
			2017 %	2016 %	
Subsidiaries (Continued)					
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Xinjiang, the PRC	1,570,000	90.2	90.2	Coal technology development and consulting
Inner Mongolia Yitai Chemical Co., Ltd. ¹ (內蒙古伊泰化工有限責任公司)	Inner Mongolia, the PRC	5,900,000	61.2	90.2	Chemical production and sale
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	Hong Kong, the PRC	19,136	100.0	100.0	Coal imports and international trade
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Xinjiang, the PRC	1,360,000	90.2	90.2	Chemical production and sale
Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Xinjiang, the PRC	650,000	90.2	90.2	Investment in coal mining
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限公司)	Beijing, the PRC	10,000	100.0	100.0	Biotechnology
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Shanghai, the PRC	50,000	100.0	100.0	Coal trading
Inner Mongolia Yitai Baoshan Coal Co., Ltd. ² (內蒙古伊泰寶山煤炭有限責任公司)	Inner Mongolia, the PRC	30,000	100.0	100.0	Coal mining

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (CONTINUED)

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Proportion ownership interest held by the Company		Principal activities
			2017 %	2016 %	
Subsidiaries (Continued)					
Inner Mongolia Yitai Petrochemical Co., Ltd. ⁵ (內蒙古伊泰石油化工有限公司)	Inner Mongolia, the PRC	300,000	90.0	80.0	Chemical production and sale
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd. (內蒙古伊泰准格爾煤炭運銷有限責任公司)	Inner Mongolia, the PRC	10,000	100.0	100.0	Coal wholesale
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Inner Mongolia, the PRC	50,000	100.0	100.0	Coal wholesale
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Shenzhen, the PRC	50,000	100.0	100.0	Finance service
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	Shanghai, the PRC	50,000	100.0	100.0	Coal trading, investment and consulting
Inner Mongolia Yitai Railway Investment Co., Ltd. (內蒙古伊泰鐵路投資有限責任公司)	Inner Mongolia, the PRC	–	51.0	51.0	Investment in railway
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. ³ (重慶伊泰鵬方合成新材料研究院有限公司)	Chongqing, the PRC	5,000	60.0	N/A	Synthetic Materials



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (CONTINUED)

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Proportion ownership interest held by the Group		Principal activities
			2017 %	2016 %	
Associates					
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯天地華潤煤礦裝備有限責任公司)	Inner Mongolia, the PRC	100,000	31.5	31.5	Mining equipment production and sale
Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Inner Mongolia, the PRC	570,000	29.0	29.0	Gangue Power Plant construction
Zhonghang Liming Jinhua Petro Equipment Co., Ltd. (中航黎明錦化機石化裝備(內蒙古)有限公司)	Inner Mongolia, the PRC	218,300	39.0	39.0	Chemical equipment production and sale
Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊政煤田滅火工程有限責任公司)	Inner Mongolia, the PRC	50,000	30.0	30.0	Coal mine fire-proof project, land restoration, and ecological treatment
Yitai (Beijing) Pharmatech Co., Ltd. (伊泰(北京)合成技術有限公司)	Inner Mongolia, the PRC	24,750	49.0	49.0	Pharmatech
Chifeng Hua Yuan Wine & Spirits Co., Ltd. ⁴ (赤峰華遠酒業有限公司)	Inner Mongolia, the PRC	100,000	15.0	15.0	Liquor production and sale
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	Inner Mongolia, the PRC	100,000	40.0	40.0	Internal financial service and consulting
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	Inner Mongolia, the PRC	70,000	37.0	37.0	Coal mining
Xinjiang Jia Xi Yuan Real Estate Development Co., Ltd. (新疆嘉禧源房地產開發有限公司)	Xinjiang, the PRC	82,500	49.0	49.0	Real estate
Ordos Gonggouyangta Storage and Transportation Co., Ltd. (鄂爾多斯市公溝陽塔儲運有限責任公司)	Inner Mongolia, the PRC	47,486	32.0	–	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (CONTINUED)

Company name	Place of incorporation/ operations	Nominal value of issued and fully paid-up capital RMB'000	Proportion ownership interest held by the Group		Principal activities
			2017 %	2016 %	

Joint Venture

Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Inner Mongolia, the PRC	100,000	49.0	49.0	Industrial water provision
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¹ The Company and Yitai Group, shareholders of Yitai Chemical Co., Ltd., increased the registered capital and additional capital of RMB2,913,460,000 and RMB316,540,000 to Yitai Chemical Co., Ltd. proportionately in June 2017. The registered capital of Yitai Chemical Co., Ltd. increased from RMB770,000,000 to RMB4,000,000,000. Thereafter, pursuant to a capital increase agreement, Shanghai Hanqing Enterprise Management Partnership (limited partnership), an unrelated party, injected capital of RMB1,900,000,000 to Yitai Chemical on 28 December 2017. The registered capital of Yitai Chemical increased from RMB4,000,000,000 to RMB5,900,000,000. After the above capital injections, the Company, Yitai Group and Shanghai Hanqing Enterprise Management Partnership (limited partnership) hold 61.15%, 6.65% and 32.20% equity interests, respectively.

² On 30 September 2016, the Group acquired 27% of the capital of Inner Mongolia Yitai Baoshan Coal Co., Ltd. for consideration of RMB129,000,000. The difference of RMB90,782,000 between the carrying amount of the non-controlling interests of RMB38,218,000 and the consideration has been debited to capital reserve.

³ In October 2017, the Company established Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd with an independent third party. The Company injected RMB3,000,000 and holds 60% equity interest. The independent third party injected RMB2,000,000 and holds 40% equity interest.

⁴ The Group is able to exercise significant influence over Chifeng Hua Yuan Wine & Spirits Co., Ltd., because it has the right to appoint one out of the five directors of that company under the Articles of Association of that company.

⁵ Footnote 1 to consolidated statement of changes in equity.

⁶ Footnote 3 to consolidated statement of changes in equity.

The above table lists the subsidiaries, associates and joint venture of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2017. To give details of other subsidiaries, associates and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

All the above subsidiaries are directly held by the Company.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (CONTINUED)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Inner Mongolia, the PRC	49%	49%	(2,203)	(23,744)	1,306,779	1,308,882
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)	Inner Mongolia, the PRC	48%	48%	755,169	193,875	2,328,845	1,670,617
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC	23%	23%	(61,810)	(10,702)	605,265	667,075
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	Inner Mongolia, the PRC	45%	48%	-	-	217,394	212,089
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC	29%	4%	81,345	15,624	1,535,309	175,929
Others				16,086	(35,454)	2,813,649	517,908
				<u>788,587</u>	<u>139,599</u>	<u>8,807,241</u>	<u>4,552,500</u>

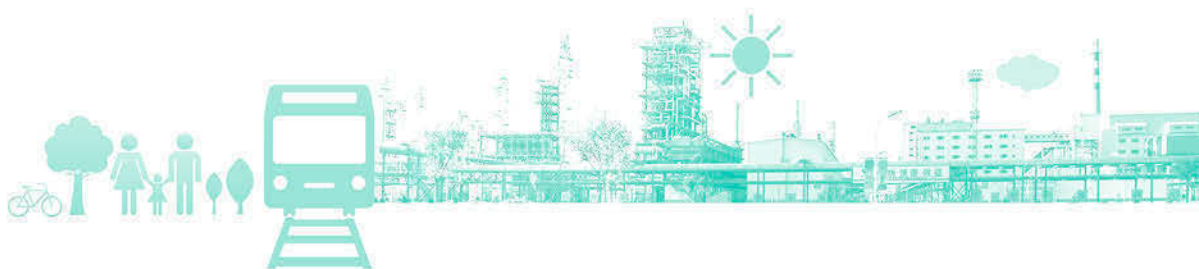
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2017	Inner Mongolia	Inner Mongolia	Inner Mongolia	Inner Mongolia	Inner Mongolia
	Yitai Coal-to-Oil Product Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Jingyue Suancigou Mining Co., Ltd. (內蒙古京粵酸刺溝礦業有限責任公司)	Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)
Revenue	904,614	3,201,780	404,210	-	1,781,320
Expenses	(909,110)	(1,628,511)	(672,947)	-	(1,093,547)
(Loss)/profit for the year	(4,496)	1,573,269	(268,737)	-	687,773
Total comprehensive (expense)/income for the year	(4,496)	1,573,269	(268,737)	-	687,773
Current assets	484,308	2,012,405	28,601	331	787,156
Non-current assets	3,252,342	3,245,015	6,445,414	491,044	6,016,154
Current liabilities	(353,804)	(378,367)	(671,704)	(8,278)	(397,140)
Non-current liabilities	(715,950)	(27,293)	(3,178,421)	-	(1,012,000)
Dividends paid to non-controlling interests	-	96,941	-	-	5,595
Net cash flows (used in)/from operating activities	(70,735)	1,955,873	51,665	(38,031)	319,697
Net cash flows from/(used in) investing activities	10,037	(61,636)	(164,746)	(6,645)	2,527
Net cash flows (used in)/from financing activities	(80,124)	(107,400)	50,588	41,246	(343,195)
Net (decrease)/increase in cash and cash equivalents	(140,822)	1,786,837	(62,493)	(3,430)	(20,971)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (CONTINUED)

2016	Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油 有限責任公司) RMB'000	Inner Mongolia Yitai Suancang Mining Co., Ltd. (內蒙古伊泰京粵 酸刺溝礦業 有限責任公司) RMB'000	Inner Mongolia Huzhun Railway Co., Ltd. (內蒙古伊泰呼准 鐵路有限公司) RMB'000	Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬 鐵路有限公司) RMB'000
Revenue	829,089	1,560,590	456,390	–
Expenses	(877,547)	(1,156,683)	(510,620)	–
(Loss)/profit for the year	(48,458)	403,907	(54,230)	–
Total comprehensive (expense)/ income for the year	<u>(48,458)</u>	<u>403,907</u>	<u>(54,230)</u>	<u>–</u>
Current assets	518,632	870,067	103,354	4,849
Non-current assets	3,325,222	3,277,624	6,536,489	482,952
Current liabilities	(355,766)	(640,545)	(384,174)	(45,949)
Non-current liabilities	<u>(816,900)</u>	<u>(26,693)</u>	<u>(3,363,042)</u>	<u>–</u>
Dividends paid to non-controlling interests	<u>–</u>	<u>103,680</u>	<u>–</u>	<u>–</u>
Net cash flows from/(used in) operating activities	152,885	(83,332)	235,394	10,094
Net cash flows used in investing activities	(10,619)	(69,074)	(86,421)	(12,809)
Net cash flows (used in)/from financing activities	<u>(214,091)</u>	<u>(221,727)</u>	<u>(116,202)</u>	<u>6,091</u>
Net (decrease)/increase in cash and cash equivalents	<u>(71,825)</u>	<u>(374,133)</u>	<u>32,771</u>	<u>3,376</u>

45. MAJOR NON-CASH TRANSACTIONS

In March 2017, The consideration receivable of RMB129,000,000 for the sale of equity interests in Inner Mongolia Yitai Tongda Coal Co., Ltd. and the consideration payable for the acquisition of equity interests in Inner Mongolia Yitai Baoshan Coal Co., Ltd. that both occurred in 2016 were settled by offsetting according to the agreement between the Group, Ordos Huijiabao Investment Co., Ltd. and the former non-controlling interest shareholder of Inner Mongolia Yitai Baoshan Coal Co., Ltd.. Further details of the acquisition and the disposal are set out in Notes 37(b) and 44(2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	5,260,680	5,374,270
Investment properties	503,921	440,479
Prepaid land lease payments	9,481	353,704
Mining rights	274,584	132,274
Other intangible assets	93,231	11,035
Investments in subsidiaries	12,589,487	10,108,457
Investments in associates	880,487	842,642
Investments in a joint venture	–	31,041
Available-for-sale investments	8,248,899	8,244,475
Deferred tax assets	687,891	872,079
Other non-current assets	11,379	1,078
Total non-current assets	<u>28,560,040</u>	<u>26,411,534</u>
CURRENT ASSETS		
Inventories	1,168,053	1,717,469
Prepayments of corporate income tax	30,627	98,687
Trade and bills receivables	972,416	1,138,600
Prepayments, deposits and other financial assets	9,573,280	12,005,179
Restricted cash	41,513	247,583
Cash and cash equivalents	7,460,758	3,122,100
Total current assets	<u>19,246,647</u>	<u>18,329,618</u>
CURRENT LIABILITIES		
Trade and bills payables	2,885,738	2,243,209
Financial liabilities at fair value through profit or loss	–	80
Other payables and accruals	2,005,272	3,029,745
Income tax payable	193,724	–
Bonds payable – current portion	2,498,216	1,000,000
Interest-bearing borrowings – unsecured	5,006,000	1,549,000
Total current liabilities	<u>12,588,950</u>	<u>7,822,034</u>
NET CURRENT ASSETS	<u>6,657,697</u>	<u>10,507,584</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>35,217,737</u>	<u>36,919,118</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing borrowings – unsecured	6,053,000	9,954,000
Bonds payable	4,490,585	6,980,575
Deferred tax liabilities	375,193	3,379
Deferred income	2,152	2,930
Other non-current liabilities	19,345	72,390
Total non-current liabilities	10,940,275	17,013,274
Net assets	24,277,462	19,905,844
EQUITY		
Share capital	3,254,007	3,254,007
Other reserves	19,542,882	16,053,100
Proposed final dividend	1,480,573	598,737
Total equity	24,277,462	19,905,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

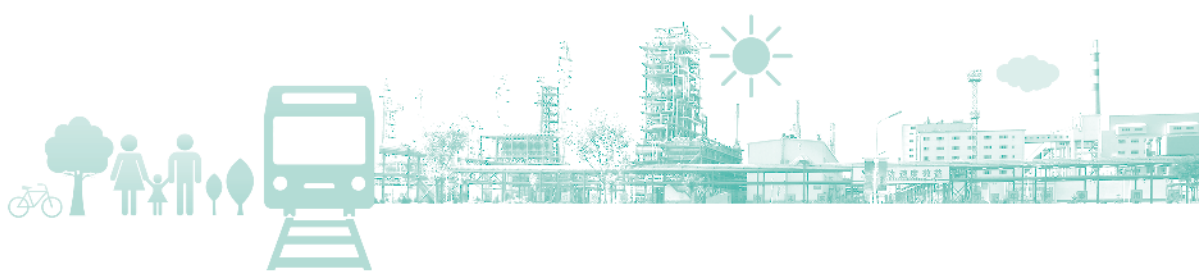
For the year ended 31 December 2017

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Available- for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2016	1,365,055	2,722,359	3,194	10,866,050	14,956,658
Profit for the year	-	-	-	1,699,522	1,699,522
Other comprehensive expense for the year	-	-	(3,194)	-	(3,194)
Total comprehensive (expense)/income for the year	-	-	(3,194)	1,699,522	1,696,328
Appropriation of statutory reserve	-	165,350	-	(165,350)	-
Proposed final 2016 dividend	-	-	-	(598,737)	(598,737)
Others	(1,149)	-	-	-	(1,149)
As at 31 December 2016	<u>1,363,906</u>	<u>2,887,709</u>	<u>-</u>	<u>11,801,485</u>	<u>16,053,100</u>
Profit for the year	-	-	-	4,961,591	4,961,591
Other comprehensive income for the year	-	-	8,764	-	8,764
Total comprehensive income for the year	-	-	8,764	4,961,591	4,970,355
Proposed final 2017 dividend	-	-	-	(1,480,573)	(1,480,573)
As at 31 December 2017	<u>1,363,906</u>	<u>2,887,709</u>	<u>8,764</u>	<u>15,282,503</u>	<u>19,542,882</u>

Pursuant to Article 16.05 of the Company's Articles of Association, where the financial statements prepared in accordance with the PRC accounting standards differ from those prepared under IFRSs, distributable net profit for the relevant accounting period shall be deemed to be the lesser of the amounts prepared under the two different accounting standards.



APPENDIX I

INNER MONGOLIA YITAI COAL CO., LTD. 2017 ANNUAL SOCIAL RESPONSIBILITY REPORT

PREPARATION INSTRUCTIONS

Inner Mongolia Yitai Coal Co., Ltd. – 2017 Annual Social Responsibility Report is an annual report which described systematically, Inner Mongolia Yitai Coal Co., Ltd.'s practices of corporate social responsibility, and the acts and performance in pursuit of maximal economic, environmental and social and governance values in 2017 in an objective, standardized, good-faith and transparent principle.

- **Report Subjects**

The report subjects are Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries. For the convenience of expression and reading of this report, “Inner Mongolia Yitai Coal Co., Ltd.” is also referred to as “Yitai”, “the Company” or “we” or other titles.

- **Time Period**

The time period covered in this report was from January 1, 2017 to December 31, 2017. Taking into account the continuity and comparability of information disclosed, appropriate backward and forward extension of disclosure time of some information and content was done.

- **Scope of Report**

The scope of this report is Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries.

- **Preparation Basis**

This report was prepared according to Environmental, Social and Governance Reporting Guide issued by Hong Kong Stock Exchange, with a reference to Notice on Strengthening the Listed Companies' Social Responsibility Work and Issuing Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies, Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies and Guidelines for Compiling Corporate Social Responsibility Report issued by Shanghai Stock Exchange and Guidelines for Sustainable Development Report (Fourth Edition) (“G4”) and GRI Standards issued by Global Reporting Initiative (“GRI”).



- **Data Processing Principle**

The financial data in this report were derived from audited annual report of Inner Mongolia Yitai Coal Co., Ltd. (China accounting standards) and other data from the Company's internal and relevant statistical data. If there is any difference from the annual report, the annual report shall prevail.

- **Availability of the Report**

The Report was prepared in Chinese, and you can download it in electronic form from the website of Inner Mongolia Yitai Coal Co., Ltd. or the Hong Kong Stock Exchange. URL: <http://www.yitaicoal.com> or <http://www.hkexnews.hk>

- **Contact**

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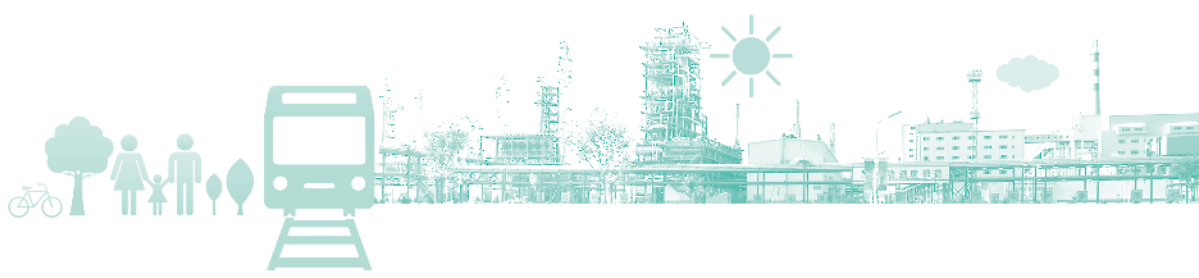
Address: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia, the PRC

SPEECH OF CHAIRMAN

With the success of the 19th National Congress of the Communist Party of China, 2017 was a key point to implement the 13th Five-Year Plan and a milestone of which Yitai felt proud. As one of the Top 500 enterprises in China and the Top 10 in Chinese coal industry, Yitai firmly believes that as an enterprise grows, it should assume greater responsibility. While seeking self-development, we will proactively fulfill corporate responsibility, undertake local economic, environmental, and social responsibilities, and build green and accessible image, so as to make contributions to the enhanced supply-side structural reform.

Overcome difficulties for steady development. In 2017, Yitai earnestly implemented the state's decisions and arrangements, overcame difficulties by "Enhancing Transformation and Promoting Reform", and lived through the coal industry's in-depth adjustment period. Consequently, we have realized significantly increasing profits and steady development across our business. The Company achieved operating revenues of RMB37.0 billion (representing a growth of 61.9%) and net profit of RMB5.7 billion (representing a growth of 168.85%). Meanwhile, we have been adhering to sustainable development, incorporated social responsibility into our development strategy and the whole production and operation process, and realized harmonious development with environment and society while boosting corporate value.

Align production with marketing for safe development. In 2017, Yitai continued to build up the safety defense line, strengthened the work such as construction of "double control" system and standardized management of safety production, enhanced the combination of coal production and industrial policies, released high-quality capacity, and accelerated "de-stocking" process. We obtained multiple mining licenses and safety production permits and realized an output of 1,000,000-ton coal. In addition, we did not encounter death incidents in coal production, risky or major liability incidents in railway transportation, or human injuries and large-scale equipment damage in coal chemical segment, thus maintaining a leading safety control level in the industry.



Keep a foothold on science for innovative development. In 2017, with joint efforts of leading enterprises and research institutes in the industry, Yitai built an institute of new coal-based and synthetic materials and carried out relevant research on the downstream high-end application in coal chemical industry for industry-university-research development. We have implemented the standards for intellectual property system, further improved innovation system, and applied for multiple patents for invention, utility model, and software copyright. We have lowered product costs by improving product quality and efficiency in reliance upon advanced technology.

Strengthen environmental protection for green development. Environmental protection is the important cornerstone for long-term stability and sustainable development and the lifeline of the Company's survival and development. In 2017, the Company improved environmental management system, strengthened environmental service function and a series of work like environmental supervision, ecological restoration, and energy conservation and emission reduction. Meanwhile, we have, in accordance with the requirements of the new Environmental Protection Law, revised the Company's relevant rules and regulations, further standardized environmental management, and we have not involved in any environmental pollution event throughout the year.

2018 is the 40th year after the initiation of Chinese reform and opening-up policy and the 30th year after the establishment of Yitai. We will forge ahead, build up safety defense line, and step towards green development to build Yitai into a leader in clean energy industry in China and even around the globe. In 2018, we will achieve the combination of green development concept and our conditions, stick to the principle of acting within competence under controllable risks and use capital contribution as bonding in the aim of exploring and developing in environmental industry. We will also further proactively undertake social responsibility, and communicate and cooperate with stakeholders, in a desire to create a new chapter of sustainable development.

ABOUT US

Inner Mongolia Yitai Coal Co., Ltd. is a listed company in "B+H" shares markets funded and established exclusively by Inner Mongolia Yitai Group Co., Ltd. The Company was founded in August 1997, and in the same year listed on Shanghai Stock Exchange where its stock is referred to as "Yitai B Shares" (stock code 900948). In July 2012, the Company was listed on Hong Kong Stock Exchange where its stock is referred to as "Yitai Coal" (stock code 3948). At present, the Company has a total share capital divided into 3.254007 billion shares, of which, Inner Mongolia Yitai Group Co., Ltd. holds domestic enterprise legal person shares totaling 1.6 billion shares, representing 49.17% of the Company's total share capital; circulation B shares total 1.328 billion shares, representing 40.81% of the Company's total share capital. The Company issued H shares totalling 326.007 million shares, representing 10.02% of the total share capital.

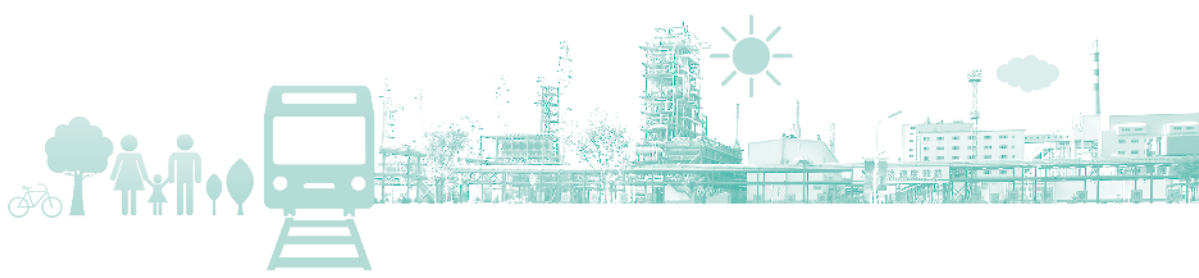
The Company is a large energy enterprise mainly engaging in coal production and operation, which is supplemented by railway transportation and coal chemical business. The Company is the largest coal enterprise in the Inner Mongolia Autonomous Region and one of Chinese largest coal enterprises. According to the ranking of 2017 China Fortune 500, the Company ranked sixth among listed companies in the coal industry. The Company is a core member of Inner Mongolia Yitai Group Co. Ltd. which ranks the first among Inner Mongolia Autonomous Region's top 50 coal enterprises, listed by the State Council as one of 14 large coal base backbone enterprises on the list of the planning and construction of China.



The Company has abundant coal resource reserve with high quality. As of the end of 2017, it has 2.694 billion tons of domestic remaining available reserves and 1.474 billion tons of recoverable reserves. Its coal mining is modernized at a very high level. There is a total of 9 mechanized coal mines under operation which are owned by the Company or controlled by the Company by shareholding. Such mines use imported or domestically produced fully mechanized mining equipment. The coal recovery rate of the coal mining areas reaches more than 80% on an average. The mechanization of mining reaches 100%. The coal produced and operated by the Company features low ash, extra-low phosphorus, extra-low sulphur, medium-to-high heating power and other characteristics. It is a natural “environmentally friendly” and high-quality steam coal, mainly used as the fuel coal for enterprises of downstream thermal power, building materials, chemicals and many other industries. In 2017, the Company has produced commercial coal of 47.29 million tons in total.

The Company owns comprehensive road and railway network and basic supporting facilities for coal transportation. Currently, the Company controls 3 main railways which are put into operation by shareholding. Such railways are respectively Zhundong Railway (191.41km, including 56.52km for double line), Huzhun Railway (237.98km, including 113.79km for double line) and a special railway line for Suancang Mine (26.127km). At the same time, the Company also holds shares in Xin Baoshen Railway (15% shares), Zhunshuo Railway (18.96% shares), Mengxi-Huazhong Railway (10% shares), South Ordos Railway (10% shares), and Mengji Railway (9% shares). In addition, the Company has also built highways in high-quality coal enrichment area – Nalinmiao Area, with Caoyang Highway as the main line, and a radiated extension to surrounding 150km mining areas. At present, the designed transport capacity of the railway operated by the Company reaches 220 million tons/year. The Company has built a complete transportation network covering its main mining area, creating a good condition for the coal transportation of the Company and the surrounding coal companies. In 2017, the Company delivered and sold coals of 85.46 million tons.

The Company has the world’s leading indirect coal liquefaction technology. Based on this, the Company launches a large-scale coal chemical project in Inner Mongolia and Xinjiang, exploring a feasible way to realize efficient utilization of coal and clean energy, accelerate quality upgrade of refined oil products, and ensure strategic security of national energy. The Company is committed to expediting industry transformation and upgrading in an attempt to become a leading enterprise in coal deep processing industry. In 2017, the Company has produced oil products and chemical products of 0.189 million tons.

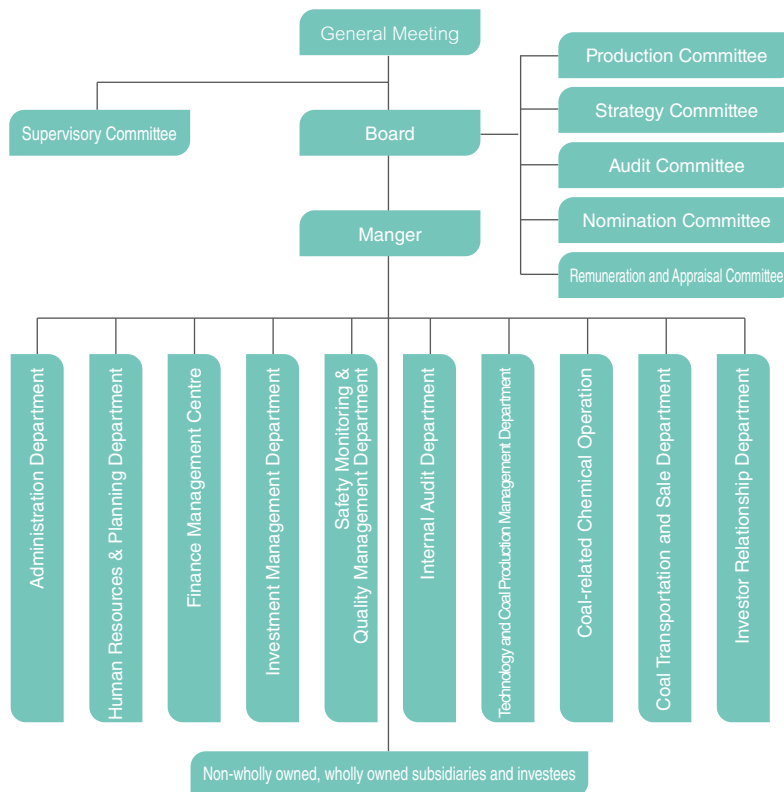


1. COMPLIANT OPERATION

The Company strictly abided by the requirements of the Company Law, Securities Law, and other relevant national laws and regulations. The Company has developed a series of regulations to ensure legal and compliant operation.

1.1 Governance and Structure

The Company has continuously improved legal-person governance structures like the Articles of Association and the Rule of Procedure of Shareholders' Meeting, and the relevant rules and regulations on corporate governance, established a corporate governance system and mechanism featuring compliant operation, division of duties, and check & balance. It has deepened internal risk control and management system, boosted the ability to prevent and control risks, and ensured stable and transparent operation while convening meetings of the Board of Directors and the Supervisory Committee, and general meetings of shareholders to guarantee the equality in the rights and interests of all the shareholders and creditors.





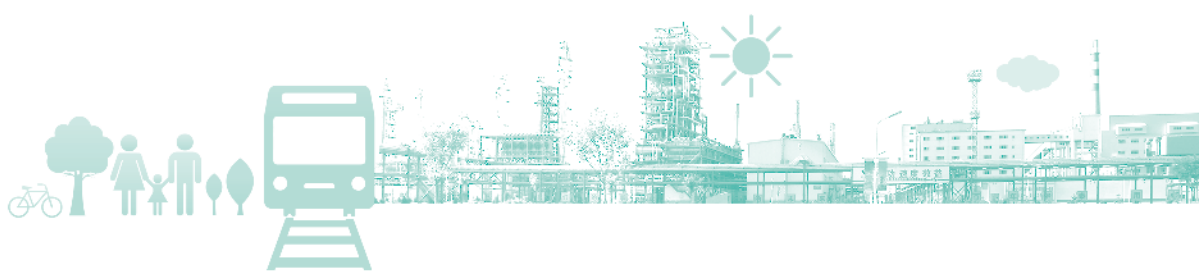
1.2 Anti-Corruption

The Company strictly complied with the Company Law and anti-corruption, anti-bribery and other relevant laws and regulations. In addition, the Company formulated regulations such as the Regulation on Strengthening Honesty and Dedication Building and Improving Cadres' Workstyle and the Measures on Strengthening the Assessment of Honesty and Dedication Building and Improving Cadres' Workstyle, in an effort to enhance the supervision on the Company's activities such as production, operation, and management.

In 2017, the Company constantly improved supervision system, made democratic assessment of the performance of administrative staff in routine work such as democratic decision-making, supervision acceptance, and diligent and thrifty, and evaluated them with reference to the assessment results of the Group's Discipline Inspection Commission; the commission and basic units entered into the Agreement on Strengthening Honesty and Dedication Building and Improving Cadres' Workstyle so as to raise the awareness of responsibility and honesty of the persons-in-charge at each level, to constantly promote honesty building, and to ensure the Company's honest, compliant, and transparent development.

Meanwhile, the Company proactively carried out special anti-corruption activities and convened training meetings on honesty cultivation. In particular, we organized basic units to participate in the training on "strengthening honesty and dedication building and improving cadres' workstyle" 56 times.

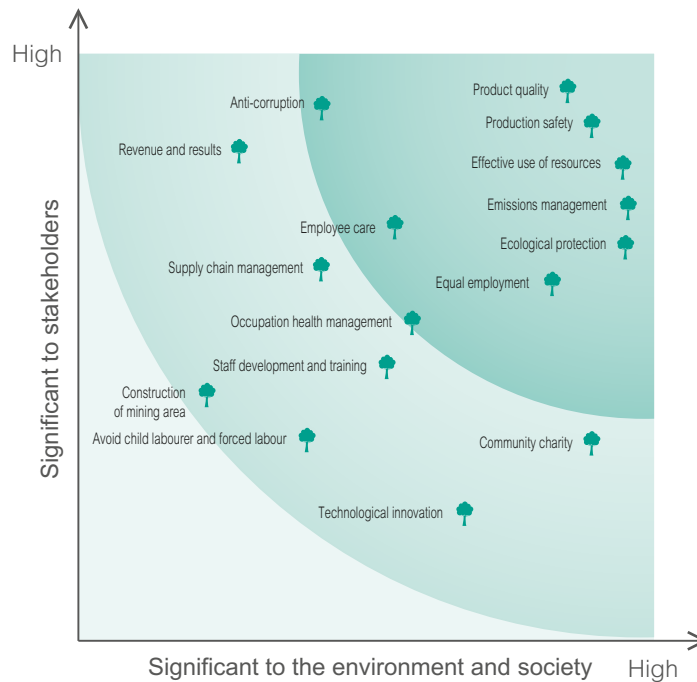
During the reporting period, the Company was not aware of any enquiry, notification, or penalty caused by any contravention of laws and regulations on anti-corruption, anti-blackmail, anti-fraud, and anti-money laundering in the place of operation.



1.3 Communication with Stakeholders

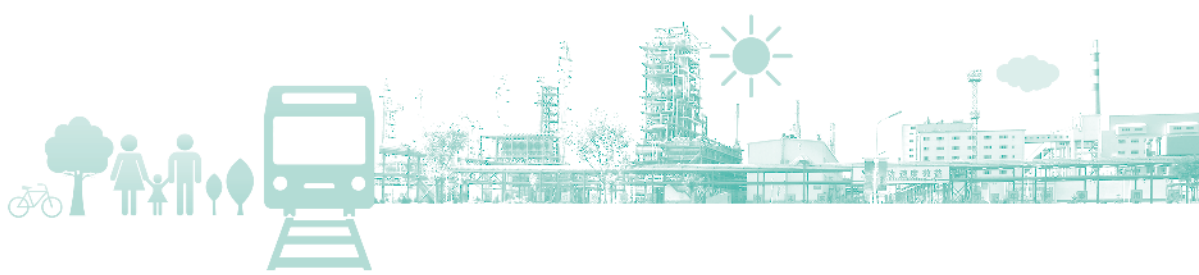
The Company attaches great importance to carrying out extensive communication and exchanges with all stakeholders, takes initiative to listen to the expectations and demands of stakeholders and incorporates the feedback into the Company's operations and decision-making to boost the sustainable development of the enterprises and the society.

Through identification and assessment of the importance of the issues attracting the attention of major stakeholders, the Company determines the following guidelines for the report on social responsibility involved in the social responsibility and related issues that are considered to be significant to the Company.





Stakeholders	Expectations and Demands	Communication and Response Methods
Shareholders	<ul style="list-style-type: none"> Sustained and stable performance growth Standard and clean operation Timely and accurate information disclosure Responsible investment 	<ul style="list-style-type: none"> Periodic disclosure General meeting Daily communication Investment management
Government	<ul style="list-style-type: none"> Operation safety Lawful and compliant Stable tax revenue growth Serve the local economy Promote the development of the industry 	<ul style="list-style-type: none"> Compliance management Law-abiding Pay tax according to laws Construction of mining area Railway operation Technological innovation
Environment	<ul style="list-style-type: none"> Compliant pollutant emissions Save energy and resources To improve the efficiency in the use of energy Ecological protection 	<ul style="list-style-type: none"> Establishment of environmental management system Emissions management Effective use of resources Ecological protection
Employees	<ul style="list-style-type: none"> Equal employment opportunities Reasonable salary and welfare Smooth development channel Safe and healthy working environment Employee care 	<ul style="list-style-type: none"> Equal employment Diversified recruitment Occupation promotion channel Training system Occupation health management Employee care activities
Customers	<ul style="list-style-type: none"> Provide quality-compliance coal and coal chemical products Stable and efficient railway operation 	<ul style="list-style-type: none"> Quality management Technological innovation
Suppliers and partners	<ul style="list-style-type: none"> Transparent procurement Win-win cooperation Keep commitment 	<ul style="list-style-type: none"> Supply chain management Sunshine procurement
Community	<ul style="list-style-type: none"> Environmental protection Community development Harmonious community 	<ul style="list-style-type: none"> Environmental protection Targeted poverty alleviation Charity activities



2. VALUE OF INDUSTRIAL CHAIN

The Company strictly implements laws and regulations and industrial standards such as the Product Quality Law and the Standardization Law, and provides high-quality products and services; meanwhile, we constantly promote technological reform and innovation to raise the added value of products, improve supply chain management so as to realize the mutual benefits and sustainable development and further upgrade the value of the industrial chain.

2.1 Product Quality Management

In 2017, to upgrade the Company's quality management standard, improve quality management performance and competitiveness, and ensure the continued suitability, sufficiency, and effectiveness of quality management system, the Company, in accordance with the Fundamentals and Vocabulary of Quality Management System and the Requirements for Quality Management System, edited, revised, and updated the version of the Quality Control Manual as our management standards for quality management system and the codes of conducts for stakeholders in this regard.

Meanwhile, the Company formulated relatively comprehensive control procedures of defects to identify and control the off-specification coal and coal chemical products discovered in the process of production, storage, and delivery through the procedures such as identification, recording, appraisal, disposal, and improvement, so as to prevent unintended use or delivery of defects and to lower their generation rate.

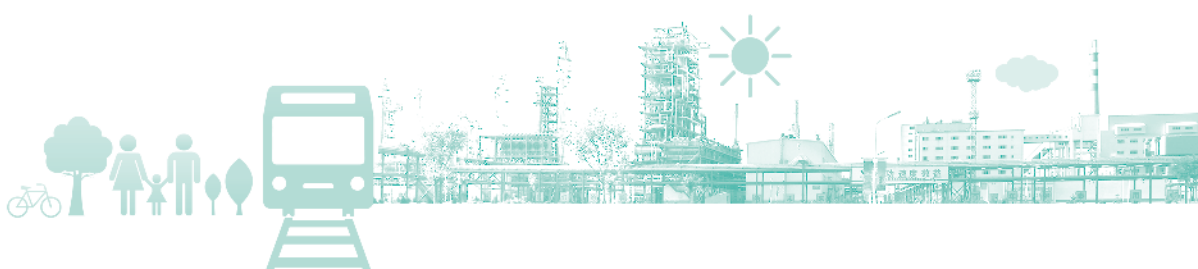
During the reporting period, the Company passed the certification of ISO9001:2008 quality management system and was awarded with the corresponding certificate.

- **Quality Management of Coal Products**

In order to strengthen the quality control on coal products, improve product quality, and optimize product structure, the Company has formulated and strictly abided by the Measures on Coal Quality Control, established a coal quality control group and a coal quality control agency to further control and supervise the coal quality in the process of mining, transport, and sales.



Production Process	Measures
Raw coal mining	<ul style="list-style-type: none"> Formulate strict standards on the use and layout of the equipment, drainage system, work process, and other aspects in mines, set up requirements for and control the ash, moisture, granularity, and impurity of raw coal.
Washing and processing	<ul style="list-style-type: none"> Specify the requirements for relevant work process and parameters in the process of washing, periodically inspect the changes in coal slime quality. Determine whether the products are qualified in accordance with the contracts with clients, internal product quality standards, and the inspection report issued by the third party inspection authority; launch secondary processing or degrade the defects that can be reworked; for those that cannot be reworked, adopt degradation or coal blending measures and rectify the production process. Strengthen technical transformation, improve roller screen technology and optimize raw coal screening system.
Storage and transport	<ul style="list-style-type: none"> Formulate management plans such as the Plan for Unloading and Coal Blending to standardize loading and unloading procedure in loading facilities; Formulate regulations on stacking of varied coals in loading facilities, make daily quality assessment of coal piles.
Sales	<ul style="list-style-type: none"> Determine whether products are qualified prior to sales, adopt degradation or coal blending measures for defects. Reprocess the coals for sale which failed to meet the relevant requirements for granularity, and the coals only can be sold after passing the quality inspection. Strengthen technological improvement, improve the grading local sale system of lump coals.



[Case: Technical Improvement of Roller Screen]

In May 2017, the Company improved roller screen technology and narrowed the distance between the sieves to improve screening effects. During actual operation, the gap between sieves has changed from 30mm to 20mm, and thus the granularity of small-sized lumps has been decreased to 25mm from 35mm, significantly increasing lump coal ratio and economic benefits.

Month	July	August	September	October
Screening ratio of roller screen	13.58%	/	22.77%	23.51%
Percentage of small-sized lumps in the total sales	7.7%	/	12.08%	12.4%

Note: August was the period for transformation, so data analysis did not cover the month.

After the technical improvement, the ratio of small-sized lumps and their percentage in the total sales have respectively increased by 9.56% and 4.54% on average, contributing to an increase of RMB30.87 million in economic benefits.

[Case: Optimization of Raw Coal Screening System in Kaida Mine]

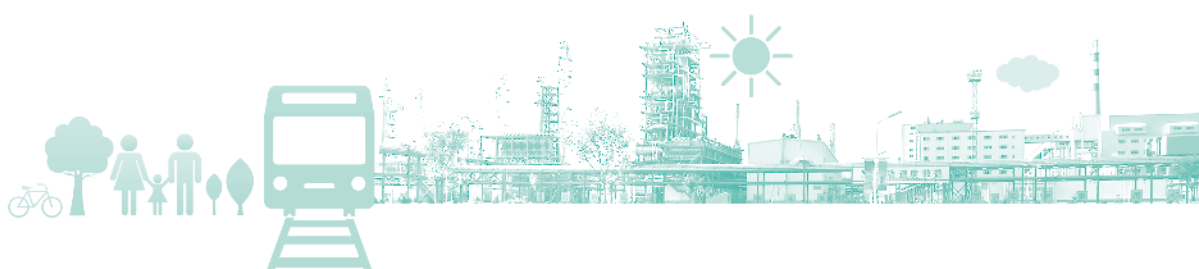
In August 2017, the Company, based on the results of the investigation about the market demand of coal refining and screening, optimized the raw coal screening system in Kaida Mine, refined the screening and classification of coals to further meet market requirements and to effectively boost the economic benefits of the Kaida Mine.

After optimized screening system was put into operation, Kaida Mine produced approximately 0.11 million tons of coals in total. Within 4 months, the direct economic benefits increased by RMB2.3045 million; meanwhile, by making full use of the 5 units of old screening equipment, the Company has maximized the utilization of idle assets and provided a new idea and pattern for lower costs and greater effects.



Type of Coal after the Optimization				
No.	Type of Coal	Coal Sampling (KG)	Percentage	Price
1	0-13mm	29.04	35%	RMB295
2	13-25mm	12.74	14%	RMB310
3	25-100mm	29.9	35%	RMB365
4	100mm	13.47	16%	RMB370
Total		<u>85.15</u>	<u>100%</u>	

Type of Coal before the Optimization				
No.	Type of Coal	Coal Sampling (KG)	Percentage	Price
1	0-25mm	41.78	49%	RMB295
2	Above 25mm	43.37	51%	RMB310
Total		<u>85.15</u>	<u>100%</u>	



- Quality Management of Coal Chemical Products**

In order to improve quality control on coal chemical products and enhance quality guarantee, the Company has formulated a series of internal systems and adopted multiple measures for the purpose of comprehensive quality management of the inspection on raw materials, process products, and finished products:

Production Process	Measures
Raw material purchase	<ul style="list-style-type: none"> Formulate the Control Standards for the Entry in the Plant by Raw Materials, make sampling analysis of the raw and auxiliary materials entering the plant. The raw materials can only be put into use after they pass the inspection and undergo warehousing formalities.
Research and development	<ul style="list-style-type: none"> Formulate a variety of professional security systems, encourage researchers to design and optimize product manufacturing.
Production	<ul style="list-style-type: none"> Formulate the Plan for Product Quality Control and the Plan for Product Inspection, check and analyse the finished products in accordance with the inspection plan: <ul style="list-style-type: none"> Before product loading, screen the safety accessories, container, etc. of the tanks in detail; In discovery of abnormalities such as discoloration, emulsification, and water at loading, promptly inform the relevant department for treatment. Rework or degrade disqualified products based on their specific conditions. Improve production technology: <ul style="list-style-type: none"> Improve sulphur slicer; Improve the chrominance of refined Fischer Tropsch wax.
Transport	<ul style="list-style-type: none"> The Company requires that all vehicles for product transport must meet safety requirements and have escorting certificate, driving license, and container inspection report; before entering the plant, the vehicles are subject to inspection on fire extinguisher and fire barrier, so as to ensure the container are in good conditions and free of any leakage. The vehicles can only enter the site and be loaded after they pass the inspection.
Sales	<ul style="list-style-type: none"> In discovery of any disqualified products in sale process, the Company will adjust their flow direction or sell them at lower prices, identify the causes of quality issues, and undertake rectification measures.



[Case: Improvement of Sulphur Slicer]

In 2017, Coal-to-oil Company improved the sulphur slicer. The slicer poured the liquid sulphur from the sulphur melter into the tank, feed them into the slicer through the pump, and then slice, pack, and seal the sulphur after solidification, replacing manual slicing before, improving fineness, upgrading the products to first grade from qualification level, and improving economic effects; meanwhile, the improvement has helped reduce odour emission at the moment of sulphur discharging and thus contribute to better production environment.

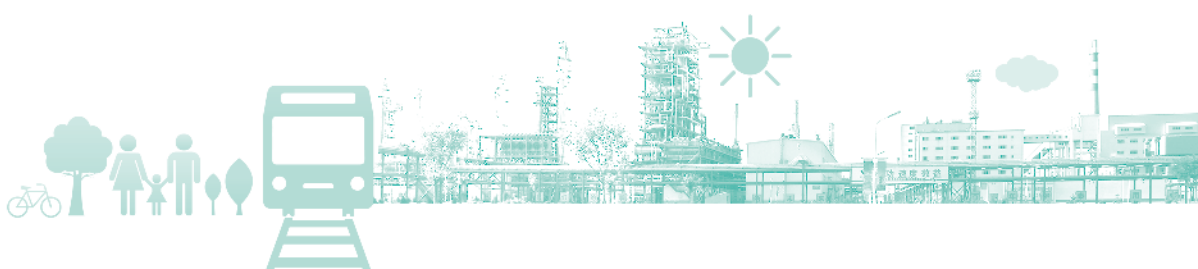


[Case: Improvement of the Chrominance of Refined Fischer Tropsch Wax]

To improve the chrominance of refined Fischer Tropsch wax, the Coal-to-oil Company has made it a rule that paraffin from a synthesizer and refined Fischer Tropsch wax from oil equipment can only be moved to the finished product tank after they respectively meet the No. 2 Standard of Fischer Tropsch Wax and Refined Wax. Meanwhile, the Company enhanced supervision, sampled and monitored the refined wax from distillation outlet every two hours, and made prompt adjustment.

In 2017, the chrominance of refined wax continuously improved and finally met No. 1 Standard. At present, the chrominance of the Company's refined wax has been above the average in coal-to-oil industry.

In 2017, no products sold or delivered by Coal-to-oil Company were recalled.



2.2 Improvement of Customer Service

The Company has adhered to providing quality service for clients, formulated internal regulations like the Employee Accountability System and the Measures for Customer Complaints, and established channels and platforms for customer feedbacks and communication so as to collect the customer feedbacks about the Company's product and service quality, promptly handle customer complaints, and realize comprehensive quality control from production to sales.

The Company has prepared customer satisfaction questionnaires, organized sales units to carry two surveys each year, established the platforms for communicating quality issues with production units through telephone, WeChat, and documents, and promptly notifies production units of the after-sale customer feedbacks and opinions for subsequent treatment.

The Company values the safety and protection of customer privacy, strictly prohibits employees from divulging customer profiles, feedbacks, complaints, and other information, imposes fines on violators depending on severity of the relevant case, and suspends those committing severe offense from their duties.

Thanks to the continuous improvement in quality management of service quality, the Coal-to-oil Company has not received a customer complaint. Meanwhile, based on the customer satisfaction questionnaires, customers are satisfied with the Company's professionalism in varied aspects and look forward to stronger cooperation.

2.3 Scientific and Technological Innovation

The Company has formulated and issued the Technological Management System, the Management and Incentive System of Technological Achievements, the Management Measures on Scientific Research Projects, the Management Measures on Intellectual Property, the Management Measures on Intellectual Property Risks, and the Management Measures on Confidentiality, to regulate technological business and intellectual property procedure, establish an innovation incentive mechanism, and stimulate innovation potentials of employees.

During the reporting period, the Company input RMB712 million in research and development, accounting for 1.99% of the operating revenues in 2017, and built a professional research and development team to continuously innovate product technology and to improve production efficiency and quality.



- **Industry-University-Research Cooperation**

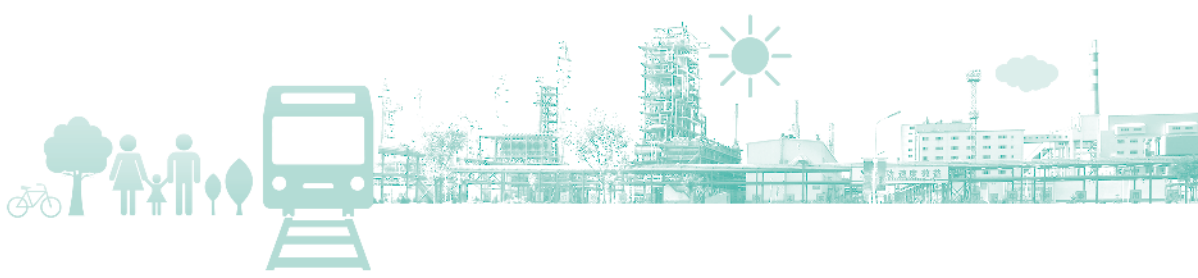
To further enhance the Company's scientific and technological innovation capacity, we have taken the initiative to develop industry-university-research cooperation, cooperated with multiple universities and science parks, promoted technology development, and made tremendous strides forward.

- In August 2017, the Company entered into the Cooperation Agreement on Academician and Expert Workstation with the Management Committee of Erdos High-Tech Industry Park and the partners in respect of the safe and high-efficiency coal mining and the innovation and application of strata controlling technique in Erdos Mine.
- In August 2017, the Company entered into the Cooperation Agreement on Academician and Expert Workstation with the Management Committee of Erdos High-Tech Industry Park and domestic specialized universities in relevant industries in respect of the research on and promotion of 110/N00 non-pillar mining technology in the shaft of Erdos.
- In October 2017, the Company entered into the Framework Agreement on Promoting the Establishment of Inner Mongolia New Coal-based Materials Institute with the People's Government of Erdos City, Science and Technology Department of Inner Mongolia, and Chinese renowned universities.

[Case: Inner Mongolia Yitai New Coal-based Materials Institute Co., Ltd.]

To resolve the product bottlenecks restricting the development of coal chemical products, Inner Mongolia Yitai New Coal-based Materials Institute Co., Ltd. (内蒙古伊泰煤基新材料研究院有限公司) was established in Erdos Hi-tech Zone. On July 20, 2017, this company has established labs and offices covering an area of 2,000 square meters, basically completed a high-level test platform for research on special wax, new coal-based materials, and chemical coals, and assigned 14 experts and professional technicians to mainly conduct research on high value-added refined coal-based chemicals, new materials, and adaptability assessment of chemical coal varieties.





- Patent Protection System**

The Company has formulated regulations and measures such as the Management Measures on Intellectual Property, the Management Measures on Intellectual Property Risks, the Technology Management Measures, and the Management Measures on Confidentiality to complete patent protection system and to guide the staff on the works such as property right protection, property right risks management, and confidentiality management.

During the reporting period, the Company applied for 3 utility patents and 5 authorized utility patents and completed the registration of 2 scientific achievements in autonomous region.

[Case: Research on and Application of the 110 Non-Pillar Mining Technology of Pressure Relief by Roof Cutting in the coal mining faces of Shallow Coal Seam]

To lower costs and increase benefits, raise coal recovery ratio, and reduce safety risks, the Company and Academician He Manchao proposed the project, 110 Non-Pillar Mining Technology of Pressure Relief by Roof Cutting in the coal mining faces of Shallow Coal Seam. The project, designed to eliminate the stress concentration of adjacent coal mining faces and control the caving path of the gob roof, has decreased ratio of mining and excavation of the coal mining faces and realized non-pillar mining. In 2017, “110 Technology” realized its first successful application on the coal mining faces of Yitai’s Baoshan coal mine and Hongjingta No. 1 mine, effectively resolving the problems such as “great shaft work quantities, serious waste due to coal pillars, and stress concentration of coal pillars”. In addition, it has improved the environment while boosting economic benefits.





- **Transformation of Scientific Achievements**

The Company has taken the initiative to formulate industrial and national standards. In 2017, the Company participated in the formulation of two national standards, i.e. the Coal-Based F-T Synthetic Naphtha and the Coal-Based F-T Synthetic Blend Gasoline, filling the gap in industrial and national standards on the two types of products.

2.4 Supply Chain Management

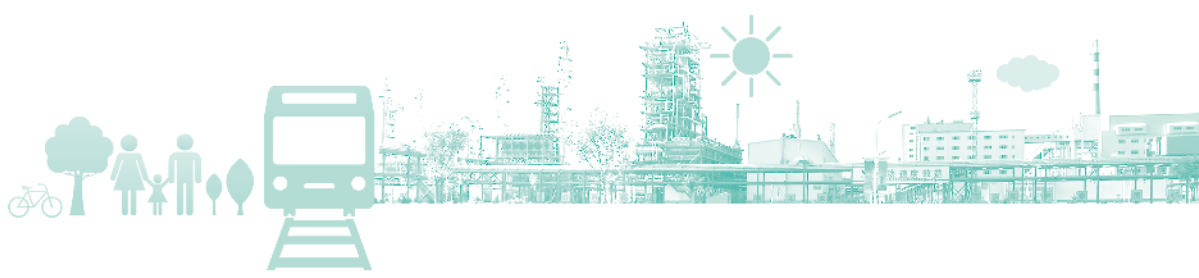
For the purpose of scientific and effective supplier management, the Company has organized the formulation of the Supplier Management Measures of Inner Mongolia Yitai Coal Co., Ltd., the Proposal and Submission of Inspection Plan, and the Examination and Approval Procedure of Qualified Suppliers' Warehouses, etc., so as to standardize management construction and to strengthen the control and assessment of supply process and the management of raw materials.

During supplier chain management, the Company has, in strict accordance with the supplier access rules, inspected the manufacturing capacity of the suppliers and requested the enterprises subject to environmental protection examination and approval to provide relevant approval documents or quality/environmental system certificates; meanwhile, the Company has quarterly evaluated cooperative enterprises, annually inspected key partners, and established an exit mechanism where the non-complying enterprises will be assessed and forced out, so as to guarantee more effective supplier management.

[Case: Core Supplier Conference Held by the Group]

On December 6, 2017, the Company held the Core Supplier Conference, where nearly 56 core suppliers across China were present. With the theme as "Fellow Travellers Draw a Blueprint for Win-Win Results" and the guiding principle as "Mutual Trust and Assistance, Cooperation and Mutual Benefits", the conference summarized the Company's procurement in 2017 and hatched a plan for the next year's procurement; meanwhile, through the deep communication with core suppliers, the Company obtained their opinions and recommendations on bidding and explored a new pattern for in-depth cooperation with them.

After the conference, the Company entered into a strategic cooperation agreement with some core suppliers to establish a new platform and mechanism for cooperative development and to realize a diversified procurement pattern.



The number of cooperative suppliers as of the end of the reporting period is detailed as follows:

Region	Number	Percentage in the Total Suppliers
Within Inner Mongolia Autonomous Region	205	20.26%
Beyond Inner Mongolia Autonomous Region	807	79.74%
Total	1,012	

The coverage rate of the manufacturers inspected by the Company as of the end of the reporting period is detailed as follows:

Category	Number	Percentage in the Total Suppliers
Manufacturers Checked and Evaluated	728	71.94%
Suppliers Passing the Environment and Social Impact Inspection	136	13.44%
Total Suppliers	1,012	85.38%



3. SAFETY DEVELOPMENT

The Company deemed safety work as the top priority, followed the principle of “safety development”, upheld the strategic positioning of “care for people, pursuit of intrinsic safety”, promoted the thought of “no relaxation, paralysis, or complacency”, and adhered to the equal consideration of management and input, so as to continuously optimize and detail safety work and to realize both “prosperity” and “safety” in safety production.

3.1 Safety Operation

The Company strictly abided by the relevant laws and regulations of the state on safety production such as the Safety Production Law and the Guiding Opinions on Enterprise Production Safety Standardization of the Safety Committee of the State Council, took safety management and safety production respectively as the basis and guarantee, and took the initiative to realize safe operation.

During the reporting period, there was no occurrence of any accidents that resulted in minor wounds or more serious accidents within the Company.

- **Safety Management**

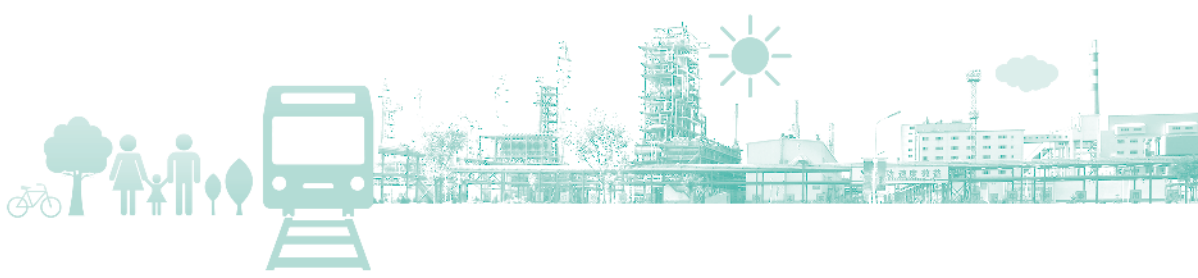
The Company formulated the regulations such as the Standardized Management System of Safety Production in Coal Mines, the Management Measures on Classified Control on Safety Risks, the System of Identifying and Eliminating the potential Risks in Production, the System of Mine Contracting by the Leaders, and the Management System of the Entrance in Mines (Pits) by Safety Managers, released 10 notices about safety management and inspection, and developed relevant electromechanical safety management systems in coal segment, so as to establish more detailed and rigorous safety management and supervision system, improve safety management requirements, and lay a solid foundation for safety production.

During the reporting period, all of the Company’s administrative staff were awarded with relevant certificates after passing the inspection on safety production knowledge and safety management ability.

- **Safety Production**

In 2017, to guarantee employee security in the process of production, the Company strictly implemented the safety management systems and developed the 2017 Measures on Safety Production Punishment and Rewards to strengthen the supervision and inspection on safety production; meanwhile, the Company launched a stream of safety construction and inspection activities to enhance the safety awareness and skills of the staff:

- Strengthened safety inspection, launched a series of safety protection and inspection activities like Thorough Safety Inspection in Spring, Three Preventions in Rainy Season, Thorough Safety Inspection in Autumn, and Four Preventions in Winter;



- Carried out the activity of Star-Level Team or Group, improved team/group building mechanism, and enhanced the safety awareness of the staff at the level of a team/group, to gradually realize the transformation from “zero accident” to “zero three-violation behaviour”;
- Carried out the activity of “Safety Production Month”, fully undertook the responsibility of safety production as an enterprise;
- Promoted safety law dissemination, held weekly activity to promote the Safety Production Law.

The Company further enhanced the safety awareness of the staff through safety education and training. During the reporting period, the Company provided safety trainings 179 times, covering 9,360 trainees.

Through unremitting efforts in safety production, in 2017, the Company won the honorary titles, the Advanced Unit of “Safety Production Month” in Inner Mongolia Autonomous Region and the Advanced Unit of “Safety Production Month” in Dongsheng District; the Group won three awards presented by the Dongsheng District Safety Production Committee, including “the 2016 Advanced Unit of Safety Production Work”, “the 2017 Excellence Award for the Acts of Youth Safety Surveillance” and “the 2017 Excellence Award of Ankang Cup Knowledge Competition”.

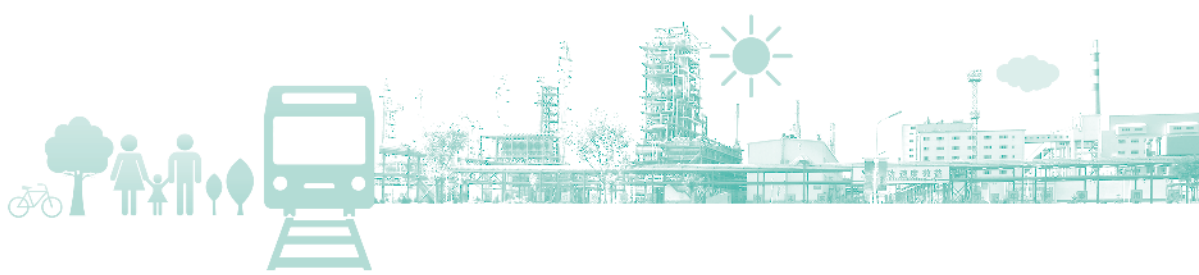
[Case: Inspection Activities in the Four Seasons]

To enhance the pertinence of safety management, the Company identified the potential safety hazards in different seasons and launched targeted protection and inspection.

<p>Thorough Safety Inspection in Spring</p>	<p>February to May 2017</p>	<p>Spring is the start of the production in a new year. Therefore, in spring, the Company conducted comprehensive, whole-process, thorough, strict, detailed, and large-scale inspection on the potential production safety hazards, along with corresponding treatment.</p> <p>During the period, the Company strengthened the promotion of safety in production and inspection on safety production, coupled with relevant education activities.</p> <p>During the inspection period, the Company totally posted 193 slogans, distributed documents bearing specific name to 2,118 staff, transmitted 559 written decisions to the inspection team, detected 2,445 potential risks, and imposed the fine of RMB336,100. In addition, all the potential risks were rectified.</p>
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<p>Three Preventions in Rainy Season</p>	<p>April to October 2017</p>	<p>In rainy season, flood, thunder and lighting, are frequent. Therefore, to prevent the huge losses on production process and equipment by poor weather conditions, the Company organized Three Preventions, which mainly included the safety activities to prevent flood, thunder and lighting, etc.</p> <p>During the activity, the Company held special meetings to study the work on “Three Preventions in Rainy Season”, developed work and emergency plans, and identified specific tasks and responsibilities; established and improved various work systems and prevention measures to strengthen schedule and on-duty work; prepared all the facilities and materials for the activity.</p> <p>During the activity, the Company carried out safety promotion activities 87 times; the Company’s inspection team issued 142 written decisions on site disposal, discovered 970 potential hazards, and imposed the fine of RMB58,200. In addition, all the potential risks were rectified.</p>
<p>Thorough Safety Inspection in Autumn</p>	<p>September to December 2017</p>	<p>As there are no obvious potential safety hazards in autumn, the Company conducted thorough safety inspection on the production process for rectification.</p> <p>During the activity, the Company organized 62 sessions of safety education and training; the inspection group issued 136 written decisions on site disposal, identified 933 potential hazards, and imposed the fine of RMB62,400.</p>
<p>Four Preventions in Winter</p>	<p>From October to December 2017</p>	<p>In winter, the equipment easily gets damaged because of cold weather; meanwhile, the Company fired coals for warmth, and any improper treatment might result in some accidents such as carbon monoxide poisoning. Therefore, to guarantee safety, the Company conducted a series of safety activities to prevent cold, freezing, fire, and carbon monoxide poisoning.</p>



[Case: “Safety Production Month”]

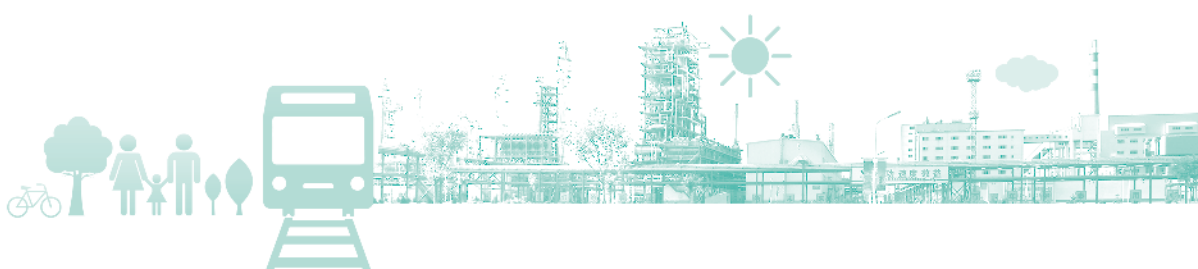
In June 2017, the Company launched the campaign of “Safety Production Month”, which covered a variety of safety activities, to cultivate the safety awareness and behaviours of the staff and to promote safety culture to each staff member. By making full use of promotion platforms like television, newspaper and WeChat Platform, the Company created strong atmosphere of activity. During the campaign, the Company purchased and distributed 22,190 copies of promotion materials like posters, safety manuals, and folding fans, as well as 14 CDs about accidental cases, launched 27 sessions of safety consultation day activities and 51 safety warning education activities including safety knowledge competitions, and organized a variety of safety trainings 42 times.

<p>Safety Production Consultation Day Activities</p>	<p>On June 16, 2017, it was Safety Production Consultation Day. Various units adopted a variety of ways to promote to the staff the safety production policies and regulations, science of safety, safety knowledge about hazardous chemicals, knowledge about occupational health, emergency response, ways for self and mutual medical aid, etc. Meanwhile, various production and operation units established information desks and launched consultation service activities in a flexible way; promoted safety knowledge through WeChat and shared the selfies taken during the activities of “Safety Production Month” (including Safety Consultation Day), expectations and wishes for “Safety Production Month” and safety production to Moments.</p>
<p>Drilling Week of the Accident Emergency Rescue Plan</p>	<p>In late June 2017, the Company initiated the Drilling Week of the Accident Emergency Rescue Plan. Respective mines organized emergency rescue drills for accidents like fire, flood, rainy season, and gas explosion. Non-coal production units conducted drills in respect of the accidents such as the fire caused by gas leakage, fire in coal yards, and flood prevention. During the campaign of “Safety Production Month”, the units conducted a total of 16 accident emergency rescue drills and inspected and rectified the shortcomings in the emergency rescue plan, improving the rescue ability of emergency response teams and the disaster-prevention and self-aid ability of the staff.</p>



<p>Safety Production Knowledge Popularization & Quiz for the Staff, Safety Production Knowledge Competition</p>	<p>The Company organized the Safety Production Knowledge Popularization & Quiz for the Staff to enrich the safety knowledge of the employees. A total of 7,222 answer sheets were collected. Meanwhile, the Company organized the “Safety Production Knowledge Competition”, which was participated in by 29 units in total. In particular, Talahao Mine won the championship among coal mine units, and Zhundong Railway Company gained the laurel among non-coal mine units. The safety production promotion and education activities sent off an upsurge to learn relevant knowledge among the staff, effectively promoting the success of the campaign, “Safety Production Month”.</p>
<p>“Snapshot of Potential Hazards”, Collection and Exhibition of Excellent Works</p>	<p>The Company launched the activity, “Snapshot of Potential Hazards”, to edge the staff to promptly identify and upload unsafe acts around them and to enhance the consciousness and ability of safe production. Meanwhile, the Company conducted the activity, Collection and Exhibition of Excellent Works. It organized various units to create safety culture works close to the grass roots and life, including short films, micro videos, public-interest ads, display boards & wall maps, cartoons, popular science books, etc. about safety production, selected excellent ones for display, and encouraged the staff to raise the awareness of safety production while giving full play to their creativity.</p>





3.2 Occupational Health

The Company strictly abided by the relevant laws and regulations on occupational health, like the Law on Prevention and Control of Occupational Disease, adhered to the policy of “Safety First, Prevention Oriented, and Comprehensive Treatment”, developed the Occupational Health Management System, established the management system of occupational health, safety, and quality management (SHQ Management System), optimized the SHQ Management System in combination with the latest Occupational Health and Safety Management System Standards (GB/T28001/OHSAS18001) and the Quality Management System Standards (GB/T19001/ISO9001), to upgrade the overall occupational health management.



During the reporting period, the Company smoothly passed the recertification of occupation health safety management system and the supervision, verification, and certification of quality management system.

The Company organized multiple training activities on safety production laws and regulations, as well as occupational safety and health/quality/environment/energy system (SHQE Management System), to enhance occupational safety and health management, improve the prevention and management of occupational hazards, and guarantee labour health and safety. The Company truthfully declared the projects with occupational disease hazards to the relevant safety supervision agency of the place where the relevant mine is located and organized internal employee physical exam to promptly identify the reasons for occupational diseases and to improve production and operation. The Company engaged a third-party agency to conduct occupational hazard detection, to issue relevant report, and to put forward recommendations and improvement measures for the Company’s occupational hazards, in a desire to enhance the guarantee for occupational health and safety by lowering occupational hazard risks.

During the reporting period, all the staff had passed occupational health exam and no additional occupational disease cases was discovered.



[Case] Training on SHQE Management System

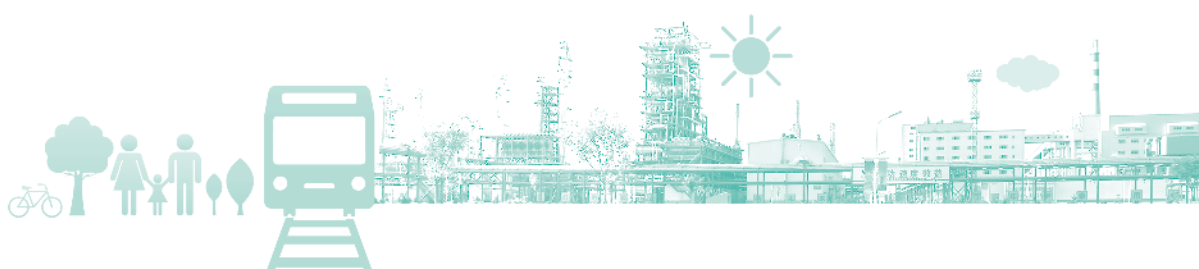
In June 2017, to enhance the staff's understanding and knowledge of SHQE management system and to facilitate the improvement of the system, the Company respectively invited the famous training instructors from China Quality Mark Certification Group Co., Ltd. (北京方圓標誌認證集團有限公司) and Beijing Zhongjing Kehuan Quality Certification Co., Ltd. (北京中經科環質量認證有限公司) to provide 7-day training on the knowledge of occupational health and safety/quality/environment/energy management system standards and QMS version change in its terrace conference hall. The instructors interpreted the management system standards and significant terms and conditions mainly to the personnel responsible for such systems and others concerned. After the training, closed-book exam and questionnaires were adopted for assessment. A total of 290 staff members participated in the training, and all of them underwent and passed the subsequent assessment.



4. ENVIRONMENTAL PROTECTION

Complying with the Environmental Protection Law, the Air Pollution Prevention Law and other environmental protection policies while insisting upon the environmental/energy policy of “hundred-year Yitai, green energy, energy saving, efficiency increasing and sustainable development”, the Company formulated the Environmental Management Measures of Inner Mongolia Yitai Coal Co., Ltd. and the Environmental Protection Examination and Appraisal Rewards and Punishment Methods. Meanwhile, the Company established and improved environmental management system and energy management system, enhanced environmental monitoring, and standardized environmental protection, soil and water conservation work of all units, so as to practice its social commitments of ecological protection.

The Company formulated the indicators for environmental targets in 2017 to quantitatively regulate its emissions; in the meantime, the Company kept pace with the times by developing an energy consumption statistical system and an informationalized environmental protection data collection system through production and operation command platform. While capturing the real-time and accurate pollutant disposals and emissions of all units, the Company reached a new level in its quantitative environmental protection management.



During the reporting period, the Company cumulatively invested approximately RMB366 million in environmental protection, and all industry segments have passed the ISO14001 environmental management system certification and the ISO50001 energy management system certification. In the whole year, there was no environmental pollution accident or complaint about environmental pollution within the Company.

4.1 Emissions Management

In accordance with the Environmental Management Measures, the Indicators for Environmental Targets of the Company in 2017 and other policies, the Company managed its pollutant emissions in a strict manner to reduce environmental pollution.

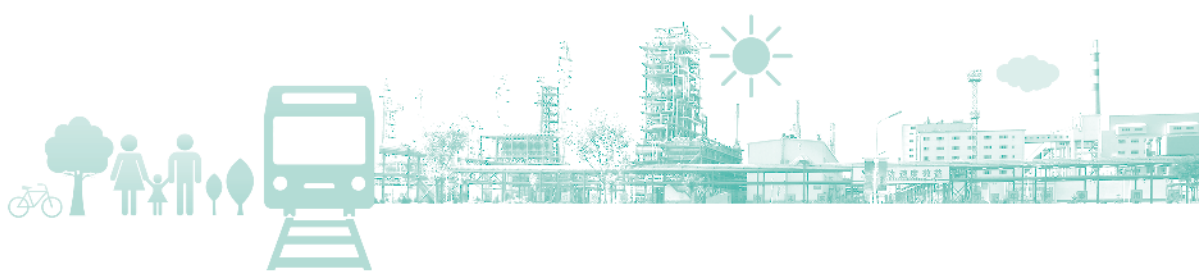
Emission load of each of the emissions in 2017:

Category of emission		Emission load	
Greenhouse gas		7,908,677.67 tonnes	
Solid pollutant	Hazardous waste		
	Non-hazardous waste	Gasification ash/fly ash	Waste machinery oil: 11.13 tonnes
		Boiler slag	79,649 tonnes
		Coal gangue	75,672.46 tonnes
Wastewater		5,061,513.97 tonnes	
Exhaust gas	Flue gas	Concentrated brine: 388,406 m ³	
	Sulfur dioxide	20.27 tonnes	
	Nitrogen oxide	80.64 tonnes	
		251.59 tonnes	

In order to reduce the emissions of pollutant in the process of production and sales, the Company kept optimizing emission technologies for coal mining, washing and dressing to promote a cleaner production. In 2017, the Company promoted greenhouse gas emission reduction programs including “Coal-to-liquids Oil Tail Gas Decarbonization Clean Conversion Preliminary Testing and Interim Testing” while implementing many technological measures to reduce the generation of pollutant:



Category of emission		Measures and effects
Greenhouse gas		<ul style="list-style-type: none"> The Company cooperated with Carbon Energy Technology (Beijing) Co., Ltd. (碳能科技(北京)有限公司) to implement the “Coal-to-liquids Oil Tail Gas Decarbonization Clean Conversion Preliminary Testing and Interim Testing” program, which has commenced trials at the sites of Coal-to-Liquids Company in September 2017. Such technology can reduce the carbon content in the tail gas emissions in production of coal-to-liquids oil, which in turn contributes to the reduction of greenhouse gas emissions. In the coal chemical production process, the Company, by selecting appropriate gasification furnace, improved coal CO conversion rate in the gasification process; in oils synthesis process, the Company used efficient catalyst to improve energy utilization efficiency, so as to improve the carbon sequestration rate of oils, and to reduce carbon dioxide emissions from the source. A 50MW solar energy power station was newly established, whose annual average power generation of 66,390 MKWh supplied approximately 87% of the total power consumption for chemical production, which greatly reduced greenhouse gas emissions generated from coal-fired power generation.
Solid pollutant	Hazardous waste	<ul style="list-style-type: none"> One of the major sources of hazardous waste in coal chemical sector is the waste catalyst during the process. The Company strictly controlled feed quality of each unit through boosting process system operation efficiency so as to ensure the efficient operation of the system, prolong the service life of catalysts, and reduce waste catalysts. In strict conformity with the state laws and regulations, waste catalysts and waste machinery oil were all disposed by qualified third parties.
	Non-hazardous waste	<ul style="list-style-type: none"> Based on underground geological conditions, coal mining faces were properly arranged for each coal mine to avoid serious dirt band, which in turn reduced coal gangue from the source. Low ash coal was burned to decrease boiler slag.



Category of emission	Measures and effects
Exhaust gas	<ul style="list-style-type: none"> • Cloth bag dust removal and sodium alkali processes were adopted to reform boiler desulfurization and dust removal, and then to reduce exhaust emissions arising from boiler combustion. • Measures for controlling unorganized exhaust emissions: A totally-enclosed coal yard was built to control unorganized smoke emissions; as for volatile organic compound arising from storage and transportation of coal chemical oil and gas, floating roof tank was adopted for their storage and transportation to reduce exhaust emissions to the largest extent, and meanwhile oil and gas recovery devices were installed at truck loading trestle to reduce the generation of volatile organic compound during loading. • Currently, the Company is planning to promote LDAR technology for the volatile organic compound generated from oil and gas pipelines, pump and valve and other static equipment, to inspect and monitor potential emission points, detect and repair emission modules in a timely manner, so as to reduce oil and gas leakage emissions.
Noise	<ul style="list-style-type: none"> • The Company reduced noise emissions by control over entrance equipment and construction designing. While procuring equipment, the Company set an environmentally-friendly access threshold to prevent any highly-noisy or high energy consumption equipment or other non-environmentally-friendly equipment from entering our production system.

During the reporting period, as shown by the monitoring by local environmental monitoring centers every quarter of the emission indicators of atmospheric pollutants, water pollutants and noise at industrial enterprise factory boundaries of the Company's subordinate operation units, "Three Wastes" pollutant emission indicators met the corresponding national emission standards, and there was no environmental pollution incident.



4.2 Resource Utilization

Focusing on resource utilization efficiency, the Company, based on the Environmental Management Measures and other internal corporate systems, developed and utilized resources in a reasonable manner, so as to reduce the consumption of natural resources.

During the reporting period, the consumption of each type of resources of the Company is set out below:

Water	4.80 million tonnes
Electricity	677.75 GWH
Gasoline	244,672.40 litre
Diesel oil	2,205,982.05 litre
Coal	Coal: 0.28 million tonnes, raw coal: 0.82 million tonnes
Comprehensive energy consumption	67 million tonnes of standard coal

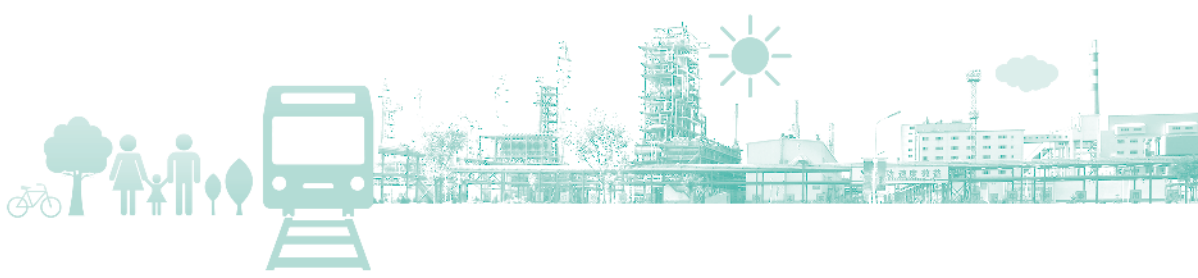
- Water Resource Management**

The Company focused on management of water resources used for coal mining and coal chemical production, and strictly enforced the relevant approval procedures of water resources management in the early stage of all projects. During the reporting period, the Company has not received any relevant regulatory inquiry, inform or punishment about the water problem.

The Company constantly promoted efficient utilization of water resources through implementing reclaimed water recycling device optimization, rainwater collection and recycling and other technologies to realize the recycling of water resources and decrease water resource consumption.

[Case: Underground water natural purification and utilization comprehensive technology application]

As coal mining went deeper and wider, mine production and water-consuming areas continued to grow, which gave rise to an increase in water demands, and the deeper and wider mining led to a continuous increase of mine water inflow so that the existing mine water processing system could no longer meet the increasing needs for mine water inflow purification. As such, some mine water failed to meet the requirements of the Coal Industry Pollutant Discharge Standards. Such environmental issues materially limited mine production.



By combining the practical underground conditions and based on the nature of local soil and stratum, as well as upon in-depth research and deliberation through site investigation, data retrieval, theoretical analysis, data calculation, underground trials and other methods, the Company finally decided to collect and store the underground wastewater through the existing underground mined-out area. Then, the underground wastewater would be naturally precipitated and filtered through the subsided roof stratum and soil of the mined-out area, and naturally out-flow by virtue of difference of level, and would be purified through constant-pressure variable-frequency pump. Upon pressurization, such purified water would finally be transported to mining face as water for production, which realized the reuse of mine water.

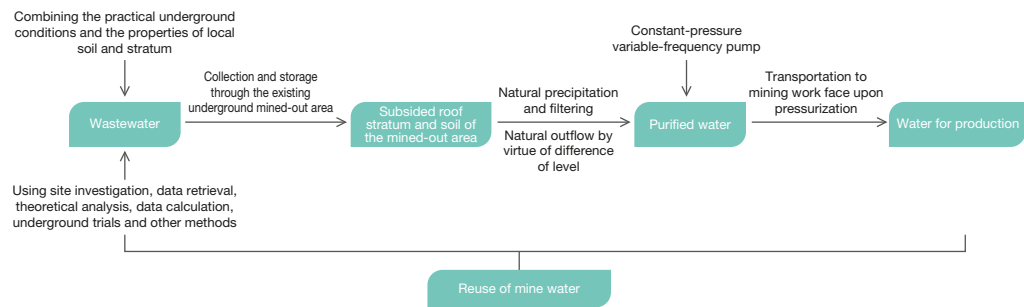


Figure: Sketch map of underground water natural purification and utilization comprehensive technology application

In 2017, the underground water natural purification and utilization comprehensive technology was experimentally implemented at Yitai Dadi refined coal mine. Such technology realized the storage and filtering of underground wastewater, making all the sampling discharged water inspection meet the Coal Industry Pollutant Discharge Standards at a lower cost; meanwhile, the establishment of an underground reservoir realized the self-sufficiency of underground water consumption. Then, such underground reservoir would support all water-demanding places. The variable-frequency control device realized the innovation of underground constant-pressure water supply, achieving a series of expected targets including normal operation of coal mine production, satisfaction of mine water processing capacity requirement, reduction in material consumption and standardized water quality, and satisfaction of production requirement.

Upon renovation, the mine wastewater processing plant saved RMB584,000 of medicament expenses, and a total of approximately RMB2.19 million of wastewater disposal costs.

The Company paid attention to the reuse of water resources in the process of production. During the reporting period, the wastewater utilization rate in coal mining and coal chemical production reached 100% and 99.57%, respectively, and the unit product water consumption of coal sector was only 0.03 tonne.



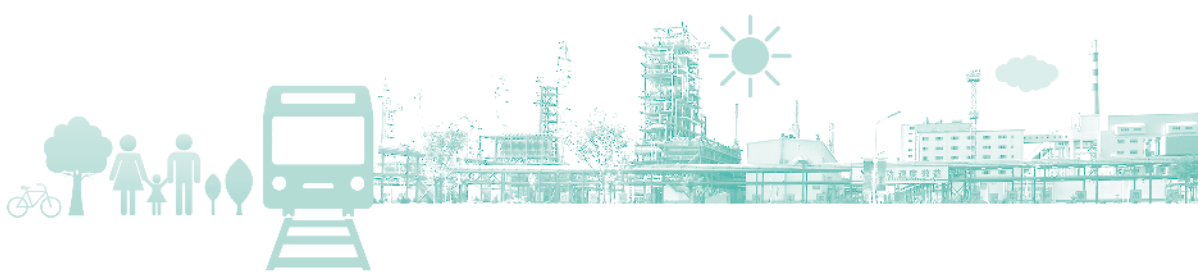
- As wastewater in coal production mainly came from underground mine water inflow, the Company made reasonable coal mining face layout to avoid water-bearing stratum for reduction of wastewater. The unavoidable mine wastewater and domestic sewage would be profoundly purified through mine water and domestic sewage processing equipment, which, upon reaching reuse standard, would then be used for underground production or dust removal, greening, realizing zero discharge of wastewater in coal sector.
- As wastewater in coal chemical production mainly came from the concentrated brine generated from reclaimed water reuse units, the Company proactively explored the comprehensive utilization of concentrated brine. In particular, the Company recycled purified water to the largest extent through salt-separation technology, and the sodium sulfate and sodium chloride generated from salt separation would be treated as industrial salt for external sale. Through the implementation of profound processing technology of concentrated brine, Yitai's coal chemical unit product water consumption decreased to 5.9 tonnes, which was far below the unit product water consumption, being 7 tonnes, regulated by the National Energy Administration in the Guiding Opinions on Standardizing Coal Fuel Demonstration Work.

- **Energy Conservation Management**

In order to save energy and reduce environmental pollution, the Company adopted a clean production process with lower energy and material consumption, and less pollutant generation in the environmental impact evaluation and preliminary designing stage of new-established, renovated or expanded projects. Meanwhile, the Company applied energy-saving motor, boiler heat exchange and other energy-saving equipment and technologies, and eliminated the existing equipment with high energy consumption as planned based on the elimination list of equipment with high energy consumption released by the government. And the Company enhanced energy conservation and consumption reduction in various aspects to increase resource utilization efficiency.

In April 2017, the Company's coal chemical circulating water blower water turbine technological transformation was completed and put into use, which could save approximately 1.3 million KWH of electricity annually, and save approximately RMB0.51 million of electricity charges per year.

During the reporting period, the Company's energy consumption per raw coal production was 1.50 kg of standard coal/tonne, which was far below the national comprehensive energy consumption per raw coal production limit, being 2.5 kg of standard coal/tonne.



4.3 Ecological Protection

The Company paid attention to the impacts on ecological environment in the process of production, and thereby developed various environmental protection and water conservation management systems, and promulgated and released the QHSE Management Systems Compilation according to the Environmental Management Measures and other internal systems. Meanwhile, the Company set up special environmental supervision department. All units also established corresponding environmental management institutions. In addition, the Company formulated the assessment rules for 60 events including environmental protection, soil and water conservation, ecological construction, energy conservation and emission reduction to strengthen environmental supervision work of the construction projects and the operation projects, so as to enhance management and supervision on soil and water conservation, wind-break and sand-fixation, subsidence area management, improvement of mining area ecological environment, and to mitigate the impacts on environment brought by corporate production.

- The Company developed the Subsidence Area Management Measures to strengthen the management of ground mined-out subsidence area and crack, standardize the acceptance of mined-out subsidence area, and prevent air leakage and inflammation of coal mined-out subsidence area and crack, so as to protect the ecological environment of the mining areas.
- The Company took a proactive part in the greening of mining areas to improve the ecological environment of the mining areas. In 2017, the Company implemented 21 greening projects, and planted 193,700 arbors and 906,200 shrubs, with a herb plantation area of 1,280,600 sq. m.
- The Company adopted various measures to avoid or mitigate the potential ecological impacts including vegetation reduction, soil exposition and water and soil loss brought by the construction machinery, vehicle, and human activities in the project construction. For instance, in the process of construction, layered excavation, layered stacking and layered backfill were adopted; after the construction, a balance between the amount of excavation and backfill was kept for landscape restoration; and a reasonable planning and designing was made to reduce the construction of pioneer road.

[Case] Kubuqi Desert Carbon Sequestration Forest Tranche I Plantation Project

The Company carried out the carbon sequestration forest tranche I project with a total area of 500,000 Mu at Kubuqi Desert. Trees planted mainly included salix psammophila, rose willow and drought-resistant poplar, constructed a stereo prevention system of forest, shrub and herb, which, on the one hand, reduced carbon dioxide emission and weakened global greenhouse effect, and on the other hand, significantly reinforced the wind-break and sand-fixation capacity of Kubuqi Desert and created a better ecological environment.



After years of construction, four arterial roads including “one vertical road and three horizontal roads” with a total length of 71.6km have been formed, which are protected by 8,000 Mu of sand and slag barriers. Approximately 350,000 Mu of shrubs and 300,000 arbors were planted. The Company also intends to build a carbon sequestration forest base with an area of 1,500,000 Mu in the future. In accordance with the Carbon Sequestration Forest Tranche I Project Carbon Sequestration Calculation Report of Inner Mongolia Yitai Coal Co., Ltd., since the implementation of tranche I project, an additional 342,800 Mu of planting area has been completed, with an additional 109,700 Mu of sand-fixation planting area, 7,100 Mu of wetland protection area, and 47,400 Mu of sand-barrier governance area, and a new seeding base has been set up. Based on the CCER fling accreditation report on the carbon sequestration forest project, a total of 1.62 million tonnes of carbon shall be sequestered in 2014 to 2034 with an annual carbon sequestration of 81,000 tonnes.

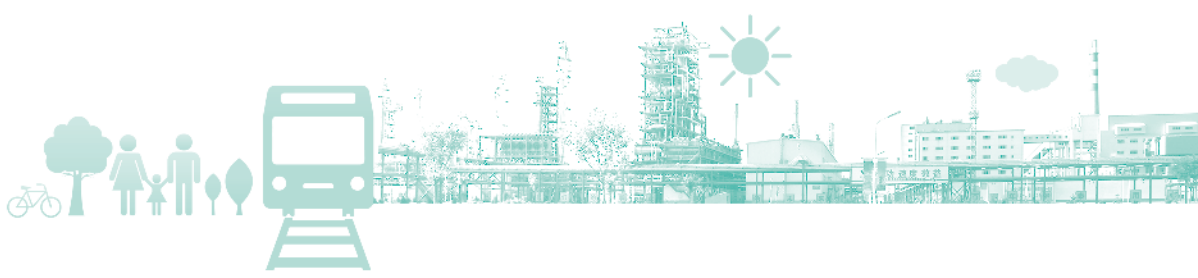
5. EMPLOYEE’S HAPPINESS

In strict accordance with the Labor Law, the Labor Contract Law, the Employment Promotion Law of the People’s Republic of China and other relevant laws and regulations, and adhering to the concept of “People-oriented”, the Company formulated the Human Resource Management System and other internal systems to continue to optimize the human resource management mechanism. Meanwhile, the Company protected the basic interests of employees, and paid attention to equal employment, employee growth and employee care through differentiating salary design, expanding recruitment channel, innovating appointment and selection mechanism and other measures, to strive to create a new management mode stressing employees’ happiness as well as considering the corporate efficiency.

5.1 Interests of Employees

The Company developed a series of related internal rules and regulations including Employee Performance Management Measures, Employee Demission Management Measures and Staff Exit Mechanism Management Measures to serve as a fundamental basis for the protection of interests of employees. Also, the Company abode by the labor standards and attached importance to the protection of labor’s interests in terms of contract signing and performance, working hours agreement and execution, work quality and labor protection, remuneration and benefits, holidays, insurance and relief fund and unemployment assurance.

In the meantime, the Company held workers’ congress on a regular basis so that employees could understand what their own interests are and how to safeguard their own interests.



[Case: Workers' congress]

In order to enhance corporate democratic management, further build a harmonious and stable labor relationship, and strengthen the cohesion of the enterprise, the Company's labor union convened a workers' congress at the beginning of 2017, at which 366 proposals were collected. After the congress, the labor union took the lead in organizing relevant departments to provide detailed written replies to the proposals one by one, and supervised the execution of important, valuable and representative proposals, so as to strive to resolve the problems concerned by the workers. Meanwhile, as guided by the labor union of the Group, the labor unions at each primary level successively convened their workers' congresses to explore the interests with the workers and implement the macroscopic concept of "People-oriented" and the corporate philosophy of 'My Yitai, My Home', which played an important role in the healthy and sustainable development of the Company.

5.2 Equal Employment

The Company formulated the Employee Attendance Management Measures, Broad Band Salary Plan and other management measures. Through combining human resource strategic management model, the Company developed a series of work flow, to increase, on the basis of protecting the basic interests of employees, the equality and diversity of employment.

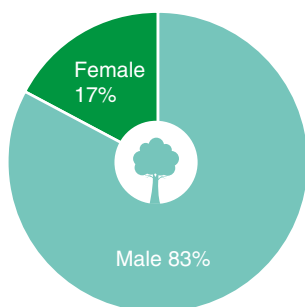
During the reporting period, there was no occurrence of any of such irregularities as using child labor or forced labor, nor any claims on labor disputes.

- Carry out a working hour system integrating standard working hour system, comprehensive working hour system and flexible working hour system.
- On the basis of same salary for same position, form a broad band salary system in terms of taking position value as the core and performance assessment as the support, to properly widen the salary difference between varied positions, and therefore realize salary incentive.
- Delegate the salary allotment authority to the lower level and exert control over total sum to encourage working enthusiasm of production and operation units.

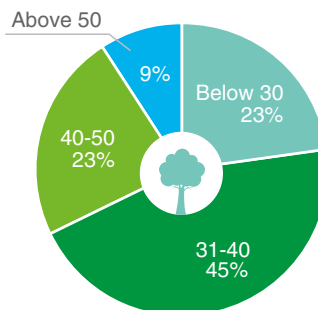


On the basis of equal employment and respecting for talent, the Company made reasonable arrangement of human resources and continued to improve the diversity of employees. As at the end of the reporting period, the number of the Company's employees is as follows:

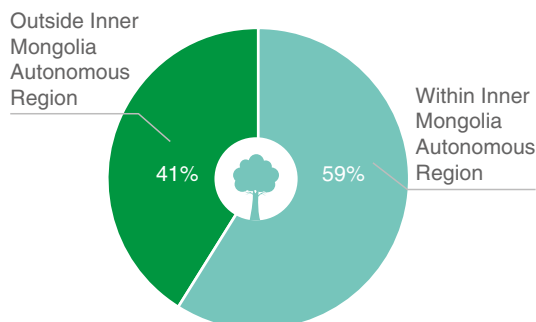
Number of employees by gender



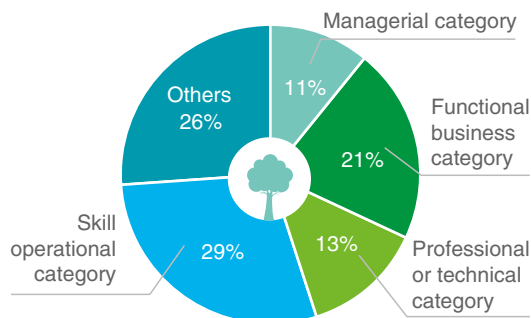
Number of employees by age



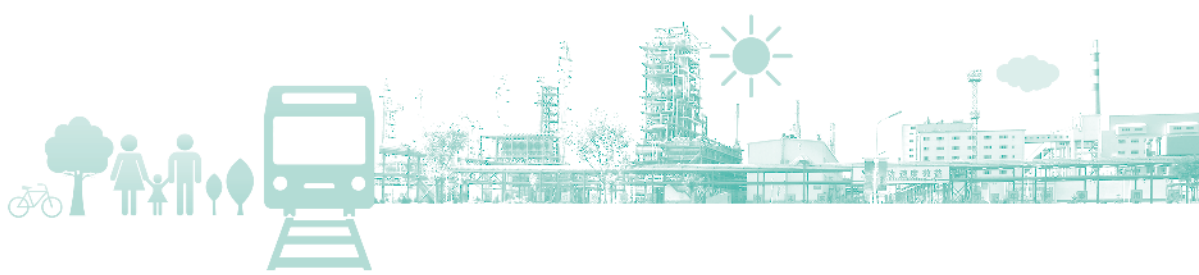
Number of employees by region



Number of employees by employment type



As at the end of the reporting period, the Company had a total of 6,235 employees and lost 297 employees throughout the year with an annual turnover rate of 4.76%.



5.3 Growth and Development

- **Employee Training**

The Company proactively organized a diversity of employee training, refined employee cultivation mechanism, and improved the overall quality of employees, which attracted and retained talents while cultivating elites for the Company.

In 2017, adhering to a principle of “with internal training as the core and external training as the support”, and relying on the internal faculty and internal curriculum system of the Company, the Company largely reduced training costs while ensuring the training effects. Training expenditures for the whole year amounted to approximately RMB7 million, with an accumulation of 588 sessions of training and 15,600 trained persons.

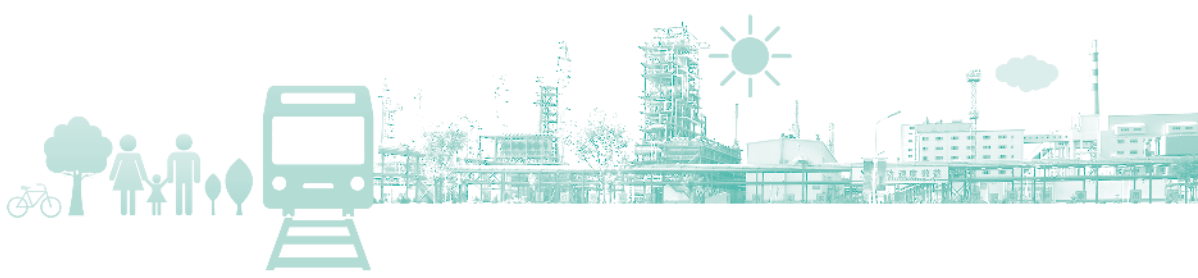
The Company organized multilevel and multi-sector training activities with varied focuses for employees at different levels and in different business sectors:

<p>Training on business contents</p>	<p>Training for employees at primary level: With a general goal of further vitalizing all production and operation units and encouraging the production enthusiasm of employees, training is mainly on all types of professional skills and theories, practices, safety awareness and capacity and is supplemented by quality, environmental protection, team building, corporate culture, rules and regulations, etc.</p> <p>Training for employees at managerial level: Aiming at improving the management capacity, innovative capacity and the ability to handle complicated situations of the management staff, the Company implemented the “Eagle Nurturing” cultivation plan for excellent employees aged below 35, and conducted serial training for temporary workers under the “Eagle Nurturing” cultivation plan. As at the end of the year, 6 temporary workers have successfully taken on the management positions.</p>
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<p>Training for obtaining relevant safety certificates</p>	<p>Coal mine units:</p> <p>In 2017, a total of 4,506 employees of coal mine units (including partners and labor employment) participated in the training and refresher training for getting Mine Manager Qualification Certificate, Security Qualification Certificate, Occupation Health Certificate and Emergency Rescue Qualification Certificate. The rate of getting such certificates reached 100%.</p> <p>Non-coal mine units:</p> <p>In 2017, non-coal mine units organized 17 sessions of training class for hazardous chemical production and operation units' responsible persons, safety management personnel, and special operations personnel. The total number of trained personnel reached 644.</p> <p>Yitai safety training center's 43 security lecturers participated in security lecturer qualification training organized by the autonomous region's Safety Supervision Bureau and also participated in the examination for obtaining the certificate.</p>
<p>Orientation training for new employees</p>	<p>In 2017, the Company organized orientation training for 179 new employees, during which, a detailed introduction and explanation was given to new employees of the corporate culture, safety and quality, human resources system and other aspects. The Company also arranged new employees to work in workshop, and carried out intensive training, apprenticeship training, case discussion and other forms of training so that the new employees could get familiar with the business contents and procedures of their positions in an all-round way.</p>

In addition, the Company also organized all types of special training for the provision of more targeted and more practical training and lectures for employees of varied positions, so as to enhance their professional skills.



For the purpose of convenience, the Company also offered online training courses for the employees. In 2017, more than 100 courses were uploaded on the E-learning platform of the Company, covering external procurement, internal videos, internal micro courses, mobile courses, and virtual courses. Upon the platform being formally online, more than 70 latest internal development courses and 14 safety, quality and environmental fundamental courses will be successively uploaded, and some latest mobile courses will be procured to further enrich learning resources and satisfy the learning needs of the employees.

- **Occupation Development**

Paying attention to the occupation development of employees, the Company developed the Management Measures of Management Personnel's Selection and Appointment, the Professional and Technical Talent Occupation Development Management Measures, the Functional Business Talent Occupation Development Management Measures, the Skill Operation Talent Occupation Development Management Measures and other internal systems, to deepen the reform of human resource management, refine employee promotion mechanism, pave way for occupation development of employees, and encourage the growth and development of employees.

- To speed up the advancement of the Company's talent development strategy to train and bring up a team of multi-echelon talents that adapts to the requirements of the Company's development, to improve the employee occupation development system, and to provide multilevel talent occupation development channels, the Company, according to different echelons of talents, has developed different talent development strategies and formed the position management system with position management as the core and covering the entire staff, as well as four occupational development channels, namely, "management channel (M), professional and technical channel (P), skill operational channel (O), and functional business channel (B)"; as reviewed by the workers' congress, the Company introduced the Professional and Technical Talent Occupation Development Management Measures, the Functional Business Talent Occupation Development Management Measures, the Skill Operation Talent Occupation Development Management Measures and other systems, to specify, in the form of system, the appointment requirements, promotion standards, management authorities of the talents in the M, B, P, O four channels, which consolidated the fundamentals of human resource management while playing a proactive role in resolving the growth incentive problems of employees and ensuring the effective implementation of reform results.
- Adhering to the human resource management philosophy of "fewer but better employees", the Company formed an employee selection system with transparent system, equal opportunities and fair results and featuring regular all-staff post competition and normalized vacant post competition. In 2017, the Company promoted the "Eagle Nurturing" plan temporary post practice measure to further expand and improve talent cultivation mechanism, and strengthen talent echelon building, and advance the sustainable development of the human resources of the Company.



5.4 Employee Care

The Company promoted employee care in an all-round way through offering multiple benefits to employees and caring those in difficulties; in the meantime, the Company conducted a series of recreational activities to enrich the spiritual and cultural lives of employees, enhance team cohesion, and balance life and work for employees.

- **Corporate Care**

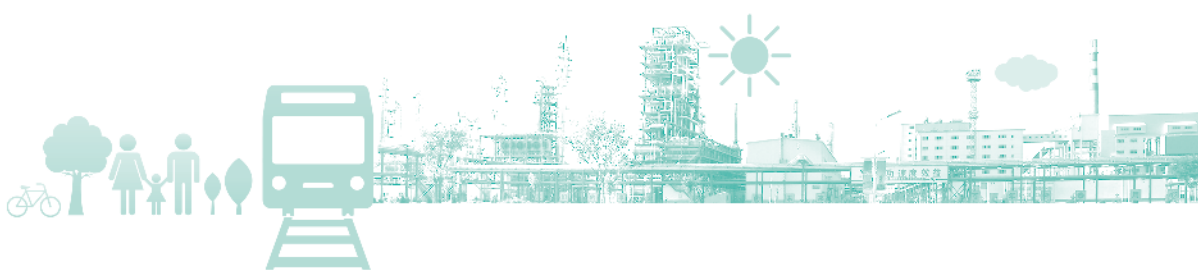
The Company organized physical examination for all staff (including early-retired staff and staff surrendering social insurance) on a regular basis. During the reporting period, employee physical examination rate reached 100%.

The Company proactively carried out “heart-warming” activities to send warmth to the employees. Prior to the 2017 Spring Festival, the Company extended its regards to 20 model workers, 9 senior leaders surrendering social insurance and 58 employees in difficulties, and distributed gifts and consolation money; by establishing a special relief fund, the Company aided households in difficulties for 11 times with a relief fund of RMB116,000 in 2017.

- **Diversified Activities**

In order to carry forward Yitai culture, enhance employees’ cohesion, and provide a stage for the staff to present themselves, the Company vigorously carried out all kinds of recreational activities and technical matches, to develop a healthy, aspiring and better development atmosphere.

- In the fall of 2017, the Company held a large employee sports meeting, in which more than 1,100 athletes from 30 representative teams participated in 43 minor events under 6 major events.
- On behalf of the Company, Inner Mongolia Yitai Chess Team participated in the 2017 National Chess League, and won the silver medal for the second time following last year by virtue of the tireless efforts of the team members. In addition, Inner Mongolia Yitai team was also honored with the “Excellent Host Team” award, and team member Hong Zhi was honored with the “Most Valuable Chess Player” award.
- Yitai representative team participated in the twenty-seventh session of national coal mine “Ugyen Cup” men’s basketball game and won the gold prize, and also won the first prize of men’s basketball enterprise groups at the first session of coal systematic workers’ sports meeting held by the Coal Bureau of Ordos City.
- In order to present the image of moving ahead in an aggressive spirit of Yitai employees in the transformation and upgrade, deepening reform and corporate culture innovation of the Company, the Company conducted the “Hundred-year Yitai, Responsibility in Mind, Act in a Responsible Way” themed speech contest.



- The Company proactively carried out innovative literature and art work and collected more than 200 pieces of works in varied forms ranging from calligraphy, art, photography to paper cuttings and seal cuttings within the Company.
- The Company held “Intelligent Women at Work, Master of Work-Family Balancing” themed training for Women’s Day to further improve the overall quality of female workers, and help them balance work-family conflicts so as to shape knowledgeable, competent, vigorous and charming Yitai women in the new era.

[Case: Building of “library of employees” and “employee activity rooms”]

In order to enrich the spiritual and cultural lives of employees, the Company built “library of employees” and purchased more than 10,000 books for all subsidiaries, coal mines, dispatching stations, container stations and offices, among which ten have been named and listed above municipal level; meanwhile, the Company also set up “employee activity rooms” and purchased relevant activity equipment for all coal mines, offices, container stations and coal washing plants.

[Case: Recreational body-building activities for seniors]

The Company proactively carried out a diversity of recreational body-building activities for seniors to enrich the spare-time life of retired workers and create a harmonious and healthy life environment for them. In 2017, the Company organized the retired workers and their families to take an active part in the first session of seniors sports meeting held by the Sports Bureau of Ordos City, and Yitai seniors team won the sixth place among the city.

[Case: The most beautiful “Yitai Craftsman” selection activity]

With the guidance of carrying forward the spirit of model workers, work spirit and craftsmanship spirit, the core of increasing development quality and efficiency of the Company, and the focus on improving innovative capacity and skill quality of employees, the Company carried out the most beautiful “Yitai Craftsman” selection activity, during which a batch of excelsior, perfection-pursing, and supreme most beautiful “Yitai Craftsmen” were selected, cited and publicized, which encouraged the employees of the Company to erect a firm idea that work is the most glorious, the most noble, the greatest and the most beautiful thing, and also made greater new contributions to creating hundred-year Yitai.



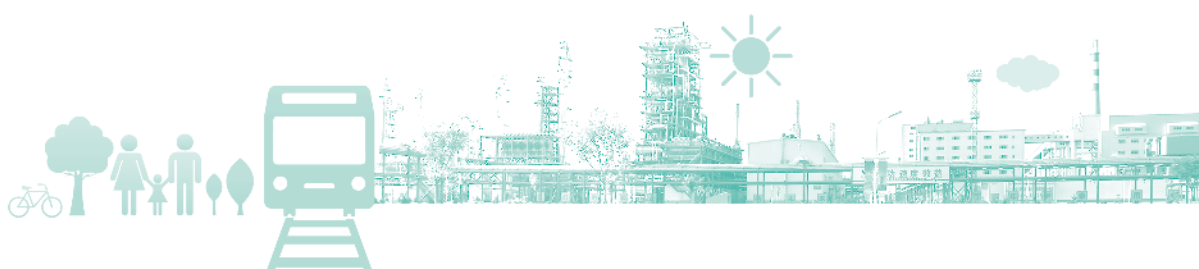
[Case: Employee technical martial arts competition]

In order to build a wise, inventive and creative workforce with expertise in technologies, fully display the employees' image of advancing with the times and daring to be the first, develop a better atmosphere of dedication and battling for technical experts, and further advance the sustainable development of the Company, the Company carried out employee position troop training and technical martial arts competition in September 2017, in which almost 1,000 employees took part in 15 types of competitions. Finally, 78 players stood out and received recognition, and three units including Zhundong Railway were honored with outstanding organization awards.



6. COMMUNITY CHARITY

Adhering to a principle of "taken from the community and used for the community" in doing business, the Company performed its corporate social commitments. In particular, the Company took a proactive part in community investment and charity activities to drive the community construction and economic development, and give back to the society, with a view to erecting a corporate image of responsibility, caring and warmth.



6.1 Charity

The Company developed the Volunteers Service Management Measures to establish a more standardized volunteer service team for a proactive participation in voluntary charities and community assistance activities.

Session of voluntary activities	Participants of voluntary activities	Hour of voluntary activities	Number of person benefiting from voluntary activities
59	885 persons	3,540 hours	590 persons

[Case: Regards and assistance to the households enjoying the minimum living guarantee]

On the afternoon of 27 September 2017, the Company contacted with Tianjiao Community to organize its employees to extend regards and offer assistance to two households enjoying the minimum living guarantee in Tianjiao Community. One is 51-year-old Ao Erlin, whose husband died of illness. She supports, on her own, her daughter who is attending primary school. And she suffers from diabetes which demands RMB800 for medicine expenses each month, but her monthly income is only RMB426, being the minimum living guarantee. The other is 58-year-old Zhao Changshui, with level-4 disabilities, living in a rented apartment alone. He is unable to work as suffering from liver cirrhosis, ascites and other diseases, and his current monthly income is only RMB634, being the minimum living guarantee.

The Company brought daily necessities including rice, flour, cooking oil, apples and mooncakes to the households in difficulties together with our caring, regards as well as holiday wishes to the people in difficulties. Such activity let our employees reach the grass roots, and seek advice, needs and comments for administration from the public to advance the normalization and long-term effectiveness of contacting and serving the public.





[Case: “Civilized Behavior, Politeness and Courtesy” activity]

From 18 September 2017, the Company organized a two-week “Civilized Behavior, Politeness and Courtesy” activity. Our employees wore uniform with service signs, presenting the image of volunteers. Our leaders and employees took the lead in observing the traffic regulations, and persuaded those who jumped the red light, went in an adverse direction, climbed over barrier fences and the motor vehicle drivers who did not give precedence to the pedestrians while driving through a zebra crossing so as to guide the public to be civilized in road behaviors and form civilized behaviors including keeping in one’s own lane, no cutting-in, no lane-occupation, no arbitrary u-turn, no red light jumping, no driving affecting others, and no littering out of the car window, achieving a situation where vehicles gave precedence to pedestrians and pedestrians complied with the traffic regulations and thus building a civilized, orderly, safe and smooth traffic environment.

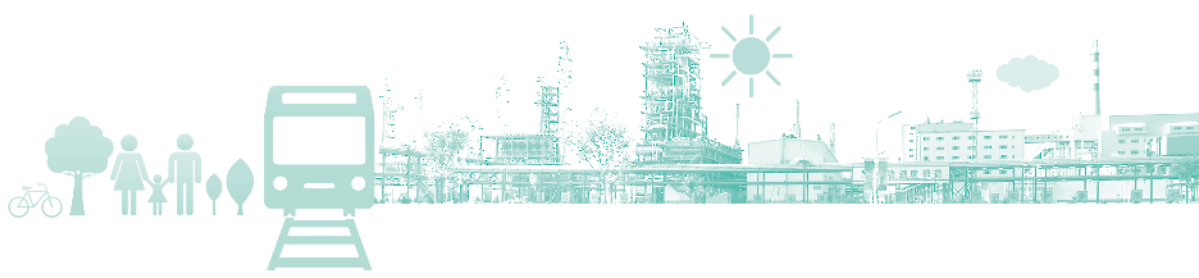
Meanwhile, volunteers also discouraged those who spitted or littered everywhere to further raise the civilization awareness of the public so as to develop civilized behaviors.



During the reporting period, the Company totally donated RMB22 million to external parties, in which RMB10 million was utilized to sponsor the 13th conference of the contracting parties to the United Nations Convention to Combat Desertification for helping the countries along the “the Belt and Road” to combat soil desertification.

6.2 Poverty Alleviation

The Company proactively responded to the call of the country to conduct a series of effective work in targeted poverty alleviation which has brought positive impact on the economic development in the ethnic areas, the fight against poverty in the local areas and the building of a well-off society in an all-round way.



[Case: Support and Construction for Hangjinqi Jiribang Longtu Town (杭錦旗吉日嘎朗圖鎮)]

Hangjinqi Jiribang Longtu Town is a key supporting project of the Company. The Company carried out land consolidation and irrigation system construction to enlarge the useable land area by 42,000 mu, greatly reducing the production and labor intensity of farmers and herdsmen, and increasing the efficiency of agricultural production. It was expected that the annual output value of the planting industry could reach RMB56 million, the annual output value of the aquaculture industry could reach RMB550 million and the added value of the planting and breeding industry could be approximately RMB360 million, which would bring approximately RMB30,000 per capita net income for local farmers and herdsmen.

The Company has invested RMB200 million in total and integrated nearly 70,000 mu of agricultural efficient demonstration fields to promote scale operations, and made every effort to create first-class demonstration areas of high-standard comprehensive agricultural efficiency. While focusing on the development of modern agriculture and animal husbandry, and steadily improving the income level of farmers and herdsmen, we solidly promoted the construction of public infrastructure in pastoral areas in rural areas and strived to create a new prospect in the construction of a new rural and new pastoral area with regional characteristics.

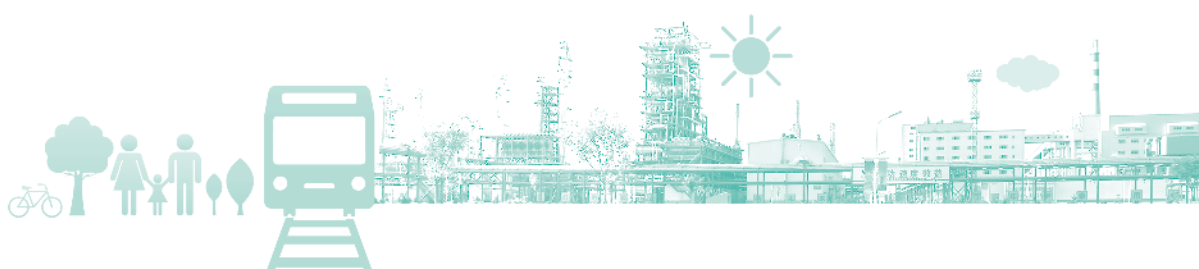
[Case: Co-building by Villages and Enterprises]

The Company implemented the “Co-building by Villages and Enterprises” guideline to promote rural development and increase farmers’ income. The Company invested approximately RMB200 million in total to relocate farmers from mining areas to areas with better ecological conditions, and took a series of actions including constructing commercial service area near the mining areas, undertaking water supply engineering, repairing roads out of villages, supplying civilian coal for villagers, sponsoring the establishment of public health centre, which greatly improved the living environment for the villagers. Since 2010, the Company has invested RMB500 million in installment to implement afforestation and carbon reduction projects which effectively solved the local employment difficulties. The direct and indirect employees in the two places have exceeded 50,000, which made positive contributions to the promotion of local economic development.



KEY PERFORMANCE TABLE

Key performance indicators		Data
Number of environmental claims resulting from violation of regulations on emissions		0
Total amount of significant fines (RMB'0,000)		0
Number of non-monetary sanctions		0
SO ₂ emission (tonne)		80.64
NO _x emission (tonne)		251.59
Flue gas emission (tonne)		20.27
Total wastewater discharge (m ³)		388,406.00
Total concentrated brine discharge (m ³)		388,406.00
Scope I. Direct greenhouse gas emission (ten-thousand tonnes CO ₂ e)		739.37
Scope I. Direct CO ₂ emission (ten-thousand tonnes)		170.01
Scope I. Direct CH ₄ emission (ten-thousand tonnes)		22.77
Scope I. Direct N ₂ O emission (ten-thousand tonnes)		1.58
Scope II. Indirect greenhouse gas emission (ten-thousand tonnes CO ₂ e)		51.50
	Coal sector	599.83
Total greenhouse gas emission (ten-thousand tonnes CO ₂ e)	Coal-to-chemicals sector	172.25
	Coal transportation and sales sector	18.79
	Total	790.87
The greenhouse gas emission associated with operating revenue of RMB10,000 (tCO ₂ e/RMB10,000)		2.14
Hazardous waste produced (tonne)	Waste machinery oil	11.13
Total gasification ash/fly ash produced (ten-thousand tonnes)		7.96
Boiler slag produced (ten-thousand tonnes)		7.57
Coal gangue produced (ten-thousand tonnes)		506.15
Electricity consumption (million KWH)		677.75
Heat consumption (MKJ)		187,344.41
Gasoline consumption (litre)		244,672.40
Diesel oil consumption (litre)		2,205,982.05
Natural gas consumption (m ³)		0.00
Gas/liquefied petroleum gas consumption (kg)		0.00
Coal consumption (ten-thousand tonnes)		28.13
Raw coal consumption (ten-thousand tonnes)		82.48
Comprehensive energy consumption (ten-thousand tonnes of standard coal)		86.02
Energy consumption associated with operating revenue of RMB10,000 (kilograms of standard coal/RMB10,000)		0.23
Water consumption associated with operating revenue of RMB10,000 (tonnes/RMB10,000)		1.3
Total water consumption (ten-thousand tonnes)		480.32
Wastewater utilization rate in coal mining (%)		100%
Wastewater reuse rate in coal chemical production (%)		99.57%
Total number of employees		6,235



Key performance indicators		Data
Total number and percentage (%) of employees by gender	Male	5,206, 83.50%
	Female	1,029, 16.50%
	Chief senior	0, 0%
	Deputy senior	136, 2.18%
	Intermediate	567, 9.09%
	Junior	1,087, 17.43%
Number and percentage (%) of employees by title	Senior technicians	78, 1.25%
	Certified technicians	188, 3.02%
	Senior workers	466, 7.47%
	Intermediate workers	300, 4.81%
	Junior workers	30, 0.48%
	No certifications	3,383, 54.26%
Number and percentage (%) of employees by employment type	Managerial category	660, 10.59%
	Functional business category	1,304, 20.91%
	Professional or technical category	847, 13.58%
	Skill operational category	1,800, 28.87%
	Others	1,624, 26.05%
Number and percentage (%) of employees by age	Below 30	1,432, 22.97%
	31-40	2,790, 44.75%
	40-50	1,442, 23.13%
Number and percentage (%) of employees by region	Above 50	571, 9.16%
	Within Inner Mongolia Autonomous Region	3,672, 58.89%
Number and percentage (%) of minority employees	Outside Inner Mongolia Autonomous Region	2,563, 41.11%
	Minority employees	588, 9.43%
Annual turnover rate (%)	Han nationality employees	5,647, 90.57%
Number of work-related injury accidents		4.76
Number of work-related injuries (fatalities)		0
Number of working days absented (loss of working days counted on the basis of every 200,000 working hours) due to work-related injuries		0
Number of safety education training		179
Participants of safety education training		9,360
Safety certificates held by management	Safety environmental monitoring and quality management department	387
	Coal chemical management department	158
	Total	545
Safety certificates held by technical staff	Number of technical staff with certified safety engineer certificates	181



Key performance indicators		Data
Occupational disease physical examination coverage rate		100%
Number of additional employees with occupational diseases		(Front-tier employees) 0
Employee physical examination rate (%)		100%
Total number of employee training		588
Total participants of employee training		15,595
Training expenditures (RMB'0,000)		700
Number of labor claims submitted, disposed and settled through a formal claim mechanism		0
Total number of suppliers		1,012
Number of suppliers by region	Within Inner Mongolia Autonomous Region	205
	Outside Inner Mongolia Autonomous Region	807
Number of manufacturers who passed environmental social investigation		136
Number of reviewed and assessed manufacturers		728
Manufacturer audit coverage rate (%)		85.38%
Recalls in products sold or shipped		0
Total customer complaints during the reporting period	Coal transportation and sales department	0
	Coal chemical management department	0
Investment in research and development (RMB'0,000)		71,179.61
Ratio of research and development expenses to revenue (%)		1.92
Total number of members of research and development team		780
Number of patents applied	Number of utility patents applied	3
	Number of invention patents applied	0
Number of patents obtained	Number of utility patents applied	5
	Number of invention patents applied	0
Number of corruption litigation cases		0
Session of voluntary activities conducted during the reporting period		59
Participants of voluntary activities during the reporting period		885
Hour of voluntary activities during the reporting period		3,540
Number of people benefiting from voluntary activities during the reporting period		590
Donations to external parties made by the Company (RMB'0,000)		2,200.20



APPENDIX II

2017 ANNUAL INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

To All Shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and corresponding with guidance and other regulatory requirements concerning the internal control (“Enterprise Internal Control Regulatory Systems”), and considering internal control system and evaluation methods of the Company and based on day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2017 (the reference date of the Internal Control Assessment Report).

I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulatory Systems, it is the responsibility of the Board of the Company to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Assessment Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control mechanism by the Board. The management shall be responsible for the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company’s operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial report and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.



II. RESULTS OF INTERNAL CONTROL ASSESSMENT

1. Whether there is any material Deficiencies in The Internal Control over Financial Reporting of the Company, as at the reference date of the Internal Control Assessment Report

Yes No

2. Results of Internal Control Assessment over Financial Reporting

Effect No Effect

According to the identification of material deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no material deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulatory Systems and relevant requirements.

3. Whether material deficiencies in Internal Control over Non-Financial Reporting Had Been Discovered

Yes No

According to the Company's identification of material deficiencies in the internal control over non-financial reporting, as at the reference date of the Internal Control Assessment Report, the Company had discovered no material deficiencies in the internal control over non-financial reporting.

4. The Factors Affecting the Assessment Results of the Effectiveness of Internal Control from the Reference Date to the Issuance Date of the Internal Control Assessment Report.

Applicable N/A

From the reference date to the issuance date of the Internal Control Assessment Report, there is no occurrence of such factors that may affect the assessment results of the effectiveness of the internal control.

5. Whether the Auditing Opinions on Internal Control are Consistent with the Company's assessment Results of the Effectiveness of Internal Control over Financial Reporting

Yes No

6. Whether the material deficiencies in internal control over non-financial reporting disclosed by the Internal Control Audit Report are consistent with those disclosed by the Company's Internal Control Assessment Report

Yes No



III. DETAILS OF INTERNAL CONTROL ASSESSMENT

(I). Scope of Internal Control Assessment

The Company determined the main enterprises, business and matters and high-risk fields covered in the assessment scope based on the risk-oriented principle.

1. Main Enterprises Covered in the Assessment Scope:
Headquarters of the Company, 7 subsidiaries and 3 branches

2. Percentage of the Enterprises Covered in the Assessment Scope:

Index	Percentage (%)
The percentage of the total assets of the enterprises covered in the assessment scope accounting for the total assets shown in the Company's consolidated financial statements	81.34%
The percentage of the total revenues of the enterprises covered in the assessment scope accounting for the total revenues shown in the Company's consolidated financial statements	91.24%

3. Main Business and Matters Covered in the assessment Scope Include:

Organizational structure, development strategy, human resources, fund management, procurement business, asset management, production management, coal transportation and sale business, engineering project, budget management, tax administration, cost and expense management and information system, etc.

4. High-risk Fields focused on include:

Risk of capital activities, risk of asset management, procurement risk, risk of sales and collection management, risk of contract management and risk of accounting information.

5. The Above Enterprises, Business, Matters and High-Risk Fields Covered in the Assessment Scope Cover the Main Aspects of the Company's Operation and Management, is there Any Major Omission

Yes No

6. Is there Any Statutory Exemption

Yes No

7. Statement on Other Matters

Nil



(II). Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies

The Company organized and carried out the internal control assessment on the basis of Enterprise Internal Control Regulatory Systems and related management system of the Company.

1. Is there any adjustment of the specific identification criteria of deficiency in internal control compared to the criteria last year

Yes No

According to the requirements of Enterprise Internal Control Regulatory Systems for the identification of material deficiencies, important deficiency and ordinary deficiency, given the Company's size, industry characteristics, risk preference, risk tolerance and other factors, the Board distinguished between internal control over financial reporting and that over non-financial reporting and studied and formed the specific identification criteria for deficiency in internal control applicable to the Company and consistent with the criteria last year.

2. Identification criteria for deficiencies in internal control over financial reporting

Quantitative criteria for identifying deficiencies in internal control over financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for important Deficiency	Quantitative Criteria for Ordinary Deficiency
Quantitative criteria (confirming the criteria applicable to the internal control over financial reporting involves the exercise of professional judgment)	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 1% (including 1%) of the total assets, or more than 5% (including 5%) of pre-tax profits, the deficiency will be identified as a material deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 0.5% (including 0.5%) but less than 1% of the total assets, or more than 3% (including 3%) but less than 5% of pre-tax profits, the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be less than 0.5% of the total assets or less than 3% of pre-tax profits, the deficiency will be identified as an ordinary deficiency.



Remarks:

Nil

Qualitative criteria for identifying deficiencies in internal control over financial reporting:

Magnitude of Deficiency	Qualitative Criteria
Material Deficiency	Re-report of previously published financial statements to reflect the correction of misstatement caused by error or fraud; the failure of audit committee to supervise the Company's external financial reporting and internal control over financial reporting; detection of any degree of fraud involving senior management; the failure of the management to correct the important deficiencies reported to it after a reasonable period of time.
Important Deficiency	Internal control deficiency in unconventional or non-systematic transaction; internal control deficiency in the selection of generally accepted accounting principles and the application of accounting policy; internal control deficiency in related party transactions and major restructuring.
Ordinary Deficiency	Pursuant to the relevant regulations of the Company, the internal control which does not constitute material deficiency or important deficiency will be identified as an ordinary deficiency.

Remarks:

Nil



3. Identification criteria for deficiencies in internal control over non-financial reporting

Quantitative criteria for identifying deficiencies in internal control over non-financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for Important Deficiency	Quantitative Criteria for Ordinary Deficiency
Quantitative criteria (involving amount, formed based on the absolute amount of direct property loss)	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB10 million, the deficiency will be identified as material deficiencies.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB1 million but less than RMB10 million (including RMB10 million), the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to less than RMB1 million (including RMB1 million), the deficiency will be identified as an ordinary deficiency.

Remarks:

Nil



Qualitative criteria for identifying deficiencies in internal control over non-financial reporting:

Magnitude of Deficiency	Qualitative Criteria
Material Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company's official external disclosure and also negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as a material deficiency.
Important Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by state departments but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an important deficiency.
Ordinary Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by the governmental departments under provincial level (including provincial level) but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an ordinary deficiency.

Remarks:

Nil



(III). Identification and Rectification of Internal Control Deficiencies

1. Identification and rectification of deficiencies in internal control over financial reporting

1.1. *material deficiency*

Whether the Company had material deficiencies in internal control over financial reporting during the reporting period

Yes No

1.2. *important deficiency*

Whether the Company had important deficiency in internal control over financial reporting during the reporting period

Yes No

1.3. *ordinary deficiency*

For ordinary deficiencies in the internal control over financial reporting that were found during the reporting period, the Company had taken corresponding rectification measures or formulated corresponding rectification plans.

1.4. *After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report*

Yes No

1.5. *After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report*

Yes No



2. Identification and rectification of deficiencies in internal control over non-financial reporting

2.1. material deficiencies

Whether the Company had discovered any material deficiency in the internal control over non-financial reporting during the reporting period

Yes ✓No

2.2. important deficiency

Whether the Company had discovered any important deficiency in the internal control over non-financial reporting during the reporting period

Yes ✓No

2.3. ordinary deficiency

For ordinary deficiencies in the internal control over non-financial reporting that were found during the reporting period, the Company has taken corresponding rectification measures or formulated corresponding rectification plans.

2.4. After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report

Yes ✓No

2.5. After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report

Yes ✓No



IV. STATEMENT ON OTHER IMPORTANT ISSUES ON INTERNAL CONTROL

1. Rectification of Deficiency in Internal Control Last Year

Applicable N/A

2. Operation of Internal Control during the Year and Improvement Direction Next Year

Applicable N/A

During the reporting period, there was no other internal control information that was likely to have a significant impact on investors' understanding about the internal control self-evaluation report, evaluating the internal control conditions or making investment decisions. In the future, the Company will continue to improve the internal control system, standardize the implementation of the internal control system, strengthen the supervision and inspection in internal control, and promote the healthy and sustainable development of the Company.

3. Statement on Other Important Issues

Applicable N/A