



INTERIM REPORT 2019



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

*For identification purposes only



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IMPORTANT NOTICE AND DEFINITIONS

I. IMPORTANT NOTICE

- I. The Board of Directors, and the Supervisory Committee of the Company and its Directors, supervisors and senior management warrant that the information herein is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this interim report, and severally and jointly accept full legal responsibility.
- II. All of the Company's Directors attended the Board meeting.
- III. The Interim Report has not been audited, but Da Hua Certified Public Accountants, the external auditor of the Company, has carried out independent review.
- IV. The Company's Chairman, Zhang Donghai, the person in charge of accounting, Lv Guiliang, and Head of the Accounting Department (accounting chief), Lu Yanmei, warrant the truthfulness, accuracy and completeness of the financial report set out in this interim report.
- V. Statement for the risks involved in the forward-looking statement

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

- VI. During the reporting period, the Company did not have any non-operational funds appropriated by controlling shareholders and their related parties.
- VII. During the reporting period, the Company did not provide third-party guarantees in violation of stipulated decision-making procedures.
- VIII. 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 II "Potential risks of the Company" under the Section IV "REPORT OF DIRECTORS" in this report for your review.
- IX. Unless otherwise stated, the data is presented in Renminbi in this report. This report is prepared based on PRC Accounting Standards for Business Enterprises.



IMPORTANT NOTICE AND DEFINITIONS (Continued)

II. DEFINITIONS

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

Definitions of frequently-used terms

Baoshan Mine	Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)
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)	the 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)
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)
Supervisory Committee	the supervisory committee of the Company
Supervisor(s)	the supervisor(s) 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)
Yili Mining	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)
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 (Hongkong) Co., Ltd. (伊泰(集團)香港有限公司)
Yitai Petrochemical	Inner Mongolia Yitai Petrochemical Co., Ltd.(內蒙古伊泰石油化工有限公司)
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 short name of the Company	伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO., LTD.*
English short name of the Company	IMYCC/YITAI COAL
Legal representative of the Company	Zhang Donghai
Members of the Board	Executive Directors Zhang Donghai (Chairman) Liu Chunlin Ge Yaoyong Zhang Dongsheng Wang Sanmin Lv Guiliang Liu Jian Independent non-executive Directors Yu Youguang (<i>resigned on 22 July 2019</i>) Huang Sujian Zhang Zhiming Wong Hin Wing Du Yingfen (<i>appointed on 22 July 2019</i>)
Members of the Strategy Committee	Zhang Donghai (Chairman) Liu Chunlin Ge Yaoyong Zhang Dongsheng Wang Sanmin Lv Guiliang Liu Jian Zhang Zhiming Du Yingfen (<i>appointed on 22 July 2019</i>) Huang Sujian Wong Hin Wing Yu Youguang (<i>resigned on 22 July 2019</i>)
Members of the Audit Committee	Du Yingfen (<i>appointed on 22 July 2019</i>) (Chairman) Zhang Zhiming Huang Sujian Wong Hin Wing Yu Youguang (<i>resigned on 22 July 2019</i>)
Members of the Nomination Committee	Zhang Zhiming (Chairman) Zhang Donghai Liu Chunlin Wang Sanmin Du Yingfen (<i>appointed on 22 July 2019</i>) Huang Sujian Wong Hin Wing Yu Youguang (<i>resigned on 22 July 2019</i>)



CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS *(Continued)*

I. CORPORATE INFORMATION *(Continued)*

Members of the Remuneration and Appraisal Committee	Huang Sujian (Chairman) Zhang Donghai Liu Chunlin Wang Sanmin Zhang Zhiming Du Yingfen (<i>appointed on 22 July 2019</i>) Wong Hin Wing Yu Youguang (<i>resigned on 22 July 2019</i>)
Members of the Production Committee	Zhang Donghai (Chairman) Ge Yaoyong Wang Sanmin Huang Sujian Du Yingfen (<i>appointed on 22 July 2019</i>) Yu Youguang (<i>resigned on 22 July 2019</i>)
Members of the Supervisory Committee	Zhang Zhenjin (Chairman) Liu Xianghua Jia Xiaolan Li Cailing He Peixun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternative Authorized Representative	Wong Wai Ling
Company Secretary	Zhao Xin

II. CONTACT PERSON AND CONTACT METHOD

	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@ir-yitaicoal.com	liyuan@ir-yitaicoal.com



CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

III. BASIC INFORMATION OF THE COMPANY

Registered address	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the registered address	017000
Office address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the office address	017000
Principal place of business in Hong Kong	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BASIC INFORMATION ON THE COMPANY'S SHARES

Class of shares	Stock exchange	Stock short name	Stock code	Stock short name before change
B shares	Shanghai Stock Exchange	Yitai B Share	900948	Yi Coal B share (伊煤B股)
H shares	Hong Kong Stock Exchange	YITAI COAL	03948	/

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VI. OTHER RELEVANT INFORMATION

		B share/Domestic	H share/Overseas
Auditor	Name	Da Hua Certified Public Accountants (Special General Partnership)	Da Hua Certified Public Accountants (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	12th Floor, Building No. 7, Block No. 16, Xi Si Huan Zhong Road (西四環中路), Haidian District, Beijing
Legal Advisor	Name	Global Law Office	Clifford Chance
	Address	15/F & 20/F, Tower 1, China Central Place, No. 81, Jianguo Road, Chaoyang District, Beijing	28th Floor, Jardine House, One Connaught Place, Central, Hong Kong
Share Registrar	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New Area, Shanghai	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(1) Key Business Data

Major Business Data	Unit: million tons		
	From January to June 2019	From January to June 2018	Increase/decrease (%)
Coal production	23.99	20.00	19.95%
Coal sales volume	42.09	39.71	5.99%
Of which: Local sales at mines	10.61	8.89	19.35%
Local sales at loading facilities	5.02	3.20	56.88%
Sales via direct rail access	2.87	3.60	-20.28%
Sales at ports	23.59	24.02	-1.79%
Railway transport volume:	53.32	53.05	0.51%
Huzhun Railway Line	16.69	16.40	1.77%
Zhundong Railway Line	36.63	36.64	-0.03%
Coal-related chemical production	0.652	0.0865	653.76%

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

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

(2) Major Accounting Data

Unit: yuan Currency: RMB

Major Accounting Data	During the reporting period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Revenue	20,075,333,259.04	18,193,956,695.39	10.34
Net profit attributable to shareholders of the listed company	1,916,051,309.96	2,304,571,260.30	-16.86
Net profit after non-recurring profit or loss attributable to shareholders of the listed company	1,834,184,983.38	2,280,879,474.35	-19.58
Net cash flow from operating activities	2,780,190,478.00	3,308,466,461.46	-15.97

Major Accounting Data	End of the reporting period	End of last year	Increase or decrease as compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	33,515,064,512.46	33,207,467,047.43	0.93
Total assets	91,182,386,768.32	94,551,396,179.77	-3.56

(3) Major Financial Indicators

Unit: yuan Currency: RMB

Major Financial Indicators	During the reporting period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Basic earnings per share (RMB/share)	0.59	0.71	-16.90
Diluted earnings per share (RMB/share)	0.59	0.71	-16.90
Basic earnings per share after deduction of non-recurring gain and loss (RMB/share)	0.56	0.70	-20.00
Weighted average return on net assets (%)	5.48	7.52	decreased by 2.04 percentage points
Weighted average return on net assets after deduction of non-recurring gain and loss (%)	5.24	7.45	decreased by 2.21 percentage points

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VIII. EXTRAORDINARY GAINS AND LOSSES ITEMS AND AMOUNTS

(3) Major Financial Indicators (Continued)

Unit: yuan Currency: RMB

Extraordinary gains and losses	Amount
Gains/(losses) from disposal of non-current assets	5,579,762.44
Government grants charged in the profit or loss for the current period (except for those closely related to the ordinary operation and gained constantly at a fixed amount or quantity according to certain standard based on state policies)	85,100,459.03
Profit or loss from investment or management of assets by the others	341,128.09
Investment incomes from financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, gain/(loss) on changes in the fair value from derivative financial liabilities, disposals of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities and other equity investments, except for effective hedging business related to normal operating of the Company	59,748,639.32
Other non-operating income and expenses other than the abovementioned items	-52,512,041.66
Effect on non-controlling interests	-1,170,746.34
Effect on income tax	-15,220,874.30
Total	81,866,326.58



COMPANY BUSINESS PROFILE

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

The Company is a large-scale clean energy enterprise integrating railway and coal-related chemical industry with coal production, transportation and sales as the basis. The Company directly owns and controls a total of 9 mechanized coal mines in operation. 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. At present, the Company generally controls three railways in operation, namely the Zhundong Railway, Huzhun Railway and a special railway line for Suancang Mine. At the same time, the Company also holds 18.96% equity interests in Zhunshuo Railway, 15% equity interests in Xin Baoshen Railway, 9% equity interests in Mengji Railway, 3.9226% equity interests in the South Ordos Railway and 2% equity interests in Mengxi-Huazhong Railway, respectively. In addition, the Company has built the mine roads of 150 km covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area. Over the years, the Company's coal transport capacity constantly enhanced, transport networks covering the Company's main mining areas continued to improve, and the coal transport conditions of the Company and from the peripheral area was cumulatively optimized. The Company possesses the world-leading indirect coal liquefaction technology, relying on which the Company has deployed large coal chemical projects in Inner Mongolia and Xinjiang.

During the Reporting Period, the high-quality production capacity of China's main coal-producing areas was gradually released, the supply and demand in coal industry both increasing slowly, and coal prices fluctuated slightly. With the continuous optimization of industrial structure and production layout, the number of coal mines in China continues to decrease and the industrial concentration further improved. The coal industry continues to move towards a new stage of structural de-capacity and systematic capacity optimization.



COMPANY BUSINESS PROFILE (*Continued*)

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As the largest local coal enterprise in Inner Mongolia, the Company has an overall competitive advantage over its peers by boosting its scale, improving quality and efficiency, optimizing industrial structure and enhancing financial strength after 22 years of development. The Company's footprint covers East China, South China, North China, Northeast China, 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 chemical sectors, which will be beneficial to the long-run stable development for its own.

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

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

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

Fourthly, the Company actively expanded the coal chemical business in terms of the world-leading indirect coal-to-oil liquefaction technologies possessed, which could extend the Company's coal industrial chain, realise 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 dividend and tax paying record for a number of years, and actively demonstrated the local environmental governance and ecological improvement, truly achieving harmonious development of the Company and the society.



REPORT OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

(I) Summary

In the first half of 2019, the structure of the coal industry was further optimized, coal supply volume were gradually recovered. As affected by the overall economic situation, the growth of social electricity consumption has slowed down, the inventory of downstream enterprises has maintained a high level, the supply and demand of coal have both increased slowly, and coal prices fluctuated several times within a narrow range. By promptly reacting to the latest market development, the Company continuously optimized the customer structure, and deeply explored the profit potential to fully promote the Company's production and operation toward sound development.

As of the end of the reporting period, the Company recorded a total asset of RMB91.182 billion, a revenue of RMB20.075 billion in the first half of 2019 and a net profit attributable to owners of the parent company of RMB1.916 billion.

(I) Coal sector

During the reporting period, the Company has realised production of commodity coal of 23.9938 million tons and sales of coal of 42.0862 million tons.

1. Coal production

During the reporting period, by strengthening the mining planning management, leading by technological innovation, the Company effectively utilized resources, reduced costs and increased efficiency to improve safety of mine. In addition, it also strengthened equipment operation management, enhanced the yield rate of washing and scheduling, and improved quality and efficiency, so as to maximize the economic benefits.

2. Coal sales

In the first half of 2019, the Company innovated its sales model through implementing a low inventory strategy, increasing inventory turnover and reducing occupation of working capital. It also continued to optimize customer structure and continuously strengthened its capacity to resist market risks to create more benefits.

(II) Railway sector

In the first half of 2019, through enhancing the efficiency of transportation organization, strengthening the maintenance of equipment and facilities, improving the standard of information construction, optimizing storage management, and rationally dispatching the loading, the railway sector improved its overall turnover efficiency. During the reporting period, Zhundong Railway Company and Huzhun Railway Company dispatched 36.63 million tons and 16.69 million tons of coal, respectively, with a total profit of RMB325 million achieved.



REPORT OF DIRECTORS *(Continued)*

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

(I) Summary *(Continued)*

(III) Coal chemical sector

During the reporting period, on the basis of ensuring the safety, stability, long-term and full capacity of the equipment, Coal-to-oil Company realised fine control of the process and strengthened cost control, a total of 105,200 tons of various oils and chemicals were produced, a revenue of RMB451 million and a net profit of RMB5.0323 million recorded in the first half of the year. In the first half of 2019, as to the second phase of the 2 Mtpa indirect coal liquefaction demonstration project of Coal-to-oil Company, the Company completed the construction of the site formation, detailed survey, dynamic consolidation, testing piling works. The key equipment manufacturing was promoted as scheduled, and the internal review and revision of product plan was completed.

During the reporting period, the safety production standardization review of Yitai Chemical Company was smoothly advanced, and completing the technical reform and maintenance work. During the first half of the year, Yitai Chemical recorded a production volume of 0.5468 million tons of chemicals, and a revenue of RMB2.361 billion and net profit of RMB-139 million.

In the first half of 2019, by putting good effort in equipment and materials protection and safety management, Yili Energy continued to promote the optimization and adjustment of process plan and project financing. The energy project approval work of Yitai Xinjiang was comprehensively promoted and the project financing and contract maintenance were strengthened.

(IV) Safety and environmental protection

During the reporting period, the Company ensured the investment in safe production and fully eliminated potential safety hazard to achieve safe production. In addition, the Company continued to promote fine management of environmental protection, effectively prevent and control environmental risks, and promote environmental protection and water conservation approval for construction projects in a steady pace.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(I) Summary (Continued)

(V) Business outlook

In the second half of 2019, the macro-economy will operate stably with slight changes, while the PRC economy will continue to encounter some new issues and new challenges. In line with the normalization of mining production and effective improvement in railway transportation capacity, the coal supply ability will get further enhanced. Meanwhile, thermal power demands may turn improved, and cement and chemical demands will maintain a slight increase. As supported by safety checks, decrease in water and electricity charges, and coal reserve for heat supply in the North China, the coal price is expected to fluctuate within a reasonable range.

The Company will closely monitor the market dynamics and timely track and understand the changes in the national regulation policies on the coal industry and mining resources management to build up its ability in coal market analysis. The Company will positively improve its own strengths through expansion and enhancement of the Company's business segments including coal production, railway and coal-related chemical operation, to maximize the returns to its shareholders.

* This part is for reference only and does not constitute any investment proposals. This part may be subject to uncertainty as it contains certain projections made based on certain objective assumptions and judgments on future politics and economy. The Company is not obliged to make updates on data or corrections of any mistakes identified subsequently.

(II) Analysis on the principal business

1. Analysis on changes in items of the financial statements

Unit: ten thousand yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period last year	Change (%)
Operating Revenue	2,007,533.33	1,819,395.67	10.34
Operating cost	1,439,705.08	1,245,364.66	15.61
Cost of sales	64,227.12	68,242.47	-5.88
Administrative expenses	55,528.25	39,886.56	39.22
Finance costs	78,106.61	45,189.06	72.84
Research and development costs	28,001.78	31,821.48	-12.00
Net cash flow from operating activities	278,019.05	330,846.65	-15.97
Net cash flow from investing activities	-204,019.35	-107,154.91	-90.40
Net cash flow from financing activities	-438,899.79	-1,056.65	-41,436.95

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(II) Analysis on the principal business (Continued)

2. Others

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

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

1. Principal business by segments and by products

Unit: ten thousand yuan Currency: RMB

Item	Coal segment	Coal-related chemical segment	Transportation segment	Others	Intersegment elimination	Total
I. Operating revenue	1,765,041.05	292,630.69	119,251.61	1,117.09	170,507.11	2,007,533.33
Of which: Revenue from external transaction	1,672,166.12	292,223.40	42,026.72	1,117.09		2,007,533.33
Revenue from inter-segment transaction	92,874.93	407.29	77,224.89		170,507.11	
II. Operating costs	1,460,645.24	274,674.98	67,361.97	-732.31	147,757.29	1,654,192.59
Of which: Investment income from associates and joint ventures	16,637.20	-442.97			-42.94	16,237.17
Impairment loss of assets						
Depreciation and amortization fees	132,612.65	43,593.38	25,926.39	49.66	76.66	202,105.42
III. Total profit (loss)	271,973.22	-13,261.89	40,778.24	1,845.35	6,046.80	295,288.12
IV. Income tax expense	54,679.72	75.75	8,337.05	1.63	-137.65	63,231.80
V. Net profit (loss)	217,293.50	-13,337.64	32,441.19	1,843.71	6,184.44	232,056.32
VI. Total assets	6,396,355.31	3,572,385.18	1,327,803.16	178,928.89	2,357,233.86	9,118,238.68
VII. Total liabilities	2,861,396.96	2,386,296.22	469,684.34	50,469.08	937,373.09	4,830,473.51
VIII. Other material non-cash item						
1. Capital expenditures	132,117.69	48,086.23	3,091.98	77.49		183,373.39



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

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

2. Principal business by regions

Unit: million yuan Currency: RMB

Regions	Revenue from principal business	Increase/decrease of revenue from principal business compared to last year (%)
Northeast China	8.62	-95.35%
North China	7,384.57	13.72%
East China	6,114.70	-16.90%
South China	2,971.17	-19.34%
Central China	228.05	-22.80%
Northwest China	14.54	-34.22%
Southwest China	0.00	-100.00%
Subtotal	<u>16,721.66</u>	<u>-6.96%</u>

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(IV) Analysis on assets and liabilities

1. Assets and liabilities

Unit: yuan Currency: RMB

Item	Closing balance for the period	Closing balance for the period over the total assets (%)	Closing balance for the last period	Closing balance for the last period over the total assets (%)	Percentage of change of closing balance for the period compared to the last period (%)	Explanation
Trading financial assets	5,150,800.00	0.01	-	-	100.00	Mainly due to the unrealized gains on futures held in the current period;
Bills receivables	36,989,318.87	0.04	108,059,677.35	0.11	-65.77	Mainly due to the decrease in bank acceptance bills in the current period;
Assets held for sale	-	-	17,056,603.77	0.02	-100.00	Mainly due to the transfer of production capacity indicators in the current period;
Other non-current financial assets	896,100,931.80	0.98	555,210,055.32	0.59	61.40	Mainly due to the new fund investment in the current period;
Short-term borrowing	-	-	900,000,000.00	0.95	-100.00	Mainly due to the return of short term borrowing in the current period;
Trading financial liabilities	-	-	3,721,440.00	0.00	-100.00	Mainly due to the unrealized gains on futures held in the current period;
Contract liability	489,722,768.32	0.54	338,370,808.43	0.36	44.73	Mainly due to the increase in advance payments from customers during the current period;
Payroll payable	84,905,152.62	0.09	329,971,033.59	0.35	-74.27	Mainly due to the payment of year-end bonus for the previous year in the reporting period;
Taxes payable	547,400,246.28	0.60	1,792,896,618.02	1.90	-69.47	Mainly due to the payment of taxes in the current period;
Other current liabilities	11,880,460.43	0.01	5,874,623.10	0.01	102.23	Mainly due to the increase of taxation to be written off in the current period.

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(IV) Analysis on assets and liabilities (Continued)

2. Company's major assets under restriction as at the end of the reporting period

Unit: yuan Currency: RMB

Item	Balance	Reasons for restriction
Cash at bank and on hand	147,669,185.49	Bank acceptance bill guarantee, coal mine risk deposit and environment protection guarantee deposited at banks
Total	<u>147,669,185.49</u>	

(V) Analysis on investment

1. Overall analysis on external equity investment

(1) Material equity investment:

There was no material equity investment of the Company during the reporting period.

(2) Significant non-equity investment:

Currency: RMB

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (in ten thousand yuan)	Shareholdings (share)	Carrying amount at the end of the period (in ten thousand yuan)	Percentage of total securities investment at the end of the period (%)
1	Share	3369	QHD PORT	7,923.79	19,013,000.00	2,542.31	100
Total				<u>7,923.79</u>	<u>19,013,000.00</u>	<u>2,542.31</u>	<u>100</u>

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(V) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(3) Shareholding in non-listed financial entities:

Currency: RMB

Name of the investee	Initial investment (in ten thousand yuan)	Carrying amount at the end of the period (in ten thousand yuan)	Profit and loss during the reporting period (in ten thousand yuan)	Accounting item	Source of shareholding
Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)	10,000.00	2,723.13		Other non-current financial assets	Capital contribution
Panmao (Shanghai) Investment Center LP (磐茂(上海)投資中心(有限合 夥))	35,000.00	37,009.07	648.89	Other non-current financial assets	Capital contribution
Zhuhai Rongyu Investment Center L.L.P (珠海鎔聿 投資中心(有限合夥))	11,844.72	14,561.00	535.32	Other non-current financial assets	Capital contribution
Panfeng Value Fund C (磐豐價值C期)	30,155.00	31,672.09	2,333.41	Other non-current financial assets	Capital contribution
HuaXia Monetary Fund B (華夏貨幣B基金)	3,644.80	3,644.80		Other non-current financial assets	Capital contribution
Total	<u>90,644.52</u>	<u>89,610.09</u>	<u>3,517.62</u>		

Book value of Mianyang Technology Property Investment Fund during the period decreased by RMB5.7333 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.

Gain/(Loss) of Panmao (Shanghai) Investment Center LP (磐茂(上海)投資中心(有限合夥)), Zhuhai Rongyu Investment Center L.L.P (珠海鎔聿投資中心(有限合夥)), Panfeng Value Fund C (磐豐價值C期) is RMB35.1762 million due to the increase of Gain/(Loss) on changes in the fair value.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(V) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(4) Financial assets measured at fair value:

1) Other equity investment

Item	Carrying amount at the end of the period (yuan)	Currency: RMB
		Amounts that affect the profit for the period
Other equity investment	7,910,261,434.62	0

2) Financial assets at fair value through profit or loss

Item	Carrying amount at the end of the period (yuan)	Currency: RMB
		Amounts that affect the profit for the period
Futures	5,150,800.00	8,872,240.00

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(VI) Analysis on major subsidiaries and investees

Currency: RMB

Company name	Business nature	Principal products or services	Registered capital (yuan)	Total assets (yuan)	Net profit (yuan)
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	Coal trading	Processing and sales of coal	1,080,000,000.00	6,754,272,328.85	748,871,565.23
Inner Mongolia Yitai Zhudong 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	7,376,243,836.20	364,527,440.36
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	6,301,787,767.21	-40,115,551.92
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Coal-related chemical	Construction and operation of the production projects of 1# low aromatic solvents, 85# FischerTropsch wax, light synthetic lubricants, propane, LPG and other chemical products	2,352,900,000.00	3,937,118,701.63	5,032,252.69
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Coal-related chemical	Construction of the production projects of 1# low-aromatic solvents, 3# low-aromatic solvents, light liquid wax, heavy liquid wax, 85# FischerTropsch wax and other chemical products	5,900,000,000.00	18,206,957,466.27	-139,251,731.88



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

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

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

During the reporting period, Suancigou Mine continued to strengthen safety management, consolidate the safety foundation, and put good efforts in safety production standardization to eliminate minor injuries or more serious accidents. In addition, through strengthening the management of mechanical and electrical equipment, washing and scheduling, improving operation capacity of equipment, strengthening quality control, it maximized benefits. In the first half of the year, it achieved a total operating income of RMB1.556 billion and a net profit of RMB0.749 billion.

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

During the reporting period, Zhudong Railway Company fully promoted the safety prevention mechanism and continuously improved the safety management system. As at 30 June 2019, it achieved continuous safety production for 6,771 days. On the basis of ensuring safe production, Zhudong Railway Company focused on improving the efficiency of transportation organization, optimizing storage management, strengthening the maintenance of equipment and facilities and improving the standard of information construction. In the first half of the year, it shipped a total of 36.63 million tons of coal and realised operating income of RMB960 million and a net profit of RMB365 million.

As to project construction, as at 30 June 2019, the environmental protection renovation project of the Xiyingsi Collection and Transportation Centre completed 24% of the demolition of subgrades, tracks and power grid for the railway part. The storage, loading and transportation system has completed the drilling and pouring of pile foundations and the procurement of major equipment, the total amount of contracts signed accounted for 80% of the total investment.

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

In the first half of 2019, Huzhun Railway Company focused on improving the standard of safety management and strengthening the standardized management of storage to complete the shipping plan. As at 30 June 2019, Huzhun Railway achieved continuous safety production for 4,607 days. During the reporting period, Huzhun Railway shipped a total of 16.69 million tons of coal, realised operating income of RMB262 million and a net profit of RMB-40 million. The actual dispatching volume of the Huzhun Railway Company has not yet reached the designed dispatching volume, and the financial expenses and depreciation expenses were higher, as such, the profit was not realised in the first half of 2019.

As to project construction, as at 30 June 2019, the Second Track of Huzhun Railway Project completed the construction of bridge and culvert, subgrade earthwork filling, main track engineering, communication and signal main project of Wangqi to Huhe South station upline project, and the subsequent projects will be promoted as scheduled.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

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

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

During the reporting period, the production unit of Coal-to-oil Company had been operated stably for 177 days. By adopting new catalysts to increase the output of intermediate products and other measures, it achieved stable and large-volume production, cost reduction and efficiency enhancement. In the first half of the year, it produced 0.1052 million tons of various oil products and chemical products, realised operating income of RMB451 million and a net profit of RMB5.0323 million.

5. Inner Mongolia Yitai Chemical Co., Ltd.

In the first half of 2019, the unit of Yitai Chemical Company had been operated stably for 181 days without any unplanned halt. It produced 546,800 tons of various chemical products, realised sales of 518,000 tons with operating income of RMB2.361 billion and a net profit of RMB-139 million. With the domestic large-scale coal-related chemical projects started to put into operation, in the first half of 2019, the industry competition is becoming increasingly fierce. The market price of Yitai Chemical's products decreased from the fourth quarter of 2018. In response to the above-mentioned market pressure, Yitai Chemical will continue to increase product categories, strive for greater differentiation advantages, continuously enhance the added value of existing products, and strive to cost reduction and efficiency enhancement.

During the reporting period, the main components of 0.50 Mtpa Fischer-Tropsch alkane fine separation project is of Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司), a controlling subsidiary of Yitai Chemical Company, were completely installed, its handover to production department was completed by the construction organization, and was ready for trial runs.

II. OTHER DISCLOSURES

(I) 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, with the deepening of China's supply-side reform, government regulation and control policies, including de-capacity and optimization of capacity structure, will also have a greater impact on the Company's production and operation.



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

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

1. Policy risks *(Continued)*

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 the 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 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.

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 chemical industry will encounter many difficulties such as low oil price, high coal price and fierce competition in product sales and so forth.

In response to the above risks, the Company will reduce costs and increase benefits through management reform, continuously maintain the industry-leading low-cost and high-efficiency production advantages. Meanwhile, the Company will improve our industry competitiveness and market share by adjusting product structure and sales structure, expanding market through multiple channels and strengthening strategic cooperation with key customers. Furthermore, facing the adverse factors including the low international oil price, the Company will achieve product refinement and highend extension and increase benefits by adjusting the product structure to adapt to market changes, while strengthening technological innovation and downstream product development efforts.



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

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

4. Risks of increasing need in capital

Coal 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 funds previously 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 chemical industry from coal industry, further increasing the production safety risks.

To cope with these, the Company will focus on safety work and adhere to the guidance of "safety first, prioritizing precaution and comprehensive governance" to continuously increase investment in production safety, improve the administration system of production safety, enhance on-site management and intensify process control; clarify the responsibilities of persons in charge of production safety, specify responsibilities, objectives, rewards and punishment; continue to promote the safety quality standardization of coal mines, improve coal 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, relocation increases and mining way changes, the external cost of the Company will increase and the Company's business will be affected to some extent.



REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks of the Company (Continued)

6. Risks of rising of costs (Continued)

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

(II) Other Disclosures

1. Mining Exploration, Development and Mining Production Activities

(1) Reserves of the Company's mines

Main mines	Resource reserve (tons)	Mineable reserve (tons)
Suancigou Mine	1,226,990,000	820,350,000
Nalinmiao Mine No. 2	106,575,600	40,825,500
Hongjingta Mine No. 1	93,840,000	26,276,000
Nalinmiao Mine No. 1	23,960,000	22,510,000
Kaida Mine	190,121,300	109,241,300
Dadijing Mine	68,498,000	37,842,000
Baoshan Mine	35,430,000	15,720,000
Baijialiang Mine	4,500,000	4,050,000
Talahao Mine	847,690,000	515,520,000
Total	<u>2,597,604,900</u>	<u>1,592,334,800</u>

Explanation:

Calculation criteria: Quantity of resources and reserves of the Company estimated as at 30 June 2019 is arrived 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 this annual report are pursuant to the currently prevailing code standard of China: reserves of corresponding grade are calculated according to the 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 the internal geological experts of the Company.

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

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

(2) Mine explorations by the Company during the reporting period

During the reporting period, the Company did not carry out exploration in any coal mine.

(3) Capital expenditure incurred from coal mines

Unit: million yuan Currency: RMB

Mine of the Company	Capital expenditures in January to June 2019
Suancigou	90.07
Baoshan	2.72
Nalinmiao Mine No. 2	0.52
Hongjingta Mine No. 1	1.42
Nalinmiao Mine No. 1	0.42
Kaida	0.49
Dadijing	5.91
Talahao	37.94
Total	139.49

(4) Construction of mines

The Company currently has no mines under construction.

(5) Construction contracts for coal mines

Unit: yuan Currency: RMB

Using unit	Details of contract	Name of provider	Amount of contract
Talahao Mine of Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司塔拉壕煤礦)	Clack coal dense medium system	Zhongze Construction Engineering Group Co., Ltd. (中澤建工集團有限公司)	9,109,850



REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

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

(6) Procurement contracts of facilities for coal mine

Unit: yuan Currency: RMB

Using unit	Details of contract	Name of provider	Amount of contract
Talahao Mine	Hydraulic support	Zhengzhou Coal Mining Machinery Group Co., Ltd.	98,374,000
Suancigou Mine	Steel core flame-retardant tear conveyor belt	Shanxi Phoenix Adhesive Tape Co., Ltd.	13,959,433
Suancigou Mine	Belt conveyor	China Coal Science and Technology Group Shanghai Co., Ltd.	6,111,763
Suancigou Mine	Belt conveyor	China Coal Science and Technology Group Shanghai Co., Ltd.	6,680,854

(7) Coal mining status

During the reporting period, by strengthening the mining planning management, leading by technological innovation, the Company effectively utilized resources, reduced costs and increased efficiency to improve safety of mine. In addition, it also strengthened equipment operation management, enhanced the yield rate of washing and scheduling, and improved quality and efficiency, so as to maximize the economic benefits.

During the reporting period, the Company has realised production of commodity coal of 23.99 million tons, representing an increase of 19.96% year-on-year; completed the total drivage of 61,200 meters, representing an increase of 16.35% year-on-year. During the reporting period, the Company did not carry out exploration in its mines.

During the reporting period, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB139 million which was mainly the development expenditures of coal mines and related expenditures such as fixed assets.

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

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

(8) Cost of coal

Unit: yuan Currency: RMB

Project	Type	January to June 2019	January to June 2018
Production cost per self-produced unit	Labor cost	19.06	19.86
	Raw material, fuel and power	11.28	9.15
	Depreciation and amortisation	8.31	7.93
	Other production costs	77.68	39.58
	Total production cost for coal	116.33	76.52
Cost per unit of coal purchased domestically		287	303

Explanation:

The increase in production cost per self-produced unit was mainly due to the increase in other production costs. Among them, the increase in disaster management led to an increase in the cost of earthwork stripping by RMB39.37/ton over the same period of last year.



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

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

- (1) The Company has entered into the Agreement on Avoidance of Horizontal Competition on 29 May 2012 with the controlling shareholder. To implement the strategy of expanding the coal business of the Company, and minimize the potential competition in the business of Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company 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 that:
 - ① all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;
 - ② all coal products mined from the target mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;
 - ③ save as the retained business and target business group, during the effective period of the Agreement on Avoidance of Horizontal Competition, the controlling shareholder and its subsidiaries (excluding the Group) did not or did not procure their respective associates/associated companies not to engage in any activities that directly or indirectly compete with the core business of the Company in any manner through itself or in conjunction with other entities, or hold any interests or rights in any such competition business through a third party;
 - ④ the controlling shareholder did not engage or participate in any activities, by leveraging on their respective identity of shareholders or relationship with the Company's shareholders, resulting in damages to the legal interests of the Company or the Company's shareholders;
 - ⑤ upon completion of the proposed acquisition, (i) all transportation quotas of Yitai Group granted by the Ministry of Railways could be used by the Company at nil consideration; (ii) Yitai Group did not use transportation quotas or grant a third party any transportation quotas before satisfying the requirements of Company; and (iii) Yitai Group applied to the Ministry of Railways for changing its account holder to the Company;



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

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

(1) *(Continued)*

- ⑥ since the listing date, Yitai Group did not sell any of the above coal products to any third parties or engage in coal trading business, including but not limited to purchase of coal products from a third party; and
- ⑦ Yitai Group did not make any notice to the Company in writing for the matters that constituted a business opportunity of horizontal competition thereby needed to be brought to the Company's attention, and confirmed that there were no business interests of horizontal competition transferred, disposed of, leased or permitted to a third party.

- (2) On 29 May 2012, Yitai Group and the Company entered into the Agreement on Avoidance of Horizontal Competition, pursuant to which, Yitai Group undertook to preferentially sell Hongqinghe Mine to the Company or its subsidiaries provided that Hongqinghe 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 preemptive rights.

Supplemental explanations of undertakings:

① Analysis on ability to perform contracts

Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. ("Yitai Guanglian"), a subsidiary of Yitai Group, obtained approval from National Development and Reform Commission to commence operation of mines on 18 February 2013, and obtained the mining exploitation permit from the Ministry of Land and Resources on 6 July 2017 and the Safety Production License on November 2018. It has completed on-site inspections and acceptances at the end of 2018.

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



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

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

(2) *(Continued)*

② Analysis on risks in respect of performance to contracts

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

③ Preventive measures and control measures under default

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

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



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

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

(2) *(Continued)*

Fulfillment of undertakings:

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

The Company entered into an “equity transfer agreement” with Yitai Group on 18 March 2015, and proposed to acquire 5% of equity interest in Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd., a subsidiary of Yitai Group, from Yitai Group at a consideration of RMB1.912 billion. The transaction has been approved at the seventh meeting of the sixth session of the Board of Directors convened on 18 March 2015 and the 2014 annual general meeting convened on 9 June 2015 respectively, at which the independent non-executive Directors presented independent opinions. As at 31 December 2016, the Company has paid all the equity transfer consideration pursuant to the payment term of the equity transfer agreement, and completed the procedures of changes in business registration on 14 February 2017.

In order to solve the horizontal competition problem between the Company and Yitai Group, the controlling shareholder, 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 Guanglian Coal Chemical with RMB3.824 billion. Such transaction was passed respectively by the fifth meeting of the seventh session of Board of Directors on 25 August 2017 and the first extraordinary general meeting in 2017. The payment of equity transfer consideration and the change of industrial and commercial registration have been completed.

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

3. Liquidity and Capital Resources

As at 30 June 2019, the Company's capital mainly came from capital generated from business operation, medium term note, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company was mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt, as well as the working capitals and normal recurring expenses.

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

(1) Capital structure

Unit: yuan Currency: RMB

	30 June 2019	30 June 2018
Interest-bearing borrowings	31,221,686,948.25	33,528,111,123.13
Long-term bonds	8,429,121,993.43	7,937,090,015.10
Trade and bills payables	2,851,766,706.80	3,719,347,546.07
Other payables and accruals	3,204,575,995.19	4,379,231,381.13
Less: Cash and cash equivalents	13,345,166,299.02	16,994,167,148.20
Net debt	32,361,985,344.65	31,669,612,917.23
Equity attributable to equity holders of parent company	33,515,064,512.46	33,206,936,328.70
Gearing ratio*	49.12%	48.82%

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

(2) Major capital expenditure plans and financing plans of the Group in 2019

Please refer to the section "Discussion and Analysis on the Company's Future Development" in the Report of Directors in the 2018 Annual Report of the Company.

(3) Exchange rate movement risk and relevant hedging

The Company was not affected by exchange rate fluctuation.



REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

4. Employees

- (1) Particulars concerning remuneration of the Directors, Supervisors and senior management

Decision-making procedure for the remuneration of the Directors, Supervisors and senior management

The remuneration for the Directors, supervisors and senior management is proposed to the Board by the remuneration 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.

Basis for determination on the remuneration of the Directors, Supervisors and senior management

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.

Particulars about remuneration actually paid to Directors, Supervisors and senior management

Allowances and remuneration for the Directors, Supervisors and senior management, which is calculated based on the allowance amount of independent Directors determined in general meeting, and the remuneration for the Directors, supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company on an annual or monthly basis after withholding individual

Total remuneration actually obtained by the Directors, Supervisors and senior management as a whole at the end of the reporting period

RMB6.2591 million

REPORT OF DIRECTORS (Continued)

II. OTHER DISCLOSURES (CONTINUED)

(II) Other Disclosures (Continued)

4. Employees (Continued)

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

Number of in-service employees in the parent company	2,567
Number of in-service employees in major subsidiaries	3,632
Total number of in-service employees	6,199
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	388

Specialty composition

Category of specialty composition	Headcount
Production	2,795
Sales	1,945
Technician	388
Finance	194
Administration	877
Total	6,199

Education level

Category of education level	Headcount
Postgraduate	239
Undergraduate	2,815
College graduate and secondary technical school	2,134
Below secondary technical school	1,011
Total	6,199



REPORT OF DIRECTORS *(Continued)*

II. OTHER DISCLOSURES *(CONTINUED)*

(II) Other Disclosures *(Continued)*

4. Employees *(Continued)*

(3) Remuneration policy

The Company made great efforts in motivating employees' working enthusiasm and creativity and promoting the internal fairness and external competitiveness of the remuneration incentive system. On the basis of equal pay for equal work, the Company established a dynamic distribution mechanism in terms of taking position value as the core and performance assessment as the support, thus reflecting the employees' work ability and work achievement. 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. During the reporting period, the total staff remuneration of the Company was RMB160.3 million.

(4) Training program

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

(5) Employee motivation

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

(6) Pension scheme

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



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

I. PARTICULARS OF GENERAL MEETINGS

Session of the meeting	Convening date	Enquiry index of the designated website for the publication of the proposals	Dates of disclosure of the publication of the proposals
The first extraordinary general meeting for 2019	11 March 2019	http://www.sse.com.cn/ http://www.hkexnews.hk	12 March 2019
Annual general meeting for 2018	16 May 2019	http://www.sse.com.cn/ http://www.hkexnews.hk	17 May 2019

Information on the general meeting

During the reporting period, the Company convened two general meetings, which were one extraordinary general meeting and one annual general meeting. There was no objection against proposed resolutions on the general meetings.

II. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

The Board did not recommend to distribute the interim dividend for the six months ended 30 June 2019.

III. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

Information of appointment or termination of appointment of auditors

The Company convened the 24th meeting of the seventh session of the Board on 6 June 2019 and the Resolutions on the Proposed Alignment in the Preparation of Financial Statements in Accordance with the PRC Accounting Standards for Business Enterprises and the Appointment of Audit Institution for 2019 were considered and approved. The Board of the Company agreed to re-appoint Da Hua Certified Public Accountants (Special General Partnership) as the audit institution of the Company for 2019 and the internal control audit institution of the Company for 2019, and agreed to terminate the appointment of Deloitte Touche Tohmatsu, the oversea audit institution. The above-mentioned proposals relating to the Appointment and Termination of Appointment of Audit Institution for 2019 were considered and passed at the 2019 second extraordinary general meeting on 22 July 2019.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

(Continued)

IV. CONDITION ON GROUP ASSETS

As at end of the reporting period, no assets had been mortgaged, pledged, closed down or frozen, etc. and realisable under certain conditions, unrealisable or used for debt payment. There had been no other rights under restriction or debts needing preferential payments against the third party.

V. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring during the reporting period.

VI. CONTINGENT LIABILITIES

During the reporting period, the Group had no contingent liabilities.

VII. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the reporting period.

VIII. PUNISHMENT ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND PURCHASER AND RELEVANT RECTIFICATIONS

During the reporting period, the Company had no punishment and relevant rectifications on its Directors, supervisors, senior management, controlling shareholders, de facto controller and purchaser.

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

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 of the Company.

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

During the reporting period, no share option incentives were granted by the Company.

SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XI. MAJOR RELATED PARTIES TRANSACTIONS

(I) Related Parties transactions in relation to daily operation

Category of transaction	Nature of transaction	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Products provided by the Company	Supply of equipment, materials or coal by the Company to Yitai Group and its subsidiaries	66,741	76,253
	Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiary	98,858	119,127
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	439,576	688,620
	Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd.	220,892	270,900
	Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0	0
Products provided to the Company	Purchases of chemical materials, coal, Information products and other products by the Company from Yitai Group and its subsidiaries	1,856,800	1,491,896
	Purchases of electricity, agricultural and sideline products and other products by Company from Inner Mongolia Yitai Investment Co., Ltd. and its subsidiaries	14,437	17,631
	Purchases of coal by the Company from Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	97,306	21,885
	Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0	0
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, a subsidiary of Huadian Coal Industry Group Co., Ltd.	59,593	59,818
	Supply of working face relocation and leasing services by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	5,335	8,197
	Supply of rail transportation, maintenance and management and logistics services by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0	0
	Supply of rail transportation, maintenance and management and logistics services by the Company to Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd	0	0

SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XI. MAJOR RELATED PARTIES TRANSACTIONS (CONTINUED)

(I) Related Parties transactions in relation to daily operation (Continued)

Category of transaction	Nature of transaction	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Services provided to the Company	Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	1,940	4,060
	Supply of properties, information, rental equipment and hazardous waste treatment services from Yitai Group and its subsidiaries to the Company	9,933	610
	Supply of greening service from a subsidiary of Inner Mongolia Yitai Investment Co., Ltd. and its subsidiaries to the Company	0	0
	Supply of operation and maintenance services from Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	8,694	0
Financial services	Interest on deposit services provided by Yitai Finance Co., Ltd. to the Company	23,218	12,969
	Fees on financial services provided by Yitai Finance Co., Ltd. to the Company	0	0

The Directors of the Group are of the view that the transactions between the Group and the above related parties are carried out in the ordinary course of business on mutually agreed normal commercial terms.

(II) Related creditors' rights and debts transactions

The Company entered into the Mutual Guarantee Agreement with Yitai Group, and agreed to provide guarantees to financial institutions for the borrowing or financing of the other party and its holding subsidiaries for no more than RMB2 billion in the three financial years of 2017, 2018 and 2019. During the reporting period, the amount of guarantee provided by Yitai Group for the Company and its subsidiaries during the reporting period amounted to RMB875.00 million and the balance was RMB4,919,463,500. The amount of guarantee provided by listed company for Yitai Group and its holding subsidiaries was nil and the balance was nil. Yitai Group's bank loans during the reporting period are made in form of credit loans, therefore, the Company did not provide guarantee for Yitai Group and its subsidiaries.

(III) Other major related parties transactions

The Company convened the 14th meeting of the seventh session of the Board on 22 August 2018 and the proposal relating to the investment of RMB497 million in Mengxi Huazhong Railway Co., Ltd. was considered and approved. To date, the Company has completed the capital contribution to Mengxi Huazhong, with a shareholding ratio of 2%, and the industrial and commercial registration of changes is in progress.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Trusteeship, Contracting and Leasing

During the reporting period, the Company had no material trusteeship, contracting or leasing.

2. Guarantee

Unit: yuan Currency: RMB

External guarantees of the Company (excluding those for subsidiaries)	
Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)	0
Total balance of guarantees at the end of the reporting period (A) (excluding those for subsidiaries)	0
Guarantees of the Company for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the reporting period	0
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	15,021,397,212.23
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	15,021,397,212.23
Percentage of total guarantee in the Company's net assets (%)	55.45
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)	1,768,700,000.00
Amount of total guarantees in excess of 50% of net assets (E)	1,477,600,816.20
Total amount of the three guarantees above (C+D+E)	3,246,300,816.20
Statement on the contingent joint liability in connection with unexpired guarantees	N/A
Statement on guarantee	N/A

3. Material Acquisition and Disposal

During the reporting period, the Company did not have any material acquisition or disposal.

4. Other Material Contracts

During the reporting period, the Company did not enter into other material contracts or transactions.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

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

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments

1. Sewage

The Company's subsidiaries and branches, including Coal-to-oil Company and Yitai Chemical Company, are key pollution emitted units. Coal-to-oil Company has 22 exhaust gas discharge ports and 1 wastewater discharge port, and its sewage is discharged in an organized way. The annual total emissions of flue gas, sulfur dioxide and nitrogen oxides are 72 tons, 480 tons and 480 tons, respectively. The actual total emissions of flue gas, sulfur dioxide and nitrogen oxides from January to June 2019 are 9.31 tons, 29.49 tons and 60.85 tons, respectively. Yitai Chemical Company has a total of 66 exhaust gas discharge ports, nil wastewater discharge ports, and its sewage is discharged in an organized way. The total annual pollutants are 946.06 tons of sulfur dioxide and 1,067.72 tons of nitrogen oxides. The actual total emissions of sulfur dioxide and nitrogen oxides from January to June 2019 are 139.58 tons and 252.43 tons, respectively.

2. Construction and operation of pollution prevention facilities

2.1 Waste gas pollution prevention and control

- (1) For the transportation of raw coal, fuel coal, coal dust generated during the storage process, and dusty waste gas from the storage and transportation process of solid materials, the Company installs a dust collector in the coal conveyor belt and broken building and the coal crusher room and each transfer station is equipped with ventilation and dust removal equipment; the vehicle for transporting coal is covered with crepe, and the loading and unloading process is carried out in the fully enclosed coal yard and coal will then be transported to the pot by the belt conveyor. Coal dust generated by furnace and coal storage and gasifier is effectively reduced by adopting cyclone dust removal + bag dust removal and equipping the coal yard with spray facilities, to ensure the dust emission complies with the Class II emission standard of the "Integrated Emission Standard of Air Pollutants" (GB16297-1996).



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

(Continued)

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

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

2. Construction and operation of pollution prevention facilities *(Continued)*

2.1 Waste gas pollution prevention and control *(Continued)*

- (2) Boiler flue gas: Coal-to-oil Company adopts two 200t/h circulating fluidized bed boilers with one open and one ready, and newly built a set of semi-dry desulfurization process outside the furnace on the basis of calcium desulfurization in the original furnace. The desulfurization efficiency reached over 90%; in 2016, the company carried out technical transformation of flue gas denitration by adopting the SNCR denitration process. The denitration efficiency reached over 70%, and the concentration of each type of pollutant in the flue gas complied with the “Emission Standard of Air Pollutants for Coal-fired Power Plants” (GB13223-2011). Yitai Chemical Company applies ammonia desulfurization technology to boiler flue gas desulfurization of our chemical project by adopting selective SNCR denitration process for flue gas denitration and bag dust removal process for flue gas dedusting. After such measures, all the indicators of flue gas discharge can meet the air pollution emission standards of newly built coal-fired boilers under the “Emission Standard of Air Pollutants for Coal-fired Power Plants” (GB13223-2011).
- (3) Sulfur recovery tail gas: The sulfur recovery device treats hydrogen sulfide in the acid gas by using a complex iron desulfurization process and recovers sulfur and sends some of the tail gas to the torch for combustion. In 2016, Coal-to-oil Company carried out technical transformation of sulfur recovery tail gas so that the tail gas originally sent to the torch can be sent to the boiler for incineration, and then to the desulfurization, denitration and bag dust removal device together with the flue gas before discharging through the 120m chimney. The concentration of sulfur dioxide accorded with the Emission Standard of Air Pollutants for Coal-fired Power Plants (GB13223-2011) and sulfur dioxide emission has effectively reduced.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

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

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments (Continued)

2. Construction and operation of pollution prevention facilities (Continued)

2.1 Waste gas pollution prevention and control (Continued)

- (4) Acid gas: The acid gas gathered from sulfur recovery device produced by Yitai Chemical Company is treated by the second-stage Claus treatment and ammonia desulfurization process, and the sulfur recovery tail gas is purified again by the ammonia desulfurization process before being discharged into the atmosphere. The SO₂ emission concentration meets the requirements of Table 3 under the “Emission Standard of Pollutants for Petroleum Refining Industry” (GB31570-2015).
- (5) Exhaust gas from the loading system: In 2016, Coal-to-oil Company carried out oil and gas recovery technology transformation on the stabilizing light hydrocarbon system of the loading trestle, and the oil and gas recovery efficiency reached over 98%. Yitai Chemical Company also adopted the oil and gas recovery facility for exhaust gas recovery, effectively reducing the emission of volatile organic compounds.

2.2 Wastewater pollution prevention and control

- (1) Drainage system: The wastewater discharge system of Yitai Chemical Co., Ltd. is designed according to the principle of clearing and sewage separation to realise the quality treatment of clean sewage and production wastewater, oily sewage and acidic wastewater, low-salt sewage and high-salt sewage, ensuring that the wastewater quality of the wastewater treatment equipment is qualified, and the operation of the treatment equipment is continuous, stable, and conducive to the effluent to meet the design and relevant discharge standards. Temporary storage outside the factory can accommodate 270,000m³ of drainage, of which 30,000m³ is a fire accident pool; 240,000m³ is an emergency storage pool, and 11 pools are used for storage sewage when there are production systems (such as sewage treatment, concentrated brine evaporation, and synthetic water handling, etc.) problems.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

(Continued)

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

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

2. Construction and operation of pollution prevention facilities *(Continued)*

2.2 Wastewater pollution prevention and control *(Continued)*

- (2) Sewage treatment and reuse: The process wastewater generated by Yitai Chemical Company, domestic sewage and initial rainwater are all treated in a sewage treatment plant with designed scale of 1,200 m³/h. The effluent quality of the sewage treatment plant meets the first level requirement (GB8978-2002) of the “Integrated Sewage Discharge Standards”. The qualified effluent from the sewage treatment plant enters the reused water treatment process: 1. The clean wastewater such as discharge sewage of chemical water and circulating water enters the reuse water treatment process; 2. and is treated differently according to the water quality characteristics. Effluents are used as replenished water of chemical water and circulating water systems.

The process wastewater and domestic sewage of about 80 m³/h and 5 m³/h in Coal-to-oil Company are sent to the sewage treatment system. The designed treatment capacity is 100 m³/h. It adopts A/O process + secondary settling tank + mixed reaction tank + coagulation sedimentation tank + activated carbon filter treatment. Such wastewater is used as replenish water of circulating water after the sewage treatment. The company built a new water treatment system in 2014, the processing capacity of which is 300 m³/h. The coagulation sedimentation + reverse osmosis process is used to treat the effluent of concentrated brine, circulating water discharge sewage and sewage treatment system, and most of them are reused. A small amount of high-concentration brine of about 50 m³/h is discharged into the evaporation pond of Dalu New District, and then centrally sent by the park for treatment by the sewage treatment plant. The efflux high-concentration brine TDS_≥10,000mg/L is in line with the standard of concentrated brine in the Dalu Park.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

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

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments (Continued)

2. Construction and operation of pollution prevention facilities (Continued)

2.2 Wastewater pollution prevention and control (Continued)

- (3) High-content brine evaporation crystallization: The concentrated brine discharged from the wastewater reuse system is sent to the evaporation crystallization system, and the deep energy “multi-effect countercurrent evaporation + segmentation crystallization process” is adopted to realise the resource utilization of the crystalline salt. The high-content brine evaporation crystallization system mainly includes three major units: membrane concentration, evaporation pretreatment, and three-effect evaporation.

Through the above measures, the sewage of the project reached nearly “zero” discharge, which greatly saved water resources and lowered the water consumption index.

2.3 Solid waste pollution prevention and control

- (1) Gasified crude slag, fine slag and boiler ash of about 220,000 tonnes are all sent to the slag yard of Dalu Park; and mud cake 120 tonnes is sent to the boiler blending;
- (2) Waste catalysts and used lubricating oils are recycled by qualified manufacturers. General solid waste is sent to the park slag yard undertaken by Hangjinqi Xinnuo Municipal Construction Investment Co., Ltd. (杭錦旗信諾市政建設投資有限責任公司) for safe dumping. For hazardous waste, usable waste catalyst is returned to the manufacturer, and wastes of no use is sent to the hazardous waste treatment center of the park undertaken by Keling Environmental Protection Co., Ltd. (科領環保股份有限公司) for disposal.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

(Continued)

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

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

2. Construction and operation of pollution prevention facilities *(Continued)*

2.4 Noise pollution prevention and control

- (1) Priority is given to low noise equipment in equipment selection;
- (2) For noise-generating equipment, such as venting valves, compressors, etc., silencers or soundproofing workshops are installed; in the case where noise-cancellation equipment cannot be installed or noise is still large after noise-preventing treatment, soundproof rooms are installed, and protective equipment such as earplugs, earmuffs are provided for employees.

3. Environmental impact assessment and other environmental protection administrative licenses of construction projects

- (1) The 0.16 Mtpa project, i.e. the first phase of 0.48 Mtpa coal-based synthetic oil project of Inner Mongolia Yitai Coal-to-oil Co., Ltd., was reviewed and approved by the Autonomous Region Development and Reform Commission on 8 December 2005 in document Neifagaigongzi [2005] No. 1832;
- (2) On 24 October 2010, the Environmental Protection Department of Inner Mongolia Autonomous Region organized relevant departments and experts to carry out environmental protection acceptance of 0.16 Mtpa project of Coal-to-oil Company, i.e. the first phase of 0.48 Mtpa coal-based synthetic oil project, which was replied in the document [2010] No. 102 on 21 December 2010;
- (3) On 30 September 2017, we received from the Environmental Protection Bureau of Ordos City a “Notice on the Environmental Protection Acceptance of the 1.2 Mtpa of Fine Chemicals Demonstration Project of Inner Mongolia Yitai Chemical Co., Ltd.” (E Huanjianzi [2017] No. 190).



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

(Continued)

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

(I) Explanation on Environmental Protection Work of the Company and Key Subsidiaries Belonging to Key Pollution Emitted Unit Announced by the National Environmental Protection Departments *(Continued)*

4. Emergency plan for emergency environmental incidents

The Company has formulated the “Emergency Plan for Environmental Emergencies of Inner Mongolia Yitai Coal-to-oil Co., Ltd” and “Emergency Plan for Environmental Emergencies of Inner Mongolia Yitai Chemical Co., Ltd”, and filed with the competent authorities.

5. Environmental self-monitoring program

The environmental monitoring program of Coal-to-oil Company comprises automatic monitoring and manual monitoring. The automatic monitoring of flue gas entrusts third-party operating agencies to carry out operation and maintenance. Qingdao Jiaming Measurement and Control Technology Co., Ltd. (青島佳明測控科技股份有限公司) is responsible for entrusted operation and maintenance. Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司) is entrusted for manual monitoring.

Yitai Chemical Company has developed the “Environmental Self-Monitoring Program of Inner Mongolia Yitai Chemical Co., Ltd.” to test the environment.



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

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

(II) Description of the Environmental Protection of Companies Other than the Key Pollution Emitted Units

The coal mines, shipping stations and container stations affiliated to the Company are not key pollution emitted units. The annual total sulfur dioxide, nitrogen oxides and smoke discharge of coal mines, dispatching stations and container stations is 563.04 tons, 222.24 tons and 180.07 tons, respectively. The actual sulfur dioxide, nitrogen oxides and smoke discharge of non-key pollution emitted units from January to June 2019 is 59.08 tons, 92.76 tons and 20.22 tons, respectively. All units strictly implemented the environmental impact assessment system and the “three simultaneous” system of pollution prevention and control facilities during the construction process. The air pollution source is the boiler flue gas discharged from the heating boiler. The pollutants meet the “Emission Standard of Air Pollutants for Boilers” (GB13271-2014) after bag de-dusting, the sodium alkali method and the ammonia desulfurization treatment. The wastewater pollution source is the canteen and the domestic wastewater discharged from the apartment. The wastewater pollutants are used for sprinkling and greening of industrial squares and roads after meeting the Integrated Wastewater Discharge Standard (GB8978-1996) after the A/O, MBR, disinfection treatment; coal mining wastewater is all reused for underground production after coagulation and labyrinth sloping plate precipitation and meeting the “Pollutant Discharge Standard for Coal Industry” (GB20426-2006); the coal preparation plant is closed-loop designed, and the coal preparation wastewater is not discharged.

In order to ensure the stable operation of pollution prevention facilities and equipment, and to achieve standard discharge, the Company entrusts a third-party specialized operation team to operate and manage. At the same time, each unit sets up a laboratory to conduct daily inspection of conventional factors in wastewater, and timely understand the operation and entrust Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司), Inner Mongolia Rundi Environmental Technology Co., Ltd. (內蒙古潤地環境技術有限公司) and Inner Mongolia Kangcheng Environmental Protection Co., Ltd. (內蒙古康城環保有限責任公司) to manually monitor the pollution factors in wastewater and waste gas on a quarterly basis.

SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XIV. DESCRIPTION OF OTHER MAJOR EVENTS

(1) Changes in accounting policies, accounting estimates and accounting methods compared with the previous accounting period, its causes and their impact

The Company adopted the “Accounting Standards for Business Enterprises No. 21 – Lease” revised by the Ministry of Finance in 2018 from 1 January 2019. According to the requirements of the new lease standard, the entity shall adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2019) of the new lease standard for the cumulative affected figures and amounts of other relative items in the financial statements, and need not to adjust information in comparable period.

Effects of implementation of the new lease standard on relevant items of balance sheet and statement of cash flows at the beginning of the current period are as follows:

Unit: yuan

Item	Amount from January to June 2018/balance as at 31 December 2018 before adoption of the new lease standard	Affected amount	Amount from January to June 2018/balance as at 1 January 2019 after adoption of the new lease standard
Right-of-use asset	–	10,913,278.59	10,913,278.59
Lease liability	–	341,443,997.32	341,443,997.32
Long-term payable	853,638,566.68	-330,000,000.00	523,638,566.68
Undistributed profit at the beginning of the year	24,331,543,771.03	-530,718.73	24,331,013,052.30
Cash payment for other operating activities	505,802,486.77	-8,960,111.70	496,842,375.07
Cash payment for other financing activities	–	8,960,111.70	8,960,111.70
Total	<u>25,690,984,824.48</u>	<u>21,826,557.18</u>	<u>25,712,811,381.66</u>

XV. CORPORATE GOVERNANCE

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

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



SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XV. CORPORATE GOVERNANCE (CONTINUED)

1. Compliance with Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules *(Continued)*

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

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

2. Audit committee

The Company has established the audit committee in accordance with the requirements of the Hong Kong Listing Rules, which consists of four independent non-executive Directors and is chaired by Ms. Du Yingfen. On 29 August 2019, the audit committee reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2019, the interim report for 2019, and the unaudited interim financial statements for the six months ended 30 June 2019. As approved at the second extraordinary general meeting of the Company in 2019, Ms. Du Yingfen was appointed to replace the position of Mr. Yu Youguang on the audit committee with effect from 22 July 2019.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct regarding securities transactions by all the Directors, Supervisors and relevant employees (as defined in the CG Code) of the Company. Having made specific enquiries, the Company confirmed that all the Directors and Supervisors had fully complied with the Model Code during the Reporting Period. Except for their own service contracts, none of the Directors and Supervisors had any direct or indirect individual beneficial interest in any material contracts to which the Company or any of its subsidiaries is a party as at 30 June 2019.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I CHANGES IN SHARE CAPITAL

(1) Changes in Shares

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

II. INFORMATION ON SHAREHOLDERS

(1) Total Number of Shareholders:

Total number of ordinary shareholders as at the end of the reporting period (in the number of accounts)	74,105
Total number of holders of preference shares with voting rights restored as at the end of the reporting period (in the number of accounts)	N/A

(2) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or Holders of Shares not Subject to Selling Restrictions) as at the End of the Reporting Period

Unit: Share

Name of Shareholder (in full name)	Shareholdings of the Top Ten Shareholders			Pledged or frozen		Class of Shareholder
	Increase/ decrease during the reporting period	Number of Shares held as at the end of the reporting period	Proportions (%)	Status of the shares	No. of shares	
Inner Mongolia Yitai Group Co., Ltd.	0	1,600,000,000	49.17	Nil		Domestic non-state owned legal person
HKSCC NOMINEES LIMITED	0	325,954,000	10.02	Unknown		Foreign legal person
Yitai Group (Hongkong) Co., Ltd.	0	312,000,000	9.59	Nil		Foreign legal person
China Merchants Securities (HK) Co., Limited	-26,500	21,980,000	0.68	Unknown		Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,155,647	18,632,366	0.57	Unknown		Foreign legal person
VANGUARD EMERGING MARKETS STOCK INDEX FUND	0	17,723,998	0.54	Unknown		Foreign legal person
ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF	1,141,225	12,526,827	0.38	Unknown		Foreign legal person
Hu Jiaying	-899,400	11,953,514	0.37	Unknown		Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	-1,506,200	10,495,595	0.32	Unknown		Foreign legal person
GIC PRIVATE LIMITED	768,091	10,448,004	0.32	Unknown		Foreign legal person

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(2) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or Holders of Shares not Subject to Selling Restrictions) as at the End of the Reporting Period (Continued)

Unit: Share

Top Ten Holders of Shares Not Subject to Selling Restrictions			
Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Share
HKSCC NOMINEES LIMITED	325,954,000	Overseas listed foreign shares	325,954,000
Yitai Group (Hongkong) Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
China Merchants Securities (HK) Co., Limited	21,980,000	Domestic listed foreign shares	21,980,000
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	18,632,366	Domestic listed foreign shares	18,632,366
VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,723,998	Domestic listed foreign shares	17,723,998
ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF	12,526,827	Domestic listed foreign shares	12,526,827
Hu Jiaying	11,953,514	Domestic listed foreign shares	11,953,514
ISHARES CORE MSCI EMERGING MARKETS ETF	10,495,595	Domestic listed foreign shares	10,495,595
GIC PRIVATE LIMITED	10,448,004	Domestic listed foreign shares	10,448,004
Liu Jingyuan	8,277,050	Domestic listed foreign shares	8,277,050
Details of the above shareholders who are connected to each other or acting in concert	Among the top ten shareholders of the Company, Yitai Group (Hongkong) Co., Ltd. is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares. The Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.		

The H shares held by HKSCC NOMINEES LIMITED are held on behalf of its multiple clients.

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	Conditions for selling restrictions
1	Inner Mongolia Yitai Group Co., Ltd.	1,600,000,000	Domestic non-state owned legal person shares
Details of the above shareholders who are connected to each other or acting in concert		Inner Mongolia Yitai Group Co., Ltd. is the controlling shareholder of the Company	

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(3) SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, 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 (shares)	Percentage of the underlying shares in issue(%) ^{5,6}	Percentage of the total issued shares (%) ^{5,6}
Inner Mongolia Yitai Group Co., Ltd. ¹	Non-overseas-listed foreign shares	Beneficial owner/Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Inner Mongolia Yitai Investment Co., Ltd. ²	Non-overseas-listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Yitai Group (Hongkong) Co., Ltd. ¹	Non-overseas-listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58
Inner Mongolia Ordos Investment Holding Group Co., Ltd.	H shares	Beneficial owner	Long	55,443,600	17.00	1.70
Ordos Hongrui Trade Company Limited	H shares	Trust beneficiary	Long	44,711,200	13.71	1.37
Inner Mongolia Manshi Investment Group Limited	H shares	Beneficial owner	Long	28,321,000	8.68	0.87
Great Huazhong Energy Co. Ltd.	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Chen Yihong ³	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Harvest Luck Development Limited ³	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Poseidon Sports Limited ³	H shares	Beneficial owner	Long	20,017,000	6.14	0.61
China Datang Corporation ⁴	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55
Datang International (Hong Kong) Limited ⁴	H shares	Beneficial owner	Long	18,031,100	5.53	0.55
Datang International Power Generation Co., Ltd. ⁴	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(3) SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

1. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (Hongkong) Co., Ltd. and is thus deemed to be interested in the 312,000,000 B shares held by Yitai Group (Hongkong) Co., Ltd.. Inner Mongolia Yitai Group Co., Ltd. directly holds 1,600,000,000 domestic shares.
2. Inner Mongolia Yitai Investment Co., Ltd. holds 99.64% of the registered capital of Inner Mongolia Yitai Group Co., Ltd. and is thus deemed to be interested in all of the 1,912,000,000 shares directly or indirectly held by Inner Mongolia Yitai Group Co., Ltd..
3. 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. Harvest Luck Development Limited holds 100% interest 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.
4. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Datang International (Hong Kong) Limited holds 18,031,100 shares (long position) of the Company. Datang International (Hong Kong) Limited is wholly owned by Datang International Power Generation Co., Ltd. while China Datang Corporation holds 34.71% of interests of Datang International Power Generation Co., Ltd.. Pursuant to the SFO, Datang International Power Generation Co., Ltd. and China Datang Corporation are deemed to be interested in the 18,031,100 shares (long position) held by Datang International (Hong Kong) Limited, representing 11.08% of the H shares in issue as at 12 July 2012. As at 30 June 2019, 18,031,100 shares represented 5.53% of the H shares in issue.
5. According to the Articles of Association, the Company has shares including (i) "domestic shares"; (ii) "domestic-listed-foreign shares" (B shares); and (iii) "overseas-listed-foreign shares" (H shares).
6. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and Supervisors whose interests are set out in the section headed "DIRECTORS AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" below, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDINGS

During the reporting period, there was no change in the holding of the Company's shares of Directors, Supervisors and senior management of the Company.

During the reporting period, no change occurred.

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

Pursuant to the announcement of the Company dated 11 March 2019, Mr. Liu Jian and Mr. Zhang Zhenjin were duly appointed at the general meeting on 11 March 2019, serving as the executive director and chairman of the Supervisory Committee of the Company, respectively.

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

As at 30 June 2019, the interests of the Directors and Supervisors of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

III. DIRECTORS AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long positions in the shares of associated corporation of the Company

Unit: Share

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. Wang Sanmin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	515,103	0.07
Mr. Liu Jian	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Supervisors:				
Mr. Zhang Zhenjin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	3,841,149	0.53
		Interest of spouse	219,093	0.03
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

Note 1:

Pursuant to a trust agreement entered into by 35 individuals and a group of employees of Inner Mongolia Yitai Group Co., Ltd., the directors and supervisors listed above together with other members of the 35 individuals hold the entire issued share capital of Inner Mongolia Yitai Investment Co., Ltd. on behalf of a group of employees comprised of 2,300 individuals. Our PRC legal advisors are of the opinion that the trust arrangement is valid and binding under the PRC laws.

Save as disclosed above, as at 30 June 2019, none of the Directors and Supervisors of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

RELEVANT INFORMATION ON CORPORATE BONDS

I. OVERVIEW OF CORPORATE BONDS

Unit: yuan Currency: RMB

Bonds name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate(%)	Method of capital repayment with interest	Places of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2014 (first tranche)	14 Yitai 01	122329	9 October 2014	9 October 2019	4,500,000,000	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
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2018 (first tranche)	18 Yitai 01	143673	7 June 2018	8 June 2021	1,500,000,000	6.0%	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange

RELEVANT INFORMATION ON CORPORATE BONDS (Continued)

I. OVERVIEW OF CORPORATE BONDS (CONTINUED)

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	Places of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2018 (second tranche)	18 Yitai 02	155118	17 December 2018	18 December 2021	2,000,000,000	5%	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
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (first tranche)	19 Yitai 01	155306	4 April 2019	4 April 2024	500,000,000	4.9%	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 “18 Yitai 01” for the first half of 2019.



RELEVANT INFORMATION ON CORPORATE BONDS (Continued)

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

1. 14 Yitai 01

Bonds trustee manager	Name	China International Capital Corporation Limited
	Address	Floor 27-28, Tower 2, World Trade Building, No.1, Jianguomen Outer Street, Chaoyang District, Beijing
	Contact persons	Zhai Ying, Du Yi, Xu Xian
	Tel	010-65051166
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Address	Floor A29, Pengrun Mansion, No.26, Xiaoyun Road, Chaoyang District, Beijing

2. 18 Yitai 01

Bonds trustee manager	Name	Haitong Securities Co., Ltd.
	Address	No. 689, Guangdong Road, Shanghai
	Contact persons	Xia Kun, Zhang Haimei
	Tel	010-88027267, 010-88027189
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Address	Floor A29, Pengrun Mansion, No.26, Xiaoyun Road, Chaoyang District, Beijing

3. 18 Yitai 02

Bonds trustee manager	Name	Haitong Securities Co., Ltd.
	Address	No. 689, Guangdong Road, Shanghai
	Contact persons	Xia Kun, Zhang Haimei
	Tel	010-88027267, 010-88027189
Credit rating agency	Name	Golden Credit Rating International Co., Ltd.
	Address	11/F, Building C, Zhaotai International Center, No. 3, Chao Wai Xi Street, Chaoyang District, Beijing

4. 19 Yitai 01

Bonds trustee manager	Name	Haitong Securities Co., Ltd.
	Address	No. 689, Guangdong Road, Shanghai
	Contact persons	Xia Kun, Zhang Wei
	Tel	010-88027190
Credit rating agency	Name	Golden Credit Rating International Co., Ltd.
	Address	11/F, Building C, Zhaotai International Center, No. 3, Chao Wai Xi Street, Chaoyang District, Beijing



RELEVANT INFORMATION ON CORPORATE BONDS *(Continued)*

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

The proceeds raised from public issuance of 14 Yitai 01, 18 Yitai 01, 18 Yitai 02 and 19 Yitai 01 were used for disclosing the bonds. As at 30 June 2019, proceeds raised from 14 Yitai 01, 18 Yitai 01, 18 Yitai 02 and 19 Yitai 01 were utilized in full.

IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

During the reporting period, Golden Credit Rating International Co., Ltd. conducted a credit rating on bonds 19 Yitai 01 of the Company, and the credit rating of this tranche of bonds was adjusted to AAA; the credit rating of the Company was AAA with stable outlook. Golden Credit Rating International Co., Ltd. has presented the credit rating result on 29 March 2019.

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a follow-up credit rating on bonds 14 Yitai 01 and 18 Yitai 01 of the Company, and the credit rating of this tranche of bonds was adjusted to AAA; the credit rating of the Company was AAA with stable outlook. Dagong Global Credit Rating Co., Ltd. has presented the follow-up rating result on 25 April 2019.

During the reporting period, Golden Credit Rating International Co., Ltd. conducted a follow-up credit rating on bonds 18 Yitai 02 of the Company, and the credit rating of this tranche of bonds was adjusted to AAA; the credit rating of the Company was AAA with stable outlook. Golden Credit Rating International Co., Ltd. has presented the credit rating result on 24 May 2019.

In line with the schedule of follow-up rating, Dagong Global Credit Rating Co., Ltd. and Golden Credit Rating International Co., Ltd. will carry out a periodical follow-up rating on bonds 14 Yitai 01, 18 Yitai 01, 18 Yitai 02 and 19 Yitai 01 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.

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 bondholders.

VI. MEETING OF CORPORATE BONDHOLDERS

No meeting of corporate bondholders was held during the reporting period.

RELEVANT INFORMATION ON CORPORATE BONDS (Continued)

VII. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGER

Within the period of existence of the bonds of this tranche aforementioned, China International Capital Corporation Limited and Haitong Securities Co., Ltd., the bonds trustee managers conscientiously complied with the agreement to the Bonds Trustee Management Agreement (《債券受託管理協議》) 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 corporate bonds. China International Capital Corporation Limited and Haitong Securities Co., Ltd. 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.

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

Major indicator	As at the end of the reporting period	As at the end of last year	Increase or decrease as compared with the end of last year(%)
Liquidity ratio	1.27	1.24	2.35
Quick ratio	1.17	1.17	0
Debt to assets ratio (%)	52.98	55.00	-2.02
Loan repayment ratio (%)	100	100	0

	As at the reporting period (January to June 2019)	As at the same period of last year	Increase or decrease as compared with the same period of last year (%)
EBITDA times interest earned	5.35	4.45	0.90
Interest repayment ratio (%)	100	100	0

IX. EXPLANATION ON INDEBTEDNESS FALLING DUE

During the reporting period, the Company had no indebtedness falling due.



RELEVANT INFORMATION ON CORPORATE BONDS *(Continued)*

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

During the reporting period, the Company had no interest payment of other bonds and debt financing instruments.

XI. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totaled RMB47,864.95 million and the credit limit was RMB30,721.6869 million. The credit available was RMB17,143.2631 million.

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

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

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

There were no events that materially affect the operating status and solvency of the Company during the reporting period.



REVIEW REPORT

Da Hua He Zi [2019] No. 005005

To all shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

We have reviewed the financial statements of Inner Mongolia Yitai Coal Co., Ltd. (hereinafter referred to as the “Yitai Coal Company”), which comprise the consolidated balance sheet and balance sheet of the parent company on 30 June 2019, the consolidated income statement and income statement of the parent company, the consolidated cash flow statement and cash flow statement of the parent company, the consolidated statement of changes in owners’ equity and statement of changes in owners’ equity of the parent company from January to June 2019 and relevant notes to the financial statements. The management of Yitai Coal Company is responsible for the preparation of these financial statements, and our responsibility is to issue a review report on these financial statements based on our review.

We performed review in accordance with the provisions of the *Review Standard for Chinese Certified Public Accountant No. 2101 – Review of Financial Statements*. The standard requires us to plan and carry out a review to obtain a limited guarantee on whether these financial statements are free from material misstatement. The review is mainly limited to inquiring the company’s personnel about the analysis procedures on financial information, which provides less assurance than audit. We did not perform audit and therefore did not issue an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with the Accounting Standards for Business Enterprises, and fail to fairly reflect the financial position, operating results and cash flow of the entity being reviewed in all material respects.

Da Hua Certified Public Accountants (Special General Partnership)

Chinese Certified Public Accountant

Beijing, China

29 August 2019

CONSOLIDATED BALANCE SHEET

At 30 June 2019

Prepared by: Inner Mongolia Yitai Coal Co., Ltd.

Unit: yuan Currency: RMB

Items	30 June 2019	31 December 2018
Current assets:		
Cash and bank balance	13,492,835,484.51	17,619,345,617.65
Trading financial assets	5,150,800.00	
Bills receivable	36,989,318.87	108,059,677.35
Accounts receivable	1,767,865,076.52	1,481,452,372.49
Funds paid in advance	1,075,395,426.52	866,158,607.74
Other receivables	629,873,038.75	643,850,689.43
Including: Interest receivable		
Dividends receivable	10,061,128.09	
Inventories	1,519,468,658.13	1,341,020,255.68
Contract assets		
Assets held for sale		17,056,603.77
Non-current assets due within one year		
Other current assets	1,463,843,999.91	1,496,106,304.83
Total current assets	19,991,421,803.21	23,573,050,128.94
Non-current assets:		
Long-term equity investment	9,065,194,704.45	8,916,032,985.53
Investments in other equity instruments	7,910,261,434.62	7,889,581,854.05
Other non-current financial assets	896,100,931.80	555,210,055.32
Investment property	527,903,646.59	546,134,734.37
Fixed assets	32,690,222,290.98	33,371,998,346.85
Construction in progress	14,240,008,929.73	13,785,815,058.59
Right-of-use assets	9,722,739.09	
Intangible assets	2,930,510,624.60	2,974,985,561.79
Development expenditure	1,207,996.23	570,959.51
Goodwill		
Long-term deferred expenses	2,225,745,727.63	2,197,294,897.75
Deferred income tax assets	639,378,535.39	686,014,193.07
Other non-current assets	54,707,404.00	54,707,404.00
Total non-current assets	71,190,964,965.11	70,978,346,050.83
Total assets	91,182,386,768.32	94,551,396,179.77

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2019

Items	30 June 2019	31 December 2018
Current liabilities:		
Short-term borrowings		900,000,000.00
Trading financial liabilities		3,721,440.00
Bills payable	777,405,942.86	1,009,306,562.44
Accounts payable	2,074,360,763.94	2,710,040,983.63
Staff remuneration payable	84,905,152.62	329,971,033.59
Taxes payable	547,400,246.28	1,792,896,618.02
Other payables	2,572,270,596.29	2,256,363,729.52
Including: Interest payable	320,339,142.41	187,163,740.89
Dividend payable		710,430.00
Contract liabilities	489,722,768.32	338,370,808.43
Non-current liabilities due within one year	9,223,774,829.06	9,614,780,562.20
Other current liabilities	11,880,460.43	5,874,623.10
Total current liabilities	15,781,720,759.80	18,961,326,360.93
Non-current liabilities:		
Long-term borrowings	26,496,414,546.15	27,509,102,119.45
Bonds payable	3,930,619,566.47	3,441,318,456.58
Lease liabilities	340,440,662.37	
Long-term payables	526,655,233.36	853,638,566.68
Long-term staff remuneration payable		
Projected liabilities	475,563,263.75	464,231,961.93
Deferred income	73,430,074.77	73,783,748.97
Deferred income tax liabilities	679,891,032.52	695,612,758.47
Other non-current liabilities		
Total non-current liabilities	32,523,014,379.39	33,037,687,612.08
Total liabilities	48,304,735,139.19	51,999,013,973.01

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2019

Items	30 June 2019	31 December 2018
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	3,254,007,000.00	3,254,007,000.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserves	2,222,880,589.69	2,222,887,682.42
Less: Treasury shares		
Other comprehensive income	1,655,113,065.29	1,707,916,871.73
Special reserve	128,978,518.50	57,087,245.53
Surplus reserve	1,634,024,476.72	1,634,024,476.72
General risk provisions		
Undistributed profit	24,620,060,862.26	24,331,543,771.03
Total equity attributable to owners of the parent company (or shareholders' equity)	33,515,064,512.46	33,207,467,047.43
Minority interests	9,362,587,116.67	9,344,915,159.33
	<u>42,877,651,629.13</u>	<u>42,552,382,206.76</u>
Total liabilities and Owners' equity (or shareholders' equity)	<u>91,182,386,768.32</u>	<u>94,551,396,179.77</u>

Legal representative:
Zhang Donghai

Person-in-charge of accounting
affairs:
Lv Guiliang

Person responsible for the
accounting institute:
Lu Yanmei

BALANCE SHEET OF THE PARENT COMPANY

At 30 June 2019

Prepared by: Inner Mongolia Yitai Coal Co., Ltd.

Unit: yuan Currency: RMB

Items	30 June 2019	31 December 2018
Current assets:		
Cash and bank balance	4,682,490,308.05	8,255,930,041.31
Trading financial assets		
Financial assets measured at fair value through other comprehensive income		
Derivative financial assets		
Bills receivable		42,300,000.00
Accounts receivable	1,128,426,867.44	231,204,081.31
Financing receivable		
Funds paid in advance	487,131,459.15	452,443,202.58
Other receivables	10,765,021,575.80	8,399,470,548.03
Including: Interest receivable		
Dividends receivable	409,851,538.39	
Inventories	879,809,061.22	844,870,645.43
Contract assets		
Assets held for sale		17,056,603.77
Non-current assets due within one year		
Other current assets	4,134,223.66	19,756,909.29
Total current assets	17,947,013,495.32	18,263,032,031.72
Non-current assets:		
Long-term equity investments	22,409,063,627.74	21,801,904,412.02
Investments in other equity instruments	6,748,097,119.88	6,813,967,788.23
Other non-current financial assets	27,231,282.84	32,964,616.18
Investment property	504,588,987.95	522,227,666.63
Fixed assets	4,069,439,237.99	4,096,978,758.49
Construction in progress	226,815,227.20	220,054,744.80
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	737,659,937.80	741,894,789.69
Development expenditure		
Goodwill		
Long-term deferred expenses	1,150,210,644.61	1,159,300,198.54
Deferred income tax assets	538,346,268.05	589,447,791.85
Other non-current assets	10,459,543.00	10,459,543.00
Total non-current assets	36,421,911,877.06	35,989,200,309.43
Total assets	54,368,925,372.38	54,252,232,341.15

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 30 June 2019

Items	30 June 2019	31 December 2018
Current liabilities:		
Short-term borrowings		700,000,000.00
Trading financial liabilities		
Financial assets measured at fair value through profit and loss		
Derivative financial liabilities		
Bills payable	140,484,348.81	267,182,279.47
Accounts payable	1,594,836,192.84	2,212,404,753.76
Funds received in advance		
Contract liabilities	267,279,510.68	463,571,009.54
Staff remuneration payable	26,945,839.08	139,741,388.96
Taxes payable	329,317,738.47	1,119,358,675.86
Other payables	1,292,405,690.03	673,399,888.84
Including: Interest payable		
Dividend payable		
Liabilities held for sale		
Non-current liabilities due within one year	7,586,427,426.96	6,820,721,558.52
Other current liabilities		4,653,278.73
Total current liabilities	11,237,696,746.87	12,401,032,833.68
Non-current liabilities:		
Long-term borrowings	11,010,775,000.00	10,227,800,000.00
Bonds payable	3,930,619,566.47	3,441,318,456.58
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	5,655,233.36	2,638,566.68
Long-term staff remuneration payable		
Projected liabilities	444,334,140.49	433,002,838.67
Deferred income	1,530,000.00	1,670,000.00
Deferred income tax liabilities	650,721,893.13	665,590,576.42
Other non-current liabilities		
Total non-current liabilities	16,043,635,833.45	14,772,020,438.35
Total liabilities	27,281,332,580.32	27,173,053,272.03



BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 30 June 2019

Items	30 June 2019	31 December 2018
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	3,254,007,000.00	3,254,007,000.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	1,475,066,906.63	1,475,066,906.63
Less: Treasury shares		
Other comprehensive income	1,574,422,428.34	1,623,825,429.61
Special reserve	119,271,855.44	57,087,245.53
Surplus reserve	1,634,024,476.72	1,634,024,476.72
Undistributed profit	19,030,800,124.93	19,035,168,010.63
	<hr/>	<hr/>
Total equity attributable to owners of the parent company (or shareholders' equity)	27,087,592,792.06	27,079,179,069.12
	<hr/>	<hr/>
Total liabilities and Owners' equity (or shareholders' equity)	54,368,925,372.38	54,252,232,341.15
	<hr/>	<hr/>

Legal representative:
Zhang Donghai

Person-in-charge of accounting
affairs:
Lv Guiliang

Person responsible for the
accounting institute:
Lu Yanmei

CONSOLIDATED INCOME STATEMENT

January to June 2019

Unit: yuan Currency: RMB

Items	The first half of 2019	The first half of 2018
I. Total operating revenue	20,075,333,259.04	18,193,956,695.39
Of which: Revenue from operations	20,075,333,259.04	18,193,956,695.39
Interest income		
Premiums earned		
Handling charges and commission income		
II. Total operating cost	17,383,081,753.08	14,915,816,130.71
Of which: Operating cost	14,397,050,792.16	12,453,646,576.66
Interest expense		
Fees and commission expense		
Surrenders payment		
Net expenditure for compensation		
Net provision for insurance deposits		
Policy dividend expenses		
Reinsurance costs		
Tax and surcharges	727,393,361.97	610,773,891.10
Selling expenses	642,271,237.84	682,424,701.55
Administrative expenses	555,282,506.09	398,865,562.52
Research and development costs	280,017,757.39	318,214,844.13
Finance costs	781,066,097.63	451,890,554.75
Of which: Interest expenses	842,096,505.35	504,258,023.66
Interest income	68,137,420.53	53,255,154.25
Add: Other income	85,100,459.03	34,336,193.00
Investment income (loss is represented by “-”)	178,413,036.51	63,521,581.34
Of which: Gains from investment in associates and joint ventures	162,371,718.92	45,563,865.99
Gains from changes in fair value (loss is represented by “-”)	44,048,449.82	-881,880.00
Asset impairments loss (loss is represented by “-”)		331,446.25
Gains from disposal of assets (loss is represented by “-”)	5,565,091.95	1,019,872.97
III. Profit from operations (loss is represented by “-”)	3,005,378,543.27	3,376,467,778.24
Add: Non-operating income	6,453,202.83	10,913,146.27
Less: Non-operating expense	58,950,574.00	25,850,512.00

CONSOLIDATED INCOME STATEMENT (Continued)

January to June 2019

Items	The first half of 2019	The first half of 2018
IV. Total profit (total loss is represented by “-”)	2,952,881,172.10	3,361,530,412.51
Less: Income tax expenses	632,317,981.85	632,867,008.46
V. Net profit (net loss is represented by “-”)	2,320,563,190.25	2,728,663,404.05
(I) Classified on a going concern basis	2,320,563,190.25	2,728,663,404.05
1. Net profit from continuing operations (net loss is represented by “-”)	2,320,563,190.25	2,728,663,404.05
2. Net profit from discontinued operations (net loss is represented by “-”)		
(II) Classified according to the ownership	2,320,563,190.25	2,728,663,404.05
1. Net profit attributable to the shareholders of the parent company (net loss is represented by “-”)	1,916,051,309.96	2,304,571,260.30
2. Minority interests (net loss is represented by “-”)	404,511,880.29	424,092,143.75
VI. Net other comprehensive income after taxes	-54,192,699.51	834,774,108.29
Net other comprehensive income attributable to owners of the parent company after taxes	-52,803,806.44	834,774,108.29
(I) Other comprehensive income that cannot be reclassified to profit and loss	-52,848,016.62	834,442,711.40
1. Remeasuring changes of defined benefit plan		
2. Other comprehensive income that cannot be converted into profit or loss under the equity method		
3. Changes in fair value of other equity instruments	-52,848,016.62	834,442,711.40
4. Changes in fair value of enterprise’s own credit risk		
(II) Other comprehensive income that may be reclassified to profit or loss	44,210.18	331,396.89
1. Other comprehensive income that can be converted to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Changes in fair value of financial assets available for sale		
4. The amount of financial assets reclassified into other comprehensive income		
5. Held-to-maturity investments reclassified into the fair value of financial assets available for sale		
6. Provisions for credit impairment of other credit investments		
7. Cash flow hedging reserve (effective portion of cash flow hedging profit and loss)		
8. Exchange differences from retranslation of financial statements	44,210.18	331,396.89
9. Others		
Net other comprehensive income attributable to minority interests after taxes	-1,388,893.07	



CONSOLIDATED INCOME STATEMENT (Continued)

January to June 2019

Items	The first half of 2019	The first half of 2018
VII. Total comprehensive income	2,266,370,490.74	3,563,437,512.33
Total comprehensive income attributable to the owners of the parent company	1,863,247,503.52	3,139,345,368.58
Total comprehensive income attributable to minority shareholders	403,122,987.22	424,092,143.75
VIII. Earnings per share:		
(I) Basic earnings per share (RMB/share)	0.59	0.71
(II) Diluted earnings per share (RMB/share)	0.59	0.71

Business merger were conducted under the same control during the period, the net profit realised by the merged party before the merger was 0 yuan, and the net profit realised by the merged party in the previous period was 0 yuan.

Legal representative:
Zhang Donghai

Person-in-charge of accounting
affairs:
Lv Guiliang

Person responsible for the
accounting institute:
Lu Yanmei

INCOME STATEMENT OF THE PARENT COMPANY

January to June 2019

Unit: yuan Currency: RMB

Items	The first half of 2019	The first half of 2018
I. Revenue from operations	15,976,874,327.56	7,365,444,257.74
Less: Operating cost	13,034,576,715.64	4,506,603,183.28
Tax and surcharges	507,864,888.50	375,254,808.99
Selling expenses	30,690,004.01	30,108,015.95
Administrative expenses	293,302,426.04	234,593,691.09
Research and development expense	145,418,987.53	294,083,780.14
Finance costs	526,141,895.03	438,606,018.56
Including: Interest expenses	552,132,748.33	475,366,195.47
Interest income	32,119,121.45	35,655,449.28
Add: Other income	154,755.41	390,000.00
Investment income (loss is represented by “-”)	582,148,245.26	998,640,432.10
Including: Investment income from associates and joint ventures	166,372,015.72	43,455,415.75
Gain on change in fair value (loss is represented by “-”)		82,780.00
Loss on impairment of assets (loss is represented by “-”)		331,446.25
Gain on disposal of assets (loss is represented by “-”)	5,737,320.92	674,562.83
II. Profit from operations (loss is represented by “-”)	2,026,919,732.40	2,486,313,980.91
Add: Non-operating income	2,989,460.69	8,535,485.70
Less: Non-operating expense	57,223,750.76	20,002,656.99
III. Total profit (total loss is represented by “-”)	1,972,685,442.33	2,474,846,809.62
Less: Income tax expenses	350,049,828.03	184,848,679.55
IV. Net profit (net loss is represented by “-”)	1,622,635,614.30	2,289,998,130.07
(I) Net profit from continuing operations (net loss is represented by “-”)	1,622,635,614.30	2,289,998,130.07
(II) Net profit from discontinued operations (net loss is represented by “-”)		



INCOME STATEMENT OF THE PARENT COMPANY (Continued)

January to June 2019

Items	The first half of 2019	The first half of 2018
V. Net other comprehensive income after taxes	-49,403,001.27	820,957,031.02
(I) Other comprehensive income that cannot be reclassified into profit or loss	-49,403,001.27	820,957,031.02
1. Remeasuring changes of defined benefit plan		
2. Other comprehensive income that cannot be converted into profit or loss under the equity method		
3. Changes in fair value of other equity instruments	-49,403,001.27	820,957,031.02
4. Changes in fair value of the enterprise's own credit risk		
(II) Other comprehensive income that will be reclassified into profit or loss		
VI. Total comprehensive income	<u>1,573,232,613.03</u>	<u>3,110,955,161.09</u>

Legal representative:
Zhang Donghai

Person-in-charge of accounting
affairs:
Lv Guiliang

Person responsible for the
accounting institute:
Lu Yanmei

CONSOLIDATED CASH FLOW STATEMENT

January to June 2019

Unit: yuan Currency: RMB

Items	The first half of 2019	The first half of 2018
I. Cash flow from operating activities:		
Cash received from sales of goods and provision of services	22,981,813,898.65	21,454,575,529.82
Refunds of taxes		6,917,787.00
Other cash received from activities related to operation	281,097,471.02	127,572,250.59
Sub-total of cash inflows from operating activities	23,262,911,369.67	21,589,065,567.41
Cash paid for goods purchased and service rendered	15,418,773,832.31	13,602,425,229.67
Cash paid to and on behalf of employees	878,103,838.77	886,606,232.82
Taxes paid	3,711,847,935.54	3,294,725,268.39
Other cash paid for activities relating to operation	473,995,285.05	496,842,375.07
Sub-total of cash outflow from operating activities	20,482,720,891.67	18,280,599,105.95
Net cash flows from operating activities	2,780,190,478.00	3,308,466,461.46
II. Cash flow from investment activities:		
Cash received from disposal of investments	29,329,222.23	973,537,596.29
Cash received from gains in investments	9,630,000.00	106,250,164.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	19,972,183.29	1,025,007.55
Net cash received from disposal of subsidiaries and other operating entities	1,197.37	
Other cash received relating to investment activities		102,376,237.27
Sub-total of cash inflows from investment activities	58,932,602.89	1,183,189,005.20
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	1,576,293,879.22	942,426,152.74
Cash paid for investment	435,832,200.00	1,232,312,000.00
Other cash paid relating to investing activities	87,000,000.00	80,000,000.00
Sub-total of cash outflow from investment activities	2,099,126,079.22	2,254,738,152.74
Net cash flow from investment activities	-2,040,193,476.33	-1,071,549,147.54

CONSOLIDATED CASH FLOW STATEMENT (Continued)

January to June 2019

Items	The first half of 2019	The first half of 2018
III. Cash flow from financing activities		
Proceeds received from investments	500,000.00	49,000,000.00
Of which: Proceeds received by subsidiaries from minority shareholder's investment	500,000.00	49,000,000.00
Cash received from borrowings	3,375,000,000.00	7,540,248,000.00
Other cash received relating to financing activities	3,375,500,000.00	7,589,248,000.00
Cash repayments of borrowing	5,181,380,453.60	6,672,312,273.60
Cash payments for dividend and profit distribution or interest repayment	2,550,118,629.25	918,542,105.59
Of which: Dividend and profit paid by subsidiary to minority shareholders	710,430.00	
Other cash paid relating to financing activities	32,998,768.00	8,960,111.70
Sub-total of cash outflow from financing activities	7,764,497,850.85	7,599,814,490.89
Net cash flow from financing activities	-4,388,997,850.85	-10,566,490.89
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates		
V. Net increase in cash and cash equivalents	-3,649,000,849.18	2,226,350,823.03
Add: Balance of cash and cash equivalents at the beginning of the period	16,994,167,148.20	13,733,098,201.57
VI. Balance of cash and cash equivalents at the end of the period	13,345,166,299.02	15,959,449,024.60

Legal representative:
Zhang Donghai

Person-in-charge of accounting
affairs:
Lv Guiliang

Person responsible for the
accounting institute:
Lu Yanmei

CASH FLOW STATEMENT OF THE PARENT COMPANY

January to June 2019

Unit: yuan Currency: RMB

Items	The first half of 2019	The first half of 2018
I. Cash flow from operating activities		
Cash received from sales of goods and provision of services	16,894,319,608.22	8,518,750,534.90
Refunds of taxes		
Other cash received from activities related to operation	94,848,451.91	49,629,617.51
Sub-total of cash inflows from operating activities	16,989,168,060.13	8,568,380,152.41
Cash paid for goods purchased and service rendered	13,675,220,186.89	4,538,293,776.88
Cash paid to and on behalf of employees	304,611,594.04	336,273,672.54
Taxes paid	2,352,497,565.89	2,143,792,045.65
Other cash paid for activities relating to operation	298,484,056.50	343,609,451.40
Sub-total of cash outflow from operating activities	16,630,813,403.32	7,361,968,946.47
Net cash flows from operating activities	358,354,656.81	1,206,411,205.94
II. Cash flow from investment activities:		
Cash received from disposal of investments	1,441,121,419.60	974,037,596.29
Cash received from gains in investments	9,630,000.00	626,635,365.48
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	31,005,071.38	6,846,146.68
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received relating to investment activities	232,729,889.03	278,494,729.68
Sub-total of cash inflows from investment activities	1,714,486,380.01	1,886,013,838.13
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	1,088,806,798.03	165,275,906.79
Cash paid for investment	461,137,200.00	1,219,680,000.00
Net cash paid for acquiring subsidiaries and other operating entities		
Other cash paid relating to investing activities	3,349,064,040.23	964,625,171.11
Sub-total of cash outflow from investment activities	4,899,008,038.26	2,349,581,077.90
Net cash flow from investment activities	-3,184,521,658.25	-463,567,239.77

CASH FLOW STATEMENT OF THE PARENT COMPANY (Continued)

January to June 2019

Items	The first half of 2019	The first half of 2018
III. Cash flow from financing activities		
Cash received from disposal of investments		
Cash received from borrowings	3,200,000,000.00	4,490,248,000.00
Sub-total of cash inflow from financing activities	3,200,000,000.00	4,490,248,000.00
Cash repayments of borrowing	1,854,050,000.00	5,253,000,000.00
Cash payments for dividend and profit distribution or interest repayment	2,032,690,343.32	384,031,887.67
Other cash paid relating to financing activities	22,687,500.00	
Sub-total of cash outflow from financing activities	3,909,427,843.32	5,637,031,887.67
Net cash flow from financing activities	-709,427,843.32	-1,146,783,887.67
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates		
V. Net increase in cash and cash equivalents	-3,535,594,844.76	-403,939,921.50
Add: Balance of cash and cash equivalents at the beginning of the period	8,192,014,896.28	7,460,758,225.51
VI. Balance of cash and cash equivalents at the end of the period	4,656,420,051.52	7,056,818,304.01

Legal representative:
Zhang Donghai

Person-in-charge of accounting
affairs:
Lv Guiliang

Person responsible for the
accounting institute:
Lu Yanmei

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

January to June 2019

Unit: yuan Currency: RMB

Items	The first half of 2019						Total equity
	Share capital	Capital reserve	Attributable to owners of the Parent Company Other comprehensive income	Special reserve	Surplus reserve	Retain earnings	
I. Closing balance of the previous year	3,254,007,000.00	2,222,887,682.42	1,707,916,871.73	57,087,245.53	1,634,024,476.72	24,331,543,771.03	42,552,382,206.76
Adj. Changes in accounting policies						-530,718.73	-530,718.73
II. Opening balance of the current year	3,254,007,000.00	2,222,887,682.42	1,707,916,871.73	57,087,245.53	1,634,024,476.72	24,331,013,052.30	42,551,851,488.03
III. Changes for the current period (decrease is represented by "-")							
(I) Total comprehensive income		-7,092.73	-52,803,806.44	71,891,272.97		289,047,809.96	325,800,141.10
(II) Owner contribution and capital decrease		-7,092.73	-52,803,806.44			1,916,051,309.96	2,266,370,490.74
1. Ordinary shares contributed by owners							500,000.00
(III) Profit distributions							500,000.00
3. Distributions to owners (or shareholders)		-7,092.73				-1,627,003,500.00	-2,015,803,500.00
(V) Special reserve							
1. Transferred to special reserve in the current period				71,891,272.97		-1,627,003,500.00	-2,015,803,500.00
2. Amount utilized in the current period						2,841,877.39	74,733,150.36
IV. Closing balance of the current period	3,254,007,000.00	2,222,880,589.69	1,655,113,065.29	128,978,518.50	1,634,024,476.72	24,820,060,862.26	42,877,651,629.13

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

January to June 2019

Items	The first half of 2018						Total equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I. Closing balance of the previous year	3,254,007,000.00	2,164,500,485.08	9,054,943.23		1,628,613,990.72	21,626,696,023.29	37,490,112,889.41
Add: Changes in accounting policies			1,086,187,800.00				1,086,187,800.00
II. Opening balance of the current year	3,254,007,000.00	2,164,500,485.08	1,065,242,743.23		1,628,613,990.72	21,626,696,023.29	38,576,300,689.41
III. Changes for the current period (decrease is represented by "-")							
(I) Total comprehensive income		-41,669,081.54	834,774,108.29			823,998,075.30	1,593,466,216.18
(II) Owner contribution and capital decrease		-15,140.38	834,774,108.29			2,304,571,280.30	3,563,437,512.34
1. Ordinary shares contributed by owners		-15,140.38					49,015,140.38
(III) Profit distributions						-1,480,573,185.00	49,015,140.38
3. Distributions to owners (or shareholders)							-496,744,170.00
(V) Special reserve						-1,480,573,185.00	-496,744,170.00
1. Transferred to special reserve in the current period				239,568,197.63			239,568,197.63
2. Amount utilized in the current period				239,568,197.63			55,456,862.56
(VI) Other		-41,663,941.16					295,025,050.19
IV. Closing balance of the current period	3,254,007,000.00	2,122,831,403.54	1,930,016,851.52		1,628,613,990.72	22,450,694,098.59	40,169,766,905.59

Person-in-charge of accounting affairs: Lu Yanmei

Person responsible for the accounting institute: Lu Yanmei

Legal representative: Zhang Donghai

Person-in-charge of accounting affairs: Lv Guilang



CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY

January to June 2019

Unit: yuan Currency: RMB

Items	The first half of 2019						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Closing balance of the previous year	3,254,007,000.00	1,475,066,906.63	1,623,825,429.61	57,087,245.53	1,634,024,476.72	19,035,168,010.63	27,079,179,069.12
II. Opening balance of the current year	3,254,007,000.00	1,475,066,906.63	1,623,825,429.61	57,087,245.53	1,634,024,476.72	19,035,168,010.63	27,079,179,069.12
III. Changes for the current period (decrease is represented by "-")							
(I) Total comprehensive income			-49,403,001.27	62,184,609.91		-4,367,885.70	8,413,722.94
(II) Profit distributions			-49,403,001.27			1,622,635,614.30	1,573,232,613.03
1. Transfer to surplus reserves						-1,627,003,500.00	-1,627,003,500.00
2. Distribution to owners (or shareholders)						-1,627,003,500.00	-1,627,003,500.00
(IV) Special reserve				62,184,609.91			62,184,609.91
1. Transferred to special reserve in the current period							
2. Amount utilized in the current period				236,371,384.35			236,371,384.35
(V) Other				174,186,774.44			174,186,774.44
IV. Closing balance of the current period	3,254,007,000.00	1,475,066,906.63	1,574,422,428.34	119,271,855.44	1,634,024,476.72	19,030,800,124.93	27,087,592,792.06

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY (Continued)

January to June 2019

Items	The first half of 2018					Total equity	
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve		Retained earnings
I. Closing balance of the previous year	3,254,007,000.00	1,474,939,506.63	8,763,680.15		1,628,613,990.72	17,614,073,778.89	23,980,397,956.39
Add: Changes in accounting policies			990,486,486.95				990,486,486.95
II. Opening balance of the current year	3,254,007,000.00	1,474,939,506.63	999,250,167.10		1,628,613,990.72	17,614,073,778.89	24,970,884,443.34
III. Changes for the current period (decrease is represented by "—")							
(I) Total comprehensive income			820,957,031.02			809,424,945.07	1,439,620,664.19
(II) Profit distribution			820,957,031.02			2,289,998,130.07	3,110,955,161.09
1. Transfer to surplus reserves							-1,480,573,185.00
2. Distribution to owners (or shareholders)							-1,480,573,185.00
(V) Special reserve							
1. Transferred to special reserve in the current period							
2. Amount utilized in the current period				155,450,645.84			155,450,645.84
(VI) Other				155,450,645.84			155,450,645.84
IV. Closing balance of the current period	3,254,007,000.00	1,284,178,194.73	1,820,207,198.12		1,628,613,990.72	18,423,498,723.96	26,410,505,107.53

Legal representative:
Zhang Donghai

Person-in-charge of accounting affairs:
Lv Guiliang

Person responsible for the accounting institute:
Lu Yanmei



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

III. BASIC INFORMATION OF THE COMPANY

1. Overview of the Company

(1) Place of incorporation, form of organization and headquarters address of the Company

Inner Mongolia Yitai Coal Co., Ltd. (hereafter abbreviated as the “Company”) is a B-share and H-share listed company that was solely promoted by Inner Mongolia Yitai Group Co., Ltd. (hereafter abbreviated as the “Yitai Group”). The Company was established in August 1997 and listed in the Shanghai Stock Exchange in the same year under the stock abbreviation of “Yitai B Share” (stock code: 900948). The Company was listed in The Hong Kong Stock Exchange in July 2012 under the stock abbreviation of “Yitai Coal” (stock code: 3948). The unified social credit code of the Company is 911506006264024904.

After years of issuing bonus share, selling new shares, increasing share capital and issuing new shares, by 31 December 2018, the Company held a total share capital of 3,254,007,000 shares, of which Yitai Group held domestic restricted shares of 1,600,000,000 shares, accounting for 49.17% of the Company’s total share capital, the circulating B shares totaled 1,328,000,000 shares, accounting for 40.81% of the Company’s total share capital, and the H shares issued a total of 32,600,700,000 shares, accounting for 10.02% of the total share capital. The registered address of the company: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia, the PRC. Address of the headquarter: Yitai Building, Tianjiao North Road, Dongsheng District, Ordos City, Inner Mongolia, China. The Parent Company is Inner Mongolia Yitai Group Co., Ltd., and the ultimate Parent Company of the Group is Inner Mongolia Yitai Investment Co., Ltd..

(2) Business scope

Raw coal production, transportation, sales of tobacco and wine, refueling services, raw coal washing, coking, sales, coal import, C-class geological disaster management project construction, handling, loading and unloading, road construction and operation, coal mining equipment and coal-related chemical equipment import, mining materials, solar power generation, installation (repair, test) power facilities, electrical equipment installation, equipment leasing, etc.; railway construction, railway passenger and cargo transportation, raw coal washing and selection, sales, railway operation management services and cargo extension services, maintenance for vehicle and circuit, warehousing services, equipment leasing, railway materials and sales of waste materials; production and sales of coal-related chemical products (diesel, gasoline, naphtha, stable light hydrocarbons, kerosene, liquid paraffin, coal-based synthetic wax, Fischer-Tropsch diesel oil, coal-based Fischer-Tropsch synthetic liquid wax, liquefied gases, Fischer-Tropsch synthetic vehicle diesel, normal paraffins, isoparaffins) and its ancillary products.

(3) The business type and main business activities of the Company

The Company is a large-scale clean energy enterprise integrating railway and coal-related chemical industry with coal production, transportation and sales as the basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

III. BASIC INFORMATION OF THE COMPANY (CONTINUED)

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the period, 36 entities were consolidated in the consolidated financial statements, of which:

No.	Name of Subsidiary	Type of Subsidiary	Grade	Shareholding Percentage (%)	Percentage of Voting Rights (%)
1	Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Wholly-owned subsidiary	One	100.00	100.00
2	Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Controlling subsidiary	One	52.00	52.00
3	Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Wholly-owned subsidiary	One	100.00	100.00
4	Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	Wholly-owned subsidiary	One	100.00	100.00
5	Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Wholly-owned subsidiary	One	100.00	100.00
6	Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	Wholly-owned subsidiary	One	100.00	100.00
7	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)	Wholly-owned subsidiary	One	100.00	100.00
8	Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Wholly-owned subsidiary	One	100.00	100.00
9	Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Controlling subsidiary	One	71.27	71.27
10	Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	Subsidiary of controlling subsidiary	Two	61.00	61.00
11	Inner Mongolia Yitai Zhundong Jintai Storage and Transportation Co., Ltd. (內蒙古伊泰准東金泰儲運有限責任公司)	Subsidiary of controlling subsidiary	Two	51.00	51.00
12	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Controlling subsidiary	One	76.99	76.99
13	Zhungeer Huzhun Ruyi Logistics Co., Ltd. (准格爾旗呼准如意物流有限責任公司)	Subsidiary of controlling subsidiary	Two	51.00	51.00
14	Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Controlling subsidiary	One	51.00	51.00
15	Inner Mongolia Yitai Petrochemical Equipment Co., Ltd. (內蒙古伊泰石化裝備有限責任公司)	Subsidiary of controlling subsidiary	Two	83.89	83.89
16	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Controlling subsidiary	One	90.20	90.20
17	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Controlling subsidiary	One	90.27	90.27
18	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Controlling subsidiary	One	90.20	90.20
19	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Controlling subsidiary	One	61.15	61.15
20	Hangjinqi Xinnuo Municipal Construction Investment Co., Ltd. (杭錦旗信諾市政建設投資有限責任公司)	Subsidiary of controlling subsidiary	Two	80.00	80.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

III. BASIC INFORMATION OF THE COMPANY (CONTINUED)

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

No.	Name of Subsidiary	Type of Subsidiary	Grade	Shareholding Percentage (%)	Percentage of Voting Rights (%)
21	Inner Mongolia Yitai Ningeng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	Subsidiary of controlling subsidiary	Two	51.00	51.00
22	Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	Controlling subsidiary	One	90.20	90.20
23	Yitai Clean Oil Products (Beijing) Co., Ltd. (伊泰清潔油品(北京)有限公司)	Subsidiary of controlling subsidiary	Two	100.00	100.00
24	Yitai Chemical (Shanghai) Co., Ltd. (伊泰化學(上海)有限公司)	Subsidiary of controlling subsidiary	Two	100.00	100.00
25	Inner Mongolia Yitai Railway Investment Co., Ltd. (內蒙古伊泰鐵路投資有限責任公司)	Wholly-owned subsidiary	One	100.00	100.00
26	Inner Mongolia Yitai Nalinmiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災害治理有限公司)	Wholly-owned subsidiary	One	100.00	100.00
27	Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限責任公司)	Wholly-owned subsidiary	One	100.00	100.00
28	Yitai Shanxi Coal Transportation Co., Ltd. (伊泰(山西)煤炭運銷有限責任公司)	Wholly-owned subsidiary	One	100.00	100.00
29	Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰鵬方合成新材料研究院有限公司)	Controlling subsidiary	One	60.00	60.00
30	Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	Wholly-owned subsidiary	One	100.00	100.00
31	Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信聿投資管理合夥企業(有限合夥))	Wholly-owned subsidiary	One	100.00	100.00
32	Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)	Wholly-owned subsidiary	One	100.00	100.00
33	GQC Yitai Jiuyou Investment Management Partnership (Limited Partnership) (共青城伊泰久友投資管理合夥企業(有限合夥))	Controlling subsidiary	One	99.01	99.01
34	Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)	Wholly-owned subsidiary	One	100.00	100.00
35	Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司)	Wholly-owned subsidiary	One	100.00	100.00
36	Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤炭有限責任公司)	Wholly-owned subsidiary	One	100.00	100.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

III. BASIC INFORMATION OF THE COMPANY (CONTINUED)

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As compared with the same period of last year, there are 4 new entities involved and 1 entity removed. They are:

- Subsidiaries, entities with special purpose, and operating entities that form its control right by way of trusteeship or leasing, etc. were included in the current period**

Names	Reason for change
GQC Yitai Jiuyou Investment Management Partnership (Limited Partnership) (共青城伊泰久友投資管理合夥企業(有限合夥))	Newly-established
Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)	Newly-established
Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司)	Newly-established
Inner Mongolia Yitai Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司)	Newly-established

- Subsidiaries, entities with special purpose, and operating entities that lose its control right due to trusteeship or leasing, etc. were no longer included in the current period**

Names	Reason for change
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限公司)	Cancelled

Please see “Note VII, Changes in the scope of consolidation” for details of entity changes in the scope of consolidation.

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

The enterprise carried out recognition and measurement on actual transaction and event basis in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standard (《企業會計準則—基本準則》) and specific accounting standards for business enterprises, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and relevant stipulations (hereafter collectively referred as “ASBEs”) by the Ministry of Finance of the PRC, and prepared the financial statements in combination with the Preparation Convention of Information Disclosure by Companies Offering Securities to the No.15 Information Disclosures Regulations for Companies Offering Shares in Public – General Rules of Preparing Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2. Sustainability

The sustainability of the 12 months of the report from the end of the period has been evaluated. No significant matter or situation has been found which could influence the ability to maintain its sustainability. Therefore, the financial statements are based on the assumption of going concern.

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates:

Not applicable

1. Statement of compliance of ASBEs Enterprises

In accordance with the ASBEs, the financial statements of the Group present truly and completely the consolidated and the financial position of the Company and their financial performance and cash flows and other related information.

2. Accounting period

The accounting year of the Company is from 1 January to 31 December of each calendar year.

3. Operating cycle

The operating cycle is from 1 January to 31 December of each calendar year.

4. Recording currency

The recording currency of the Company is RMB.

The recording currency of overseas subsidiaries is the currency in the main economic environment where they operate. It is converted into RMB at the time of preparing the financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting for business combinations under common control and not under common control

1. Step-by-step perform of the terms and conditions of each transaction in the business combination process and economic impact satisfying one or more of the following cases, accounting for multiple transactions as a package transaction

- (1) the transactions are simultaneously made or with consideration of each other's influence;
- (2) the transactions as a whole can achieve a complete business outcome;
- (3) the occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) a transaction is uneconomic alone, but it is economic when considered together with other transactions.

2. Business combinations under common control

The assets and liabilities acquired by the Company in the business combination are measured at the carrying amount of the assets and liabilities (including goodwill resulting from the acquisition of the merged party by the ultimate controlling party) of the merged party in the combined financial statements of the ultimate controlling party at the combining date. If there is difference between the carrying amount of the net assets acquired in the combination and the carrying amount of the consideration paid (or the total par value of the shares issued), adjustment is made to the share premium in the capital reserve, and if the share premium in the capital reserve is insufficient to offset, adjustment is made to the retained earnings.

If there is a contingent consideration that requires to recognise the estimated liabilities or assets, the difference between the estimated liabilities or the amount of assets and the subsequent contingent consideration settlement amount is adjusted for the capital reserve (share premium or equity premium), if the capital reserve is insufficient, the retained earnings are adjusted.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

5. Accounting for business combinations under common control and not under common control *(Continued)*

2. Business combinations under common control *(Continued)*

For those who finally reach business combination through multiple transactions, if they belong to a package transaction, the transactions shall be treated as a transaction for obtaining control; if it is not a package transaction, the capital reserve is adjusted for the difference between the initial investment cost of the long-term equity investment and the carrying amount of the long-term equity investment before the merger and the carrying amount of the newly paid consideration for the shares on the date of merger; if the capital reserve is insufficient to offset, the retained earnings are adjusted. For the equity investment held before the date of merger, other comprehensive income recognized by using equity method or financial instrument recognition and measurement standard will not be accounted for until the disposal of the investment is based on the same basis as the investee directly disposes of the relevant assets or liabilities. Other changes in the owner's equity other than net profit or loss, other comprehensive income and profit distribution of the investee's net assets recognized by the equity method are not accounted for until the disposal of the investment is transferred to the current profit and loss.

3. Business combinations not under common control

The Company's assets, liabilities incurred or assumed to be paid as a consideration for the business combination are measured at fair value on the date of purchase. The difference between the fair value and the carrying amount is recognised in profit or loss.

The difference between the combination cost and the fair value of the identifiable net assets of the acquiree obtained in the combination is recognized as goodwill; the difference between the combination cost less than the fair value of the identifiable net assets of the acquiree obtained in the combination is included in the current profit and loss upon review.

For a business combination not under common control realised by multiple exchange transactions, if it is a package transaction, each transaction is treated as a transaction for obtaining control; if it is not a package transaction, and the equity investment held before the date of merger is accounted for using the equity method, the sum of the carrying amount of the equity investment held in the acquiree before the purchase date and the new investment cost on the purchase date is taken as the initial investment cost of the investment; other comprehensive income recognized by the equity method for equity investment held before the merger date is accounted for on the same basis as the investee directly disposes of related assets or liabilities. If the equity investment held before the merger date is accounted for using the financial instrument recognition and measurement criteria, the sum of the fair value of the equity investment on the combination date plus the new investment cost is taken as the initial investment cost on the merger date. The difference between the fair value of the original equity interest and the carrying amount and the accumulative changes in fair value originally included in other comprehensive income shall be transferred to the current investment income on the combination date.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

5. Accounting for business combinations under common control and not under common control *(Continued)*

4. Related expenses incurred for the combination

The audit fee, legal service fee, assessment and consulting expenses and other directly related expenses incurred for the business combination are recognized in profit or loss during the period incurred; transaction costs of issuing equity securities for the business combination which can be directly attributable to the equity transaction is deducted from equity.

6. Preparation of combined financial statements

1. Scope of combination

The scope of combination of the Company's combined financial statements is determined based on control, and all subsidiaries (including separate entities controlled by the Company) are included in the combined financial statements.

2. Combination procedure

The Company prepares combined financial statements based on the financial statements of the Company and its subsidiary and other relevant information. The Company prepares combined financial statements in accordance with the unified accounting policies and the requirements for recognition, measurement and presentation of relevant accounting standards and regards the entire enterprise group as an accounting entity, which reflects the overall financial condition, operating results and cash flow of the enterprise group.

The accounting policies and accounting periods adopted by all subsidiaries included in the combination scope of the combined financial statements are consistent with the Company. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with the Company, the Company will make necessary adjustments to the accounting policies and accounting periods of subsidiaries in preparing the combined financial statements.

When the financial statements are consolidated, the impact of internal transactions between the Company and its subsidiaries and between subsidiaries on the combined balance sheet, combined income statement, combined cash flow statement and combined statement of changes in shareholders' equity is offset. If the judgment of the combined financial statements of the enterprise group is different from the recognition of the same transaction by the Company or the subsidiary as the accounting entity, the transaction is adjusted from the perspective of the enterprise group.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

6. Preparation of combined financial statements *(Continued)*

2. Combination procedure *(Continued)*

The share of owner's equity, net profit and loss and comprehensive income belonging to minority shareholders of a subsidiary are separately listed under the owner's equity in the combined balance sheet, the net profit under the combined income statement and under the total comprehensive income. The difference between the current loss shared by the minority shareholders of the subsidiary and the minority shareholder's share of the owner's equity of the subsidiary at the beginning of the period writes down the minority shareholders' equity.

For a subsidiary acquired under a business combination under common control, the financial statements are adjusted based on the carrying amount of its assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate controlling party) in the financial statements of the ultimate controlling party.

For subsidiaries acquired from business combinations not under common control, the financial statements are adjusted based on the fair value of the identifiable net assets at the acquisition date.

(1) Add subsidiaries or businesses

During the reporting period, if a subsidiary or business is acquired due to the business combination under common control, the opening balance of the combined balance sheet is adjusted; the income, expenses and profits of the subsidiary or business combination from the beginning of the period to the end of the reporting period are included in the combined income statement; and the cash flow of the subsidiary or business combination from the beginning of the period to the end of the reporting period is included in the combined cash flow statement, and the relevant items of the comparative report are adjusted, as if after the combination the combined reporting entity has been in existence since the ultimate controlling party began to control.

If the investee is controlled under common control due to additional investment, the parties participating in the merger will be deemed to exist in the current state when the ultimate controlling party begins to control. Profit or loss, other comprehensive income and other changes in net assets of equity investment held prior to the acquisition of the control of the combined party is recognised during the period from the later of the date on acquiring the original equity and the date when the combining party is under common control to the date of combination, which are offset against the opening retained earnings of the comparative statement period or the current profits and losses, respectively.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

6. Preparation of combined financial statements *(Continued)*

2. Combination procedure *(Continued)*

(1) Add subsidiaries or businesses *(Continued)*

During the reporting period, if a subsidiary or business is added due to a business combination not under common control, the opening balance of the combined balance sheet is not adjusted; the income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period are included in the combined income statement; the cash flow of the subsidiary or business from the date of purchase to the end of the reporting period is included in the combined cash flow statement.

If it is possible to control the investee under common control due to additional investment, etc., the Company re-measures the equity of the acquiree held before the purchase date according to the fair value of the equity on the purchase date, and the difference between fair value and its carrying amount is included in the current investment income. If the equity of the acquiree held before the purchase date involves other changes in owner's equity other than other comprehensive income, other comprehensive income and profit distribution under the equity method, changes in other comprehensive income and other owner's equity are transferred to the current investment income at the date of purchase, except for other comprehensive income arising from the remeasurement of the change in net liabilities or net assets of the defined benefit plan by the investee.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

6. Preparation of combined financial statements *(Continued)*

2. Combination procedure *(Continued)*

(2) Disposal of subsidiaries or businesses

1) *General treatment*

During the reporting period, if the Company disposes of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning of the period to the disposal date are included in the combined income statement; the cash flows from the beginning of the subsidiary or business to the disposal date are included in the combined cash flow table.

When the control of the investee is lost due to the disposal of part of the equity investment or otherwise, the Company re-measures the remaining equity investment after disposal based on its fair value on the date of loss of control. The difference between sum of the consideration obtained for the disposal of the equity and the fair value of the remaining equity, less the sum the share of the net assets that the subsidiary has continued to calculate from the date of purchase or the merger on the basis of the original shareholding ratio and the goodwill, are included in investing income in the period of loss of control. Other comprehensive income related to the original subsidiary's equity investment or other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution, are converted into current investment income when the control is lost, except for other comprehensive income arising from the remeasurement of changes in net liabilities or net assets of the defined benefit plan by the investee.

2) *Disposal of subsidiaries step by step*

If the equity investment in a subsidiary is disposed of step by step through multiple transactions until the loss of control, and the terms, conditions, and economic impact of each transaction for disposal of the subsidiary's equity investment meet one or more of the following conditions, it is usually indicated that the transaction shall be accounted for as a package transaction:



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

6. Preparation of combined financial statements *(Continued)*

2. Combination procedure *(Continued)*

(2) Disposal of subsidiaries or businesses *(Continued)*

2) *Dispose of subsidiaries step by step (Continued)*

- A. The transactions are made simultaneously or with consideration of each other's influence;
- B. The transactions as a whole can achieve a complete business outcome;
- C. the occurrence of a transaction depends on the occurrence of at least one other transaction;
- D. A transaction is uneconomic alone, but it is economic when considered together with other transactions.

If each transaction on disposal of equity investments in a subsidiary until the loss of control is a package transaction, the Company treats each transaction as a transaction that disposes of the subsidiary and loses control; however, before losing control, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of investment is recognised as other comprehensive income in the combined financial statements, and is transferred to the profit and loss for the period of loss of control when the control is lost.

If each transaction on dealing with the equity investments of a subsidiary until the loss of control are not part of the package transaction, it shall be treated according to the relevant policies of partial disposal of the equity investment of the subsidiary without losing control before losing control; when the control is lost, it shall be treated according to the general treatment on disposal of a subsidiary.

(3) Purchase of minority interests in subsidiaries

The difference between the long-term equity investment newly acquired by the Company for the purchase of a minority interest and the share of the net assets that should be continuously calculated from the date of purchase (or the combination date) of the subsidiary in accordance with the new shareholding ratio is adjusted for the share premium in the capital reserve in the combined balance sheet. If the share premium in the capital reserve is insufficient to offset, the retained earnings are adjusted.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

6. Preparation of combined financial statements *(Continued)*

2. Combination procedure *(Continued)*

- (4) Partial disposal of equity investment in a subsidiary without loss of control

The difference between the disposal price obtained by partial disposal of the long-term equity investment in a subsidiary without the loss of control and the share of the net assets of the subsidiary continuously calculated from the date of purchase or the date of combination is adjusted for the share premium in the capital reserve in the combined balance sheet. If the share premium in the capital reserve is insufficient to offset, the retained earnings will be adjusted.

7. Classification of joint venture arrangements and accounting methods for joint operations

1. Classification of joint venture arrangements

The Company divides the joint venture arrangement into joint operation and joint venture according to the structure of the joint arrangement, the legal form and the terms agreed in the joint arrangement, other relevant facts and circumstances.

Joint venture arrangements reached not through separate entities are classified as joint operations; joint venture arrangements through separate entities are usually classified as joint ventures; however, if there are conclusive evidence that joint venture arrangements meet any of the following conditions and comply with relevant laws and regulations, they are classified as joint operation:

- (1) The legal form of the joint venture arrangement indicates that the joint venture has rights and obligations for the relevant assets and liabilities in the arrangement.
- (2) The contractual terms of the joint venture arrangement stipulate that the joint venture shall have rights and obligations for the relevant assets and liabilities in the arrangement.
- (3) Other relevant facts and circumstances indicate that the joint venture has rights and obligations under the relevant assets and liabilities in the arrangement, for example, the joint venture enjoys almost all the outputs related to the joint arrangement, and the settlement of the liabilities in the arrangement continues to rely on the support of the joint venture.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

7. Classification of joint venture arrangements and accounting methods for joint operations *(Continued)*

2. Accounting method of common operation

The Company recognises the following items related to the Company in the share of interest in the joint operation, and performs accounting treatment in accordance with the relevant accounting standards:

- (1) recognition of assets held separately and recognition of assets held jointly by their shares
- (2) recognition of liabilities assumed separately and recognition of liabilities jointly assumed by their share;
- (3) recognition of the proceeds from the sale of the share of the common operating output that it enjoys;
- (4) recognition of the income generated by the joint operation as a result of the sale of the output based on its share;
- (5) recognition of the expenses incurred separately and recognition of the expenses incurred in the joint operation according to their shares.

The Company invests or sells assets to the joint operation (other than assets forming a business), and only recognises the portion of profit or loss arising from the transaction attributable to other participants in the joint operation before the assets are sold to a third party by joint operation. If the assets invested or sold are subject to asset impairment losses in accordance with the “Accounting Standards for Business Enterprises No. 8 – Impairment of Assets”, the Company shall fully recognise the losses.

The Company purchases assets from joint operations (other than assets forming a business), and only recognises the portion of the profit or loss arising from the transaction attributable to other participants in the joint operation before selling the assets to a third party. If the purchased assets meet the asset impairment losses stipulated in the “Accounting Standards for Business Enterprises No. 8 – Impairment of Assets”, the Company shall recognise the losses according to the share of the commitments.

The Company does not have joint control over joint operations. If the Company enjoys related assets of the joint operation and assumes the liabilities related to the joint operation, it will still be accounted for according to the above principles. Otherwise, it shall be accounted for in accordance with the relevant accounting standards.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

8. Criteria for determining cash and cash equivalents

When preparing the cash flow statement, the Company's cash on hand and deposits that can be used for payment at any time are recognised as cash. An investment with a short maturity (usually due within three months from the date of purchase), strong liquidity, easy conversion to a known amount of cash, and a small risk of change in value is determined as a cash equivalent.

9. Foreign currency business and translation of foreign currency statement

1. Foreign currency business

When the foreign currency business transaction is initially recognised, it is converted into RMB at the spot exchange rate on the transaction date.

On the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The resulting exchange differences, except for those from foreign currency special borrowings related to the acquisition and construction of assets eligible for capitalization that are treated based on the principle of capitalization of borrowing costs, are included in the current profit and loss. Foreign currency non-monetary items measured at historical cost are still translated at the spot exchange rate on the transaction date without changing the amount of the bookkeeping currency.

Foreign currency non-monetary items measured at fair value are translated using the spot exchange rates at the date when the fair value is determined. The resulting exchange differences are recognised in profit or loss as change in fair value. In the case of non-monetary items that are available for sale in foreign currencies, the resulting exchange differences are included in other comprehensive income.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Foreign currency business and translation of foreign currency statement (Continued)

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date; except for the “undistributed profit” under owner’s equity, and other items are converted at the spot exchange rate at the time of occurrence. Income and expense in the income statement are translated at the spot exchange rate on the transaction date. The translation difference of foreign currency financial statement arising from the above conversion is included in other comprehensive income.

When disposing of an overseas operation, the translation difference of the foreign currency financial statements related to the foreign operation listed in other comprehensive income in the balance sheet is transferred from the other comprehensive income to the profit or loss for the period of disposal. When disposing of part of the equity investment or other reasons, resulting in a decrease in the proportion of overseas business interests held but not losing control over overseas operations, the translation difference of foreign currency statement related to the disposal part of the foreign operation will be attributed to minority shareholders’ equity and will not be transferred to the current profit or loss. When disposing of a part of the equity of an overseas enterprise or a joint venture, the translation difference of the foreign currency statement related to the foreign operation is transferred to the current profit or loss according to the proportion of disposal of the foreign operation.

10. Financial Instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of Financial Instruments

(1) The Company classifies financial assets into the following three categories based on the business model of the financial assets under management and the contractual cash flow characteristics of financial assets:

- ① financial assets measured at amortised cost.
- ② financial assets at fair value through other comprehensive income.
- ③ financial assets at fair value through profit or loss.

The classification of debt instrument investment depends on the business model in which the Company holds the investment; the classification of equity instrument investment depends on whether the Company has made irrevocable choice of measuring at fair value through other comprehensive income at the initial recognition. The Company only reclassifies all affected financial assets when changing the business model of financial assets.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

1. Classification of Financial Instruments *(Continued)*

(2) Financial liabilities are divided into the following two categories

- ① financial liabilities at fair value through profit or loss.
- ② financial liabilities at amortised cost.

2. Basis for recognition of financial instruments

(1) Financial assets measured at amortised cost

The financial assets of the Company satisfying all of the following conditions are classified as financial assets measured at amortised cost:

- ① The goal of managing the business model of the financial asset is to collect contractual cash flows.
- ② The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

(2) Financial assets at fair value through other comprehensive income

The financial assets of the Company satisfying all of the following conditions are classified as financial assets at fair value through other comprehensive income:

- ① The business model for managing the financial assets aims at both the collection of contractual cash flows and the sale of the financial assets.
- ② The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

2. Basis for recognition of financial instruments *(Continued)*

(2) Financial assets at fair value through other comprehensive income *(Continued)*

At initial recognition, the Company may designate non-trading equity instrument investments as financial assets at fair value through other comprehensive income, presented as other equity instrument investment, and recognise dividend income when the conditions are met (the designation cannot be revoked once it is made). The designated equity instrument investment does not belong to the following: the purpose of obtaining the financial asset is mainly for the recent sale; it is part of the identifiable financial asset instrument combination under centralized management at initial recognition, and there is objective evidence that the short-term gain actually exists in the near future; it is a derivative (except for derivatives that meet the definition of a financial guarantee contract and are designated as effective hedging instruments).

(3) Financial assets at fair value through profit or loss

The financial assets other than financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

The financial assets that are recognised in the business combination not under common control of the Company or form consideration are classified as financial assets at fair value through profit or loss.

At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the financial assets can be designated as financial assets at fair value through profit or loss (the designation cannot be revoked once it is made).



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

2. Basis for recognition of financial instruments *(Continued)*

(3) Financial assets at fair value through profit or loss *(Continued)*

If the hybrid contract includes one or more embedded derivatives and the main contract does not belong to the above financial assets, the Company may designate the whole as a financial instrument that is measured at fair value through profit or loss. Except in the following cases:

- ① Embedded derivatives do not materially change the cash flow of a hybrid contract.
- ② When it is first determined whether a similar hybrid contract requires a spin-off, there is little need for analysis to make it clear that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to repay the loan in advance with an amount close to the amortised cost, the prepayment right does not need to be split.

(4) Financial liabilities at fair value through profit or loss

This category includes held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss.

In a business combination not under common control, financial liabilities that are recognised by the Company as a purchaser or have a consideration are measured at fair value through profit or loss.

In the initial recognition, in order to provide more relevant accounting information, the Company classifies financial liabilities that meet one of the following conditions as financial liabilities at fair value through profit or loss. (the designation cannot be revoked once it is made):

- ① can eliminate or significantly reduce accounting mismatches.
- ② management and performance evaluation of financial liability portfolios or combinations of financial assets and financial liabilities based on fair value according to corporate risk management or investment strategies as stated in formal written documents, and reported to key management personnel on this basis.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

2. Basis for recognition of financial instruments *(Continued)*

(5) Financial liabilities measured at amortised cost

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortised cost:

- ① Financial liabilities at fair value through profit or loss.
- ② The transfer of financial assets does not meet the conditions for derecognition or financial liabilities arising from the continued involvement in the transferred financial assets.
- ③ Financial guarantee contracts that are not in the first two categories of this article, and loan commitments granted at a rate lower than market interest rates and that are not in the first category of this article.

3. Initial measurement of financial instruments

The financial assets or financial liabilities of the Company are initially measured at fair value. The related transaction costs of financial assets and financial liabilities at fair value through profit or loss are directly recognised in profit or loss. The related transaction costs of other financial assets or financial liabilities are included in the initial recognition amount.

Fair value is usually the trading price of the relevant financial asset or financial liability. If the fair value of a financial asset or financial liability differs from the trading price, it should be treated according to the following:

At the time of initial recognition, if the fair value of a financial asset or a financial liability is determined based on the quotation of the same asset or liability in an active market or using a valuation technique using only observable market information, the difference between the fair value and the trading price is recognised as a gain or loss.

At initial recognition, if the fair value of a financial asset or financial liability is otherwise determined, the difference between the fair value and the transaction price is deferred. After the initial recognition, the deferred difference is recognised as the gain or loss of the corresponding accounting period based on the degree of change in the corresponding accounting period. This factor should be limited to factors that market participants will consider when pricing the financial instrument, including time.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instruments (Continued)

4. Subsequent measurement of financial instrument

After the initial recognition, the financial assets are subsequently measured at amortised cost, or at fair value through other comprehensive income or at fair value through profit or loss.

The amortised cost of a financial asset or financial liability is determined at the initial recognition amount of the financial asset or financial liability upon the following adjustment:

- (1) deduction of the repaid principal.
- (2) add or subtract the accumulated amortisation amount formed by amortising the difference between the initial recognition amount and the amount due on the effective interest method.
- (3) deduction of accrued loss provision (for financial assets only).

Except for financial assets, gains or losses on financial liabilities that are measured at amortised cost and do not belong to any part of the hedge relationship are recognised in profit or loss at the time of derecognition, or in profit or loss at the time of amortisation based on the effective interest method.

When the Company initially recognises a financial liability and designates it at fair value through profit or loss according to stipulations of standard, the changes in the fair value of the financial liabilities arising from changes in the company's own credit risk are included in other comprehensive income, and other changes in fair value are recognised in profit or loss for the period. However, if the accounting causes or expands the accounting mismatch in profit or loss, the entire gain or loss of the financial liability (including the affected amount from changes in the company's own credit risk) is included in the current profit and loss.

5. Derecognition of financial instruments

- (1) If a financial asset meets one of the following conditions, it shall be derecognised:
 - ① The contractual right to receive the cash flow of the financial asset is terminated.
 - ② The financial assets have been transferred, and the transfer meets the requirements of the "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets" regarding the derecognition of financial assets. The derecognition of financial assets or financial liabilities referred to in this standard means that the enterprise transfers the previously recognised financial assets or financial liabilities out from its balance sheet.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

5. Derecognition of financial instruments *(Continued)*

(2) Derecognition conditions of financial liabilities

If the current obligation of a financial liability (or part thereof) has been discharged, the financial liability (or a part of financial liability) is derecognised. When the Company and the lender sign an agreement to replace the original financial liability with new financial liability, and the new financial liability are substantially different from the original financial liability, the original financial liability are derecognised and a new financial liability is recognised.

If a substantial change is made to the contractual terms of the original financial liability (or a part thereof), the original financial liability is derecognised and a new financial liability is recognised in accordance with the revised terms.

If the financial liability (or a part thereof) is derecognised, the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognised in profit or loss.

If the Company repurchases part of the financial liabilities, the carrying amount of the financial liabilities as a whole is allocated based on the proportion of the fair value of the continuing recognition portion and the derecognition portion on the repurchase date. The difference between the carrying amount assigned to the derecognition portion and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current profits and losses.

6. Recognition basis and measurement for transfer of financial asset

In the event of transfer of a financial asset, the Company assesses the extent to which it retains the risks and rewards of ownership of financial assets and treats them in the following cases:

- (1) If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognised as assets or liabilities.
- (2) If almost all the risks and rewards of ownership of financial assets are retained, the financial assets shall continue to be recognised.

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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

6. Recognition basis and measurement for transfer of financial asset *(Continued)*

- (3) If there is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (i.e., other than (1) and (2) of this article), then depending on whether or not they retain control over financial assets:
- ① If the control of the financial assets are not retained, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognised as assets or liabilities.
 - ② If the control of the financial assets is retained, the relevant financial assets shall continue to be recognised according to the extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognised accordingly. The extent of continuing involvement in the transferred financial assets refers to the extent to which the Company assumes the risk or reward of changes in the value of the transferred financial assets.

When judging whether the transfer of financial assets satisfies the conditions for derecognition, the principle of substance over form is adopted. The Company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets:

- (1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following is included in the current profit and loss:
- ① the carrying amount of the transferred financial asset on the date of derecognition.
 - ② The sum of the consideration received in respect of the transfer of financial assets and the amount of the derecognised portion of the accumulated changes in the fair value that is directly recognised in other comprehensive income (the financial assets involved in the transfer are measured at fair value through other comprehensive income).



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

6. Recognition basis and measurement for transfer of financial asset *(Continued)*

(3) *(Continued)*

(2) If the financial assets are partially transferred and the transferred part as a whole meets the conditions for derecognition, the carrying amount of the financial assets as a whole before the transfer will be apportioned between the derecognition portion and the continuation recognition portion according to their respective relative fair values on the transfer date (in this case, the retained service assets should be regarded as continuation recognition portion of the financial assets, and the difference between the following is included in the current profit and loss:

- ① the carrying amount of the derecognised portion on the date of derecognition.
- ② the sum of the consideration received in the derecognised portion and the amount corresponding to the derecognised portion in the accumulated changes in fair value originally included in other comprehensive income (the financial assets involved in the transfer are financial assets at fair value through other comprehensive income).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset will continue to be recognised and the consideration received is recognised as a financial liability.

7. Method for determining the fair value of financial assets and financial liabilities

The fair value of financial assets or financial liabilities with active market are determined by active market quotes; active market quotes include quotations that are readily and regularly available from exchanges, dealers, brokers, industry group, pricing agency or regulatory authorities for related assets or liabilities and represent actual and frequently occurring market transactions on a fair trade basis.

The fair value of financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of the market transaction price.

Fair value of financial assets or financial liabilities without active market are determined using valuation techniques. In valuation, the Company adopts valuation techniques that are applicable under current circumstances and that are supported by adequate available data and other information, selects inputs with consistent asset or liability characteristics considered by market participants in trading related asset or liability, and use relevant observable input where possible. Unobservable inputs are used where the relevant observable inputs are not available or are impracticable.

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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

8. Provision for impairment of financial assets (excluding receivables)

- (1) Based on the expected credit losses, the Company assesses the financial assets measured at amortized cost and the expected credit losses of financial assets at fair value through other comprehensive income, makes impairment accounting and recognises loss provisions. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted at the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Company, and the present value of all cash shortages.
- (2) When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:
 - ① significant financial difficulties for the issuer or debtor;
 - ② the debtor breaches the contract, such as fails to pay or delays the payment of interest or principal;
 - ③ the creditor gives the debtor a concession which would not have been made under any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
 - ④ the debtor is likely to go bankrupt or carry out other financial restructurings;
 - ⑤ The financial difficulties of the issuer or the debtor cause the active market of the financial asset to disappear;
 - ⑥ purchase or source a financial asset at a substantial discount that reflects the fact that credit losses have occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable event.

- (3) For financial assets that have been purchased or generated with credit impairment, loss provision is recognised only for the cumulative change in lifetime expected credit losses after the initial recognition on the balance sheet date. On each balance sheet date, the amount of change in lifetime expected credit losses is included in profit or loss as an impairment loss or gain. Even if the lifetime expected credit loss determined on the balance sheet date is less than the expected credit loss reflected in the estimated cash flow at the initial recognition, the positive change in expected credit loss is recognised as an impairment gain.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

8. Provision for impairment of financial assets (excluding receivables) *(Continued)*

(4) Except for the provision for loss of financial instruments in item (3), the Company assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and separately measures its loss provision, recognises expected credit loss and its changes based on the following circumstances:

- ① If the credit risk of the financial instrument has increased significantly since the initial recognition, the loss provision is measured at the amount equivalent to the lifetime expected credit loss of the financial instrument, regardless of whether the basis the Company assesses the credit losses is on individual financial instrument or a combination of financial instruments, and the increase or reversal of the loss provision resulting therefrom should be included in the current profit and loss as an impairment loss or gain.
- ② If the credit risk of the financial instrument has not increased significantly since the initial recognition, the loss provision is measured at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, regardless of whether the basis the Company assesses the credit loss is on individual financial instruments or the combination of financial instruments, and the increase or reversal of the loss provision resulting therefrom shall be included in the current profits and losses as an impairment loss or gain.

Expected credit losses in the next 12 months are expected credit losses caused by possible defaults in financial instruments that may occur within 12 months after the balance sheet date (if the expected duration of the financial instrument is less than 12 months, the expected duration), which are part of the lifetime expected credit loss.

In making the relevant assessments, the Company considers all reasonable and relevant information, including forward-looking information. In order to ensure that the credit risk is significantly increased after the initial recognition of the financial instrument, that is the recognition of the entire lifetime expected credit loss, in some cases, it is considered on a portfolio basis to assess whether the credit risk is significantly increased.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial Instruments *(Continued)*

9. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if the following conditions are met, the net amount offset by each other is listed in the balance sheet:

- (1) The Company has a statutory right to offset the recognised amount, and such legal right is currently enforceable;
- (2) The Company plans to settle in net amount or to realise the financial assets and liquidate the financial liabilities at the same time.

11. Notes Receivable

Method for determining expected credit loss of notes receivable and accounting treatment

With reference to accounts receivable

12. Accounts Receivable

Method for determining expected credit loss of accounts receivable and accounting treatment

The Company makes provision for losses on all receivables based on the expected amount of credit losses for the entire duration of the period. Based on the actual loss rate of accounts receivable in the previous year, the judgment of future recovery risks and the analysis of credit risk characteristics, the expected loss rate is determined and the loss provision is made accordingly.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

12. Accounts Receivable *(Continued)*

1. Receivables for which expected credit losses is provided on an individual basis

In addition to the receivables formed by customers with lower credit risk, the expected credit loss test is conducted separately. The loss provision is accrued based on the present value of the difference between the contractual cash flows receivable and the expected cash flows, and is included in the current profit and loss.

2. Receivables for which expected credit losses is provided on a portfolio basis

The Company classifies the receivables formed by customers with lower credit risk into customer portfolios with lower credit risk. Based on the actual loss rate of the portfolio of receivables with similar credit risk characteristics in previous years, the expected credit loss rate is determined to be zero after considering forward-looking data.

The basis for determining portfolio: for customers with good credit and regular transactions, the credit risk assessed is low, and the credit risk of a creditor's right has not increased significantly since the initial recognition.

13. Financing Receivables

Not applicable

14. Other Receivables

Method for determining expected credit losses of other receivables and accounting treatment

With reference to accounts receivable



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Inventory

1. Classification of inventory

Inventories refer to the finished products or commodities that the Company holds for sale in its daily activities, semi-products in the production process, materials and consumables used in the production process or the provision of labor services. It mainly includes raw materials, turnover materials, low-value consumables and inventory goods.

2. Valuation method of inventory

When inventory is acquired, it is initially measured at cost, including procurement costs, processing costs and other costs. When the inventory is issued, it is measured by the weighted average method.

3. Basis for determining the net realizable value of inventories and the method of provision for inventory depreciation

After the inventory is thoroughly inspected at the end of the period, the depreciation shall be provided or adjusted at the lower of the cost of the inventories and the net realizable value. The net realizable value of inventory of goods directly used for sale, such as finished goods, stocked goods and materials for sale in the normal production and operation process, is determined by the estimated selling price of the inventory minus the estimated selling expenses and related taxes; net realizable value of inventory of materials that need to be processed is determined based on the estimated selling price of the finished product produced minus the estimated cost of completion, estimated selling expenses and related taxes and fees in the normal production and operation process; the net realizable value of the inventory held for the execution of a sales contract or a labor contract is calculated on the basis of the contract price. If the quantity of the inventory held exceeds the quantity ordered by the sales contract, the net realizable value of the excess inventory is calculated based on the general sales price.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

15. Inventory *(Continued)*

3. Basis for determining the net realizable value of inventories and the method of provision for inventory depreciation *(Continued)*

The depreciation is accrued according to the individual inventory project at the end of the period; but for a large number of inventories with lower unit price, the depreciation is accrued according to the category of inventory; for those related to the product series produced and sold in the same region, has the same or similar end use or purpose and that is difficult to measure separately from other projects are combined for provision for inventory depreciation.

If the influencing factors of the write-down of inventory value have disappeared, the amount of write-down will be restored and will be reversed within the amount of the provision for decline in value of the inventory that has been accrued. The amount of the reversal is included in the current profit and loss.

4. Stock inventory system

Perpetual inventory system is adopted.

5. Amortization method for low-value consumables and packaging materials

- (1) one-off write-off method is adopted for low-value consumables;
- (2) one-off write-off method is adopted for packaging materials;
- (3) other turnover materials are amortised using one-off write-off method.

16. Contract Assets

(1). Method and standard for recognition of contract assets

The Company has the right to receive the consideration for the transfer of goods to the customer. If the right depends on factors other than the passage of time; it is recognized as a contract asset; the obligation to transfer goods to a customer for which consideration has been received or receivable is recognised in part as a contract liability.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

16. Contract Assets *(Continued)*

(2). Method for determining expected credit losses of contract assets and accounting treatment

The Company evaluates the expected credit losses of contract assets and measures its loss provision based on the amount equivalent to the lifetime expected credit losses. Based on the actual loss rate of contract assets in the previous year, the judgment of future recovery risks and the analysis of credit risk characteristics, the expected loss rate is determined and the provision for impairment of contract assets is made accordingly.

17. Assets Held For Sale

1. Criteria for determining as held for sale

The Company recognises the components of the business (or non-current assets) that meet the following conditions as held for sale:

- (1) The components can be sold immediately under its current conditions solely on the basis of the usual terms for the sale of such components;
- (2) The enterprise has already made a resolution on the disposal of the component. If it requires to be approved by the shareholders as required, it has obtained the approval of the general meeting of shareholders or the corresponding authority;
- (3) The enterprise has signed an irrevocable transfer agreement with the transferee;
- (4) The transfer will be completed within one year.

2. Accounting methods for determining as held for sale

The Company adjusts the estimated net residual value of the fixed assets held for sale so that the estimated net residual value of the fixed assets reflects its fair value less the disposal expenses, but does not exceed the original carrying amount of the fixed assets when the conditions for holding for sale are met. The difference between the original carrying amount and the estimated net residual value after adjustment is included in the current profit and loss as impairment loss of the asset. Fixed assets held for sale are not depreciated or amortised, and are measured at the lower of the carrying amount and fair value less costs of disposal.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

17. Assets Held For Sale *(Continued)*

2. Accounting methods for determining as held for sale *(Continued)*

Other non-current assets that are eligible for sale, such as equity investments and intangible assets, are treated in accordance with the above principles, but do not include deferred tax assets, assets regulated by “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, investment property and biological assets measured at fair value and contractual rights arising from insurance contracts.

18. Debt Investment

Method for determining expected credit loss of debt investment and accounting treatment

Not applicable

19. Other Debt Investment

Method for determining expected credit losses of other debt investment and accounting treatment

Not applicable

20. Long-term Receivables

Method for determining expected credit loss of long-term receivables and accounting treatment

Not applicable

21. Long-term Equity Investment

1. Determination of investment cost

- (1) For the long-term equity investment formed by the business combination, the specific accounting policies are detailed in the accounting treatment of business combination under common control and not under common control as set out in Note IV/(V).



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Long-term Equity Investment *(Continued)*

1. Determination of investment cost *(Continued)*

(2) Long-term equity investment obtained by other means

The initial investment cost of the long-term equity investment obtained by cash payment is the actual purchase price. The initial investment cost includes expenses directly related to the acquisition of long-term equity investments, taxes and other expenses.

The initial investment cost of the long-term equity investment obtained by issuing equity securities is the fair value of the issued equity securities; the transaction cost incurred in the issuance or acquisition of equity instruments is deducted from equity if it is attributable to equity transactions.

Under the premise that the non-monetary asset exchange has the commercial substance and the fair value of the assets received or surrendered can be reliably measured, the initial investment cost of the long-term equity investment exchanged for non-monetary assets is determined based on the fair value of the assets exchanged, unless there is conclusive evidence that the fair value of the assets transferred is more reliable; for the exchange of non-monetary asset that do not meet the above premise, the initial investment cost of long-term equity investment is the carrying amount of the assets exchanged and the related taxes and fees payable.

The initial investment cost of a long-term equity investment obtained through debt restructuring is determined on the basis of fair value.

2. Subsequent measurement and profit and loss recognition

(1) Cost method

The long-term equity investment that the Company can control over the investee is accounted for using the cost method, and the cost of the long-term equity investment is adjusted by adding or recovering the investment according to the initial investment cost.

Except for the actual payment or the cash dividends or profits included in the consideration that have been announced but not yet paid, the Company recognises the current investment income according to the cash dividends or profits declared to be distributed by the investee.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Long-term Equity Investment *(Continued)*

2. Subsequent measurement and profit and loss recognition *(Continued)*

(2) Equity method

The Company's long-term equity investments in associates and joint ventures are accounted for using the equity method, and some of the equity investments in associates that are indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds are measured at fair value through profit or loss.

When the initial investment cost of a long-term equity investment is greater than the investment, the initial investment cost of the long-term equity investment shall not be adjusted by the difference between the fair value of the identifiable net assets of the investee; if the initial investment cost is less than the investment, the difference between the fair value of the identifiable net assets of the investee should be included in the current profit and loss.

After obtaining the long-term equity investment, the Company shall recognise the investment income and other comprehensive income according to the share of net profit and loss and other comprehensive income realised by the investee that is entitled or should be shared, and adjust the carrying amount of the long-term equity investment; and reduces the carrying amount of the long-term equity investment based on portion of the profit or cash dividend declared to be distributed by the investee; and for other changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee, the carrying amount of the long-term equity investment is adjusted and included in the owner's equity.

When recognising the share of the net profit or loss of the investee, the Company shall adjust and recognise the net profit of the investee based on the fair value of the identifiable assets of the investee at the time of obtaining the investment. The unrealised internal transaction gains and losses between the Company and the associates and joint ventures shall be offset against the portion attributable to the Company in accordance with the proportion to be enjoyed, on the basis of which the investment gains and losses are recognised.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Long-term Equity Investment *(Continued)*

2. Subsequent measurement and profit and loss recognition *(Continued)*

(2) Equity method *(Continued)*

When the Company recognises the losses incurred by the investee that it should share, it shall deal with it in the following order: First, offset the carrying amount of the long-term equity investment. Secondly, if the carrying amount of the long-term equity investment is not enough to be offset, the investment loss will continue to be recognized to the extent of carrying amount of other long-term equity that constitutes a net investment in the investee, and the carrying amount of the long-term receivables is offset. Finally, after the above-mentioned treatment, if the enterprise still bears additional obligations in accordance with the investment contract or agreement, the estimated liabilities are recognised according to the estimated obligations and included in the current investment losses.

If the investee realises profit in the future period, after deducting the unrecognised loss share, the reduction of book balance of the recognised estimated liabilities and recovery of the other long-term interest that constitute the net investment of the investee and carrying amount of long-term equity investment, the Company shall restore the investment income.

3. Conversion of accounting methods of long-term equity investment

(1) Fair value measurement to equity method accounting

The equity investment originally held by the Company that does not have control, joint control or significant influence on the investee, which is accounted for according to the recognition and measurement criteria of financial instruments, can exert significant influence on the investee or jointly control but does not constitute control due to additional investment and otherwise, its initial investment cost shall be the fair value of the original equity investment held in accordance with the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” plus the sum of new investment cost.

If the previously held equity investment is classified as an available-for-sale financial asset, the difference between the fair value and the carrying amount, and the accumulated fair value changes previously recognised in other comprehensive income are transferred to the current gains and losses.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Long-term Equity Investment *(Continued)*

3. Conversion of accounting methods of long-term equity investment *(Continued)*

(1) Fair value measurement to equity method accounting *(Continued)*

If the initial investment cost calculated by the equity method is less than the fair value share of the identifiable net assets of the investee on the additional investment date determined by the new shareholding ratio after the additional investment, the carrying amount of the long-term equity investment is adjusted and included in the current non-operating income.

(2) Fair value measurement or equity method measurement to cost method measurement

If the equity investment originally held by the Company that does not have control, joint control or significant influence on the investee and which is accounted for in accordance with the financial instrument recognition and measurement criteria, or the long-term equity investment originally held in associates or joint venture, can exercise control over the investee not under common control due to additional investment or otherwise, in the preparation of individual financial statements, the sum of the carrying amount of the equity investment originally held plus the new investment cost shall be regarded as the initial investment cost under cost method.

The other comprehensive income recognised by the equity method in respect of the equity investment originally held before the purchase date is accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the investment is disposed of.

If the equity investment held before the purchase date is accounted for in accordance with the relevant provisions of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the cumulative fair value change originally included in other comprehensive income is transferred to current profit and loss when the cost method is adopted.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Long-term Equity Investment *(Continued)*

3. Conversion of accounting methods of long-term equity investment *(Continued)*

(3) Equity method measurement to fair value measurement

If the Company loses joint control or significant influence on the investee due to the disposal of part of the equity investment or otherwise, the remaining equity after disposal shall be calculated according to the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. The difference between the fair value and the carrying amount on the date of loss joint control or significant impact is recognised in profit or loss.

The other comprehensive income recognised in respect of the original equity investment using the equity method is accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the equity method is terminated.

(4) Cost method to equity method

If the Company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal can exercise joint control or exert significant influence on the investee, equity method is adopted for accounting, and the remaining equity is treated as an adjustment to the equity method when it is acquired.

(5) Cost method to fair value measurement

If the Company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal cannot jointly control or exert significant influence on the investee, the relevant provisions of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” are adopted. The difference between the fair value and the carrying amount on the date of loss of control is recognised in profit or loss for the current period.

4. Disposal of long-term equity investments

For the disposal of long-term equity investment, the difference between the carrying amount and the actual purchase price shall be included in the current profit and loss. For the long-term equity investment accounted for using the equity method, when the investment is disposed, the part that is originally included in the other comprehensive income is accounted for in the same proportion based on the same basis as the investee directly disposes of the relevant assets or liabilities.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Long-term Equity Investment *(Continued)*

4. Disposal of long-term equity investments *(Continued)*

If the terms, conditions and economic impact of each transaction dealing with the equity investment of the subsidiary satisfy one or more of the following cases, the multiple transactions are treated as a package transaction:

- (1) The transactions are made simultaneously or with consideration of each other's influence;
- (2) The transactions as a whole can achieve a complete business outcome;
- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) A transaction is uneconomic alone, but it is economic when considered together with other transactions.

Where the loss of control over the original subsidiary due to disposal of part of the equity investment or otherwise which is not a package transaction, the individual financial statements and combined financial statements shall be classified for relevant accounting treatment:

- (1) In the individual financial statements, the difference between the carrying amount of the disposed equity and the actual purchase price is included in the current profit and loss. If the remaining equity after disposal can exert joint control or significant influence on the investee, it shall be accounted for under the equity method, and the residual equity shall be deemed to be adjusted by equity method when it is acquired; if the remaining equity after disposal shall not exert joint control or significant influence over the investee, it shall be measured by the relevant provisions of the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between the fair value and the carrying amount on the date of loss of control is included in the current profit and loss.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Long-term Equity Investment *(Continued)*

4. Disposal of long-term equity investments *(Continued)*

- (2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, capital reserve (share premium) is adjusted for the difference between the disposal price and the share of the net assets that the subsidiary has continuously calculated from the date of purchase or the merger date; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted; when the control of the subsidiary is lost, the remaining equity shall be re-measured according to its fair value on the date of loss of control. The sum of the consideration for the disposal of the equity and the fair value of the remaining equity, less the share of the net assets that have been continuously calculated from the date of purchase calculated based on the original shareholding, are included in the investment income for the period of loss of control, while reducing goodwill. Other comprehensive income related to the original subsidiary's equity investment will be converted into current investment income when control is lost.

If each transaction on disposal of the equity investment in a subsidiary until the loss of control is a package transaction, each transaction is accounting for as a transaction to dispose of the equity investment of the subsidiary and losing control, which is distinguished between individual financial statements and combined financial statements:

- (1) In individual financial statements, the difference between the disposal price and the carrying amount of the long-term equity investment corresponding to the disposed equity before the loss of control is recognised as other comprehensive income, and when the control is lost, it is transferred to profit or loss for the period of the loss of control.
- (2) In the combined financial statements, the difference between each disposal price and the disposal investment that has the share of the net assets of the subsidiary before the loss of control is recognised as other comprehensive income, and transferred to profit or loss for the period of the loss of control.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Long-term Equity Investment *(Continued)*

5. Judging criteria for joint control and significant impact

If the Company collectively controls an arrangement in accordance with the relevant agreement, and the activity decision that has a significant impact on the return of the arrangement needs to be agreed upon by the parties sharing the control, it is considered that the Company and other parties jointly control an arrangement, which is a joint arrangement.

If the joint arrangement is reached through a separate entity and it determines that the Company has rights to the net assets of the separate entity in accordance with the relevant agreement, the separate entity is regarded as a joint venture and is accounted for using the equity method. If it is judged according to the relevant agreement that the Company does not have rights to the net assets of the separate entity, the separate entity acts as a joint operation, and the Company recognises the items related to the share of the common operating interests and conducts accounting treatment in accordance with the relevant ASBEs.

Significant impact refers to the investor's power to participate in the decision-making of the financial and operating policies of the investee, but it cannot control or jointly control the formulation of these policies with other parties. The Company has a significant impact on the investee under one or more of the following situations and taking into account all facts and circumstances: (1) is represented on the board of directors or similar authorities of the investee; (2) involves in the formulation of financial and business policy of the investee; (3) has important transactions with the investee; (4) dispatches management personnel to the investee; (5) provides key technical information to the investee.

22. Investment Property

(1). If measured at cost

Depreciation or amortisation method

Investment property refers to property held for the purpose of earning rent or capital appreciation, or both, including leased land use rights, land use rights held and prepared for transfer after appreciation, and leased buildings.

The Company's investment property is recorded at its cost, and the cost of purchased investment property includes the purchase price, related taxes and other expenses directly attributable to the asset; the cost of self-build investment property is composed of the expenses incurred before the asset is ready for expected use.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

22. Investment Property *(Continued)*

(1). If measured at cost *(Continued)*

Depreciation or amortisation method *(Continued)*

The Company adopts the cost model for subsequent measurement of investment property, and depreciates or amortises buildings and land use rights according to their estimated service life and net residual value. For investment property measured according to the cost model – the rental building adopts the same depreciation policy as the fixed assets of the Company, and the land use right for rental is based on the same amortisation policy as the intangible assets.

When the use of investment property is changed to self-use, the Company converts the investment property into fixed assets or intangible assets from the date of change. When the use of self-use property changes to earn rentals or capital appreciation, the Company converts fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the carrying amount before conversion is used as the converted value.

The investment property is derecognised when the investment property is disposed of, or permanently withdrawn from use and is not expected to obtain economic benefits from its disposal. The amount of disposal income from the sale, transfer, retirement or damage of the investment property after deducting its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

23. Fixed Assets

(1). Recognition conditions

Fixed assets refer to tangible assets held for the purpose of producing goods, providing labor services, renting or operating management, and having a useful life of more than one fiscal year. Fixed assets are recognised when they meet the following conditions:

- (1) the economic benefits associated with the fixed assets are likely to flow into the enterprise;
- (2) the cost of the fixed asset can be reliably measured.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Fixed Assets (Continued)

(2). Depreciation method

Type	Depreciation method	Depreciation period (year)	Residual rate	Annual depreciation rate
Buildings and structures		8-40 years	3.00%-10.00%	12.13%-2.25%
Motor vehicles		10 years	4.00%	9.60%
Highway		20-25 years		5.00%-4.00%
Transportation equipment		Units-of-production method	3.00%	
Mining structures		Production method		
Railway		8-45 years	3.00%-5.00%	2.16%-12.00%
Electromechanical equipment		5-20 years	3.00%-10.00%	19.80%-4.50%
Other equipment		5-20 years	3.00%-10.00%	19.80%-4.50%

Depreciation of fixed assets is accrued over the estimated useful life based on its recorded value less the estimated residual value. The fixed assets that have been provided for impairment losses are depreciated in the future period based on the carrying amount after deducting the impairment provision and the remaining useful life.

The Company determines the service life and estimated net residual value of fixed assets based on the nature and use of fixed assets. At the end of the year, the service life, estimated net residual value and depreciation method of the fixed assets are reviewed. If there is any difference from the original estimate, the corresponding adjustments will be made.

(3). Determination basis, valuation and depreciation method of fixed assets under finance leases

When the fixed assets leased by the Company meet one or more of the following criteria, they are recognised as fixed assets leased under finance leases:

- (1) Upon expiration of the lease term, the ownership of the leased asset is transferred to the Company.
- (2) The Company has the option to purchase the leased assets. The purchase price is expected to be much lower than the fair value of the leased assets when the option is exercised. Therefore, it can be reasonably determined at the lease commencement date that the Company will exercise the option.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

23. Fixed Assets *(Continued)*

(3). Determination basis, valuation and depreciation method of fixed assets under finance leases *(Continued)*

- (3) Even if the ownership of the asset does not transfer, the lease period accounts for the majority of the useful life of the leased asset.
- (4) The present value of the minimum lease payments of the Company on the lease commencement date is almost equivalent to the fair value of the leased assets on the lease commencement date.
- (5) The leased assets are of a special nature and can only be used if the Company does not make major changes.

Fixed assets leased by finance leases are recorded at the lower of the fair value of the leased assets on the lease commencement date and the present value of the minimum lease payments. The minimum lease payments are recorded as long-term payables, and the difference is treated as unrecognised financing charges. In the process of lease negotiation and signing of the lease contract, the initial direct costs such as service charges, attorney fees, travel expenses, stamp duty, etc. attributable to the lease item are included in the value of the leased assets. Unrecognised financing expenses are apportioned using the effective interest method during each period of the lease term.

The Company adopts a depreciation policy for leased fixed assets consistent with that for fixed assets owned by the Company. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the depreciation shall be made within the useful life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be acquired at the expiration of the lease term, depreciation shall be accrued within the shorter of the lease term and the useful life of the leased asset.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

24. Construction in progress

1. Initial measurement of construction in process

The actual construction cost of the construction in progress is determined by the actual expenses incurred before the construction of the asset reaches the intended usable condition, including the cost of engineering materials, labor costs and relevant taxes payable, capitalized borrowing costs and indirect costs that should be apportioned. The company's projects under construction are classified into projects when in accounting.

2. The criteria for construction in progress to convert into fixed asset

The total expenditure incurred before the construction project is constructed to reach the intended usable condition shall be recorded as the value of the fixed assets. The construction of fixed assets under construction has reached the intended use of the state, but has not yet completed the final accounts, since the scheduled use of the date of use, according to the project budget, cost or actual project costs, according to the estimated value into fixed Assets and depreciation of fixed assets in accordance with the depreciation policy of the Company's fixed assets. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

25. Borrowing cost

1. Recognition principle of capitalization of borrowing costs

The borrowing costs, the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, in the case of eligible for capitalization start capitalization; other borrowing costs shall be recognized as expenses at the time of occurrence and shall be included in the current profits and losses.

Assets that are eligible for capitalization are assets that require a long period of time to purchase or produce activities to achieve fixed assets, investment real estate and inventory that are intended to be available or sold.

Borrowing costs begin to capitalize when the following conditions are met:

- (1) Assets expenditure has occurred, including expenditure incurred in the form of cash, transfer of non-cash assets or interest-bearing debt for the acquisition or construction of assets eligible for capitalization;
- (2) Borrowing costs have already occurred;
- (3) The purchase and construction or production activities necessary for the asset to reach the intended use or saleable status.

2. Capitalization period of borrowing costs

During the period of capitalization, the period during which the borrowing costs are suspended from capitalization is not included during the period from the point of time when the borrowing costs are capitalized to the point where the capitalization is stopped.

The borrowing costs shall cease to be capitalized when the assets acquired or produced that meet the conditions for capitalization are ready for use or sale.

When part of the assets purchased or produced in accordance with the capitalization conditions are completed and can be used alone, the part of the asset borrowing costs stop capitalization.

The parts of the assets purchased or produced are completed separately but must wait until the whole is completed or can be sold abroad. The capitalization of the borrowing costs shall be stopped when the asset is completed as a whole.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

25. Borrowing cost *(Continued)*

3. Suspension of capitalization period

If the assets that meet the capitalization conditions are interrupted abnormally during the construction or production process and the interruption time lasts for more than 3 months, the borrowing costs shall be suspended; the borrowing costs continue to be capitalized if the acquisition or production of assets eligible for capitalization to meet the required usable status or the availability of sales. The borrowing costs incurred during the interruption are recognized as profit or loss for the current period and the borrowing costs continue to be capitalized until the asset is purchased or the activity is resumed.

4. Calculation for capitalization of borrowing costs

Special loan interest charges (excluding unused borrowing money deposited in the bank interest income, or for a temporary investment return on investment) and its ancillary expenses and construction or production of assets eligible for capitalization, before to the expected conditions for use or sale shall be capitalized.

Based on the weighted average of the asset expenditures that exceed the special borrowing portion, the accumulative asset expenditure is calculated to determine the amount of interest that the general borrowing should be capitalized. The capitalization rate is determined based on the average borrowing weighted average interest rate.

Where there is a discount or premium in the loan, the interest amount shall be adjusted in accordance with the real interest rate method to determine the discount or premium amount that shall be amortized during each accounting period.

26. Biological assets

Not applicable

27. Oil and gas assets

Not applicable



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Right-to-use assets

The right-to-use asset refers to the right to use of the leased asset by the lessee during the lease term, which shall be initially measured at cost.

The Company shall make a depreciation provision for the right-to-use assets according to 42. Provisions on Lease Depreciation under V. Significant Accounting Policies and Accounting Estimates.

The Company shall determine whether the right-to-use asset is impaired, and accounting the identified impairment losses according to 42. Provisions on Lease under V. Significant Accounting Policies and Accounting Estimates.

29. Intangible assets

(1). Measurement, useful life and impairment test

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the Company which have no physical form, including land use rights, mine exploration rights, mining rights, software, and others.

1. Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, the entry value of the intangible asset is determined based on its fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used for offsetting the debt is recognized in profit or loss for the period.

The entry value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

29. Intangible assets *(Continued)*

(1). Measurement, useful life and impairment test *(Continued)*

1. Initial measurement of intangible assets *(Continued)*

For intangible asset obtained through business absorption or combination of entities under common control, the entry value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or merger of entities not under common control, the entry value is determined by the fair value of the intangible asset.

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.

2. Subsequent measurement

The Company determines the useful life of intangible assets on acquisition, which are classified as intangible life with limited life and indefinite life.

(1) *Intangible asset with a limited life*

Intangible asset with a limited life is depreciated using straight line method over the term which brings economic benefit to the Company. The estimated useful life and basis for the intangible assets with a limited life are as follows:

Item	Estimated useful life	Basis
Software	3 years, 5 years or 10 years	Contract term or useful life
Land use right	10 years-50 years	Years of land use certificate
Resource assets – mine exploration rights	Capacity	Recoverable reserves
Resource assets – others	15 years-50 years	Useful life



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

29. Intangible assets *(Continued)*

(1). Measurement, useful life and impairment test *(Continued)*

2. Subsequent measurement *(Continued)*

(1) *Intangible asset with a limited life (Continued)*

The useful life and depreciation method of intangible assets with limited life are re-assessed at the end of each period. If the original estimate varies, corresponding adjustments are made.

Upon re-assessment, at the end of the period there was no difference in the useful life and depreciation method of intangible assets from the previous estimates.

(2) *Intangible assets with indefinite useful life*

If the term of economic benefit the intangible asset can bring to the Company cannot be estimated, it is deemed to be an intangible asset with indefinite life. At the end of this year, there is no intangible asset with indefinite life in the Company.

(2). Accounting policy on internal research and development expenditure

1. Division of the research and development stages of internal research in the Company and the specific standards for development projects

Research stage: a stage of original planning, research, and research for the acquisition and understanding of new scientific or technical knowledge.

Development stage: before the commercial production or use, the research results or other knowledge will be applied to a plan or design to produce new or substantial improvements in materials, devices, products and other activities.

The expenditure of the research stage of the internal research and development project is included in the current profit and loss at the time of occurrence.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

29. Intangible assets *(Continued)*

(2). Accounting policy on internal research and development expenditure *(Continued)*

2. Specific standard for capitalization of expenditure in the development stage

Internal research and development projects in the development phase of the expenditure, while meeting the following conditions identified as intangible assets:

- (1) Complete the intangible asset so that it can be used or sold in technical feasibility;
- (2) The intention to complete the intangible asset and to use or sell it;
- (3) Intangible assets to generate economic benefits, including the ability to prove the existence of the products using the intangible assets market or the market of intangible assets, intangible assets will be used internally, to prove its usefulness;
- (4) Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset and have the ability to use or sell the intangible asset;
- (5) Expenditures attributable to the development stage of the intangible asset can be reliably measured.

Expenditures incurred in the development stage that do not meet the above conditions shall be included in the current profit and loss in the event of occurrence. The development expenditure which has been included in the profit and loss has not been reconfirmed as an asset in the future. Expenditures in the capitalized development phase are shown on the balance sheet as development expenditures and are converted into intangible assets from the date of the project's intended use.

30. Impairment on long-term assets

On the balance sheet date, the Company determines whether there may be a sign of a reduction in long-term assets. If there are signs of impairment in long-term assets, the recoverable amount is estimated on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, then determine the recoverable amount of the asset group on the basis of the asset group belonging to the asset.

The estimation of assets recoverable amount is the larger amount between the fair value deducting net cost when disposal and the expected value of future cash flow of assets.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

30. Impairment on long-term assets *(Continued)*

The measurement results show that when the long-term recoverable amount asset is lower than its book value, the book value of long-term assets is reduced to its recoverable amount. The reduced amount is recognized as impairment loss recognized, at the same time, make the corresponding assets depreciation preparation. As soon as the loss of assets is confirmed, it shall not be returned during the subsequent accounting period.

After the asset impairment loss is confirmed, the depreciation or amortization expenses of the impairment assets will be adjusted accordingly in the future period so that the assets' book value of adjusted assets will be allocated in the remaining useful life (deducting the estimated net residual value).

No matter whether there is any sign of impairment or not, the impairment test is carried out every year because of the goodwill and the intangible assets of the enterprise merger.

In the devaluation test of goodwill, the book value of goodwill would be amortized to asset groups or portfolio groups benefiting from the synergy effect of an enterprise merger as expected. When taking an impairment test on the relevant asset group containing goodwill or combination of group assets, such as goodwill and the related asset group or combination of asset groups signs of impairment, first calculate the recoverable amount but not test the impairment which does not contain an asset group or combination of asset groups. Then, compare it with the related book value and confirm the impairment the corresponding loss. Next, testing impairment of goodwill includes asset group or combination of asset groups and comparing book value of the related asset group or combination of asset groups (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of asset group or combination of asset groups is lower than the book value, confirm the impairment loss of goodwill.

31. Long-term deferred expenses

1. Amortization method

Long-term deferred expenses of the Company refer to expenses that already been spent and the benefit period is over 1 year. Long-term deferred expenses are amortized in its useful life.

2. Amortization years

- (1) The fixed asset improvement expenditure rented by lease is amortized on average according to the short term of the remaining lease period and the useful life of the leased assets.
- (2) The demolition compensation fee and the divestiture fee of the open-pit mining part are amortized according to the yield method.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Contract liabilities

Recognition method of contract liabilities

The obligation to transfer goods to a customer for which consideration has been received or receivable is recognized in part as contract liabilities.

33. Employee remuneration

(1) Accounting method for short-term remuneration

Short-term remuneration refers to the employee compensation other than post-employment benefits and termination benefits, which are required to be fully paid by the Group within 12 months after the end of the annual reporting period in which the employees rendered relevant services. During the accounting period in which the employees render services, the Group recognizes the short-term remuneration payable as liabilities and includes them into relevant asset costs or expenses according to the object which benefits from the services rendered by employees.

(2) Accounting method for post-employment benefits

Other long-term employment benefit refers to all employee benefit provided by the Company except for short-term benefit, post-employment benefit, and termination benefit, includes long-term paid absence, long-term disability benefit and long-term profit-sharing plan etc.

Defined contribution plan of the Group refers to the basic endowment insurance, unemployment insurance paid for the employees organized and implemented by local labor and social security institutions; In addition to social basic endowment insurance and unemployment insurance, employees who retire after 1 January 2009 can voluntarily participate in the Company's enterprise annuity plan. During the accounting period when employees render services to the Group, amount payable calculated by the base and ratio in conformity with local regulation is recognized as liability and accounted for current profit and loss or related cost of assets.

The Company will no longer have any other obligation to pay after making the above-mentioned payments on a regular basis in accordance with the standards and annuity plans prescribed by the State.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

33. Employee remuneration *(Continued)*

(3) Accounting method for termination benefits

Termination benefits refer to the compensation paid when the Company terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. Where the Company provides termination benefits to employees, the Company recognizes the liabilities of employee benefits payable generated from the termination benefits at the earlier date of the following two dates: 1) when the Company cannot reverse the termination benefits due to the plan of cancelling the labour relationship or the termination benefits provided by the advice of reducing staff; and 2) the Group recognizes the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.

The Company provides retirement benefits to employees who accept internal retirement arrangements. The internal retirement benefits refer to the remuneration and the social insurance premiums paid to the employees who have not reached the retirement age set by the state, and voluntarily withdrew from the job after approval of the Company's management. The Company pays internal retired benefits to internal retired employees from the day the internal retirement arrangement begins to the employee reaches the normal retirement age. For internal retirement benefits, the Company conducts accounting treatment in contrast to the termination benefits. When the related confirmation conditions of termination benefits are met, the Company will confirm the remuneration and the social insurance premiums of the internal retired employee to be paid during the period between the employee's termination of service and normal retirement date, confirm those as liabilities and included the amount in the current profit or loss in one time. Changes in actuarial assumptions of internal retirement benefits and differences arising from the adjustment of welfare standards are included in current profit or loss when incurred.

(4) Accounting method for other long-term employment benefit

Other long-term employment benefit refers to all employee benefit except for short-term benefit, post-employment benefit, and termination benefit.

For other long-term employee benefits that meet the conditions of the defined contribution plan, during the accounting period in which the employee provides services for the company, the amount that should be paid is recognized as a liability and is included in the current profit or loss or the cost of the relevant assets. In addition to the above situations, other long-term employee benefits are actuarially calculated by the independent actuary using the expected cumulative welfare unit method on the balance sheet date, and the welfare obligations arising from the defined benefit plans are attributed to the period during which the employees provide services and are included in the current profit and loss or related asset costs.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Expected liabilities

1. Criteria for expected liabilities

The Group shall recognize expected liabilities if the contingent matters meet the following requirements:

The assumed responsibilities are current liability;

The fulfillment of obligations will cause the outflow of economic benefit from the Group;

The amount of liabilities can be measured reliably.

2. Measurement method of expected liabilities

The initial measure of expected liabilities is the best estimate of the expenditure required for the performance of the current obligations.

When determining the best estimates, the Company considers the risks, uncertainties and time value of the currency. If the time value of money has a great influence, the Company determines the best estimate by discounting the related future cash outflows.

The best estimates are measured in different situation as follow:

If there is a continuous range (or interval) of the required expenditure and the probability of the occurrence of all the results in the range is the same, the best estimate is determined according to the median value of the range, which is the average of the upper and lower limit.

There is a necessary expense that does not exist a continuous range (or interval) or exist a continuous range with a range of different possibility of a variety of results. If the contingencies of individual projects involving, the best estimate is most likely to occur in accordance with the amount determined. If contingencies involving a number of projects, the best estimate is based on various possible results and related probability calculation.

The total or part of the expected expenses of the Company is expected to be compensated by the third party. When the amount of the compensation is determined, it is basically determined and it can be independently recognized as assets. The amount of compensation confirmed will not exceed the book value of the estimated liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Lease liabilities

Lease liabilities refer to the present value of the lease payment that has not been paid by the lessee, and the lease liability shall be initially measured in accordance with the present value of the lease payment not paid on the beginning of the lease term.

The Company shall carry out subsequent measurement of lease liabilities according to 42. Relevant Provisions on Lease under V. Significant Accounting Policies and Accounting Estimates.

36. Share-based payment

1. Category of share-based payment

The Company's share-based payments included equity-settled share-based payments and cash-settled share-based payments.

2. Recognition method of fair value of equity instrument

For the existence of an active market for options and other equity instruments granted by the Company, the fair value is determined at the active market quotations. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall be taken into account using option pricing models: (1) the exercise price of the option; (2) the validity of the option; (3) the current market price of the share; (4) the expected volatility of the share price; (5) predicted dividend of the share; (6) risk-free rate of the option within the validity period.

In determining the fair value at the date of grant of the equity instruments, the company shall consider the impact of market conditions in the vesting conditions and non-vesting conditions stated in the share-based payment agreement. If there are no vesting conditions in the share-based payments, as long as the employees or other aspects satisfy the non-market conditions in all the vesting conditions (such as term of service), the Company shall recognize the services rendered as an expense accordingly.

3. Recognition basis for the best estimate of exercisable equity instruments

On each balance sheet date within the vesting period, the estimated number of exercisable equity instruments is amended based on the best estimate made by the Company according to the latest available subsequent information as to changes in the number of employees with exercisable rights. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

36. Share-based payment *(Continued)*

4. Accounting treatment for implementation, amendment and termination of share-based payments

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. For the shares exercised immediately after the grant, the fair value of the equity instrument at the grant date is included in the relevant costs or expenses and an increase in capital reserve accordingly. Within the vesting period, it will recognise the received service-related costs or expense and capital reserves for each reporting date based on the best estimate of the number of vested equity instruments on the grant date of the equity instruments value. After the vesting period, relevant costs or expenses and total shareholders' equity has been confirmed and will not be adjusted.

Cash-settled share-based payment is calculated by the fair value of liabilities assumed in accordance with the Company's shares or other equity instruments. For those exercised immediately after the grant, the fair value of the liability is included in the relevant costs or expenses and causes a corresponding increase in liabilities. For each reporting date in the vesting period, the best estimate of the vesting conditions in accordance with the Company is committed to the fair value of the amount of debt service will recognise the received costs or expenses and the corresponding liabilities. At each reporting date and the settlement date prior to the settlement of liabilities, the fair value of the liability is re-measured through profit or loss.

5. Revision and relevant accounting treatment during the current period for the case of revising clauses and conditions

During the vesting period, if the equity instruments granted are cancelled, the Company will treat the cancelled equity instruments granted as accelerated vesting, and the amount within the remaining period should be recognised immediately in profit or loss while recognising the capital reverses. If employees or other parties can meet non-vesting conditions but do not meet within the vesting period, the Company will treat it as cancelled equity instruments granted.

37. Preferred shares, perpetual bonds and other financial instruments

In accordance with the provisions of the Financial Instruments Standards, the financial instruments or its components issued by the Company are classified into financial liabilities or equity instruments on the basis of the contractual arrangements of preferred shares, perpetual bonds and other financial instruments and its economic nature not only its legal form, together with the definition of financial liabilities and equity instruments on initial recognition:



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

37. Preferred shares, perpetual bonds and other financial instruments *(Continued)*

1. Classify the financial instruments issued as financial liabilities when one of the following conditions is satisfied:

- (1) The contractual obligation to pay cash or deliver other financial assets to other parties;
- (2) The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;
- (3) The non-derivative instrument contract which must or may be settled through the enterprise's own equity instrument and based on which the enterprise will deliver a variable quantity of its own equity instruments;
- (4) The derivative instrument contract which must or may be settled through the enterprise's own equity instrument, except for the derivative instrument contract based on which the enterprise exchange fixed amount of its own equity instruments for fixed amount cash or other financial assets.

2. Classify the financial instruments issued as equity instruments when all of the following conditions are satisfied:

- (1) The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or financial liabilities under potential adverse condition with other parties;
- (2) If the financial instrument will or may be settled in the entity's own equity instruments, it is a non-derivative instrument that includes no contractual obligations to deliver a variable number of its own equity instruments; or a derivative that will be settled only by enterprises exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

3. Accounting treatment

Regarding financial instruments classified as equity instruments, their interest expense or dividend payout should be used for enterprises' profit distribution and their repurchase and cancellation should be taken as equity change, while fees, commissions and other transaction fees are deducted from equity;

Regarding financial instruments classified as financial liabilities, their interest expense or dividend payout should be taken as borrowing cost and the gains or losses resulting from their repurchase or redemption should be stated as current gains/losses, while fees, commissions and other transaction fees are stated in the initial measurement amount of the issued instruments.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

38. Revenue

(1). Accounting policies used in revenue recognition and measurement

- (1) When the contract between the Company and its customer meets the following conditions at the same time, the Company recognises revenue when the customer obtains control of the relevant goods:
- ① The contracted parties have approved the contract and promised to fulfill their respective obligations;
 - ② The contract clarifies the rights and obligations of the contracted parties in relation to the goods transferred or the provision of services;
 - ③ The contract has clear payment terms on the goods transferred or services rendered;
 - ④ The contract is of commercial nature, namely that the performance of the contract will change the risk, time distribution or amount of future cash flows of the Company;
 - ⑤ The consideration that the enterprise has the right to obtain due to the transfer of goods or services to customers is likely to be recovered.

Obtaining control of the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom.

- (2) The Company further divides the performance obligations in the customer contract. For performance obligation fulfilled at a certain point in time, the Company recognises revenue when the customer obtains control of the relevant goods; for performance obligation fulfilled during a certain period of time, the Company recognises revenue in accordance with the progress of the performance, and the output method (or input method) is used to determine the appropriate performance schedule based on the nature of the goods and services. The output method is based on the value of the goods transferred to the customer to determine the performance of the customer (the input method is based on the Company's commitment to fulfill the performance obligations). When the performance of the contract cannot be reasonably determined and the Company is expected to be reimbursed for the cost incurred, the revenue shall be recognised according to the cost amount incurred until the performance schedule can be reasonably determined.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

38. Revenue *(Continued)*

(1). Accounting policies used in revenue recognition and measurement *(Continued)*

1. Revenue treatment principles for specific transactions

- (1) Contracts with sales return provisions: When the customer obtains control of the relevant goods, revenue is recognised based on the amount of consideration expected to be received due to the transfer of goods to the customers (exclusive of the amount expected to be refunded due to the return of sales), while liability is recognised based on the amount expected to be refunded due to the return of sales.

The carrying amount of goods expected to be returned at sales of goods, after deduction of costs expected to incur for recovery of such goods (including impairment of value of the returned goods), will be accounted for under the item of "Right of return assets".

- (2) Contracts with quality assurance provisions: The Company assesses whether a separate service is rendered in respect of the quality assurance besides guaranteeing the sales of goods to customers are in line with the designated standards. When additional service is provided by the Company, it is considered as a single performance obligation and under accounting treatment according to the standards on revenue; otherwise, quality assurance obligations will be under accounting treatment according to the accounting standards on contingent matters.
- (3) Sales contracts with additional purchase option of customers: The Company assesses whether customers will enjoy a significant right with this option. If customers enjoy a significant right, it is considered as a single performance obligation and the transaction price is apportioned to this performance obligation, and corresponding revenue is recognised when the customers obtain control of the relevant goods after exercising the purchase option in the future or the option elapses. Where the single sales price of additional purchase option of customers is not observable directly, it will be reasonably estimated by considering the difference between the discounts available under the circumstances where the option is exercised and not exercised by the customers, respectively, the possibility of exercising of the option by the customers, and other relevant information.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

38. Revenue *(Continued)*

(1). Accounting policies used in revenue recognition and measurement *(Continued)*

1. Revenue treatment principles for specific transactions *(Continued)*

(4) Contracts on grant of intellectual property license to customers: The Company assesses whether the intellectual property license constitutes a single performance obligation. If so, the Company will then further determine whether it is fulfilled during a certain period of time or at a certain point in time. Where intellectual property license is granted to the customers with agreed terms on charging royalties based on the actual sales of or use by them, the revenue will be recognised at the time of the following, whichever is later: actual occurrence of subsequent sales of or use by customers; the fulfillment of relevant performance obligation by the Company.

(5) After-sale repurchase

① Contracts with repurchase obligation due to forward arrangement with customers: In this case, the customers do not obtain control of the relevant goods at the time of sales, thus it is taken as a leasing transaction or financing transaction for corresponding accounting treatment. In particular, contract whose repurchase price is lower than its original sales price is regarded as a leasing transaction for accounting treatment according to the provisions on leasing of the ASBEs; contract whose repurchase price is no lower than its original sales price is regarded as a financing transaction, and will be recognised as a financial liability upon receipt of the amount due from customers, and the difference between such amount and the repurchase price is recognised as interest expense, etc. during the repurchase period. Where the repurchase right is not exercised by the Company at the maturity date, the financial liability will be derecognised and a revenue will be recognised at the same time when the right falls due.

② Contracts with repurchase obligation as required by customers: Where customers have significant economic factors upon assessment, after-sale repurchase will be regarded as a leasing transaction or financing transaction for accounting treatment according to the provisions set out in Item (a) above; otherwise, it will be treated as a sales transaction with sales return provisions.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

38. Revenue *(Continued)*

(1). Accounting policies used in revenue recognition and measurement *(Continued)*

1. Revenue treatment principles for specific transactions *(Continued)*

- (6) Contracts with collection of initial fees from customers with no need for return: The initial fees charged from customers with no need for return on the commencement (or close to the commencement) date of the contract shall be included in the transaction price. Upon assessment by the Company, where the initial fees are associated with the transfer of promised goods to customers, and such goods constitute a single performance obligation, the revenue will be recognised based on the transaction price apportioned to such goods at the transfer of the goods; where the initial fees are associated with the transfer of promised goods to customers, but such goods do not constitute a single performance obligation, the revenue will be recognised based on the transaction price apportioned to the single performance obligation at the fulfillment of the single performance obligation including such goods; where the initial fees are not associated with the transfer of promised goods to customers, the initial fees will be recognised as a revenue as advances to transfer of goods at the time of the transfer in the future.

2. Detailed method for revenue recognition

Revenue is recognised when the Company satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where two or more performance obligations are included in a contract, at the commencement date of the contract, the Company will allocate the transaction price to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised, and measure revenue based on the transaction price being allocated to each performance obligation.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

38. Revenue *(Continued)*

(1). Accounting policies used in revenue recognition and measurement *(Continued)*

2. Detailed method for revenue recognition *(Continued)*

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Company expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the amount of contract consideration is amortised using an effective interest method over the contract term.

The Company satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the customer can control the goods under construction during the Company's performance;
- the Company's performance does not create goods with an alternative use to it and the Company has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

38. Revenue *(Continued)*

(1). Accounting policies used in revenue recognition and measurement *(Continued)*

2. Detailed method for revenue recognition *(Continued)*

For performance obligation satisfied at a point in time, the Company recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indicators:

- the Company has a present right to payment for the goods or services;
- the Company has transferred physical possession of the goods to the customer;
- the Company has transferred the legal ownership or the significant risks and rewards of ownership of the goods to the customer;
- the customer has accepted the goods or services.

The Company has the right to transfer the goods or services to the customer and is entitled to receive the consideration (and the rights are subject to other factors than the passage of time) as contract assets which are depreciated on the basis of expected credit losses (please see Note III, 9(6)). The Company has the right to charge the customer's consideration as unconditionally (depending on the passage of time) as a receivable. The obligation of the Company to transfer goods or services to customers after receiving or receivable customer considerations is presented as contract liabilities.

The specific accounting policies related to the main activities of the Company's income are as follows:



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

38. Revenue *(Continued)*

(1). **Accounting policies used in revenue recognition and measurement** *(Continued)*

2. Detailed method for revenue recognition *(Continued)*

(1) *Coal product sales contract*

According to the terms of the sales contract, and with the coal product sales whose performance obligations are performed at a certain point in time, the Company recognises the sales revenue when the customer obtains the control of the relevant goods or services, of which: According to the provisions of the contract, for the delivery on site, the revenue is recognised based on the quantities determined after the coal being transported to the customer's site and confirmed by both parties and the price stipulated by the quality index; for the delivery of vehicle transportation, the revenue is recognised based on the loading quantities of customers in the despatching station or coal mine and the price stipulated by the quality index; for the delivery of direct railway, the revenue is recognised based on the quantities determined after the coal being transported to the customer's designated site and confirmed by both parties and the price stipulated by the quality index; for the offshore sales by way of closing out, the revenue is recognised based on the shipment quantities determined by both parties and the price stipulated by the quality index.

(2) *Coal chemical product contract*

According to the terms of the sales contract, and with the coal chemical product sales whose performance obligations are performed at a certain point in time, the Company recognises the sales revenue according to the sales delivery volume and the transaction price settled by the customer when the customer obtains the control of the relevant goods or services.

(3) *Transportation business sales contract*

According to the terms of the sales contract, and with the transportation business sales whose performance obligations are performed at a certain point in time, the Company recognises the sales revenue according to the transportation unit price as required and the distance after relevant transportation businesses are completed.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

38. Revenue *(Continued)*

- (2). **The adoption of different business models for the same type of business will lead to different accounting policies for revenue recognition**

Not applicable

39. Contract costs

(1) **Contract performance cost**

The Company recognises the cost of contract performance as an asset for the cost of performing the contract as meeting:

- 1) The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clear costs borne by the customer, and other costs incurred solely for the contract;
- 2) This cost increases the resources that the company will use to fulfill its performance obligations in the future.
- 3) The cost is expected to be recovered.

(2) **Contract obtainment cost**

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost is recognized as an asset. Incremental cost refers to the cost that the Company will not occur without obtaining a contract, such as sales commission. For the amortisation period not exceeding one year, it is included in the current profit and loss when it occurs.

(3) **Amortisation of contract costs**

The Company recognizes the contract performance cost and the contract acquisition cost on the same basis as the commodity income related to the contract cost asset, and amortizes it at the time when the performance obligation is performed or in accordance with the performance of the performance obligation, and is included in the current profit and loss.

(4) **Contract cost impairment**

For assets related to contract costs, the book value is higher than the difference between the Company's expectation that the goods related to the asset are expected to obtain the remaining consideration and the estimated cost of transferring the relevant goods, and the excess should be depreciated and confirmed as asset impairment losses.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

40. Government subsidies

1. Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation, however excluding the capital invested by the government as a corporate owner. According to the subsidy object stipulated in the documents of relevant government, government subsidies are divided into subsidies related to assets and subsidies related to revenue.

Government subsidies related to assets is obtained by the Company for the purposes of constructing or forming long-term assets in other ways. Government subsidies related to revenue refer to the government subsidies other than those related to assets.

2. Recognition of government subsidies

Where evidence shows that the Company complies with relevant conditions of policies for financial supports and are expected to receive funds rapidly at the end of the period, the amount receivable is recognised as the government subsidies. Otherwise, the government subsidy is recognised upon receipt.

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be obtained, a nominal amount (RMB1) is used. Government subsidies that are measured at nominal amount shall be recognised in current profit or loss directly.

3. Accounting treatment

Government subsidies related to assets are recognised as deferred income, and are recognised under reasonable and systematic approach, in profit and loss in each period over the useful term of the constructed or purchased asset.

Government subsidies related to revenue aimed at compensating for relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognised as deferred income once received, and are recognised as current profit or loss when relevant expenses or losses are recognised. Government subsidies aimed at compensating for relevant expenses or losses the enterprise that are already incurred are charged to current profit or loss once received.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

40. Government subsidies *(Continued)*

3. Accounting treatment *(Continued)*

Government grants related to daily activities of enterprises are included in other income; government grants that are not related to daily activities of enterprises are included in non-operating income and expenditure.

The government subsidy related to the discount interest received from policy-related preferential loans offsets the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be taken as the recording value of the borrowings, and borrowing cost should be calculated using the preferential interest rate according to the loan principal and the policy.

When it is required to return recognised government subsidy, if such subsidy is used to write down the carrying value of relevant assets on initial recognition, the carrying value of the relevant assets shall be adjusted accordingly; if there is relevant balance of deferred income, it shall be written down to relevant book value of relevant deferred income, and the excess is included in current profit or loss; where there is no relevant deferred income, it shall be directly included in current profit or loss.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

41. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are measured and recognised based on the difference (temporary difference) between the taxable base of assets and liabilities and book value. On balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period, when it is expected to recover such assets or repay such liabilities.

1. Criteria for recognition of deferred income tax assets

The Company recognises deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilized. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following features are not recognised: (1) the transaction is not a business combination; (2) neither the accounting profit or the taxable income or deductible losses is affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognised in the following conditions: the temporary difference is probably reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

2. Criteria for recognition of deferred income tax liabilities

The Company recognises deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding:

- (1) temporary difference arising from the initial recognition of goodwill;
- (2) transactions or events arising from no business combination, and neither the accounting profit or the taxable income (or deductible losses) is affected when the transaction or event occurs;
- (3) for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the difference can be controlled and the difference is probably not reversed in a foreseeable future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

41. Deferred tax assets and deferred tax liabilities (Continued)

3. When the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities shall be presented on a net basis

- (1) An enterprise has the statutory right to settle the current income tax assets and current income tax liabilities at their net amounts;
- (2) 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.

42. Lease

(1). Accounting treatment for operating leases

1. Accounting treatment for the leasee

On the commencement date of the lease term, the Company recognises the right-of-use assets and lease liabilities for leases, except for short-term leases and low-value asset leases that are subject to simplified treatment.

- (1) The right-of-use assets shall be initially measured at costs. Such costs include:
 - ① The initial amount of measurement of the lease liabilities;
 - ② If there is a lease incentive for the lease payment paid on or before the commencement date of the lease term, the amount of the lease incentive that has been received shall be deducted;
 - ③ Initial direct costs incurred by the Company;
 - ④ The cost that the Company expects to occur for dismantling and removing the leased assets, restoring the site where the leased assets are, or restoring the leased assets to the agreed status under the terms of the lease terms.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

42. Lease *(Continued)*

(1). Accounting treatment for operating leases *(Continued)*

1. Accounting treatment for the lessee *(Continued)*

- (2) The lease liabilities shall be initially measured at the present value of the lease payments that have not been paid as at the commencement date of the lease term.

When calculating the present value of the lease payments, the Company uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the Company's incremental borrowing rate should be used as the discount rate.

The interest rate implicit in the lease refers to the interest rate that makes the sum of the present value of the lessor's lease receivable amount and the present value of the unsecured residual value equal to the sum of the fair value of the leased asset and the initial direct costs of the lessor.

The Company's incremental borrowing rate refers to the interest rate in which the lessee shall pay when borrowing funds in similar economic environment for the purpose of obtaining assets with value approximating the value of the right-of-use assets during similar periods and on similar terms of mortgage.

- (3) After the commencement date of the lease term, the Company uses the cost model to make subsequent measurement of the right-of-use assets. With reference to the Company's provisions on depreciation of fixed assets, depreciation is made on the right-of-use assets. If the Company can reasonably determine to obtain the ownership of the leased assets at the expiration of the lease term, the Company measures the depreciation within the remaining useful life of the leased asset, and cannot reasonably determine to obtain the ownership of the leased asset at the expiration of the lease term, the Company measures the depreciation at the shorter of the lease term and the remaining useful life of the leased asset.
- (4) The Company determines whether the right-of-use assets are impaired on the balance sheet date, performs impairment test on the right-of-use assets with indicated signs, and accounts for the recognised impairment losses.

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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

42. Lease *(Continued)*

(1). Accounting treatment for operating leases *(Continued)*

1. Accounting treatment for the lessee *(Continued)*

- (5) The Company calculates the interest expense of the lease liabilities for each period of the lease term according to the fixed periodic interest rate, and includes it into the current profit or loss. The variable lease payments that are not included in the measurement of the lease liabilities shall be recognised in current profit or loss in the period they are incurred.

2. Accounting treatment for the lessor

The Company divides the lease into a finance lease and an operating lease on the commencement date of the lease. A finance lease is a lease that transfers substantially all of the risks and rewards associated with the ownership of the leased asset. The ownership may or may not be transferred. Operating leases refer to leases other than finance leases.

A lease is usually classified as a finance lease when one or more of the following conditions are satisfied:

- ① At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee.
- ② The lessee has the option to purchase the leased asset. The purchase price entered into is sufficiently low compared to the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined at the commencement date of the lease that the lessee will exercise the option.
- ③ Although the ownership of the asset is not transferred, the lease term accounts for the majority of the useful life of the leased assets.
- ④ On the commencement date of the lease, the present value of the lease receivable amount is basically equivalent to the fair value of the leased asset.
- ⑤ The leased assets are of a special nature. If no major modifications are made to them, only the lessee can use them.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

42. Lease *(Continued)*

(1). Accounting treatment for operating leases *(Continued)*

2. Accounting treatment for the lessor *(Continued)*

(1) *The lessor's accounting treatment for finance leases*

On the commencement date of the lease term, the Company shall recognise the finance lease receivables for the finance leases and terminate the recognition of the assets under the finance leases.

When the receivables of the finance leases are initially measured, the Company shall account for the net lease investment as the value of the receivables of finance leases. The net lease investment is the sum of the present value of the unsecured residual value and the lease amount that has not been received on the commencement date of the lease term, which is discounted at the interest rate implicit in the lease.

The Company shall calculate and recognise interest income for each period of the lease term at a fixed periodic interest rate.

The variable lease payments received by the Company that are not included in the net amount of the lease investment shall be recognised in current profit or loss when they are incurred.

(2) *The lessor's accounting treatment for operating leases*

During each period of the lease term, the Company recognises the lease receivables of operating leases as rental income using the straight-line method. The initial direct expenses incurred by the Company in relation to the operating leases shall be capitalized and apportioned on the same basis as the rental income recognition during the lease term, and included in current profit or loss.

For fixed assets in operating lease, the Company measures the depreciation in accordance with depreciation policies for similar assets.

The variable lease payments received by the Company that are not included in the lease receivables related to the operating leases are recognised in profit or loss in the period in which they are incurred.



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

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

42. Lease *(Continued)*

(2). Accounting treatment for finance leases

Accounting treatment for sale and leaseback

In accordance with the “Accounting Standards for Business Enterprises No. 14 – Revenue”, the Company evaluates whether the asset transfer in the sale and leaseback transaction is a sale.

- (1) If the transfer of assets in the sale and leaseback transaction is a sale, the lessee shall measure the right-of-use assets formed by the sale and leaseback based on the part of the book value of the original assets related to the use rights obtained from the leaseback, and recognise relevant gains or losses only for the right transferred to the lessor; the lessor shall account for the purchase of the assets in accordance with other applicable accounting standards and account for the leasing of the assets.

If the fair value of the consideration of the sale is different from the fair value of the asset, or the lessor does not rent the asset at the market price, the Company shall account for the amount of the consideration of sale below the market price as the prepaid rent, and the amount higher than the market price as the additional financing provided by the lessor to the lessee; at the same time, the lessee adjusts relevant gains or losses on the sale based on the fair value, and the lessor adjusts the rental income based on the market price.

- (2) If the transfer of assets in the sale and leaseback transaction is not a sale, the lessee shall continue to recognise the transferred assets and recognise a financial liability equal to the transfer income, and account for the financial liability in accordance with the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”; the lessor shall not recognise the transferred assets, but shall recognise a financial asset with an amount equal to the gains on transfer.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

43. Other significant accounting policies and accounting estimates

(1) Safety production expenses

The safety production expenses provided by the Company in accordance with the national regulations are included in the relevant product cost or the current profit or loss, and recorded in the “specific reserve” item. When such safety production expenses are applied and related to revenue expenditures, specific reserve is directly offset. When fixed assets are incurred, they are included in the “construction in progress” item and transferred to fixed assets when the status of the assets is ready for intended use. They are then offset against specific reserve based on the amount included in fixed assets while corresponding amount is recognized in accumulated depreciation. Such fixed assets are no longer depreciated in subsequent periods.

According to the requirements of the Ministry of Finance, the National Coal Mine Safety Administration and relevant government departments, the Company provides coal mine safety expenses based on coal production output and includes the same in production costs. Safety expenses for transportation enterprises are provided based on the actual operating revenue for the previous year, and 1.00% is adopted for ordinary cargo transportation business. Safety expenses for coal-to-oil enterprises of the Company are provided as per the actual operating revenue for the previous year month by month with excessive and accumulative withdrawal method based on the following standards: 4.00% for operating revenue not exceeding RMB10 million; 2.00% for the proportion exceeding RMB10 million but less than RMB100 million; 0.50% for the proportion exceeding RMB100 million but less than RMB1.0 billion; and 0.20% for the proportion exceeding RMB1.0 billion.

Coal mine safety expenses are mainly incurred from the upgrade and transformation of major mine ventilation equipment, improvement and renovation of gas monitoring system and drainage system for mines, comprehensive prevention and control of coal and gas outburst, fire prevention and extinguishing, water control, safety maintenance for electromechanical equipment and facilities, safety maintenance for power supply and distribution system as well as other safety production directly-related investments; transportation sector safety expenses are mainly incurred from the improvement, renovation and maintenance of safeguard facilities and equipment (exclusive of those initially invested under the “Three Simultaneous” requirements), including safety inspection and maintenance system for roadway, waterway, railway and pipeline transporting facilities and equipment and handling instruments, ancillary safety equipment for transporting facilities and equipment and handling instruments, etc.; coal-to-oil safety expenses are mainly incurred from the improvement, renovation and maintenance of safeguard facilities and equipment (exclusive of those initially invested under the “Three Simultaneous” requirements), including monitoring, inspection, ventilation, sun block, temperature control, fireproof, fire extinguishing, anti-explosion, pressure relief, anti-virus, disinfection, neutralization, moisture-proof, anti-lighting, anti-static, anti-corrosion, leak-proof, protective fence or isolation facilities and equipment for workshops, warehouses, tank fields and other workplaces.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting policies

Details of and reasons for the changes in accounting policies	Approval process	Notes (Financial statement items and amounts materially affected)
Accounting Standards for Business Enterprises No. 21 – Leases		See explanations

Other explanations:

(1) Impact on the Company from the adoption of the New Lease Standard

Under the New Lease Standard, the Group adjusted the balance of retained earnings and other related items in the financial statements at the beginning of the year of initial adoption of such standard (1 January 2019) based on the cumulative effect of initial adoption of such standard, with no adjustment to the information for the comparable period.

Upon adoption of the New Lease Standard, opening balances of related items in the balance sheet and cash flow statement for the current period are affected as follows:

Item	Before adoption of the New Lease Standard Amount for January to June 2018/Balance at 31 December 2018		After adoption of the New Lease Standard Amount for January to June 2018/Balance at 1 January 2019		Note
	Amount	Amount affected	Amount	Amount affected	
Right-of-use assets		10,913,278.59		10,913,278.59	
Lease liabilities		341,443,997.32		341,443,997.32	
Long-term payables	853,638,566.68	-330,000,000.00	523,638,566.68		
Undistributed profit at the beginning of the year	24,331,543,771.03	-530,718.73	24,331,013,052.30		
Other cash paid for activities relating to operation	505,802,486.77	-8,960,111.70	496,842,375.07		
Other cash paid for financing activities		8,960,111.70	8,960,111.70		
Total	25,690,984,824.48	21,826,557.18	25,712,811,381.66		

(2). Changes in significant accounting estimates

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

- (3). **Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard**

Consolidated Balance Sheet

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash and bank balance	17,619,345,617.65	17,619,345,617.65	
Bills receivable	108,059,677.35	108,059,677.35	
Accounts receivable	1,481,452,372.49	1,481,452,372.49	
Financing receivables			
Funds paid in advance	866,158,607.74	866,158,607.74	
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Other receivables	643,850,689.43	643,850,689.43	
Including: Interests receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	1,341,020,255.68	1,341,020,255.68	
Contract assets			
Assets held for sale	17,056,603.77	17,056,603.77	
Non-current assets due within one year			
Other current assets	1,496,106,304.83	1,496,106,304.83	
Total current assets	23,573,050,128.94	23,573,050,128.94	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

(3). Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)

Consolidated Balance Sheet (Continued)

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Non-current assets:			
Loans and advances to customers			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	8,916,032,985.53	8,916,032,985.53	
Investments in other equity instruments	7,889,581,854.05	7,889,581,854.05	
Other non-current financial assets	555,210,055.32	555,210,055.32	
Investment property	546,134,734.37	546,134,734.37	
Fixed assets	33,371,998,346.85	33,371,998,346.85	
Construction in progress	13,785,815,058.59	13,785,815,058.59	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		10,913,278.59	10,913,278.59
Intangible assets	2,974,985,561.79	2,974,985,561.79	
Development expenditure	570,959.51	570,959.51	
Goodwill			
Long-term deferred expenses	2,197,294,897.75	2,197,294,897.75	
Deferred income tax assets	686,014,193.07	686,014,193.07	
Other non-current assets	54,707,404.00	54,707,404.00	
Total non-current assets	70,978,346,050.83	70,989,259,329.42	10,913,278.59
Total assets	94,551,396,179.77	94,562,309,458.36	10,913,278.59

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

(3). Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)

Consolidated Balance Sheet (Continued)

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current liabilities:			
Short-term borrowings	900,000,000.00	900,000,000.00	
Borrowings from central bank			
Placements from banks and other financial institutions			
Trading financial liabilities	3,721,440.00	3,721,440.00	
Financial liabilities at fair value through current profit or loss			
Derivative financial liabilities			
Bills payable	1,009,306,562.44	1,009,306,562.44	
Accounts payable	2,710,040,983.63	2,710,040,983.63	
Funds received in advance			
Financial assets sold under repurchase agreements			
Deposit and interbank deposit			
Payables to brokerage			
Acting underwriting securities			
Staff remuneration payable	329,971,033.59	329,971,033.59	
Taxes payable	1,792,896,618.02	1,792,896,618.02	
Other payables	2,256,363,729.52	2,256,363,729.52	
Including: Interest payable	187,163,740.89	187,163,740.89	
Dividend payable	710,430.00	710,430.00	
Fees and commissions payable			
Reinsurance accounts payable			
Contract liabilities	338,370,808.43	338,370,808.43	
Liabilities held for sale			
Non-current liabilities due within one year	9,614,780,562.20	9,614,780,562.20	
Other current liabilities	5,874,623.10	5,874,623.10	
Total current liabilities	18,961,326,360.93	18,961,326,360.93	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

- (3). Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)

Consolidated Balance Sheet (Continued)

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings	27,509,102,119.45	27,509,102,119.45	
Bonds payable	3,441,318,456.58	3,441,318,456.58	
Including: Preferred shares			
Perpetual debt			
Lease liabilities		341,443,997.32	341,443,997.32
Long-term payables	853,638,566.68	523,638,566.68	-330,000,000.00
Long-term staff remuneration payable			0.00
Projected liabilities	464,231,961.93	464,231,961.93	0.00
Deferred income	73,783,748.97	73,783,748.97	0.00
Deferred income tax liabilities	695,612,758.47	695,612,758.47	0.00
Other non-current liabilities			0.00
Total non-current liabilities	33,037,687,612.08	33,049,131,609.40	11,443,997.32
Total liabilities	51,999,013,973.01	52,010,457,970.33	11,443,997.32

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

- (3). Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)

Consolidated Balance Sheet (Continued)

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	3,254,007,000.00	3,254,007,000.00	
Other equity instruments			
Including: Preferred shares			
Perpetual debt			
Capital reserve	2,222,887,682.42	2,222,887,682.42	
Less: Treasury stock			
Other comprehensive income	1,707,916,871.73	1,707,916,871.73	
Special reserve	57,087,245.53	57,087,245.53	
Surplus reserve	1,634,024,476.72	1,634,024,476.72	
General risk provisions			
Undistributed profit	24,331,543,771.03	24,331,013,052.30	-530,718.73
Total equity attributable to owners of the parent company (or shareholders' equity)	33,207,467,047.43	33,206,936,328.70	-530,718.73
Minority interests	9,344,915,159.33	9,344,915,159.33	0.00
Total owners' equity (or shareholders' equity)	42,552,382,206.76	42,551,851,488.03	-530,718.73
Total liabilities and owners' equity (or shareholders' equity)	94,551,396,179.77	94,562,309,458.36	10,913,278.59

Explanations on the adjustment to each item:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

- (3). Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)

Balance Sheet of the Parent Company

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash and bank balance	8,255,930,041.31	8,255,930,041.31	
Trading financial assets			
Financial assets at fair value through current profit or loss			
Derivative financial assets			
Bills receivable	42,300,000.00	42,300,000.00	
Accounts receivable	231,204,081.31	231,204,081.31	
Financing receivables			
Funds paid in advance	452,443,202.58	452,443,202.58	
Other receivables	8,399,470,548.03	8,399,470,548.03	
Including: Interests receivable			
Dividends receivable			
Inventories	844,870,645.43	844,870,645.43	
Contract assets			
Assets held for sale	17,056,603.77	17,056,603.77	
Non-current assets due within one year			
Other current assets	19,756,909.29	19,756,909.29	
Total current assets	18,263,032,031.72	18,263,032,031.72	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

- (3). Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)

Balance Sheet of the Parent Company (Continued)

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	21,801,904,412.02	21,801,904,412.02	
Investments in other equity instruments	6,813,967,788.23	6,813,967,788.23	
Other non-current financial assets	32,964,616.18	32,964,616.18	
Investment property	522,227,666.63	522,227,666.63	
Fixed assets	4,096,978,758.49	4,096,978,758.49	
Construction in progress	220,054,744.80	220,054,744.80	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	741,894,789.69	741,894,789.69	
Development expenditure			
Goodwill			
Long-term deferred expenses	1,159,300,198.54	1,159,300,198.54	
Deferred income tax assets	589,447,791.85	589,447,791.85	
Other non-current assets	10,459,543.00	10,459,543.00	
Total non-current assets	35,989,200,309.43	35,989,200,309.43	
Total assets	54,252,232,341.15	54,252,232,341.15	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

- (3). **Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)**

Balance Sheet of the Parent Company (Continued)

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current liabilities:			
Short-term borrowings	700,000,000.00	700,000,000.00	
Trading financial liabilities			
Financial liabilities at fair value through current profit or loss			
Derivative financial liabilities			
Bills payable	267,182,279.47	267,182,279.47	
Accounts payable	2,212,404,753.76	2,212,404,753.76	
Funds received in advance			
Contract liabilities	463,571,009.54	463,571,009.54	
Staff remuneration payable	139,741,388.96	139,741,388.96	
Taxes payable	1,119,358,675.86	1,119,358,675.86	
Other payables	673,399,888.84	673,399,888.84	
Including: Interest payable			
Dividend payable			
Liabilities held for sale			
Non-current liabilities due within one year	6,820,721,558.52	6,820,721,558.52	
Other current liabilities	4,653,278.73	4,653,278.73	
Total current liabilities	12,401,032,833.68	12,401,032,833.68	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

- (3). Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)

Balance Sheet of the Parent Company (Continued)

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Non-current liabilities:			
Long-term borrowings	10,227,800,000.00	10,227,800,000.00	
Bonds payable	3,441,318,456.58	3,441,318,456.58	
Including: Preferred shares			
Perpetual debt			
Lease liabilities			
Long-term payables	2,638,566.68	2,638,566.68	
Long-term staff remuneration payable			
Projected liabilities	433,002,838.67	433,002,838.67	
Deferred income	1,670,000.00	1,670,000.00	
Deferred income tax liabilities	665,590,576.42	665,590,576.42	
Other non-current liabilities			
Total non-current liabilities	14,772,020,438.35	14,772,020,438.35	
Total liabilities	27,173,053,272.03	27,173,053,272.03	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

V. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

44. Changes in significant accounting policies and accounting estimates (Continued)

(3). Adjustments to relevant items of financial statements at the beginning of the year upon initial adoption of the New Financial Instrument Standard, the New Revenue Standard and the New Lease Standard (Continued)

Balance Sheet of the Parent Company (Continued)

Unit: yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	3,254,007,000.00	3,254,007,000.00	
Other equity instruments			
Including: Preferred shares			
Perpetual debt			
Capital reserve	1,475,066,906.63	1,475,066,906.63	
Less: Treasury stock			
Other comprehensive income	1,623,825,429.61	1,623,825,429.61	
Special reserve	57,087,245.53	57,087,245.53	
Surplus reserve	1,634,024,476.72	1,634,024,476.72	
Undistributed profit	19,035,168,010.63	19,035,168,010.63	
Total owners' equity (or shareholders' equity)	27,079,179,069.12	27,079,179,069.12	
Total liabilities and owners' equity (or shareholders' equity)	54,252,232,341.15	54,252,232,341.15	

Explanations on the adjustment to each item:

Not applicable

(4). Explanations on retroactive adjustments to comparative data in the previous periods upon initial adoption of the New Financial Instrument Standard and the New Lease Standard

Not applicable

45. Others

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VI. TAXATION

1. Major categories of taxes and tax rates

Major categories of taxes and tax rates

Category	Tax basis	Tax rate
Value added tax	Sale of goods, intangible assets or real estate	16.00%, 13.00%, 10.00%, 9.00%, 6.00%
Consumption tax		
Business tax		
City maintenance and construction tax	Payment of the turnover tax	5.00%, 7.00%, 1.00%
Enterprise income tax	Income tax payable	15.00%, 25.00%, 16.50%
Education surcharges	Payment of the turnover tax	3.00%
Local education surcharge	Payment of the turnover tax	2.00%
Water conservancy construction fund	Operating income	0.10%
Resource tax	Coal sales	ad valorem 9.00%
Water tax	Dredge, drain and recycle (including recharge)	2 RMB/m ³
Environmental tax (air pollution)	Sewage equivalent	1.8 RMB/equivalent of pollution
Farmland occupation tax	Farmland actually occupied	25 RMB/m ² , 40 RMB/m ²

Should there be any entity paying taxes being entitled to different enterprise income tax rate, the disclosure is explained below:

Name of entity paying taxes	Income tax rate (%)
The Company	25.00%
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	15.00%
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	15.00%
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)	15.00%
Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	15.00%
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	15.00%
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	15.00%
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰鵬方合成新材料研究院有限公司)	20.00%
Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	20.00%
Yitai HK	16.50%
Other subsidiaries	25.00%



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VI. TAXATION (CONTINUED)

2. Preferential tax treatment

1. Preferential tax treatment policy of the western development

According with the relevant requirements of Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Region Development Strategy (announcement [2012] No. 12 of State Administration of Taxation), from 1 January 2011 to 31 December 2020, for the enterprises located in the western region whose main business belongs to the scope of Catalogue of Encouraged Industries in Western Regions and whose main business income accounts for more than 70.00% of the total income of the enterprise in the current year, are levied enterprise income tax at 15.00% after the application of the enterprise and the examination and verification of the competent tax authorities.

As at 20 August 2014, Catalogue of Encouraged Industries in Western Regions has been approved and promulgated by the State Council, and will take effect from 1 October 2014. The Company's subsidiaries including Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司), Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司), Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司), Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司) belongs to the encouraged industries in Catalogue of Industrial Structure Adjustment Guidance ([2011] Revised) (National Development and Reform Commission Order [2013] No. 21), and are levied enterprise income tax at 15.00% from 2011 to 2020.

2. Preferential tax treatment policy for hi-tech enterprises

According to the relevant requirements of the Administrative Measures for the Hi-tech Enterprise Recognition (Guo Ke Fa Huo [2008] No. 172) and the Guidelines for the Administration of Hi-tech Enterprise Recognition (Guo Ke Fa Huo [2008] No. 362), the Department of Science and Technology of Inner Mongolia Autonomous Region (內蒙古自治區科學技術廳), the Finance Department of Inner Mongolia Autonomous Region (內蒙古自治區財政廳), the State Administration of Taxation of Inner Mongolia Autonomous Region (內蒙古自治區家稅務局) and the Local Taxation Bureau of Inner Mongolia Autonomous Region (內蒙古自治區地方稅務局) jointly issued the Certificate for Hi-tech Enterprise (《高新技術企業證書》) (Certificate No.: GR201615000006) to Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司) and certified it as a hi-tech enterprise for a term of three years. In accordance with the relevant regulations, Inner Mongolia Yitai Coal-to-oil Co., Ltd. will be levied enterprise income tax at 15.00% within three years (2013-2015) after the certification of hi-tech enterprise in 2013. Inner Mongolia Yitai Coal-to-oil Co., Ltd. passed the hi-tech enterprises review in 2016, and is levied enterprise income tax at 15.00% from 2016 to 2018. As of the date of issuance of this report, Inner Mongolia Yitai Coal-to-oil Co., Ltd. is in the period of high-tech enterprise qualification review, and the management expects that the Company can pass the high-tech review, and will still be levied enterprise income tax at 15% from January to June 2019.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VI. TAXATION (CONTINUED)

2. Preferential tax treatment (Continued)

3. Preferential tax treatment policy for modern service industry cooperation zone

According to the relevant requirements of the Notice on Preferential Policies and Catalogue of Enterprise Income Tax in Hengqin New District, Guangdong, Pingtan Comprehensive Pilot Zone, Fujian, and Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen (Cai Shui [2014]No. 26), from 1 January 2014 to 31 December 2020, the enterprises in encouraged industries located in Hengqin New District, Pingtan Comprehensive Pilot Zone and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone will be levied enterprise income tax at 15%. The enterprises in encouraged industries is the enterprises whose main business belongs to the scope of Catalogue of Encouraged Industries in Western Regions and whose main business income accounts for more than 70% of the total income of the enterprise. After the application of the enterprise and the examination and verification of the competent tax authorities, it can be levied enterprise income tax at 15.00%.

As at 25 March 2014, Preferential Policies and Catalogue of Enterprise Income Tax in Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Pingtan Comprehensive Pilot Zone, Hengqin New District, Guangdong has been approved and promulgated by the State Council, and will take effect from 1 January 2014. Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司), the subsidiary of the Company, belongs to the encouraged industries in the Preferential Catalogue of Enterprise Income Tax in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and are levied enterprise income tax at 15.00% from 2017 to 2020.

3. Others

The tax rate of real estate tax is 1.20% based on 90.00% and 70.00% of the original value of real estate, or 12.00% based on rental income.

Staff's individual income tax shall be withheld and paid by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	3,520,869.22	1,696,877.14
Deposits at banks	13,341,645,429.80	16,992,470,271.06
Other monetary funds	147,669,185.49	625,178,469.45
Total	13,492,835,484.51	17,619,345,617.65
Of which: total amount deposited abroad	144,130,546.85	144,441,314.32

Other explanation:

The restricted monetary funds are as follows:

Items	Closing balance	Opening balance
Deposit of bank acceptance bills	117,711,405.73	590,241,852.51
Environmental deposit	19,591,718.80	23,370,555.98
Coal mine risk deposit	10,366,060.96	10,366,060.96
Letter of guarantee deposit		1,200,000.00
Total	147,669,185.49	625,178,469.45

2. Trading financial assets

Unit: yuan Currency: RMB

Item	Closing balance
Financial assets at fair value through profit and loss	5,150,800.00
Of which:	
derivative financial instruments	5,150,800.00
Total	5,150,800.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Derivative financial assets

Not applicable

4. Notes receivable

(1). Categories of notes receivable

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes	36,989,318.87	105,363,593.15
Commercial acceptance notes		2,696,084.20
Total	<u>36,989,318.87</u>	<u>108,059,677.35</u>

(2). Notes receivable pledged by the Company at the end of the period

Not applicable

(3). Endorsed or discounted bills receivable that are not mature on balance sheet date at the end of the period

Unit: yuan Currency: RMB

Items	Confirmed at the period end
Bank acceptance notes	504,719,842.31
Commercial acceptance notes	20,000,000.00
Total	<u>524,719,842.31</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Notes receivable (Continued)

- (4). Notes that were transferred to accounts receivable by the Company at the end of the period because the drawer failed to perform contract

Unit: yuan Currency: RMB

Items	Accounts receivable transferred at the end of the period
Commercial acceptance notes	
Bank acceptance bills	50,000.00
Total	<u>50,000.00</u>

- (5). Disclosure by classification of bad debts provisions

Unit: yuan Currency: RMB

Type	Closing balance				Carrying value	Opening balance				Carrying value
	Carrying balance		Bad debts provision			Carrying balance		Bad debts provision		
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Bad debts provision on combination	36,989,318.87	100.00			36,989,318.87	108,059,677.35	100.00			108,059,677.35
Of which:										
Customers with very low credit risk	36,989,318.87	100.00			36,989,318.87	108,059,677.35	100.00			108,059,677.35
Total	<u>36,989,318.87</u>	<u>/</u>			<u>36,989,318.87</u>	<u>108,059,677.35</u>	<u>/</u>			<u>108,059,677.35</u>

Bad debts provision on single item:

Not applicable

Bad debts provision on combination:

Not applicable

If the bad debts provision is made according to the general model of expected credit losses, please refer to the disclosure of other receivables:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Notes receivable (Continued)

(6). Conditions on bad debts provision

Not applicable

(7). Actual write-off of notes receivable for the current period

Not applicable

5. Accounts receivable

(1). Disclosure by age

Not applicable

(2). Disclosure by classification of bad debts provisions

Unit: yuan Currency: RMB

Type	Closing balance				Opening balance					
	Carrying balance		Bad debts provision		Carrying value	Carrying balance		Bad debts provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Bad debts provision										
on single item	19,964,988.90	1.12	19,964,988.90	100.00		19,964,988.90	1.33	19,964,988.90	100.00	
Bad debts provision										
on combination	1,767,865,076.52	98.88			1,767,865,076.52	1,481,452,372.49	98.67			1,481,452,372.49
Of which:										
Customers with										
very low credit										
risk	1,767,865,076.52	98.88			1,767,865,076.52	1,481,452,372.49	98.67			1,481,452,372.49
Total	1,787,830,065.42	100.00	19,964,988.90	1.12	1,767,865,076.52	1,501,417,361.39	100.00	19,964,988.90	1.33	1,481,452,372.49

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(2). Disclosure by classification of bad debts provisions (Continued)

Bad debts provision on single item:

Unit: yuan Currency: RMB

Name	Carrying balance	Closing balance		Reason
		Bad debts provision	Percentage (%)	
Inner Mongolia Talent Chemical Fertilizer Co., Ltd.	19,964,988.90	19,964,988.90	100.00%	Expected unrecoverable
Total	<u>19,964,988.90</u>	<u>19,964,988.90</u>	100.00%	/

Description of bad debts provision on single item:

Not applicable

Bad debts provision on combination:

Item of provision on combination: Accounts receivable accruing expected credit losses in credit risk characteristic portfolio

Unit: yuan Currency: RMB

Name	Accounts receivable	Closing balance	
		Bad debts provision	Percentage (%)
Customers with very low credit risk	1,767,865,076.52		
Total	<u>1,767,865,076.52</u>		

Recognition standard and description of bad debts provision on combination:

Customers with good credit and regular dealings are assessed to have very low credit risk.

If the bad debts provision is made according to the general model of expected credit losses, please refer to the disclosure of other receivables:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(3). Conditions on bad debts provision

Unit: yuan Currency: RMB

Type	Opening balance	Changes during the period			Closing balance
		Provision	Received or reversed	Resale or write-off	
Accounts receivable subjected to provision for expected credit losses on single item	19,964,988.90				19,964,988.90
Total	19,964,988.90				19,964,988.90

Of which, significant amounts of provision for bad debt recovered or reversed for the period:

Not applicable

(4). Accounts receivable actually written off during the period

Not applicable

(5). Accounts receivable with top five closing balances collected as per the borrowers:

Name of entity	Closing balance	Proportion in total closing balance of accounts receivable (%)	Bad debt provision
First	381,932,376.04	21.36	
Second	125,821,344.30	7.04	
Third	118,866,185.74	6.65	
Fourth	112,736,073.84	6.31	
Fifth	85,482,774.57	4.78	
Total	824,838,754.49	46.14	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(6). Account receivables that were derecognized due to the transfer of financial assets

Not applicable

(7). Amount of assets or liabilities for which accounts receivable is transferred but involvement continues

Not applicable

6. Receivables financing

Not applicable

7. Prepayments

(1). Presentation of prepayments by aging analysis

Unit: yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	898,152,944.65	83.52	762,307,778.25	88.01
1 to 2 years	123,307,120.04	11.47	39,597,261.03	4.57
2 to 3 years	37,602,615.53	3.50	53,347,573.99	6.16
Over 3 years	16,332,746.30	1.51	10,905,994.47	1.26
Total	<u>1,075,395,426.52</u>	<u>100.00</u>	<u>866,158,607.74</u>	<u>100.00</u>

Notes to reasons of significant prepayments over 1 year and not settled in time:

Name of entity	Closing balance	Aging	Reasons
First	43,913,694.28	1 to 2 years	Demolition not yet complete
	18,666,067.30	2 to 3 years	Demolition not yet complete
Second	15,836,384.00	2 to 3 years	Demolition not yet complete
Third	10,286,910.00	1 to 2 years	Demolition not yet complete
Fourth	7,841,677.60	Over 3 years	Service not yet available
Fifth	5,559,624.75	Over 3 years	Service not yet available
Total	<u>102,104,357.93</u>		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Prepayments (Continued)

(2). Advances to suppliers from top five prepaid parties classified based on the closing balance

Name of entity	Closing balance	Proportion of prepayment (%)	Prepayment time	Reasons
First	141,627,405.50	13.17	2018, 2019	Demolition not yet complete
Second	118,269,648.38	11.00	2018, 2019	Demolition not yet complete
Third	101,893,581.28	9.47	2019	Service not yet available
Fourth	80,000,000.00	7.44	2019	Service not yet available
Fifth	56,382,518.15	5.24	2019	Service not yet available
Total	<u>498,173,153.31</u>	<u>46.32</u>		

8. Other receivables

Item presented

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Interest receivable		
Dividends receivable	10,061,128.09	
Other receivables	<u>619,811,910.66</u>	<u>643,850,689.43</u>
Total	<u>629,873,038.75</u>	<u>643,850,689.43</u>

Interest receivables

(1). Classification of interest receivables

Not applicable

(2). Significant overdue interest

Not applicable

(3). Bad debt provision

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

Dividends receivable

- (1). Dividends receivable

Unit: yuan Currency: RMB

Project (or Invested unit)	Closing balance	Opening balance
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	9,720,000.00	
Huaxia Money B Fund (華夏貨幣B基金)	341,128.09	
Total	10,061,128.09	

- (2). Significant dividends receivable aging over 1 year

Not applicable

- (3). Bad debt provision

Not applicable

Other receivables

- (1). Disclosure by aging

Not applicable

- (2). Classified by the nature

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
Intercourse funds	231,267,881.44	290,318,037.13
Security	344,469,210.63	304,336,921.97
Advances	45,432,996.87	44,480,854.72
Employee borrowing	9,457,913.82	15,656,202.36
Deposit	2,364,023.59	2,238,788.94
Total	632,992,026.35	657,030,805.12

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

Other receivables (Continued)

(3). Bad debt provision

Unit: yuan Currency: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
Balance on 1 January 2019		13,180,115.69		13,180,115.69
– Transition to Phase III		8,372,681.49		8,772,681.49
Other changes			8,772,681.49	8,772,681.49
Balance at 30 June 2019		4,807,434.20	8,772,681.49	13,180,115.69

Description of a significant change in the book balance of other receivables in which changes in the losses provision occurred during the period:

Not applicable

The amount of bad debt provision for the current period and the basis for assessing whether the credit risk of financial instruments has increased significantly:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

Other receivables (Continued)

(4). Bad debt provision

Unit: yuan Currency: RMB

Type	Opening balance	Changes during the period			Closing balance
		Closing balance provision	Received or reversed	Resale or write-off	
Other receivables for expected credit losses on a single item	13,180,115.69				13,180,115.69
Total	13,180,115.69				13,180,115.69

Significant amounts of provision for bad debt recovered or reversed for the period:

Not applicable

(5). Other receivables actually written off for the period

Not applicable

(6). Other receivables with top five closing balances collected as per the borrowers

Unit: yuan Currency: RMB

Name of entity	Nature	Closing balance	Aging	Proportion to total amount of closing balance of other receivable (%)	Closing balance of bad debt provision
First	Intercourse funds	103,991,020.00	1-2 year(s)	16.43	
Second	Deposit	94,656,819.04	Within 1 year	14.95	
Third	Intercourse funds	69,675,820.65	Within 1 year	11.01	
Fourth	Deposit	61,011,713.12	Within 1 year	9.64	
Fifth	Deposit	34,795,926.89	Within 1 year	5.50	
Total	/	364,131,299.70	/	57.53	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

Other receivables (Continued)

(7). Accounts receivable related to government subsidy

Not applicable

(8). Other receivables that were derecognised due to the transfer of financial assets

Not applicable

(9). Amount of assets or liabilities for which other receivables are transferred but involvement continues

Not applicable

9. Inventories

(1). Classification of inventories

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories/ provision for impairment in contract performance cost	Book value	Book balance	Provision for decline in value of inventories/ provision for impairment in contract performance	Book value
Raw materials	629,804,018.68	37,906,183.60	591,897,835.08	652,743,922.19	37,907,194.42	614,836,727.77
Finished goods	928,275,364.97	1,308,579.51	926,966,785.46	726,797,166.53	1,308,579.51	725,488,587.02
Low-value consumables	604,037.59		604,037.59	694,940.89		694,940.89
Total	<u>1,558,683,421.24</u>	<u>39,214,763.11</u>	<u>1,519,468,658.13</u>	<u>1,380,236,029.61</u>	<u>39,215,773.93</u>	<u>1,341,020,255.68</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories (Continued)

(2). Provision for decline in value of inventories/provision for impairment in contract performance

Unit: yuan Currency: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or write-off	Other	
Raw materials	37,907,194.42			1,010.82		37,906,183.60
Products in process						
Finished goods	1,308,579.51					1,308,579.51
Turnover materials						
Consumable biological assets						
Contract performance cost						
Total	<u>39,215,773.93</u>	<u></u>	<u></u>	<u>1,010.82</u>	<u></u>	<u>39,214,763.11</u>

(3). Capitalised amount of borrowing costs that is included in the closing balance of the inventory

Not applicable

(4). Information on the amortised amount of cost of contract performance for the period

Not applicable

10. Contract assets

(1). Information for contract assets

Not applicable

(2). The amount of and the reason for the significant changes in book value during the reporting period

Not applicable

(3). Provision for impairment of contract assets in the current period

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Held-for-sale assets

Not applicable

12. Non-current assets due within one year

Not applicable

13. Other current assets

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Contract acquisition costs		
Right of return assets		
Input VAT to be deducted	1,435,561,435.34	1,492,056,405.14
Enterprise income tax prepaid	28,279,628.44	4,046,803.91
Other	2,936.13	3,095.78
Total	<u>1,463,843,999.91</u>	<u>1,496,106,304.83</u>

14. Debt investment

(1). Debt investment

Not applicable

(2). Significant debt investment at the end of period

Not applicable

(3). Provision for impairment

Not applicable



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

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

15. Other debt investment

(1). Other debt investment

Not applicable

(2). Significant other debt investment at the end of period

Not applicable

(3). Provision for impairment

Not applicable

16. Long-term receivables

(1) Long-term receivables

Not applicable

(2) Provision for bad debt

Not applicable

(3) Long-term receivables derecognised due to transfer of financial assets

Not applicable

(4) Amounts of assets or liabilities incurred by its continuous involvement of transferring long-term receivables

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Long-term equity investments

Unit: yuan Currency: RMB

Investee	Increase/decrease in the current period								Closing balance of impairment provisions	
	Opening balance	Added investment	Decrease in investment	Investment profits and losses recognized under equity method	Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision for impairment Others		
I. Joint Ventures										
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	55,112,800.30			-1,582,041.96						53,530,758.34
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)		4,900,000.00		-605,693.87						4,294,306.13
Subtotal	55,112,800.30	4,900,000.00		-2,187,735.83						57,825,064.47
II. Associates										
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	153,582,620.40			3,975,179.77			-20,350,000.00			137,207,800.17
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	489,260,462.88			59,492,137.19						548,752,600.07
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)										
Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	423,055,336.78			8,184,241.95						431,239,578.73
Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華遠酒業有限公司)	14,402,990.00			69,382.78						14,472,372.78
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)	20,834,057.44			-378,843.61						20,455,213.83
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤礦裝備有限責任公司)										250,288.45
Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)	7,656,272,631.08			96,065,013.07						7,752,337,644.15
Ordos Gongguyangla Storage and Transportation Co., Ltd. (鄂爾多斯市公溝陽塔儲運有限責任公司)	58,560,000.00	2,240,000.00								60,800,000.00
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	44,952,086.65			-2,847,656.40						42,104,430.25
Subtotal	8,860,920,185.23	2,240,000.00		164,559,454.75			-20,350,000.00			9,007,369,639.98
Total	8,916,032,985.53	7,140,000.00		162,371,718.92			-20,350,000.00			9,065,194,704.45

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Long-term equity investments (Continued)

Other Description

Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司) has experienced an excess loss, and the investment has been written down to zero according to the equity method.

18. Other equity instruments investment

(1). Other equity instruments investment

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Other equity investment	7,910,261,434.62	0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Other equity instruments investment (Continued)

(2). Non-transactional equity instrument investment

Unit: yuan Currency: RMB

Item	Dividend income recognized for the current period	Cumulative profit	Cumulative loss	Amount of other comprehensive income transferred into retained earnings	Reasons for designating at fair value through other comprehensive income	Reasons for other comprehensive income transferred into retained earnings
Qinhuangdao Port H Share (秦皇島港H股)	-53,814,791.20				Non-transactional equity instrument investment	
Total	<u>-53,814,791.20</u>	<u></u>	<u></u>	<u></u>		

19. Other non-current financial assets

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Subtotal of other non-current financial assets measured at fair value and its changes included in the current profits and losses		
Equity instrument investment	<u>896,100,931.80</u>	<u>555,210,055.32</u>
Total	<u>896,100,931.80</u>	<u>555,210,055.32</u>

Other Description:

The other non-current financial assets in the current period increased significantly over the previous period, which is mainly attributed to Hangzhou Xinyu's new private fund investment cost of RMB275,000,000.00, Jiuyou Investment's new private fund investment cost of RMB36,448,000.00 and change in fair value at end of period of RMB29,442,876.48.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Investment properties

Measurement model of investment properties

- (1). Investment properties with cost measurement model

Unit: yuan Currency: RMB

Item	Houses and buildings	Total
I. Original carrying amount		
1. Opening balance	765,998,232.38	765,998,232.38
2. Addition during the period		
3. Decrease during the period		
4. Closing balance	765,998,232.38	765,998,232.38
II. Accumulated depreciation or amortization		
1. Opening balance	219,863,498.01	219,863,498.01
2. Addition during the period	18,231,087.78	18,231,087.78
(1) Provision or depreciation	18,231,087.78	18,231,087.78
3. Decrease during the period		
4. Closing balance	238,094,585.79	238,094,585.79
III. Impairment Provision		
1. Opening balance		
2. Addition during the period		
3. Decrease during the period		
4. Closing balance		
IV. Carrying amount		
1. At the end of the period	527,903,646.59	527,903,646.59
2. At the beginning of the period	546,134,734.37	546,134,734.37

- (2). Investment properties with pending certificates of ownership:

Unit: yuan Currency: RMB

Item	Carrying amount	Reasons for pending certificates of ownership
Hohhot Office Building	19,065,043.13	Still under processing



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Fixed assets

Items presented

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	32,690,222,290.98	33,371,998,346.85
Fixed assets in liquidation		
Total	<u>32,690,222,290.98</u>	<u>33,371,998,346.85</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Fixed assets (Continued)

Fixed assets

(1). Fixed assets

Unit: yuan Currency: RMB

Item	Houses and buildings	Automobile	Well construction	Road	Railway	Transportation equipment	Mechanical equipment	Other equipment	Total
I. Original carrying amount									
1. Opening balance	9,644,645,443.60	399,588,461.80	1,909,751,280.81	659,388,043.25	11,813,964,767.40	217,265,848.41	17,818,665,905.49	1,162,344,339.21	43,625,614,089.97
2. Addition during the period	47,879,195.38	370,948.71	0.00	1,181,696.72	4,934,120.67	8,311,421.50	272,399,279.05	31,743,403.96	366,820,065.99
(1) Acquisition	43,128,379.06	370,948.71				8,133,643.72	248,411,788.29	15,805,865.80	315,850,625.58
(2) Transfer from construction in progress	6,365,565.71				4,501,068.00		1,041,174.66	10,710,278.01	22,618,086.38
(4) Transfer from other companies						177,777.78	22,946,316.10	5,227,260.15	28,351,354.03
(5) Reclassification	-1,614,749.39			1,181,696.72	433,052.67				
3. Decrease during the period	37,198,728.13					4,309,809.13	93,483,249.26	5,832,443.26	140,824,229.78
(1) Disposal or scrapping	37,198,728.13					4,309,809.13	93,483,249.26	5,832,443.26	140,824,229.78
4. Closing balance	9,655,325,910.85	399,959,410.51	1,909,751,280.81	660,569,739.97	11,818,898,888.07	221,267,460.78	17,997,581,935.28	1,188,255,299.91	43,851,609,926.18
II. Accumulated depreciation									
1. Opening balance	1,733,762,662.87	295,357,752.68	387,723,597.71	284,119,008.30	1,887,787,535.33	161,285,509.93	4,529,147,682.15	701,985,836.01	9,981,169,584.98
2. Addition during the period	189,986,269.90	13,481,027.27	36,876,921.15	16,665,354.43	148,575,865.21	7,280,816.86	510,625,917.32	48,293,662.00	971,185,834.14
(1) Provision	189,411,184.57	13,481,027.27	36,876,921.15	16,380,824.18	148,860,395.46	7,111,927.97	497,162,502.29	48,233,679.97	957,518,462.86
(2) Transfer from other companies						168,888.89	13,438,202.68	60,279.71	13,667,371.28
(3) Reclassification	-24,914.67			284,530.25	-284,530.25		25,212.35	-297.68	
3. Decrease during the period	222,934.76					3,954,229.90	58,629,661.39	607,116.01	63,413,942.06
(1) Disposal or scrapping	222,934.76					3,954,229.90	58,629,661.39	607,116.01	63,413,942.06
4. Closing balance	1,922,925,998.01	308,838,779.95	424,600,518.86	300,784,362.73	2,036,363,400.54	164,612,096.89	4,981,143,938.08	749,672,382.00	10,888,941,477.06
III. Impairment provision									
1. Opening balance	267,728,243.69	34,200.00	2,108,147.64	2,575,566.81					272,446,158.14
2. Addition during the period			34,934,092.00						34,934,092.00
(1) Provision			34,934,092.00						34,934,092.00
(2) Other transfer-in									
3. Decrease during the period	34,934,092.00								34,934,092.00
(2) Other transfer-out	34,934,092.00								34,934,092.00
4. Closing balance	232,794,151.69	34,200.00	37,042,239.64	2,575,566.81					272,446,158.14
IV. Carrying amount									
1. At the end of the period	7,499,605,761.15	91,086,430.56	1,448,108,522.31	357,209,810.43	9,782,535,487.53	56,655,363.89	13,016,437,997.20	438,582,917.91	32,690,222,290.98
2. At the beginning of the period	7,643,154,537.04	104,196,509.12	1,519,919,535.46	372,693,468.14	9,926,177,232.07	55,980,338.48	13,289,518,223.34	460,358,503.20	33,371,998,346.85

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Fixed assets (Continued)

Fixed assets (Continued)

(2). Particulars of temporarily idle fixed assets

Unit: yuan Currency: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Book value	Remark
Mechanical equipment	7,550,885.97	7,041,390.00		509,495.97	
Transportation equipment	501,946.59	476,849.26		25,097.33	
Well construction	59,345.00	10,264.22	29,370.34	19,710.44	
Other equipment	1,309,865.25	1,241,864.89		68,000.36	
Total	<u>9,422,042.81</u>	<u>8,770,368.37</u>	<u>29,370.34</u>	<u>622,304.10</u>	

(3). Fixed assets acquired under finance leases

Not applicable

(4). Fixed assets leased by way of operating lease

Not applicable

(5). Fixed assets with pending certificates of ownership

Unit: yuan Currency: RMB

Item	Carrying amount	Reasons for fixed assets with pending certificates of ownership
Houses and buildings	<u>639,737,694.49</u>	Still in processing
Total	<u>639,737,694.49</u>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Fixed assets (Continued)

Fixed assets in liquidation

Not applicable

22. Construction in progress

Items presented

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	12,603,719,649.53	12,181,262,488.38
Construction materials	1,636,289,280.20	1,604,552,570.21
Total	14,240,008,929.73	13,785,815,058.59

Construction in progress

(1). Construction in progress

Unit: yuan Currency: RMB

Item	Closing balance		Book value	Opening balance		Book value
	Book balance	Impairment provision		Book balance	Impairment provision	
Construction in progress	12,843,318,134.51	239,598,484.98	12,603,719,649.53	12,420,860,973.36	239,598,484.98	12,181,262,488.38
Total	12,843,318,134.51	239,598,484.98	12,603,719,649.53	12,420,860,973.36	239,598,484.98	12,181,262,488.38

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Construction in progress (Continued)

Construction in progress (Continued)

(2). Movements of major construction projects in progress during the period

Unit: yuan Currency: RMB

Item	Budget	Opening balance	Additions during the period	Transfer to fixed assets during the period	Other decrease during the period	Closing balance	Investment percentage to total budget (%)	Project Progress	Accumulated amount of interest capitalized	Of which: amount of interest capitalized during the period	Interest capitalization rate of the period (%)	Source of the fund
The 1.2 million tonnes of fine chemicals project of Yitai Chemical	16,880,260,000	202,450,968.13	58,151,953.23			280,602,921.36	100.00	100.00	2,063,130,235.42			Loan, other
Ningmeng-0.50 Mt/pta Fischer-Tropsch alkane fine separation project	544,445,700	112,789,881.07	7,744,048.82			120,533,929.89	24.15	24.15				Self-owned fund
Yitai Energy-1 million tonnes Coal-to-Oil Project	16,068,000,000	4,928,258,886.72	121,668,489.43			5,049,927,386.15	40.89	40.89	1,371,290,418.82	110,887,468.08	6.05	Loan, other
Xinjiang Energy-2 million tonnes Coal-to-Oil Project	32,007,889,100	4,259,691,263.99	173,443,971.82			4,433,135,235.81	20.08	20.08	1,227,709,624.00	116,331,841.02	7.75	Loan, other
Yitai Mining- Auxiliary mining project	2,628,866,500	921,472,432.97	19,066,622.08			940,559,055.05	40.85	40.85	155,348,544.56	14,114,625.44	6.43	Loan, other
Coal-to-oil-2 million tonnes indirect coal-to-liquids conversion project	29,342,310,400	712,180,502.20	39,447,846.75	5,217,148.15		746,411,200.80	3.15	3.15	71,830,182.11			Loan, other
Dama railway	3,295,000,000	559,153,259.66	725,466.05			559,878,725.71	19.78	19.78				Self-owned fund
Other items		724,863,778.62	24,806,839.95	17,400,938.23		732,269,679.74			61,578,109.92			Other
Total	100,766,771,700	12,420,860,973.36	445,075,247.53	22,618,086.38	-	12,843,316,134.51	-	-	4,950,887,114.83	241,333,924.54	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Construction in progress (Continued)

Construction in progress (Continued)

- (3). Provision for impairment of construction in progress in the current period

Not applicable

Construction materials

Unit: yuan Currency: RMB

Item	Closing balance		Book value	Opening balance	
	Book balance	Impairment provision		Book balance	Impairment provision
Construction materials	971,398,876.14		971,398,876.14	961,543,809.02	961,543,809.02
Equipment not yet installed	664,890,404.06		664,890,404.06	643,008,761.19	643,008,761.19
Total	<u>1,636,289,280.20</u>		<u>1,636,289,280.20</u>	<u>1,604,552,570.21</u>	<u>1,604,552,570.21</u>

23. Productive biological assets

- (1). Productive biological assets with cost measurement model

Not applicable

- (2). Productive biological assets with fair value measurement model

Not applicable

24. Oil and gas assets

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Right-of-use asset

Unit: yuan Currency: RMB

Item	Office building	Total
I. Original carrying amount		
1. Opening balance	11,905,394.84	11,905,394.84
2. Closing balance	11,905,394.84	11,905,394.84
II. Accumulated depreciation		
1. Opening balance	992,116.25	992,116.25
2. Addition during the period	1,190,539.50	1,190,539.50
(1) Provision	1,190,539.50	1,190,539.50
3. Decrease during the period		
4. Closing balance	2,182,655.75	2,182,655.75
III. Impairment provision		
IV. Carrying amount		
1. At the end of the period	9,722,739.09	9,722,739.09
2. At the beginning of the period	10,913,278.59	10,913,278.59

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Intangible assets

(1). Intangible assets

Unit: yuan Currency: RMB

Item	Land use rights	Resource assets	Patented		Road use rights	Non-patented		Total
			technology	Software		Patent rights	technology	
I. Original carrying amount								
1. Opening balance	1,797,005,714.61	1,336,725,046.96	303,308,701.13	117,201,321.55	213,842,927.52			3,768,083,711.77
2. Addition during the period	13,553,829.91			1,682,006.64				15,235,836.55
(1) Acquisition	13,553,829.91			1,682,006.64				15,235,836.55
3. Decrease during the period								
4. Closing balance	1,810,559,544.52	1,336,725,046.96	303,308,701.13	118,883,328.19	213,842,927.52			3,783,319,548.32
II. Accumulated amortisation								
1. Opening balance	234,078,625.67	264,747,529.10	28,436,119.16	109,642,814.68	139,411,293.28			776,316,381.89
2. Addition during the period	19,062,923.17	27,514,321.05	8,897,834.20	1,885,222.66	2,350,472.66			59,710,773.74
(1) Provision	19,062,923.17	27,514,321.05	8,897,834.20	1,885,222.66	2,350,472.66			59,710,773.74
3. Decrease during the period								
4. Closing balance	253,141,548.84	292,261,850.15	37,333,953.36	111,528,037.34	141,761,765.94			836,027,155.63
III. Impairment provision								
1. Opening balance	4,894,175.19	11,887,592.90						16,781,768.09
2. Addition during the period								
3. Decrease during the period								
4. Closing balance	4,894,175.19	11,887,592.90						16,781,768.09
IV. Carrying amount								
1. At the end of the period	1,552,523,820.49	1,032,575,603.91	265,974,747.77	7,355,290.85	72,081,161.58			2,930,510,624.60
2. At the beginning of the period	1,558,032,913.75	1,060,089,924.96	274,872,581.97	7,558,506.87	74,431,634.24			2,974,985,561.79

At the end of period, intangible assets formed through internal research and development of the Company account for 0% of the balance of intangible assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Intangible assets (Continued)

(2). Land use rights with pending certificates of ownership

Unit: yuan Currency: RMB

Item	Carrying amount	Reasons for pending certificates of ownership
Land use rights	43,746,983.22	Still under processing
Total	43,746,983.22	

27. Development expenditure

Unit: yuan Currency: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Internal development expenditure	Others	Recognized as intangible assets	Transfer to current profit and loss	
Development and application research of direct injection modifiers of Fischer-Tropsch wax for road	570,959.51	637,036.72				1,207,996.23
Total	570,959.51	637,036.72				1,207,996.23

28. Goodwill

(1). Original value of goodwill

Not applicable

(2). Impairment provision for goodwill

Not applicable

(3). Information about the asset group or the portfolio of asset group to which goodwill belongs

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Goodwill (Continued)

- (4). **Description of process of goodwill impairment test, key parameters (such as forecast growth rate, steady growth rate, profit margin, discount rate, forecast period, etc. in estimating the present value of future cashflows, if applicable) and recognition of goodwill impairment**

Not applicable

- (5). **Impact of goodwill impairment test**

Not applicable

29. Long-term deferred expenses

Unit: yuan Currency: RMB

Item	Opening balance	Increase during the period	Amortization during the period	Closing balance
Compensation and divestiture fees for open mining and demolition	2,112,624,185.52	1,009,722,330.97	978,900,165.90	2,143,446,350.59
Land lease fees	32,529,357.12	1,174,476.25	687,833.33	33,016,000.04
Water rights fees	9,605,396.93		721,457.49	8,883,939.44
Railway bridge tunnel rental fee	31,561,977.87		402,063.42	31,159,914.45
Others	10,973,980.31	3,147,890.10	4,882,347.30	9,239,523.11
Total	2,197,294,897.75	1,014,044,697.32	985,593,867.44	2,225,745,727.63

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Deferred tax assets/deferred tax liabilities

(1). Deferred income tax assets before offsetting

Unit: yuan Currency: RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets impairment	595,485,354.92	146,473,223.45	595,485,354.92	146,473,223.45
Unrealised profit of internal transaction	102,334,290.80	24,491,560.95	82,331,572.71	19,460,220.62
Deductible losses	13,315,261.00	3,328,815.25	13,315,261.00	3,328,815.25
Business combination	1,326,289,771.08	331,572,442.77	1,534,458,130.48	383,614,532.62
Price adjustment fund	3,999,999.80	999,999.95	3,999,999.80	999,999.95
Commissioning profit	435,508,693.54	88,693,223.23	350,706,124.81	89,338,878.04
Deferred earnings and others	169,427,571.12	40,883,568.44	171,324,263.25	39,862,821.79
Ecological compensation	11,742,805.40	2,935,701.35	11,742,805.40	2,935,701.35
Total	<u>2,658,103,747.66</u>	<u>639,378,535.39</u>	<u>2,763,363,512.37</u>	<u>686,014,193.07</u>

(2). Deferred income tax liabilities before offsetting

Unit: yuan Currency: RMB

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of other equity instruments	2,306,706,315.75	563,627,909.96	2,371,868,000.00	579,349,635.91
Accelerated depreciation of fixed assets	490,642,186.05	116,263,122.56	490,642,186.05	116,263,122.56
Total	<u>2,797,348,501.80</u>	<u>679,891,032.52</u>	<u>2,862,510,186.05</u>	<u>695,612,758.47</u>

(3). Deferred income tax assets or liabilities presented on net basis after offsetting

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Deferred tax assets/deferred tax liabilities (Continued)

(4). Details of unrecognized deferred income tax assets

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Deductible temporary difference		
Deductible loss	611,448,805.49	436,154,698.41
Deferred income	58,905,074.77	58,783,748.97
Provision for assets impairment	30,714,208.10	58,468,432.71
Total	701,068,088.36	553,406,880.09

(5). Deductible loss of the unrecognized deferred income tax assets will be due in the following years

Unit: yuan Currency: RMB

Year	Closing amount	Opening amount	Remark
2019		18,559,449.42	
2020	13,490,871.29	14,967,176.00	
2021	16,667,332.43	17,901,813.92	
2022	254,627,498.94	255,703,020.76	
2023	125,642,863.74	129,023,238.31	
2024	201,020,239.09		
Total	611,448,805.49	436,154,698.41	/

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other non-current assets

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Advanced road payment	40,212,861.00	40,212,861.00
Prepaid land transfer fee	10,459,543.00	10,459,543.00
Other	4,035,000.00	4,035,000.00
Total	54,707,404.00	54,707,404.00

32. Short-term borrowings

(1). Classification of short-term borrowings

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings		600,000,000.00
Credit borrowings		300,000,000.00
Total		900,000,000.00

Description of classification of short-term borrowings:

Nil

(2). Short-term borrowing that is due but unpaid

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Transactional financial liabilities

Unit: yuan Currency: RMB

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Transactional financial liabilities	3,721,440.00		3,721,440.00	
Of which:				
Derivative financial liabilities	3,721,440.00		3,721,440.00	
Financial liabilities designating at fair value through profit and loss				
Total	<u>3,721,440.00</u>		<u>3,721,440.00</u>	

Other Description:

At the beginning of the period, the thermal coal futures business floated a loss of RMB3,721,440.00.

34. Derivative financial liabilities

Not applicable

35. Notes payable

Unit: yuan Currency: RMB

Type	Closing balance	Opening balance
Commercial acceptance notes	618,905,942.86	312,938,062.44
Bank acceptance notes	158,500,000.00	696,368,500.00
Total	<u>777,405,942.86</u>	<u>1,009,306,562.44</u>

At the end of the period, the total notes payable that are due but unpaid amounted to RMB0.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Accounts payable

(1). Accounts payable presented

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Coal purchasing payable	631,052,325.91	415,948,741.50
Materials and equipment payable	597,148,684.34	588,751,256.11
Mining and mining works payable	615,736,060.61	1,031,872,341.61
Freight payable	58,414,589.46	103,788,048.75
Maintenance fee payable	22,694,875.63	77,924,646.94
Other	149,314,227.99	491,755,948.72
Total	<u>2,074,360,763.94</u>	<u>2,710,040,983.63</u>

(2). Significant accounts payable with the aging over 1 year

Unit: yuan Currency: RMB

Items	Closing balance	Reasons for unrepayment or carrying over
First	60,274,694.97	Not in payment period
Second	17,940,759.37	Not in payment period
Third	11,595,411.92	Not in payment period
Fourth	4,532,860.85	Not in payment period
Fifth	4,325,506.66	Not in payment period
Total	<u>98,669,233.77</u>	/

37. Advances

(1). Advanced payment presented

Not applicable

(2). Significant advances with the aging over 1 year

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Employee benefits payable

(1). Employee benefits payable presented

Unit: yuan Currency: RMB

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term remuneration	326,189,146.97	578,150,049.82	822,572,542.38	81,766,654.41
II. Post-employment – Defined contribution plan	3,781,886.62	54,289,018.56	54,932,406.97	3,138,498.21
III. Termination benefits				
IV. Other benefits due within one year				
Total	329,971,033.59	632,439,068.38	877,504,949.35	84,905,152.62

(2). Short-term remuneration presented

Unit: yuan Currency: RMB

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Salary, bonus, allowances and subsidies	313,175,171.88	509,982,457.74	750,987,716.93	72,169,912.69
II. Employee welfare		12,357,897.81	12,357,897.81	
III. Social insurance	1,328,825.64	19,544,352.10	19,511,816.52	1,361,361.22
Of which: Medical insurance	1,030,139.14	16,079,064.51	15,977,005.29	1,132,198.36
Work injury insurance	117,317.60	1,054,138.46	1,074,796.57	96,659.49
Maternity insurance	181,368.90	2,411,149.13	2,460,014.66	132,503.37
IV. Housing fund	1,864,499.20	24,326,061.00	24,649,726.00	1,540,834.20
V. Union expenses and employees education expenses	9,820,650.25	11,939,281.17	15,065,385.12	6,694,546.30
VI. Short-term paid leave				
VII. Short-term profit sharing plan				
Total	326,189,146.97	578,150,049.82	822,572,542.38	81,766,654.41

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Employee benefits payable (Continued)

(3). Defined contribution plan

Unit: yuan Currency: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1 · Basic retirement insurance	3,014,211.28	43,927,409.44	44,434,890.84	2,506,729.88
2 · Unemployment insurance	169,525.34	1,223,356.12	1,272,960.13	119,921.33
3 · Enterprise annuity payment	598,150.00	9,138,253.00	9,224,556.00	511,847.00
Total	<u>3,781,886.62</u>	<u>54,289,018.56</u>	<u>54,932,406.97</u>	<u>3,138,498.21</u>

Other description:

Description of Defined contribution plan: According to the Labor Law of the People's Republic of China, Enterprise Annuity Tentative Procedures, Interim Measures for the Administration of Enterprise Annuity Funds, based on the actual situation of the Company, Inner Mongolia Yitai Coal Co., Ltd. established an enterprise annuity plan on 1 January 2009. Its trustee is China Construction Bank Corporation, the account manager is Ping An Annuity Insurance Company of China, Ltd, and the custodian is Bank of China. The scope of the annuity plan is for employees who sign formal labor agreements with enterprises and participate in basic endowment insurance. The monthly contribution salary base of employees is RMB2,500.00, the enterprise contribution ratio is 10.00%, the individual contribution ratio is 2.00%. As of 30 June 2019, there is no significant change in annuity plan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Taxes payable

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Value-added tax	159,285,915.82	883,346,009.69
Consumption tax		
Business tax		
Enterprise income tax	269,342,198.96	612,491,390.87
Individual income tax	2,784,848.32	6,823,425.56
City maintenance and construction tax	9,245,777.09	17,911,624.46
Price adjustment funds	3,999,999.93	3,999,999.73
Resources tax	87,974,626.09	235,155,147.46
Withholding tax	1,421,046.67	1,337,635.51
Education surcharge	4,756,600.92	8,787,806.62
Foundation for water works	3,523,566.59	2,603,370.03
Local education surcharge	3,183,007.61	5,434,239.22
Stamp duty	1,716,256.37	3,127,450.58
Property tax	11,428.57	41,590.54
Water resources tax	94,334.50	7,180,395.70
Environmental tariff	60,638.84	4,652,555.20
Land use tax		3,976.85
Total	547,400,246.28	1,792,896,618.02

40. Other payables

Items are presented as follows:

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Interests payable	320,339,142.41	187,163,740.89
Dividends payable		710,430.00
Other payables	2,251,931,453.88	2,068,489,558.63
Total	2,572,270,596.29	2,256,363,729.52

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Other payables (Continued)

Interests payable

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Interest on long-term borrowings with interest payments by installment and principal payments at due	27,023,138.84	60,676,606.75
Interest on corporate bonds	292,881,003.57	124,753,225.81
Interest payable on short-term borrowings	435,000.00	1,733,908.33
Interest on financial liabilities classified as preferred shares/perpetual bonds		
Total	<u>320,339,142.41</u>	<u>187,163,740.89</u>

Significant overdue interest payments:

Not applicable

Dividends payable

Not applicable

Other payables

(1). Other payables presented by nature of amount

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Payments of construction and installation engineering and equipment	1,677,702,348.61	1,783,199,948.65
Deposits and margins	332,801,492.62	208,025,192.96
Coal pipe fee		39,104,013.44
Others	241,427,612.65	38,160,403.58
Total	<u>2,251,931,453.88</u>	<u>2,068,489,558.63</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Other payables (Continued)

Other payables (Continued)

- (2). Significant other payables aged over 1 year

Unit: yuan Currency: RMB

Item	Closing balance	Reason for outstanding or carry-forward
First	118,492,760.31	Undue
Second	103,000,000.00	Deposits
Third	87,645,000.00	Undue
Fourth	68,307,046.22	Undue
Fifth	67,175,684.00	Undue
Total	<u>444,620,490.53</u>	

41. Contractual liability

(1). Contractual liability

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Contractual liability related to the sales contract	<u>489,722,768.32</u>	<u>338,370,808.43</u>
Total	<u>489,722,768.32</u>	<u>338,370,808.43</u>

(2). The amount of and reason for the significant change in carrying amount during the reporting period

Not applicable

Other descriptions:

The Company's sales contract usually constitutes a single performance obligation, which is an obligation to perform at a certain point in time. The Company recognises income when the customer obtains control of the relevant commodity. On 30 June 2019, the time on performance obligations under certain sales contract of the Company was later than the customer's payment time, thus forming a contractual liability related to the sales contract.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Liabilities held for sale

Not applicable

43. Non-current liabilities due within 1 year

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within 1 year	4,725,272,402.10	5,119,009,003.68
Bonds payable due within 1 year	4,498,502,426.96	4,495,771,558.52
Total	<u>9,223,774,829.06</u>	<u>9,614,780,562.20</u>

44. Other current liabilities

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Taxation to be written off	11,880,460.43	5,874,623.10
Total	<u>11,880,460.43</u>	<u>5,874,623.10</u>

Change in short-term bonds payable:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Long-term borrowings

(1). Classification of long-term borrowings

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	17,725,414,546.15	19,100,102,119.45
Fiduciary loan	8,771,000,000.00	8,409,000,000.00
Total	<u>26,496,414,546.15</u>	<u>27,509,102,119.45</u>

Description on classification of long-term borrowings:

None

Other description, including interest rate range:

Not applicable

46. Bonds payable

(1). Bonds payable

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Other bonds payable	8,429,121,993.43	7,937,090,015.10
Less: bonds payable due within 1 year	<u>-4,498,502,426.96</u>	<u>-4,495,771,558.52</u>
Total	<u>3,930,619,566.47</u>	<u>3,441,318,456.58</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Bonds payable (Continued)

(2). Change in bonds payable (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

Unit: yuan Currency: RMB

Name of bonds	Par value	Date of issue	Term of bonds	Issue size	Opening balance	Issue size in the period	Provision for interest at par value	Amortisation of premium or discount	Repay in the period	Closing balance
14 Yitai 01	100.00	2014/10/8	5 years	4,500,000,000.00	4,495,771,558.52		157,275,000.00	2,730,868.44		4,498,502,426.96
18 Yitai 01	100.00	2018/6/8	3 years	1,500,000,000.00	1,492,417,848.37		45,000,000.00	1,452,625.18		1,493,870,473.55
18 Yitai 02	100.00	2018/12/18	3 years	2,000,000,000.00	1,948,900,608.21		50,000,000.00	8,110,370.66		1,957,010,978.87
19 Yitai 01	100.00	2019/04/02	5 years	500,000,000.00		500,000,000.00	5,852,777.76	-20,261,885.95		479,738,114.05
Total	/	/	/	8,500,000,000.00	7,937,090,015.10	500,000,000.00	258,127,777.76	-7,968,021.67		8,429,121,993.43

(3). Description on condition and time for conversion of convertible corporate bonds

Not applicable

(4). Description on other financial instrument classified as financial liabilities

Basic information of other financial instruments such as preferred shares and perpetual bonds issued at the end of the period

Not applicable

Table of changes in financial instruments such as preferred shares and perpetual bonds issued at the end of the period

Not applicable

Description on basis of dividing other financial instruments into financial liabilities

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Lease liabilities

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Liabilities related to leases	<u>340,440,662.37</u>	<u>341,443,997.32</u>
Total	<u><u>340,440,662.37</u></u>	<u><u>341,443,997.32</u></u>

48. Long-term payables

Items presented

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term payables	<u>526,655,233.36</u>	<u>523,638,566.68</u>
Total	<u><u>526,655,233.36</u></u>	<u><u>523,638,566.68</u></u>

Long-term payables

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term borrowings from non-financial institutions	<u>526,655,233.36</u>	<u>523,638,566.68</u>
Total	<u><u>526,655,233.36</u></u>	<u><u>523,638,566.68</u></u>

Special payables

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Long-term payroll payable

Not applicable

50. Estimated liabilities

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance	Formation reasons
Reclamation fee	464,231,961.93	475,563,263.75	Make provision based on management estimates
Total	464,231,961.93	475,563,263.75	/

Other descriptions, including the related significant assumptions and estimates related to significant estimated liabilities:

None

51. Deferred income

Deferred income

Unit: yuan Currency: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Formation reasons
Government subsidy	73,783,748.97	443,591.00	797,265.20	73,430,074.77	
Total	73,783,748.97	443,591.00	797,265.20	73,430,074.77	/

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Deferred income (Continued)

Projects involving government subsidy:

Unit: yuan Currency: RMB

Liability project	Opening balance	New subsidy in the period	Amount included in other income in the period	Closing balance	Relating to assets/ relating to income
Xiyngzi coal storage plant treatment and dust suppression project	50,000.00		50,000.00		Relating to assets
Hongyi Mine airtight cylinder coal storage warehouse project	1,620,000.00		90,000.00	1,530,000.00	Relating to assets
Boiler flue gas desulfurization project	6,700,000.00		200,000.00	6,500,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilization project	4,550,000.00		125,000.00	4,425,000.00	Relating to assets
Waste steam power generation project	3,125,000.00		125,000.00	3,000,000.00	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	625,000.00		25,000.00	600,000.00	Relating to assets
Large pressure vessel project with annual capacity of 60,000t	4,480,000.00			4,480,000.00	Relating to assets
R&D funds for coal indirect liquefaction process	2,000,000.00			2,000,000.00	Relating to assets
Ordos Finance Bureau 2018 unemployment insurance enterprises assistance posts-stabilizing subsidy		423,500.00		423,500.00	Relating to income
R&D subsidy from Tianjin University	175,248.97	20,091.00	182,265.20	13,074.77	Relating to income
Infrastructure subsidy	50,458,500.00			50,458,500.00	Relating to assets
Total	73,783,748.97	443,591.00	797,265.20	73,430,074.77	

52. Other non-current liabilities

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Share capital

Unit: yuan Currency: RMB

	Opening balance	Issue new shares	Increase or decrease in the period			Sub-total	Closing balance
			Bonus share	Transfer of capital reserve to ordinary shares	Others		
1. Shares subject to selling restrictions							
(1) Other domestic shares	1,600,000,000.00						1,600,000,000.00
Including: shareholding by domestic legal person	1,600,000,000.00						1,600,000,000.00
Total shares subject to selling restrictions	1,600,000,000.00						1,600,000,000.00
2. Shares not subject to selling restrictions							
(1) Foreign shares listed domestically	1,328,000,000.00						1,328,000,000.00
(2) Foreign shares listed overseas	326,007,000.00						326,007,000.00
Total shares not subject to selling restrictions	1,654,007,000.00						1,654,007,000.00
Total shares	3,254,007,000.00						3,254,007,000.00

54. Other equity instruments

(1) Basic information of other financial instruments such as preferred shares and perpetual bonds issued at the end of the period

Not applicable

(2) Table of changes in financial instruments such as preferred shares and perpetual bonds issued at the end of the period

Not applicable

Change in other equity instrument in the period, reason for change and basis for relevant accounting treatment:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Capital reserve

Unit: yuan Currency: RMB

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium (equity premium)	809,379,680.00		7,092.73	809,372,587.27
Other capital reserve	1,413,508,002.42			1,413,508,002.42
Total	<u>2,222,887,682.42</u>		<u>7,092.73</u>	<u>2,222,880,589.69</u>

Other descriptions, including changes in the period and reason for the changes:

1. Inner Mongolia Yitai Zhundong Railway Co., Ltd.(內蒙古伊泰准東鐵路有限責任公司) injected capital of RMB27 million to Inner Mongolia Yitai Dama Railway Co., Ltd.(內蒙古伊泰大馬鐵路有限責任) in cash in January 2019. Upon completion the capital increase, Inner Mongolia Yitai Zhundong Railway Co., Ltd. held 61.00% shares of Inner Mongolia Yitai Dama Railway Co., Ltd.. As at 30 June 2019, the capital increase has completed and the Company adjusted for capital reserve of RMB-7,092.73 in preparation of the consolidated financial statements.

56. Stock shares

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Other comprehensive income

Unit: yuan Currency: RMB

Items	Opening balance	Amount before income tax in the period	Amount in the period		Less: income tax expenses	Attributable to the Parent Company after tax	Attributable to minority shareholders after tax	Closing balance
			Less: amount included in other comprehensive income in previous periods and transferred to current profit or less	Less: amount included in other comprehensive income in previous periods and transferred to retained earnings				
I. Other comprehensive income that cannot be reclassified into profit or loss	1,706,316,078.16	-69,923,627.60			-17,075,610.98	-52,848,016.62	-1,388,893.07	1,653,468,061.54
Including: Re-measurement of change in defined benefit plan								
Other comprehensive income that cannot be transferred to profit or loss under equity method								
Change in fair value of investment in other equity instruments	1,706,316,078.16	-69,923,627.60			-17,075,610.98	-52,848,016.62	-1,388,893.07	1,653,468,061.54
Change in fair value of enterprise's credit risk								
II. Other comprehensive income that will be reclassified into profit or loss	1,600,793.57	44,210.18				44,210.18		1,645,003.75
Including: Other comprehensive income that can be transferred to profit or loss under equity method								
Change in fair value of other equity investments								
Amount of financial assets reclassified into other comprehensive income								
Provision for credit loss of other equity investments								
Effective portion of hedging profit or loss of cash flows								
Translation difference of foreign currency financial statements	1,600,793.57	44,210.18				44,210.18		1,645,003.75
Total other comprehensive income	1,707,916,871.73	-69,879,417.42			-17,075,610.98	-52,803,806.44	-1,388,893.07	1,655,113,065.29

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Other comprehensive income (Continued)

Other description, including adjustment for the effective portion of hedging profit or loss of cash flows transferred to initial recognition amount of the hedged item:

None

58. Special reserve

Unit: yuan Currency: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Safety production fee	57,087,245.53	323,969,187.79	252,077,914.82	128,978,518.50
Total	57,087,245.53	323,969,187.79	252,077,914.82	128,978,518.50

Other description, including changes in the period and reason for the changes:

None

59. Surplus reserve

Unit: yuan Currency: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	1,634,024,476.72			1,634,024,476.72
Total	1,634,024,476.72			1,634,024,476.72

Description of surplus reserve, including changes in the period and reason for the changes:

Pursuant to the resolution at the eleventh meeting of the seventh session of the Board of the Company, statutory surplus reserve of the Company has reach over 50% of its total share capital, and no further statutory surplus reserve is required to be provided.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Undistributed profits

Unit: yuan Currency: RMB

Item	Current period	Previous period
Undistributed profits at the end of previous period before adjustment	24,331,543,771.03	21,626,696,023.29
Total increase or decrease in undistributed profits at the end of the period (increase represented by "+", and decrease represented by "-")	-530,718.73	
Undistributed profits at the beginning of the period after adjustment	24,331,013,052.30	21,626,696,023.29
Adding: Net profits attributable to owners of Parent Company in the period	1,916,051,309.96	2,304,571,260.30
Less: Extract for statutory surplus reserve		
Extract for discretionary surplus reserve		
Extract for general risk reserve		
Ordinary shares dividend payable	1,627,003,500.00	1,480,573,185.00
Dividend of ordinary shares converted to share capital		
Undistributed profits at the end of the period	<u>24,620,060,862.26</u>	<u>22,450,694,098.59</u>

Breakdown of adjustment for undistributed profits at the beginning of the period:

- Due to the retrospective adjustment of the "Accounting Standards for Business Enterprises" and its related new requirements, the affected undistributed profit at the beginning of the period was RMB0.
- Due to changes in accounting policies, the affected undistributed profit at the beginning of the period was RMB-530,718.73.
- Due to the correction of major accounting errors, the affected undistributed profit at the beginning of the period was RMB0.
- Due to the change in the scope of combination under common control, the affected undistributed profit at the beginning of the period was RMB0.
- Other adjustments did not affect undistributed profit at the beginning of the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Operating income and operating cost

(1). Operating income and operating cost

Unit: yuan Currency: RMB

Items	Amount in current period		Amount in previous period	
	Income	Cost	Income	Cost
Principal business	19,631,817,049.94	14,019,397,578.52	17,971,830,271.59	12,274,379,400.52
Other business	443,516,209.10	377,653,213.64	222,126,423.80	179,267,176.14
Total	20,075,333,259.04	14,397,050,792.16	18,193,956,695.39	12,453,646,576.66

(2). Income generated from contracts

Unit: yuan Currency: RMB

Type of contracts	Coal segment	Coal-related Chemical segment	Transportation segment	Other segment	Total
Type of goods					
Coal	16,560,597,330.11				16,560,597,330.11
Chemical products		2,672,416,585.88			2,672,416,585.88
Freight			398,803,133.95		398,803,133.95
Others	161,063,839.82	249,817,412.29	21,464,057.13	11,170,899.86	443,516,209.10
By operating region					
Northeast	8,622,717.33	5,301,899.63			13,924,616.96
North China	7,384,566,213.37	1,528,824,268.18	420,267,191.08	10,601,730.54	9,344,259,403.17
East China	6,114,701,005.38	834,602,359.39			6,949,303,364.77
South China	2,971,171,906.95	9,153,354.90		569,169.32	2,980,894,431.17
Central China	228,054,822.91	1,202,006.99			229,256,829.90
Northwest	14,544,503.99	523,632,638.28			538,177,142.27
Southwest		19,517,470.80			19,517,470.80
Total	16,721,661,169.93	2,922,233,998.17	420,267,191.08	11,170,899.86	20,075,333,259.04

Description of income from contracts:

None

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Operating income and operating cost (Continued)

(3). Description on performance obligations

Not applicable

(4). Description of apportionment to the remaining performance obligations

The income related to the performance obligation that has been signed but not yet fulfilled or fully fulfilled at the end of the reporting period is RMB433,382,980.81, of which RMB433,382,980.81 is expected to be recognized in 2019.

62. Taxes and surcharges

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Consumption tax		
Business tax		
City maintenance and construction tax	59,177,448.08	71,420,835.72
Education surcharges	31,607,871.87	38,651,591.16
Resources tax	476,711,090.57	379,223,320.88
Property tax	16,043,552.93	16,345,776.27
Land use tax	26,499,887.97	29,952,867.25
Vehicle and vessel use tax	120,070.96	165,520.10
Stamp duty	17,529,949.86	17,663,447.12
Local education surcharges	20,669,315.91	25,767,777.50
Water resources tax	1,337,877.59	4,242,953.91
Environmental tax	8,094,071.96	10,844,903.50
Land occupation tax	49,479,339.00	
Others	20,122,885.27	16,494,897.69
Total	<u>727,393,361.97</u>	<u>610,773,891.10</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Cost of sales

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Port charges	570,195,728.00	622,460,549.33
Payroll	34,108,845.73	23,222,445.80
Depreciation and amortisation	8,202,104.77	8,352,250.81
Operating expenses	3,404,907.56	4,294,958.21
Travel expenses	1,349,534.15	1,495,521.50
Transportation and loading service fee	1,118,348.01	17,266,429.18
Leasehold charges	1,753,077.68	2,985,472.06
Utilities	241,706.24	312,051.32
Maintenance fee	5,727,518.29	
Others	16,169,467.41	2,035,023.34
Total	642,271,237.84	682,424,701.55

64. Administrative expenses

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Payroll	259,025,768.38	181,561,320.65
Depreciation and amortisation	108,515,726.93	76,881,822.06
Service fee	28,673,395.09	24,562,625.30
Travel expenses	9,140,354.81	13,140,839.93
Operating expenses	28,272,800.46	22,388,759.58
Greening expenses	26,383,102.73	13,309,034.28
Office expenses	4,210,115.28	4,075,149.75
Audit and consulting fee	22,979,590.33	13,897,203.91
Others	68,081,652.08	49,048,807.06
Total	555,282,506.09	398,865,562.52

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. R&D expenditure

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Rentals	49,482,420.28	99,022,249.16
Payroll	95,597,736.41	103,365,041.83
Material consumption	73,712,945.34	51,645,999.94
Depreciation and amortisation	37,607,496.87	40,023,374.27
Repair and maintenance fee	327,940.40	1,904,107.79
Utilities	20,919,502.36	15,398,792.48
Washing processing fee		4,873,054.80
Others	2,369,715.73	1,982,223.86
Total	280,017,757.39	318,214,844.13

66. Finance cost

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Interest expense	842,096,505.35	504,258,023.66
Less: Interest income	-68,137,420.53	-53,255,154.25
Exchange gain or loss	5,152,715.56	403,459.44
Commission charges	1,954,297.25	484,225.90
Total	781,066,097.63	451,890,554.75

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Other gains

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Special funds for financial support	38,050,000.00	22,480,000.00
Port construction subsidy of Tianjin Maritime bureau of the PRC	59,238.41	
Xiyingzi coal storage plant treatment and dust suppression project	50,000.00	150,000.00
Hongyi Mine airtight cylinder coal storage warehouse project	90,000.00	90,000.00
Naer Mine airtight cylinder coal storage warehouse project		150,000.00
Government subsidy from Jungar Banner Technology Bureau	1,000,000.00	
Posts-stabilizing subsidy	322,200.00	
Waste steam power generation project	125,000.00	130,706.00
Boiler flue gas desulfurization project	200,000.00	400,000.00
High temperature slurry bed Fischer-Tropsch process project	25,000.00	
Fischer-Tropsch process water comprehensive utilization project	125,000.00	
Special fund for independent innovation industry development in Nanshan district – sub-fund for economic development		1,000,000.00
Talents subsidy	47,000.00	3,017,700.00
Fiscal subsidy	27,939,755.42	
Support development fund and bonus fund	16,885,000.00	6,917,787.00
R&D subsidy from by Tianjin University	182,265.20	
Total	85,100,459.03	34,336,193.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Gain on investment

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Gain on long-term equity investment under equity method	162,371,718.92	45,563,865.99
Investment gain on disposal of long-term equity investment		
Investment gain on financial assets at fair value through profit or loss during the period of holding		
Investment gain on disposal of financial assets at fair value through profit or loss		
Investment gain on held-to-maturity investment during the period of holding		
Investment gain on disposal of held-to-maturity investment		
Investment gain from available-for-sale financial assets		
Investment gain on disposal of available-for-sale financial assets		
Investment gain of held-for-trading financial assets during the period of holding	341,128.09	6,250,164.09
Dividend income from investment in other equity instruments during the period of holding		
Interest income form debt investment in period of holding		
Interest income from other debt investment in the period of holding		
Investment gain on disposal of held-for-trading financial assets	15,700,189.50	11,707,551.26
Investment gain on disposal of investment in other equity instruments		
Investment gain on disposal of debt investment		
Investment gain on disposal of other debt investment		
Total	178,413,036.51	63,521,581.34

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

69. Gain on net exposure hedging

Not applicable

70. Gain on change in fair value

Unit: yuan Currency: RMB

Source of gain on change in fair value	Amount in current period	Amount in previous period
Held-for-trading financial assets	40,327,009.82	82,780.00
Including: gain on change in fair value of derivative financial instruments	5,150,800.00	
Held-for-trading financial liabilities	3,721,440.00	-964,660.00
Investment property measured at fair value		
Total	<u>44,048,449.82</u>	<u>-881,880.00</u>

71. Loss on credit impairment

Not applicable

72. Loss on asset impairment

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
I. Bad debt losses		
II. Inventory depreciation loss and impairment loss on contract performance cost		331,446.25
Total	<u></u>	<u>331,446.25</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

73. Gain on disposal of assets

Unit: yuan Currency: RMB

Item	Amount in current period	Amount in previous period
Gains or losses on disposal of fixed assets	5,565,091.95	1,019,872.97
Total	5,565,091.95	1,019,872.97

74. Non-operating income

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period	Amount included in current non-recurring profit or loss
Total gains on disposal of non-current assets	27,189.33	6,436,526.44	27,189.33
Including: Gain on disposal of fixed assets	27,189.33	6,436,526.44	27,189.33
Gain on disposal of intangible assets			
Gains on debt restructuring			
Exchange gain on non-monetary assets			
Income from donations			
Government subsidy			
Penalty and confiscatory income	1,982,422.54	3,224,772.41	1,982,422.54
Others	4,443,590.96	1,251,847.42	4,443,590.96
Total	6,453,202.83	10,913,146.27	6,453,202.83

Government subsidy included in current profit or loss

Not applicable

Other description:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

75. Non-operating expenses

Unit: yuan Currency: RMB

Item	Amount in current period	Amount in previous period	Amount included in current non-recurring profit or loss
Total losses on disposal of non-current assets	12,518.84	6,431,391.86	12,518.84
Including: Loss on disposal of fixed assets	12,518.84	6,431,391.86	12,518.84
Loss on disposal of intangible assets			
Loss on debt restructuring			
Exchange loss on non-monetary assets			
Donations	53,441,403.98	12,149,110.00	53,441,403.98
Penalties	2,189,527.70	5,721,189.07	2,189,527.70
Others	3,307,123.48	1,548,821.07	3,307,123.48
Total	<u>58,950,574.00</u>	<u>25,850,512.00</u>	<u>58,950,574.00</u>

76. Income tax expenses

(1) Table of income tax expenses

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Income tax expenses in current period	584,083,340.38	885,783,090.19
Deferred income tax expenses	48,234,641.47	-252,916,081.73
Total	<u>632,317,981.85</u>	<u>632,867,008.46</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

76. Income tax expenses (Continued)

(2) Reconciliation of accounting profits and income tax

Unit: yuan Currency: RMB

Items	Amount in current period
Total profits	2,952,881,172.10
Income tax expense calculated at statutory/applicable tax rate	738,255,262.72
Impact of different tax rates applied to subsidiaries	-142,206,797.27
Impact of adjustment of income tax of previous periods	22,230,933.73
Impact of non-taxable income	-41,593,003.93
Impact of non-deductible costs, expenses and losses	11,430,167.74
Impact of utilising deductible loss of deferred tax assets unrecognized in previous periods	-2,431,319.97
Impact of deductible temporary difference or deductible loss of deferred tax assets unrecognised in current period	11,280,711.82
Impact of tax credit	35,352,027.01
Income tax expenses	632,317,981.85

77. Other comprehensive income

See notes for details

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

78. Items in cash flow statement

(1). Other cash receipts relating to operating activities

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Interest income	68,137,420.53	53,255,154.25
Revolving fund, warranty premium and deposit	122,723,486.26	35,504,283.51
Government subsidy	84,288,438.42	33,865,653.36
Others	5,948,125.81	4,947,159.47
Total	281,097,471.02	127,572,250.59

Descriptions on other cash receipts relating to operating activities:

None

(2). Other cash payments relating to operating activities

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Revolving fund, quality guarantee deposits, warranty premium, etc.	226,917,469.64	198,429,290.00
Travel expenses	10,489,888.96	18,325,978.52
Operating expenses	31,677,708.02	26,683,717.79
Expenditure on public welfare donations	53,439,470.00	12,149,110.00
R&D expenditure	98,709,872.27	194,976,002.20
Others	52,760,876.16	46,278,276.56
Total	473,995,285.05	496,842,375.07

Descriptions on other cash payments relating to operating activities:

None

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

78. Items in cash flow statement (Continued)

(3). Other cash receipts relating to investment activities

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Futures deposits received		101,899,059.70
Wealth management income		477,177.57
Total		102,376,237.27

Descriptions on other cash receipts relating to investment activities:

None

(4). Other cash payments relating to investment activities

Unit: yuan Currency: RMB

Item	Amount in current period	Amount in previous period
Futures deposits paid	87,000,000.00	80,000,000.00
Total	87,000,000.00	80,000,000.00

Description on other cash payments relating to investment activities:

None

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

78. Items in cash flow statement (Continued)

(5). Other cash receipts relating to financial activities

Not applicable

(6). Other cash payments relating to financial activities

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Commission charges of borrowings obtained	760,300.00	
Commission charges, promoting fee and consulting fee directly paid for bond issue	22,687,500.00	
Lease related payments	9,550,968.00	8,960,111.70
Total	32,998,768.00	8,960,111.70

Description of other cash payments relating to financial activities

None

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

79. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Net profit adjusted to cash flow of operating activities:		
Net profit	2,320,563,190.25	2,728,663,404.05
Add: Provision for impairment of assets		-331,446.25
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	967,186,487.05	692,972,946.03
Amortization of intangible assets	51,147,820.21	44,937,915.35
Amortization of long-term deferred expenses	985,593,867.44	293,427,121.09
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-5,565,091.95	-1,019,872.97
Losses from scrapping of fixed assets ("-" for gains)	-14,670.49	-5,134.58
Losses from changes in fair value ("-" for gains)	-44,048,449.82	881,880.00
Finance expenses ("-" for gains)	842,096,505.35	504,258,023.66
Investment losses ("-" for gains)	-178,413,036.51	-63,521,581.34
Decrease in deferred income tax assets ("-" for increase)	48,234,641.47	317,459,004.47
Increase in deferred income tax liabilities ("-" for decrease)		-224,638,076.05
Decrease in inventories ("-" for increase)	-178,448,402.45	519,160,889.81
Decrease in operating receivables ("-" for increase)	-400,540,385.56	-161,574,912.05
Increase in operating payables ("-" for decrease)	-1,627,601,996.99	-1,342,203,699.76
Others		
Net cash flow from operating activities	2,780,190,478.00	3,308,466,461.46
2. Significant investing and financing activities that do not involve cash receipts and payment:		
Conversion of debts into capita		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

79. Supplementary information of cash flow statement (Continued)

(1) Supplementary information of cash flow statement (Continued)

Unit: yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
3. Net changes in cash and cash equivalents:		
Closing balance of cash	13,345,166,299.02	15,959,449,024.60
Less: Opening balance of cash	16,994,167,148.20	13,733,098,201.57
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-3,649,000,849.18	2,226,350,823.03

(2) Net cash paid for acquisition of subsidiaries in the current period

Not applicable

(3) Net cash received from disposal of subsidiaries in the current period

Unit: yuan Currency: RMB

	Amount
Cash or cash equivalents received in the current period from disposal of subsidiaries in the current period	1,197.37
Of which: Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技股份有限公司)	1,197.37
Less: cash and cash equivalents held by subsidiaries on the date of losing control	
Add: Cash or cash equivalents received in the current period from disposal of subsidiaries in previous periods	
Net cash received from disposal of subsidiaries	1,197.37

Other explanation:

Net cash received from disposal of subsidiaries was RMB1,197.37, Net cash received from disposal of subsidiaries and other business units is RMB1,197.37 as presented in the statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

79. Supplementary information of cash flow statement (Continued)

(4) Cash and cash equivalents composition

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
I. Cash	13,345,166,299.02	16,994,167,148.20
Of which: Treasury cash	3,520,869.22	1,696,877.14
Bank deposit that can be used for payment at any time	13,341,645,429.80	16,992,470,271.06
Other monetary fund that can be used for payment at any time		
Central bank deposits that can be used for payment		
Deposits in other banks		
Call loans to banks		
II. Cash equivalents		
Of which: bond investments due within 3 months		
III. Balance of cash and cash equivalents at the end of the period	13,345,166,299.02	16,994,167,148.20
Of which: restricted cash and cash equivalents used by the parent company and the subsidiaries of the Group		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

80. Notes to the statement of changes in owner's equity

The explanation for matters such as the item name of "Others" and amount adjustment for adjusting the balance at the end of the previous year:

Not applicable

81. The assets whose ownership or right-of-use is restricted

Unit: yuan Currency: RMB

Items	Book value at the end of period	Causes
Monetary fund	147,669,185.49	For the bank acceptance bill deposit, guarantee deposit and environmental protection deposit, please see Note 1 to this Note VII. for details.
Notes receivable		
Inventory		
Fixed assets		
Intangible assets		
Total	<u>147,669,185.49</u>	/

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

82. Monetary item in foreign currency

(1). Monetary item in foreign currency

Unit: yuan

Items	Balance of foreign currency at the end of the period	Exchange rate	Balance of RMB converted at the end of the period
Monetary funds			
Including: USD	22,791,221.87	6.8747	156,682,812.99
EURO			
HKD	2,308,132.73	0.8797	2,030,464.36
RMB			
RMB			
Accounts receivable			
Including: USD			
EURO			
HKD			
RMB			
RMB			
Long-term loans			
Including: USD			
EURO			
HKD			
RMB			
RMB			
Dinars	3,833,000.00	22.6290	86,736,957.00
Denominated in foreign currencies-			
RMB			
RMB			

(2). Descriptions of foreign business entity (including those that are considered important) should include disclosure of: the overseas principal place of business of the foreign business entity; the reporting currency and the basis for using that currency; the reason(s) for the change of reporting currency

The overseas operating entity subsidiary included in the consolidated financial statements of the Company is Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司), which operates in Hong Kong, with USD as the recording currency. The exchange rate for main statements of the balance sheet is the spot exchange rate on the balance sheet date, that is, the exchange rate of USD on 30 June 2019: 1 USD = 6.8747 RMB.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

83. Hedging

Not applicable

84. Government subsidy

1. Basic information about government subsidies

Unit: yuan Currency: RMB

Category	Amount	Item presented	Amount included in the current profits or losses
Asset-related	50,000.00	Xiyingzi coal storage plant governance and dust control project	50,000.00
Asset-related	1,620,000.00	Hongyi mine closed cylinder coal storehouse project	90,000.00
Asset-related	3,125,000.00	Exhaust steam power generation project	125,000.00
Asset-related	6,700,000.00	Boiler gas desulfurization project	200,000.00
Asset-related	625,000.00	Hyperthermy slurry bed Fischer-Tropsch synthesis project	25,000.00
Asset-related	4,550,000.00	Comprehensive utilization project of Fischer-Tropsch synthetic water	125,000.00
Asset-related	50,458,500.00	Infrastructure subsidy	
Revenue-related	195,339.97	Research and development subsidy paid by Tianjin University	182,265.20
Asset-related	2,000,000.00	Research and development fund of coal indirect liquefaction process	
Revenue-related	423,500.00	Unemployment insurance subsidy from Ordos Finance Bureau to fund enterprises in 2018	
Revenue-related	47,000.00	Subsidy for talent	47,000.00
Revenue-related	16,885,000.00	Supportive development funds and incentive funds	16,885,000.00
Asset-related	4,480,000.00	Large pressure vessel project for annual production of 60,000 tons	
Revenue-related	38,050,000.00	Financial support special fund	38,050,000.00
Revenue-related	59,238.41	Port construction subsidy from Tianjin Port Maritime	59,238.41
Revenue-related	1,000,000.00	Subsidy from Jungar Banner Technology Bureau	1,000,000.00
Revenue-related	322,200.00	Subsidy for supporting employment	322,200.00
Revenue-related	27,939,755.42	Financial subsidy	27,939,755.42
Total	158,530,533.80		85,100,459.03



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

For the six months ended 30 June 2019

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

84. Government subsidy *(Continued)*

2. Refund of government subsidies

Not applicable

85. Others

Not applicable

VIII. CHANGES IN CONSOLIDATION SCOPE

1. Business merger under different control

Not applicable

2. Business merger under common control

Not applicable

3. Counter purchase

Not applicable

4. Disposal of subsidiaries

Whether there is a single disposal of investments in subsidiaries and loss of control

Not applicable

Whether there is a step-by-step disposal of investments in subsidiaries through multiple transactions and loss of control in the current period

Not applicable



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

VIII. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

5. Changes in the scope of consolidation due to other reasons

Explain the changes in the scope of consolidation due to other reasons (e.g. newly established subsidiaries and clearing of subsidiaries, etc.) and the related conditions:

1. In January 2019, the Company established a holding subsidiary, GQC Yitai Jiuyou Investment Management Partnership (Limited Partnership) (共青城伊泰久友投資管理合夥企業(有限合夥)), with a registered capital of RMB101 million. On 31 January 2019, it obtained the “Business License for Enterprise Legal Person” (Unified Social Credit Code: 91360405MA36025J00) issued by Market Supervision Administration Bureau of Jiujiang, Jiangxi Province. A holding subsidiary was added to the scope of consolidation in the current period.
2. In March 2019, the Company established a wholly-owned subsidiary, Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司), with a registered capital of RMB10 million. On 14 March 2019, it obtained the “Business License for Enterprise Legal Person” (Unified Social Credit Code: 91440300MA5FHKXE1A) issued by the Administration Bureau for Industry and Commerce of Shenzhen. A wholly-owned subsidiary was added to the scope of consolidation in the current period.
3. In March 2019, the Company established a wholly-owned subsidiary, Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司), with a registered capital of RMB50 million. On 7 March 2019, it obtained the “Business License for Enterprise Legal Person” (Unified Social Credit Code: 91130230MA0D9G7N48) issued by the Administrative Bureau for Industry and Commerce of Tangshan, Hebei Province. A wholly-owned subsidiary was added to the scope of consolidation in the current period.
4. In June 2019, the Company established a wholly-owned subsidiary, Inner Mongolia Yitai Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司), with a registered capital of RMB1.0 million. On 12 June 2019, it obtained the “Business License for Enterprise Legal Person” (Unified Social Credit Code: 91150627MA0Q9L9F7H) issued by the Administration Bureau for Industry and Commerce of Ordos. A wholly-owned subsidiary was added to the scope of consolidation in the current period.
5. In the current period, the Company completed the liquidation and cancellation of its wholly-owned subsidiary, Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技股份有限公司) and removed one wholly-owned subsidiary in the scope of consolidation in the current period.
6. Others

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1). Composition of the Group

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Acquisition Method
				Direct	Indirect	
Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Ordos	Nalin Taohai Town, Yijin Holo Banner, Ordos	Coal mining	100.00		Subsidiaries acquired through business combination under common control
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	Ordos	Majiata Village, Haji Gaole Township, Jungar Banner	Coal mining	52.00		Subsidiaries acquired through establishment or investment
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Shanghai	Lingshi Road, Shanghai	Consultation	100.00		Subsidiaries acquired through establishment or investment
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	Shanghai	Room 504-A27, East Floor of Building 1, No.29, Jiatai Road, Shanghai Pilot Free Trade Zone, China	Investment management	100.00		Subsidiaries acquired through establishment or investment
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Shenzhen	Room 201, Block A, No.1, Qianwan Road 1, Qianhai Shenzhen – Hong Kong Cooperative District, Shenzhen	Sales of coal	100.00		Subsidiaries acquired through establishment or investment
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	Hong Kong	Room 3312, 33/F, Rian Centre, 6-8 Harbour Road, Wanchai, Hong Kong	International trade	100.00		Subsidiaries acquired through establishment or investment
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)	Ordos	Hujitu Village, Jungar Town, Jungar Banner, Ordos	Sales of coal	100.00		Subsidiaries acquired through establishment or investment
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Ulanqab	Xinghe Miaoliang Coal Logistics Park, Ulanqab	Sales of coal	100.00		Subsidiaries acquired through establishment or investment

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1). Composition of the Group (Continued)

Name of subsidiary	Principal place of business		Nature of business	Shareholding Ratio (%)		Acquisition Method
	Registration place			Direct	Indirect	
Inner Mongolia Yitai Zhudong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Ordos	Xuejiawan Town, Jungar Banner, Ordos	Railway transportation	71.27		Subsidiaries acquired through business combination under common control
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	Ordos	Crystal Road, Xuejiawan Town, Jungar Banner, Ordos, Inner Mongolia Autonomous Region	Railway transportation		61.00	Subsidiaries acquired through business combination not under common control
Inner Mongolia Yitai Zhudong Jintai Storage and Transportation Co., Ltd. (內蒙古伊泰准東金泰儲運有限責任公司)	Ordos	Warm Water Township, Jungar Banner	Consultation		51.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Ordos	Yitai Building, Tianjiao North Road, Dongsheng District	Railway transportation	76.99		Subsidiaries acquired through business combination not under common control
Zhungeer Huzhun Ruyi Logistics Co., Ltd. (准格爾旗呼准如意物流有限責任公司)	Ordos	Guanniuju, Town East Kongdui Village, Jungar Road	Storage and loading of goods		51.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Ordos	Dalu Town, Jungar Banner	Coal-related chemical	51.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Petrochemical Equipment Co., Ltd. (內蒙古伊泰石化裝備有限責任公司)	Ordos	New District, Jungar Banner Road	Manufacturing		83.89	Subsidiaries acquired through business combination not under common control
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Yili	Yinan Industrial Park, Chabuachaer County, Yili, Xinjiang	Coal technology development	90.20		Subsidiaries acquired through business combination under common control

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1). Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Acquisition Method
				Direct	Indirect	
Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Yili	Yinan Industrial Park, Chabuachaer County	Investment	90.27		Subsidiaries acquired through establishment or investment
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有 限公司)	Urumchi	Room 1512, No.1 Weitai South Road, Urumqi Economic and Technological Development Zone	Consultation	90.20		Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Chemical Co., Ltd. (內 蒙古伊泰化工有限責任 公司)	Ordos	Sini South Road, 109 National North Road, Xini Town, Hangjinqi	Chemical production	61.15		Subsidiaries acquired through establishment or investment
Hangjinqi Xinnuo Municipal Construction Investment Co., Ltd. (杭錦旗信諾市政建設投 資有限責任公司)	Ordos	South Project Area, Dugui Tala Industrial Park, Hangjin Banner, Ordos	Municipal administration for infrastructure		80.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化 工有限公司)	Ordos	Dugui Tala Industrial Park, Hangjin Banner, Ordos	Coal-related chemical		51.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油 化工有限公司)	Ordos	Dongsheng District, Ordos	Sales of oil and chemicals	90.20		Subsidiaries acquired through establishment or investment
Yitai Clean Oil Products (Beijing) Co., Ltd. (伊 泰清潔油品(北京)有限 公司)	Beijing	No.88 Yangyan Road, Yanqi Economic Development Zone, Huairou District, Beijing	Sales of oil and chemicals		100.00	Subsidiaries acquired through establishment or investment
Yitai Chemical (Shanghai) Co., Ltd. (伊泰化學(上 海)有限公司)	Shanghai	Jinle Road, Baoshan District, Shanghai	Sales of oil and chemicals		100.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Railway Investment Co., Ltd. (內蒙古伊泰 鐵路投資有限責任公司)	Ordos	Yimei South Road, Dongsheng District, Ordos, Inner Mongolia Autonomous Region	Railway investment	100.00		Subsidiaries acquired through establishment or investment

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1). Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Acquisition Method
				Direct	Indirect	
Inner Mongolia Yitai Nalinmiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災害治理有限公司)	Ordos	Liuzhongnan Block District, No. 14 Yimei South Road, Dongsheng District, Ordos	Disaster management	100.00		Subsidiaries acquired through establishment or investment
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限公司)	Qinhuangdao	No. 225 Haining Road, Beidaihe District, Qinhuangdao, Hebei Province	Sales of coal	100.00		Subsidiaries acquired through establishment or investment
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰(山西)煤炭運銷有限公司)	Taiyuan	Room 210-4, 2/F, Zizhengyuan Building B, No.46 Jingyuan Road, Private District, Taiyuan	Sales of coal	100.00		Subsidiaries acquired through establishment or investment
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰騰方合成新材料研究院有限公司)	Chongqing	2-1, Unit 3, Building 2, No.53 Gangcheng West Road, Jiangbei District, Chongqing	Research and development	60.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	Ordos	Dongsheng District, Ordos	Test for coal quality and oil	100.00		Subsidiaries acquired through business combination under common control
Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信聿投資管理合夥企業(有限合伙))	Xiaoshan District, Hangzhou, Zhejiang Province	Xianghu Financial Town, Xiaoshan District, Hangzhou, Zhejiang Province, China	Fund investment	100.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)	Ordos	Wushen Banner, Ordos	Coal	100.00		Subsidiaries acquired through establishment or investment

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1). Composition of the Group (Continued)

Name of subsidiary	Principal place of business		Nature of business	Shareholding Ratio (%)		Acquisition Method
	Registration place			Direct	Indirect	
GQC Yitai Jiuyou Investment Management Partnership (Limited Partnership) (共青城伊泰久友投資管理合夥企業(有限合夥))	Jiujiang, Jiangxi Province	Gongqingcheng Private Equity Fund Innovation Park, Jiujiang, Jiangxi Province	Investment in project, management and industry	99.01		Subsidiaries acquired through establishment or investment
Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)	Shenzhen	Room 201, Building A, No. 1, Qianwan Road, Qianhai-Hong Kong Cooperation Zone, Shenzhen	Investment in industrial development and consultation, business management consultation, business information consultation	100.00		Subsidiaries acquired through establishment or investment
Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司)	Tangshan	Caofeidian Lingang Business District, Tangshan	Supply chain management services, sales and transportation of coal	100.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤炭有限公司)	Ordos	Daliuta Village, Nalin Taohai Town, Yljin Holo Banner, Ordos	Coal	100.00		Subsidiaries acquired through establishment or investment

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1). Composition of the Group (Continued)

Explanation of the difference between the proportion of shareholding in subsidiaries and the percentage of voting rights:

None

Judgment base of having 50% voting right but controlling the invested unit as well as having > 50% voting right but not controlling the invested unit:

None

Basis of controlling significant structuring subject in the combination range:

None

Basis of determining whether the Company is contracting-out party or client:

None

(2). Significant non-wholly-owned subsidiaries

Unit: RMB'0,000 Currency: RMB

Name of subsidiaries	Minority shareholder's shareholding proportion(%)	Profits and loss attributable to the minority shareholders in the current period	The dividends declared to distribute to the minority shareholders in the current period	Ending book value of minority interests
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	49.00	246.58		132,651.06
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	48.00	35,945.84	38,880.00	270,664.40
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	28.73	10,472.87		165,145.50
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	38.85	-5,409.93		226,147.38

Explanation of the difference between the proportion of minority shareholder's shareholding in subsidiaries and the percentage of voting rights:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3). Main financial information for significant non-wholly-owned subsidiaries

Unit: RMB'0,000 Currency: RMB

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	60,081.90	333,629.97	393,711.87	39,483.33	79,200.50	118,683.83	80,661.47	338,747.23	419,408.70	43,264.96	101,748.00	145,012.96
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	329,243.43	346,183.80	675,427.23	107,857.41	3,685.66	111,543.07	285,457.91	346,459.60	631,917.51	58,234.85	3,685.66	61,920.51
Inner Mongolia Yitai Zhudong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	107,343.55	630,280.84	737,624.39	39,247.18	87,357.30	126,604.48	68,015.06	643,638.17	711,653.23	49,438.30	87,442.60	136,880.90
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	408,302.93	1,412,392.81	1,820,695.74	138,161.96	1,092,042.35	1,230,204.31	505,623.90	1,436,403.59	1,942,027.49	198,575.35	1,139,200.00	1,337,775.35

Unit: RMB'0,000 Currency: RMB

Name of subsidiaries	In the current period				In the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	45,129.72	503.23	503.23	2,958.93	35,504.71	-3,877.42	-3,877.42	-2,784.25
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	155,592.03	74,887.16	74,887.16	55,884.21	152,887.39	71,332.73	71,332.73	35,866.50
Inner Mongolia Yitai Zhudong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	96,041.33	36,452.74	35,969.35	47,079.04	102,880.23	50,330.30	61,249.00	105,456.07
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	236,088.05	-13,925.17	-13,925.17	22,742.97	2,755.96	949.45	949.45	680.28

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(4). Significant restrictions for using the Company's assets and settling the Company's liabilities:

Not applicable

(5). Financial support or other support provided to structuring subject in the range of combined financial statement:

Not applicable

2. Transactions for which the share of owner's equity in subsidiary changes but the subsidiary is controlled

(1). Explanation of change in the share of owner's equity in subsidiary

- 1) In January 2019, Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) increased its capital by RMB27 million to Inner Mongolia Yitai Dama Railway Co., Ltd. (內蒙古伊泰大馬鐵路有限責任公司) in cash. After the above capital increase, Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) held a shareholding percentage of 61.00% to Inner Mongolia Yitai Dama Railway Co., Ltd. (內蒙古伊泰大馬鐵路有限責任公司). As of 30 June 2019, the above capital increase has been completed.

(2). The influence of transaction on minority equity and owner's equity attributable to the parent company

Unit: yuan Currency: RMB

Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路 有限責任公司)	
Acquisition cost/disposal consideration	
– Cash	
– Fair value of non-cash assets	27,000,000.00
Total acquisition cost/disposal consideration	27,000,000.00
Less: Net asset share of the subsidiary calculated according to percentage of the acquired/disposed equity	26,992,907.27
Differences	7,092.73
Including: adjustment to capital reserves	7,092.73
adjustment to surplus reserve	
adjustment to retained profit	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Equity in joint ventures or associates

(1). Significant joint ventures or associates

Unit: yuan Currency: RMB

Name of joint ventures or associates	Main business location	Registration place	Nature of business	Shareholding proportion (%)		Accounting treatment of investment in joint ventures or associates
				Direct	Indirect	
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Ordos	Hangjin Banner Dugui Tala Town Industry Park	Provision of industrial water		49.00	Equity method
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Ordos	Wanbo Square, Tianjiao North Road, Dongsheng District, Ordos	Non-bank finance	40.00		Equity method
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Ordos	Data Village, Xuejiawan Town, Jungar Banner	Power Generation and sales of coal gangue	29.00		Equity method
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限責任公司)	Ordos	Yijin Holo Banner, Ordos	Production and sales of coal	20.00		Equity method

Explanation of the difference between the proportion of shareholding in joint ventures or associates and the percentage of voting rights:

The Company's shareholding percentage in joint ventures or associates is consistent with the percentage of voting rights.

Reason for having significant influence with less than 20% of voting rights, and not having significant influence with more than 20% of voting rights:

None

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Equity in joint ventures or associates (Continued)

(2). Key financial information of significant associates

Unit: yuan Currency: RMB

	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the previous period
	Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務 有限責任公司)	Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務 有限責任公司)
Current assets	16,193,644.60	21,103,506.20
Of which: cash and cash equivalent	4,295,432.40	3,720,183.99
Non-current assets	94,197,591.80	95,400,657.99
Total assets	110,391,236.40	116,504,164.19
Current liabilities	1,144,790.81	4,972,474.74
Non-current liabilities		
Total liabilities	1,144,790.81	4,972,474.74
Minority equity		
Shareholders' equity attributable to the Parent Company	109,246,445.59	111,531,689.45
Net asset calculated by proportion of shareholding	53,530,758.34	55,112,800.30
Adjusting items		
– Goodwill		
– Internal transaction unrealised profit		
– Other		
Book value of equity investment in joint ventures	53,530,758.34	55,112,800.30
Fair value of equity investments in joint ventures with public offer		
Operating revenues		11,070,611.60
Financial cost	-24,529.53	-45,597.58
Income tax expense		1,972,785.70
Net profit	-4,366,891.83	5,918,357.09
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-4,366,891.83	5,918,357.09

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Equity in joint ventures or associates (Continued)

(3). Main financial information for significant associates

Unit: yuan Currency: RMB

	Balance at the end of the period/Amount for the current period			Balance at the beginning of the period/Amount for the previous period		
	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限責任公司)	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限責任公司)
Current assets	8,692,248,295.53	295,861,124.60	1,992,389,582.14	13,204,522,389.04	375,204,349.65	2,087,915,182.85
Non-current assets	1,812,725.21	2,728,261,203.46	43,258,649,956.19	2,150,319.05	2,497,358,331.17	41,460,514,577.03
Total assets	8,694,061,020.74	3,024,122,328.06	45,251,039,538.33	13,206,672,708.09	2,872,562,680.82	43,548,429,759.88
Current liabilities	7,322,179,520.59	839,464,070.95	1,834,233,246.86	11,983,521,550.89	694,617,108.65	712,643,802.02
Non-current liabilities			697,625,227.03	4,557,082,802.46	719,134,066.05	4,554,422,802.46
Total liabilities	7,322,179,520.59	1,537,089,297.98	6,391,316,049.32	11,983,521,550.89	1,413,751,174.70	5,267,066,604.48
Minority equity						
Shareholder's equity attributable to the Parent Company	1,371,881,500.18	1,487,033,030.08	38,859,723,489.01	1,223,151,157.20	1,458,811,506.12	38,281,363,155.40
Net asset calculated by proportion of shareholding	548,752,600.07	431,239,578.73	7,752,337,644.15	489,260,462.88	423,055,336.78	7,656,272,631.08
Book value of equity investment in associates	548,752,600.07	431,239,578.73	7,752,337,644.15	489,260,462.88	423,055,336.78	7,656,272,631.08
Fair value of equity investments in associates with public offer						
Operating revenues	162,164,688.98	319,302,094.55	1,520,106,570.42	118,970,792.13	295,449,664.99	1,301,404,644.64
Net profit	148,730,342.95	28,168,648.72	471,716,151.31	70,676,864.90	1,322,551.79	449,469,905.40
Net profits of discontinuing operation						
Other comprehensive income						
Total comprehensive income	148,730,342.95	28,168,648.72	471,716,151.31	70,676,864.90	1,322,551.79	449,469,905.40
Dividends received from associates in the current year						

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Equity in joint ventures or associates (Continued)

(4). Summary on financial information for insignificant joint ventures and associates

Unit: yuan Currency: RMB

	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the previous period
Joint ventures:		
Total of investment book value		
Total amount calculated by the following proportion of shareholding		
– Net profit		
– Other comprehensive income		
– Total comprehensive income		
Associates:		
Total of investment book value	279,334,123.16	292,331,754.49
Total amount calculated by the following proportion of shareholding		
– Net profit	21,536,861.09	15,398,846.25
– Other comprehensive income		
– Total comprehensive income	21,536,861.09	15,398,846.25

(5). Explanation on the significant restrictions for joint ventures or associates transferring funds to the Company

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Equity in joint ventures or associates (Continued)

(6). Excess loss generated in joint ventures or associates

Unit: yuan Currency: RMB

Name of joint ventures or associates	Accumulated unrecognized loss in previous periods	Unrecognized loss in the current period (or retained profits shared in the current period)	Accumulated unrecognized loss at the end of period
Xinyitai (Beijing) Pharmatech Co., Ltd. (北京信益泰醫藥科技開發有限公司)	5,604,357.02	429,401.56	6,033,758.58
Total	<u>5,604,357.02</u>	<u>429,401.56</u>	<u>6,033,758.58</u>

Other explanation

In January 2013, the Company lost the control of Xinyitai (Beijing) Pharmatech Co., Ltd. (北京信益泰醫藥科技開發有限公司) due to the disposal of its equity. In the consolidated financial statements, the difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company since the acquisition date as calculated based on its original shareholding percentage in that subsidiary, is recognised as the investment income for the period when the loss of control occurred. The long-term equity investment is carried forward to reducing by RMB8,035,937.21. As of 30 June 2019, the cumulative unrecognized loss was RMB6,033,758.58.

(7). Unrecognized commitment related to investment in joint ventures

Not applicable

(8). Contingent liabilities related to investment in joint ventures or associates

Not applicable



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

For the six months ended 30 June 2019

IX. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

4. Significant joint venture

Not applicable

5. Equity of structuring subject out of the range of combined financial statement

Information for structuring subject out of the range of combined financial statement:

Not applicable

6. Other

Not applicable

X. RISK RELATED TO FINANCIAL INSTRUMENT

The major financial instruments of the Company primarily include cash at bank and on hand, equity investments, borrowings, accounts receivable, accounts payables and bond payables. The Company is exposed to risks from various financial instruments in day-to-day operation, mainly including credit risk, liquidity risk and market risk. The risks in connection with such financial instruments and the risk management strategies adopted by the Company to mitigate such risks are summarised as follows:

The board of directors is responsible for planning and establishing the risk management structure for the Company, and developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyze risks exposed by the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether update the risk management policies and systems. Risk management of the Company is carried out by the Risk Management Committee based on the policies as approved by the board of directors. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company. The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

X. RISK RELATED TO FINANCIAL INSTRUMENT (CONTINUED)

(I) Credit risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties. The management has developed proper credit policies and continuously monitors credit risk exposures.

The Company has adopted the policy of transacting with creditworthy counterparties only. In addition, the Company evaluates the credit qualification of customers and sets up corresponding credit term based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Company monitors the balances and recovery of bills and accounts receivable, and contract assets on a continual basis. As for bad credit customers, the Company will use the written reminders, shorten the credit term or cancel the credit term to ensure that the Company is free from material credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure adequate expected credit loss provision is made for relevant financial assets.

The Company's other financial assets include currency funds and other receivables. The credit risk relating to these financial assets arises from the default of counterparties, but the maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet. The Company does not provide any other guarantee that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited with financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses caused by the default by these institutions. The Company's policy is to control the amount deposited with these famous financial institutions based on their market reputation, operating size and financial background, to limit the credit risk amount of any single financial institution.

As a part of its credit risk asset management, the Company assesses the credit loss of receivables using expected credit loss.

As of 30 June 2019, the book balance and expected credit losses of related assets are as follows:

Items	Book balance	Impairment provision
Notes receivable	36,989,318.87	—
Accounts receivable	1,787,830,065.42	19,964,988.90
Prepayments	1,078,638,426.52	3,243,000.00
Other receivables	643,053,154.44	13,180,115.69
Total	<u>3,546,510,965.25</u>	<u>36,388,104.59</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

X. RISK RELATED TO FINANCIAL INSTRUMENT (CONTINUED)

(II) Liquidity risk

Liquidity risk refers to the risk of short of funds when an enterprise performs its duty related to financial liabilities. The Company's subordinate financial management department is responsible for their respective cash flow projections. Based on the results thereof, the Company continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitoring the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs.

As of 30 June 2019, the financial liabilities owned by the Company are presented as undiscounted contractual cash flows on the remaining contract period as follows:

Items	Immediate repayment	Within 1 month	1-3 month(s)	Closing balance			Total
				3 months - 1 year	1-5 year(s)	Over 5 years	
Notes payable				777,405,942.86			777,405,942.86
Accounts payable				2,074,360,763.94			2,074,360,763.94
Other receivables				2,572,270,596.29			2,572,270,596.29
Long-term borrowings		59,673,695.70	1,000,000.00	4,664,598,706.40	13,708,985,318.21	12,787,429,227.94	31,221,686,948.25
Bonds payable				4,498,502,426.96	3,930,619,566.47		8,429,121,993.43
Lease liabilities		208,300.88	40,541,601.76	50,249,707.92	181,941,051.81	67,500,000.00	340,440,662.37
Long-term payables				5,655,233.36	125,000,000.00	396,000,000.00	526,655,233.36
Total		59,881,996.58	41,541,601.76	14,643,043,377.73	17,946,545,936.49	13,250,929,227.94	45,941,942,140.50

Items	Immediate repayment	Within 1 month	1-3 month(s)	Opening balance			Total
				3 months - 1 year	1-5 year(s)	Over 5 years	
Short-term borrowings			500,000,000.00	400,000,000.00			900,000,000.00
Transactional financial liabilities		3,721,440.00					3,721,440.00
Notes payable				1,009,306,562.44			1,009,306,562.44
Accounts payable				2,710,040,983.63			2,710,040,983.63
Other payables				2,256,363,729.52			2,256,363,729.52
Long-term borrowings		60,653,501.84	1,238,452,000.00	3,819,903,501.84	14,990,852,119.45	12,518,250,000.00	32,628,111,123.13
Bonds payable				4,495,771,558.52	3,441,318,456.58		7,937,090,015.10
Lease liabilities		208,300.88	4,541,601.76	14,249,707.92	74,944,386.76	247,500,000.00	341,443,997.32
Long-term payables				2,638,566.68	95,000,000.00	426,000,000.00	523,638,566.68
Total		64,583,242.72	1,742,993,601.76	14,708,274,610.55	18,602,114,962.79	13,191,750,000.00	48,309,716,417.82

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

X. RISK RELATED TO FINANCIAL INSTRUMENT (CONTINUED)

(III) Market risk

1. Exchange rate risk

The principal places of operations of the Company are located in China and the major businesses are settled in Renminbi (“RMB”). However, the Company’s recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly US dollar (“USD”) and Kuwait dinar (“KWD”) remain exposed to exchange rate risk. The finance department of the Company is in charge of supervising the foreign currency transactions and the size of foreign assets and liabilities so as to minimize the exposure to exchange rate risk.

- (2) As of 30 June 2019, the carrying amounts in RMB equivalent of the Company’s financial assets and liabilities denominated in foreign currencies are summarized below:

Items	USD	Closing balance		Total
		HKD	KWD	
Foreign currency financial assets:				
Monetary funds	156,682,812.98	2,030,464.36		158,713,277.34
Sub-total	<u>156,682,812.98</u>	<u>2,030,464.36</u>		<u>158,713,277.34</u>
Foreign currency financial liabilities:				
Short-term borrowings				
Long-term borrowings due within one year			17,347,391.40	17,347,391.40
Long-term borrowings			69,389,565.60	69,389,565.60
Sub-total			<u>86,736,957.00</u>	<u>86,736,957.00</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

X. RISK RELATED TO FINANCIAL INSTRUMENT (CONTINUED)

(III) Market risk (Continued)

1. Exchange rate risk (Continued)

- (2) As of 30 June 2019, the carrying amounts in RMB equivalent of the Company's financial assets and liabilities denominated in foreign currencies are summarized below: (Continued)

Items	USD	Opening balance		Total
		HKD	KWD	
Foreign currency financial assets:				
Monetary funds	155,912,470.92	2,022,385.90		157,934,856.82
Sub-total	<u>155,912,470.92</u>	<u>2,022,385.90</u>		<u>157,934,856.82</u>
Foreign currency financial liabilities:				
Short-term borrowings				
Long-term borrowings due within one year			17,307,003.76	17,307,003.76
Long-term borrowings			9,937,971.45	9,937,971.45
Sub-total			<u>27,244,975.21</u>	<u>27,244,975.21</u>

- (3) Sensitivity analysis: Given a very small size of foreign currency assets and liabilities, the Company is subject to small market risk arising from fluctuations in foreign exchange rate.

2. Interest rate risk

The interest rate risk of the Company mainly associates with bank borrowings, bonds payable, etc. Floating rate financial liabilities expose the Company to cash-flow interest rate risk, while fixed rate financial liabilities expose the Company to fair-value interest rate risk. The Company determines the comparative proportion of fixed rate contracts and floating rate contracts based on the then market conditions.

The finance department of the Company constantly monitors the interest rate level of the Company. A rise in the interest level will increase the costs of additional interest-bearing debts and the interest expenses on the Company's outstanding floating rate debts, and may have a material adverse impact on the financial results of the Company. The management will make timely adjustment according to the latest market conditions, such as interest rate swap arrangements to mitigate interest rate risk.



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

For the six months ended 30 June 2019

X. RISK RELATED TO FINANCIAL INSTRUMENT *(CONTINUED)*

(III) Market risk *(Continued)*

2. Interest rate risk *(Continued)*

- (1) As of 30 June 2019, the Company's long-term interest-bearing debts are mainly the floating rate contracts denominated in RMB, with a contract value of RMB31,221,686,948.25. See Note VII (43) and (45) for details.
- (2) Sensitivity analysis:

As of 30 June 2019, if the interest rate on long-term floating rate borrowings increases or decreases by 50 base points with all other variables held constant, the annual interest expenses of the Company will increase or decrease by RMB156,108,434.74, including a decrease or an increase by approximately RMB145,865,934.74 in total profit for the year, and an increase or a decrease by RMB10,242,500.00 in capitalized interest expenses on construction in progress.

3. Price risk

The Company generates revenue mainly from the production and sales of coal, while the coal industry, a sector at the upstream of energy demands, is highly related to the sentiment of national economy in its development course. Changes in market supply and demand will have a direct impact on coal price, which will significantly affect the Company's results. In order to reduce the influence on the Company's results arising from a decline in coal price as a result of the macroscopic economic slowdown since 2012, the Company has entered into mid-term and long-term coal sale contracts with its major clients for the purpose of flexible adjustment to the proportion of externally-purchased coal in long-term contract sale and spot sale of coals, so as to achieve less variations in the Company's average selling price than the market level as well as maximal stabilization of the Company's coal selling price.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XI. DISCLOSURE OF FAIR VALUE

1. Final fair value of assets and liabilities measured at fair value

Unit: yuan Currency: RMB

Items	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Sustained fair value measurement				
(I) Trading financial assets	5,150,800.00		896,100,931.80	901,251,731.80
1. Financial assets at fair value through profit or loss	5,150,800.00		896,100,931.80	901,251,731.80
(1) Investment in debt instruments				
(2) Investment in equity instruments			896,100,931.80	896,100,931.80
(3) Derivative financial assets	5,150,800.00			5,150,800.00
2. Financial assets designated at fair value through profit or loss				
(1) Investment in debt instruments				
(2) Investment in equity instruments				
(II) Other debt investments				
(III) Investment in other equity instruments	25,423,118.87		7,884,838,315.75	7,910,261,434.62
(IV) Investment property				
1. Leased land use rights				
2. Leased buildings				
3. Possessed land use rights to be transferred after appreciation				
(V) Biological assets				
1. Consumable biological assets				
2. Productive biological assets				
Total assets with sustained fair value measurement	30,573,918.87		8,780,939,247.55	8,811,513,166.42
(VI) Trading financial liabilities				
1. Financial liabilities at fair value through profit or loss				
Including: Issued trading bonds				
Derivative financial liabilities				
Others				
2. Financial liabilities designated at fair value through profit or loss				
Total liabilities with sustained fair value measurement				
II. Non-sustained fair value measurement				
(I) Assets held for sale				
Total assets with non-sustained fair value measurement				
Total liabilities with non-sustained fair value measurement				



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Basis for determination of the market value of sustained and non-sustained level 1 fair value measuring items

The fair value of trading financial assets – futures, investment in other equity instruments – H shares of Qinhuangdao Port is measured based on the market quotations at the date of the balance sheet, which belongs to level 1 fair value measurement.

3. Qualitative and quantitative information of valuation techniques and important parameters used in sustained and non-sustained level 2 fair value measuring items

Not applicable

4. Qualitative and quantitative information of valuation techniques and important parameters used in sustained and non-sustained level 3 fair value measuring items

Level 3 financial instruments mainly include the unlisted equity investments and private fund investments held by the Company and its subsidiaries. The Company and its subsidiaries determine the fair value of significant investments by using valuation techniques, such as the guideline public company approach and asset-based approach. The inputs of valuation techniques mainly include the fair market value of peer public companies, rate multiplier and discount rate for lack of liquidity.

5. Adjustment information and unobservable parameter sensitivity analysis of the book value at the beginning and the end of the period for sustained level 3 fair value measuring items

Not applicable

6. Conversion reasons and policies to determine the conversion time for the sustained fair value measuring items to which a conversion between hierarchies occurs in the period

Not applicable

7. Changes in valuation techniques in the period and reasons therefor

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

8. Fair value of the financial assets and financial liabilities not measured at fair value

Financial assets and liabilities measured at fair value mainly include accounts receivable, prepayments, short-term borrowings, accounts payable, advances, contract liabilities, non-current liabilities due within one year, long-term borrowings and bonds payable.

The book value of the above financial assets and liabilities not measured at fair value approximates to their fair value.

9. Others

Not applicable

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information on the Company's parent company

Unit: RMB'0,000 Currency: RMB

Name of the parent company	Registration place	Nature of business	Registered capital	Shareholding percentage of the parent company in the Company (%)	Proportion of voting rights of the parent company to the Company (%)
Inner Mongolia Yitai Group Co., Ltd.	Liuzhongnan Jiefang Area, No. 14 South Yimei Road, Dongsheng District	Production of raw coal; processing, transportation and sales of raw coal, railway construction and transportation; coal-related chemical operation and sales of coal-related chemical products	125,000.00	49.17	49.17

Explanations on the parent company of the Company

Inner Mongolia Yitai Group Co., Ltd. was established in October 1999 at Liuzhongnan Jiefang Area, No. 14 South Yimei Road, Dongsheng District, Ordos, Inner Mongolia, with a registered capital of RMB1.250 billion. The businesses operated by Yitai Group include the production of raw coal; processing, transportation and sales of raw coal; railway construction, railway transportation of passengers and goods; import of equipment, accessories and technologies for mines; construction and operation of highways; coal-related chemical operation and sales of coal-related chemical products; farming and aquaculture. Inner Mongolia Yitai Group Co., Ltd. is owned as to 99.64% by Inner Mongolia Yitai Investment Co., Ltd.

The Company is ultimately controlled by Inner Mongolia Yitai Investment Co., Ltd. with no de facto controller.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Information on the Company's subsidiaries

The Company's subsidiaries are detailed in the notes

Refer to 1. Interests in Subsidiaries under Section IX. Interests in Other Entities in this report for details on the Company's subsidiaries.

3. Information on the Company's joint ventures and associated enterprises

The Company's major joint ventures or associated enterprises are detailed in the notes

Refer to 3. Interests in Joint Ventures or Associated Enterprises under Section IX. Interests in Other Entities in this report for details on the Company's major joint ventures or associated enterprises.

Information on other joint ventures or associated enterprises, which have made a related party transaction with the Company in the period, or previously with balances being formed, are as follows

Name of joint venture or associate	Relationship with the Company
Ordos Yitai Water Co., Ltd.	Joint venture
Ordos Tiandi Huarun Mine Equipment Co., Ltd.	Associated enterprise
Inner Mongolia Jingtai Power Generation Co., Ltd.	Associated enterprise
Inner Mongolia Yuanji Chemical Co., Ltd.	Associated enterprise
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Associated enterprise
Inner Mongolia Yitai Finance Company Limited	Associated enterprise, which is a subsidiary of the parent company and owned as to 40.00% by the Company
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	Associated enterprise, which is a subsidiary of the parent company and owned as to 20.00% by the Company

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties

Name of other related party	Relationship between the other related party with the Company
Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	A company controlled by the related natural person
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	Indirect subsidiary of the parent company
Guangbo Huitong Finance Leasing Company Limited	Indirect subsidiary of the parent company
Keling Environmental Protection Co., Ltd.	Subsidiary of the parent company
Mengji Railway Co., Ltd.	Joint stock company
Inner Mongolia Jinglong Power Generation Co., Ltd.	Wholly-owned subsidiary of the shareholder of a subsidiary
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Shareholder with more than 5.00% shareholding in a subsidiary
Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	Subsidiary of the parent company
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Subsidiary of the parent company
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Parent company
Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Wholly-owned subsidiary of the parent company
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Subsidiary of the parent company
Inner Mongolia Yitai Pastoral Technological Innovation Incubator Service Limited	Indirect subsidiary of the parent company
Inner Mongolia Yitai Western Coal Co., Ltd.	Subsidiary of the parent company
Inner Mongolia Yitai New Energy Development Co., Ltd.	Indirect subsidiary of the parent company
Inner Mongolia Yitai Information Technology Co., Ltd.	A company controlled by the related natural person
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Indirect subsidiary of the parent company
Inner Mongolia Machine Equipments Complete Co., Ltd.	A company controlled by the related natural person
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	Shareholder of a subsidiary
Yigudao (Beijing) Food Marketing Co., Ltd.	Indirect subsidiary of the parent company
Yitai Group (Hongkong) Co., Ltd.	Wholly-owned subsidiary of the parent company
Synfuels China Engineering Holdings Co., Ltd.	Indirect subsidiary of the parent company
Synfuels China Inc.	Subsidiary of the parent company
Synfuels China Inner Mongolia Technology Institute Co., Ltd.	Indirect subsidiary of the parent company
Synfuels China Inner Mongolia Co., Ltd.	Indirect subsidiary of the parent company

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information on related party transactions

(1). Related party transactions on purchase or sale of goods and provision or acceptance of services

Table on purchase of goods/acceptance of services

Unit: RMB'0,000 Currency: RMB

Related party	Content of related party transactions	Amount for the period	Amount for last period
Inner Mongolia Yitai Information Technology Co., Ltd.	Software, operation and maintenance services, etc.	656.99	895.65
Inner Mongolia Machine Equipments Complete Co., Ltd.	Supervision services	193.96	406.01
Inner Mongolia Yitai Pastoral Technological Innovation Incubator Service Limited	Agricultural by-products	2.58	
Synfuels China Inner Mongolia Co., Ltd.	Catalysts	14,319.00	14,962.00
Synfuels China Engineering Holdings Co., Ltd.	Equipment, technical services and construction and installation engineering	1,627.40	4,364.86
Inner Mongolia Yitai Group Co., Ltd.	Coal	153,717.28	132,055.79
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	Coal	9,730.56	2,188.48
Keling Environmental Protection Co., Ltd.	Treatment of hazardous waste	869.36	
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Agricultural by-products	2.16	1,434.12
Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	Agricultural by-products	70.55	
Inner Mongolia Yitai Western Coal Co., Ltd.	Coal	17,110.72	1,337.08
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity charges	1,336.41	
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Agricultural by-products	0.78	328.96
Yigudao (Beijing) Food Marketing Co., Ltd.	Agricultural by-products	31.19	
Mengji Railway Co., Ltd.	Transportation services	49,352.39	65,277.51
Total		<u>249,021.33</u>	<u>223,250.45</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information on related party transactions (Continued)

(1). Related party transactions on purchase or sale of goods and provision or acceptance of services (Continued)

Table on sale of goods/provision of services

Unit: RMB'0,000 Currency: RMB

Related party	Content of related party transactions	Amount for the period	Amount for last period
Inner Mongolia Yitai Western Coal Co., Ltd.	Materials		0.19
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	Materials, equipment, lease services, etc.	6,050.91	7,011.90
Inner Mongolia Jingtai Power Generation Co., Ltd.	Coal	8,792.93	8,090.63
Synfuels China Inner Mongolia Co., Ltd.	Oil products, liquefied gas, etc.	281.16	562.84
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Transportation services	5,959.26	5,981.82
Inner Mongolia Yitai Group Co., Ltd. and its branches	Moving services, lease, materials, etc.	537.52	565.44
Keling Environmental Protection Co., Ltd.	Sales of public media, materials, oil products, etc.	326.62	48.84
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Electricity and materials	711.94	359.96
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Oil products	11.73	1,820.52
Inner Mongolia Jinglong Power Generation Co., Ltd.	Coal	1,092.89	3,822.08
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity	10.88	
Synfuels China Inc.	Catering and accommodation services	11.38	1.53
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Coal	5.15	
Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	Oil products	8.70	
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	4,806.25	
Total		28,607.32	28,265.75

Explanations on related party transactions on purchase or sale of goods and provision or acceptance of services

Not applicable



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

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

5. Information on related party transactions *(Continued)*

(2). Related entrusted management/contracting and entrusting management/outsourcing business

Table on the entrusted management/contracting business of the Company:

Not applicable

Explanations on related entrusting/contracting business

Not applicable

Table on the entrusting management/outsourcing business of the Company:

Not applicable

Explanations on related management/outsourcing business

Not applicable

(3). Related party leasing

The Company acts as a lessor:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information on related party transactions (Continued)

(3). Related party leasing (Continued)

The Company acts as a lessee:

Unit: yuan Currency: RMB

Name of lessor	Type of leased assets	Rental expenses recognized in the period	Rental expenses recognized in last period
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	Equipment	3,750,000.00	3,750,000.00
Guangbo Huitong Finance Leasing Company Limited	Equipment	4,500,000.00	4,500,000.00
Total		<u>8,250,000.00</u>	<u>8,250,000.00</u>

Explanations on related party leasing

- 1) Yitai Xinjiang Energy Co., Ltd. (Xinjiang Energy), a subsidiary of the Company, entered into a sale and leaseback agreement with Guangbo Huitong Finance Leasing (Shenzhen) Company Limited in June 2017, pursuant to which Xinjiang Energy sold its assets to Guangbo Huitong Finance Leasing (Shenzhen) Company Limited at a consideration of RMB150,000,000.00, and Guangbo Huitong Finance Leasing (Shenzhen) Company Limited rent the acquired assets to Xinjiang Energy with total rental fees of RMB161,250,001.00 on an interest rate of 5.00% for a term of three years. Amortization on finance costs unrecognized in the period, amounting to RMB3,750,000.00, was included in construction in progress, the closing balance of lease liabilities was RMB157,500,001.00, and unrecognized finance costs amounted to RMB7,500,001.00.
- 2) Yitai Xinjiang Energy Co., Ltd. (Xinjiang Energy), a subsidiary of the Company, entered into a sale and leaseback agreement with Guangbo Huitong Finance Leasing Company Limited in December 2017, pursuant to which Xinjiang Energy sold its assets to Guangbo Huitong Finance Leasing Company Limited at a consideration of RMB180,000,000.00, and Guangbo Huitong Finance Leasing Company Limited rent the acquired assets to Xinjiang Energy with total rental fees of RMB192,490,000.00 on an interest rate of 5.00% for a term of three years. Amortization on finance costs unrecognized in the period, amounting to RMB4,500,000.00, was included in construction in progress, the closing balance of lease liabilities was RMB187,990,000.00, and unrecognized finance costs amounted to RMB7,990,000.00.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information on related party transactions (Continued)

(4). Related party guarantees

The Company acts as a guarantor

Not applicable

The Company acts as the guaranteed party

Unit: yuan Currency: RMB

Name of guarantor	Guaranteed amount	Start date	Due date	Whether the guarantee has been fulfilled
Inner Mongolia Yitai Group Co., Ltd.	30,000,000.00	2008/3/18	2021/11/12	No
Inner Mongolia Yitai Group Co., Ltd.	70,000,000.00	2007/7/23	2021/7/22	No
Inner Mongolia Yitai Group Co., Ltd.	299,000,000.00	2018/12/19	2020/3/22	No
Inner Mongolia Yitai Group Co., Ltd.	175,000,000.00	2019/3/29	2022/3/26	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	18,500,980.77	2006/5/1	2024/5/30	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	116,704,000.00	2014/3/25	2028/3/25	No
Inner Mongolia Yitai Group Co., Ltd.	9,108,400.00	2014/3/25	2028/3/25	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	181,724,800.00	2012/12/21	2030/10/10	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	21,673,600.00	2013/12/26	2029/11/10	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	28,134,000.00	2014/11/19	2025/10/22	No
Inner Mongolia Yitai Group Co., Ltd.	88,200,000.00	2015/2/13	2020/2/12	No
Inner Mongolia Yitai Group Co., Ltd.	93,100,000.00	2018/3/27	2023/3/26	No
Inner Mongolia Yitai Group Co., Ltd.	26,313,000.00	2014/1/9	2029/1/8	No
Inner Mongolia Yitai Group Co., Ltd.	8,330,000.00	2016/9/29	2031/9/28	No
Inner Mongolia Yitai Group Co., Ltd.	49,000,000.00	2014/1/28	2021/1/27	No
Inner Mongolia Yitai Group Co., Ltd.	1,020,964,000.00	2017/7/25	2028/12/15	No
Inner Mongolia Yitai Group Co., Ltd.	300,000,000.00	2016/11/1	2019/10/15	No
Inner Mongolia Yitai Group Co., Ltd.	100,000,000.00	2017/12/29	2019/12/27	No
Inner Mongolia Yitai Group Co., Ltd.	1,899,750,000.00	2018/12/27	2021/12/25	No
Inner Mongolia Yitai Group Co., Ltd.	700,000,000.00	2019/6/17	2031/6/16	No
Total	5,235,502,780.77			No

Explanations on related party guarantees

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information on related party transactions (Continued)

(5). Capital lending between related parties

Not applicable

(6). Assets transfer and debt restructuring of related parties

Unit: yuan Currency: RMB

Related party	Content of related party transaction	Amount for the period	Amount for last period
Inner Mongolia Yitai Group Co., Ltd.	Acquisition of equity	—	1,000,000.00
Total		—	1,000,000.00

(7). Remuneration of key management personnel

Unit: RMB'0,000 Currency: RMB

Item	Amount for the period	Amount for last period
Remuneration of key management personnel	709.18	476.50

(8). Other related party transactions

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Accounts receivable from and accounts payable to related parties

(1). Accounts receivable

Unit: yuan Currency: RMB

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Notes receivable					
	Inner Mongolia Yitai Group Co., Ltd.			910,000.00	
Accounts receivable					
	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	22,816,361.24			
	Inner Mongolia Jingtai Power Generation Co., Ltd.	41,470,940.88		43,377,734.59	
	Synfuels China Inner Mongolia Co., Ltd.	1,846,939.41		957,196.64	
	Inner Mongolia Yuanji Chemical Co., Ltd.	32,063,691.00		19,031,678.51	
	Synfuels China Engineering Holdings Co., Ltd.	39,083,550.00		68,609,530.00	
	Synfuels China Inc.	115,422.00		4,532.00	
	Inner Mongolia Mengtai Buliangou Coal Co., Ltd.			357,437.60	
	Keling Environmental Protection Co., Ltd.	254,811.20			
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	100,184.10			
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	997,606.70			
	Inner Mongolia Yitai New Energy Development Co., Ltd.	1,959.38			
Prepayments					
	Synfuels China Engineering Holdings Co., Ltd.	64,663,003.00			
	Mengji Railway Co., Ltd.	14,421,014.35			63,322,457.95
Other receivables					
	Ordos Tiandi Huarun Mine Equipment Co., Ltd.	8,372,681.49	8,372,681.49	8,372,681.49	8,372,681.49
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	104,263.90		38,709.66	
	Inner Mongolia Yitai Finance Company Limited			300,000.00	
	Inner Mongolia Yuanji Chemical Co., Ltd.			27,727.22	
	Synfuels China Inner Mongolia Technology Institute Co., Ltd.			19,074.14	
	Synfuels China Inner Mongolia Co., Ltd.	15,305,478.55			
	Inner Mongolia Yitai New Energy Development Co., Ltd.	30,685.45			
	Synfuels China Engineering Holdings Co., Ltd.	210,328.02			
	Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2			9,698,329.82	
	Inner Mongolia Yitai Information Technology Co., Ltd.	1,098.00			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Accounts receivable from and accounts payable to related parties (Continued)

(2). Accounts payable

Unit: yuan Currency: RMB

Item	Related party	Closing carrying balance	Opening carrying balance
Notes payable			
	Synfuels China Inner Mongolia Co., Ltd.	6,550,000.00	35,990,000.00
	Inner Mongolia Machine Equipments Complete Co., Ltd.		11,999,877.31
Accounts payable			
	Inner Mongolia Yitai Information Technology Co., Ltd.	147,536.67	148,852.67
	Inner Mongolia Machine Equipments Complete Co., Ltd.		6,500.00
	Keling Environmental Protection Co., Ltd.	132,675.00	
	Inner Mongolia Yitai Group Co., Ltd.	201,363,138.18	80,049,586.60
	Ordos Yitai Water Co., Ltd.		5,644,661.68
	Inner Mongolia Yitai New Energy Development Co., Ltd.	2,462,693.22	2,661,505.59
	Synfuels China Engineering Holdings Co., Ltd.	26,080,303.86	27,054,914.83
	Synfuels China Inner Mongolia Co., Ltd.	55,374,756.39	44,625,615.83
	Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	7,153.00	
	Inner Mongolia Yitai Western Coal Co., Ltd.	33,605,857.23	
Other payables			
	Inner Mongolia Yitai Information Technology Co., Ltd.	6,929,391.27	4,878,196.67
	Inner Mongolia Machine Equipments Complete Co., Ltd.	546,732.67	7,997,875.28
	Yitai Group (Hongkong) Co., Ltd.	15,573,793.52	
	Synfuels China Engineering Holdings Co., Ltd.	124,212,760.31	43,274,594.05
	Synfuels China Inc.	36,000,000.00	36,000,000.00
	Synfuels China Inner Mongolia Co., Ltd.	15,256,290.48	72,021,854.89
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	8,764.80	
	Ordos Yitai Water Co., Ltd.		5,402,730.00
	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	1,330.00	987.44
Contract liabilities			
	Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	6,077,118.94	1,468,435.58
	Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	1,266,843.74	1,266,843.74
	Synfuels China Inner Mongolia Co., Ltd.	1,645.00	1,645.00
	Inner Mongolia Yuanji Chemical Co., Ltd.		3,225.08
	Inner Mongolia Jingtai Power Generation Co., Ltd.	15,023.66	
	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	7,858.17	
	Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	113,010.00	
Lease liabilities			
	Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	150,000,000.00	150,000,000.00
	Guangbo Huitong Finance Leasing Company Limited	180,000,000.00	180,000,000.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Accounts receivable from and accounts payable to related parties (Continued)

7. Commitments of related parties

Not applicable

8. Others

- (1) Acceptance of financial services from Inner Mongolia Yitai Group Finance Company Limited

In December 2017, the Company entered into the Financial Services Framework Agreement with Inner Mongolia Yitai Group Finance Company Limited (the "Finance Company") for a term of three years commencing from 1 January 2018 and ending on 1 January 2021, pursuant to which the Finance Company provided deposits, loans and other financial services to the Company based on the Company's needs. Set out below is the provision of deposits, loans and other financial services by the Finance Company to the Company during the period:

Items	Opening amount	Increase for the period	Decrease for the period	Closing amount	Interests and fees received or paid
Deposits with the Finance Company	8,692,619,491.77	56,812,542,763.76	58,608,925,960.16	6,896,236,295.37	36,737,416.04
Loans from the Finance Company	3,700,000,000.00		1,500,000,000.00	2,200,000,000.00	72,931,958.32
Total	12,392,619,491.77	56,812,542,763.76	60,108,925,960.16	9,096,236,295.37	109,669,374.36

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XIII. SHARE-BASED PAYMENT

1. **General information of share-based payment**

Not applicable

2. **Equity-settled share-based payment**

Not applicable

3. **Cash-settled share-based payment**

Not applicable

4. **Modifications and termination of share-based payment**

Not applicable

5. **Others**

Not applicable

XIV. COMMITMENTS AND CONTINGENT EVENTS

1. **Significant commitments**

Significant external commitments, nature, and amount as at the Balance Sheet Date:

Item	2019 (RMB'0,000)	2018 (RMB'0,000)
Capital expenditures approved by the Board	490,821.00	454,600.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XIV. COMMITMENTS AND CONTINGENT EVENTS (CONTINUED)

2. Contingent events

(1). Significant contingent events as at the Balance Sheet Date

- Contingent events arising from pending litigation or arbitration and their financial implications

Plaintiff	Defendant	Case	Court	Worth of the subject (RMB10,000)	Progress
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司) ("Yitai Petrochemical")	Dongying Haifeng Petrochemical Co., Ltd. (東營海豐石油化工股份有限公司)	Sale and purchase contract of petrochemical products	Ordos Intermediate People's Court	1,542.84	Enforcing
CITIC Factoring Corporation Ltd. (中信商業保理有限公司) ("CITIC Factoring")	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司), Inner Mongolia Hanxing Mining Equipment Co., Ltd. (內蒙古瀚興礦用設備有限公司) etc.	Conflicts arising from the factoring contract	The Second Beijing Intermediate People's Court	2,601.22	In progress of retrial

- Yitai Petrochemical entered into the "Sale and Purchase Contract of Petrochemical Products" with Dongying Haifeng, pursuant to which, Yitai Petrochemical sold the petrochemical products to Dongying Haifeng for RMB30,233,200. Dongying Haifeng failed to pay Yitai Petrochemical the purchase payments. In February 2016, Yitai Petrochemical applied to the Ordos Intermediate People's Court for pre-litigation property preservation of Dongying Haifeng; in March 2016, the Ordos Intermediate People's Court issued the "Enforcement Order" [2016] Neizhizi No. 151 and seized three real estates of Dongying Haifeng. Among them, one seized real estate of Dongying Haifeng has been sold in the auction for RMB14,804,800 which Yitai Petrochemical has recovered, and other seized real estate and land use right are in the process of being executed as of the date of this Report.

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

For the six months ended 30 June 2019

XIV. COMMITMENTS AND CONTINGENT EVENTS *(CONTINUED)*

2. Contingent events *(Continued)*

(1). Significant contingent events as at the Balance Sheet Date *(Continued)*

1. Contingent events arising from pending litigation or arbitration and their financial implications *(Continued)*
 - 2) On 25 September 2012, Inner Mongolia Hanxing Mining Equipment Co., Ltd. (hereinafter referred to as “Hanxing”) and CITIC Factoring Corporation Ltd. (hereinafter referred to as “CITIC Factoring”) entered into a factoring contract, pursuant to which Hanxing transferred all the accounts receivable (including accounts due from the Company of RMB26,012,200) and related interests to CITIC Factoring and CITIC Factoring provided factoring financing services for the Hanxing. On 25 September 2012, CITIC Factoring offered a financing amount of RMB10 million. As upon expiration of the factoring financing amount, Hanxing did not receive the relevant liabilities due to be paid by the Company and Hanxing failed to repay the factoring financing amount, CITIC Factoring filed a lawsuit against the Company and Hanxing. On 17 April 2018, the Beijing Dongcheng District People’s Court issued the (2017) Jing 0101 Minchu No.11660 Judgment, ruling that: the Company shall pay relevant liabilities of RMB23,878,200 to CITIC Factoring, and Hanxing shall repurchase the outstanding liabilities of the Company from CITIC Factoring within the scope of factoring financing amount of RMB8,966,000. As the Company did not receive any lawsuit writ, it did not attend the first instance trial and refused to accept the first-instance judgment. On 26 December 2018, the Company filed a retrial appeal with the Second Beijing Intermediate People’s Court. On 26 December 2018, the Second Beijing Intermediate People’s Court issued the (2018) Jing 02 Minshen No. 689 Civil Ruling Judgment, ruling that: during the retrial, the execution of the first-instance judgment shall be suspended. As of 30 June 2019, this case is in a retrial status.

For the above-mentioned pending litigation, if the management of the Company, based on their judgment and taking into account the legal opinions, is able to reasonably estimate the outcome of the litigation, the Company will provide for estimated liabilities in respect of the losses that may be incurred in such litigation. If the outcome of the lawsuit cannot be reasonably estimated or the management believes that it will not result in a capital outflow, the Company will not provide for the estimated liabilities in respect of the pending litigation.



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

For the six months ended 30 June 2019

XIV. COMMITMENTS AND CONTINGENT EVENTS *(CONTINUED)*

2. Contingent events *(Continued)*

(1). Significant contingent events as at the Balance Sheet Date *(Continued)*

1. Contingent events arising from pending litigation or arbitration and their financial implications *(Continued)*

In addition to the above-mentioned pending litigation where the Company is as a defendant, for disputes, litigations or claims arising from the Company's claim of interests against customers, suppliers, etc., in the ordinary course of business, after consulting with relevant legal counsels and reasonably evaluating the outcome of such pending disputes, litigations or claims by the management, the Company will make separate provision for bad debts in connection with those disputes, litigations or claims that are likely to cause losses to the Company. For those that are currently unable to be reasonably evaluated their outcomes or the management of the Company believes they will not materially and adversely affect the Company's operating results or financial position, the Company will not make separate provision bad debts.

As of 30 June 2019, in addition to the above litigations, the Company is not subject to any litigation or claim that has a material adverse effect on the Company's operating results and financial position, and other significant contingent events that should have been disclosed.

- (2). Please explain if no significant contingent event is required to be disclosed by the Company.

Not applicable

3. Miscellaneous

Not applicable



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XV. POST-BALANCE SHEET DATE EVENT

1. Significant non-adjustment events

Not applicable

2. Profit distribution

Not applicable

3. Sales return

Not applicable

4. Explanation on other Post-Balance Sheet Date Event

Not applicable

XVI. OTHER SIGNIFICANT EVENTS

1. Correction of previous accounting errors

(1). Retrospective restatement

Not applicable

(2). Prospective application method

Not applicable

2. Debt restructuring

Not applicable



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Asset replacement

(1). Exchange of non-monetary assets

Not applicable

(2). Other asset replacement

Not applicable

4. Annuity plan

The main contents and material changes of the annuity plan can be found in Note 39 Employee remuneration payables – Explanation of defined contribution plan under VII. Explanatory Notes to the Consolidated Financial Statements of the report.

5. Termination of business

Not applicable

6. Segment information

(1). Determination criterion and accounting policies of the reporting segments

1. Determination criterion and accounting policies of the reporting segments

Operating segments of the Company are identified on the basis of internal organization structure, management requirements and internal reporting system. An operating segment represents a component of the Company that satisfied the following criteria simultaneously:

- (1) its business activities are engaged to earn revenue and incur expenses;
- (2) its operating results are regularly reviewed by the Company's management to make decisions on resources allocation and performance assessment;
- (3) its financial information, operating results, cash flow and related accounting information are available to the Company.



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

For the six months ended 30 June 2019

XVI. OTHER SIGNIFICANT EVENTS *(CONTINUED)*

6. Segment information *(Continued)*

(1). Determination criterion and accounting policies of the reporting segments *(Continued)*

1. Determination criterion and accounting policies of the reporting segments *(Continued)*

The Company determines the reporting segment based on the operating segment, and the operating segment that meets any of the following conditions is determined as the reporting segment:

- (1) The segment income of the operating segment accounts for 10.00% or more of total income of all segments;
- (2) The absolute amount of profit (losses) of the segment account for 10.00% or more of the higher of the absolute amount of total profits of the profiting segment and the absolute amount of total losses of the unprofitable segment.

Where the proportion of the total external revenue of the operating segment determined to be reporting segments according to the accounting policies above does not amount to 75.00%, the number of reporting segments should be increased; operating segments that are not determined to be reporting ones can be included in the scope of reporting ones according to the following rules till the proportion reaches 75.00%:

- (3) The operating segments, which the management believes may be useful for users of accounting information if their information is disclosed, are determined as reporting segments;
- (4) One or more operating segments with economic features with similar features that are qualified for combination the operating segment are combined as one reporting segment.

The transfer price among segments is determined with reference to the market price, and assets used jointly by segments and relevant expenses are distributed among segments according to the proportion of income.



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

For the six months ended 30 June 2019

XVI. OTHER SIGNIFICANT EVENTS *(CONTINUED)*

6. Segment information *(Continued)*

(1). Determination criterion and accounting policies of the reporting segments *(Continued)*

2. The factors that the Company considers when determining its reporting segments, the products of reporting segments and the type of services

The Company's reporting divisions are business units that offer different products and services. Since various businesses require different technologies and market strategies, the Company separately manages the production and operation activities of each reporting segment, and evaluates their operating results respectively to determine the resources allocation and evaluate their business results.

The Company has three reporting segments: coal segment, coal-related chemical segment and transportation segment. The coal segment is responsible for the production and sale of coal products; the coal-related chemical segment is responsible for the production and sale of coal-related chemical products; the transportation segment is responsible for providing railway and road transportation services.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

6. Segment information (Continued)

(2). Financial information of the reporting segments

Unit: RMB'0,000 Currency: RMB

Items	Coal segment	Coal-related chemical segment	Transportation segment	Others	Intersegment elimination	Total
I. Operating revenue	1,765,041.05	292,630.69	119,251.61	1,117.09	170,507.11	2,007,533.33
Including: revenue						
from external transactions	1,672,166.12	292,223.40	42,026.72	1,117.09		2,007,533.33
Revenue from intersegment transactions	92,874.93	407.29	77,224.89		170,507.11	
II. Operating expenses	1,460,645.24	274,674.98	67,361.97	-732.31	147,757.29	1,654,192.59
Including: income from						
investment in associates and joint ventures	16,637.20	-442.97			-42.94	16,237.17
Impairment loss of assets						
Depreciation and amortization expenses	132,612.65	43,593.38	25,926.39	49.66	76.66	202,105.42
III. Total profit (loss)	271,973.22	-13,261.89	40,778.24	1,845.35	6,046.80	295,288.12
IV. Income tax expenses	54,679.72	75.75	8,337.05	1.63	-137.65	63,231.80
V. Net profits (losses)	217,293.50	-13,337.64	32,441.19	1,843.71	6,184.44	232,056.32
VI. Total assets	6,396,355.31	3,572,385.18	1,327,803.16	178,928.89	2,357,233.86	9,118,238.68
VII. Total liabilities	2,861,396.96	2,386,296.22	469,684.34	50,469.08	937,373.09	4,830,473.51
VIII. Other significant non-monetary items						
1. Capital expenditure	132,117.69	48,086.23	3,091.98	77.49		183,373.39

(3). Please explain if the Company has no reporting segments or is unable to disclose the total assets and total liabilities of each reporting segment.

Not applicable

(4). Other explanation

Not applicable



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

For the six months ended 30 June 2019

XVI. OTHER SIGNIFICANT EVENTS *(CONTINUED)*

7. Other significant transactions and events affecting investors' decision-making

On 9 November 2017, Inner Mongolia Yitai Coal Co., Ltd. received the "Certificate for Hi-tech Enterprise" (Certificate No.: GR201715000141) jointly issued by the Science and Technology Department of Inner Mongolia Autonomous Region, the Finance Department of Inner Mongolia Autonomous Region, the State Taxation Bureau of Inner Mongolia Autonomous Region and the Local Taxation Bureau of Inner Mongolia Autonomous Region with a term of three years. As of the date of this report, as the Company's share of actual R&D expenses incurred in the past three years of the sales revenue failed to reach the share as required, the Company is not entitled to the income tax preferential policy available to national high-tech enterprises from January to June 2019. Therefore, the Company shall be still subject to the corporate income tax at 25% from January to June 2019.

8. Miscellaneous

Not applicable

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1). Disclosure by age

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(2). Classified disclosure by method of provision for bad debts

Unit: yuan Currency: RMB

Category	Carrying balance		Closing balance Provisions for bad debts		Book value	Carrying balance		Opening balance Provisions for bad debts		Book value
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts on portfolio basis	1,128,426,867.44	100.00			1,128,426,867.44	231,204,081.31	100.00			231,204,081.31
Including:										
Clients with extremely low credit risk	1,128,426,867.44	100.00			1,128,426,867.44	231,204,081.31	100.00			231,204,081.31
Total	1,128,426,867.44	100.00			1,128,426,867.44	231,204,081.31	100.00			231,204,081.31

Provisions for bad debts on single item basis:

Not applicable

Provisions for bad debts on portfolio basis:

Item of provisions on portfolio basis: clients with extremely low credit risk

Unit: yuan Currency: RMB

Name	Accounts receivable	Closing balance Provisions for bad debts	Percentage of provision (%)
Clients with extremely low credit risk	1,128,426,867.44	–	–
Total	1,128,426,867.44	–	–

Recognition criteria and explanation for provisions for bad debts on portfolio basis:

Explanation of recognition basis of the portfolio: clients with good credit and frequent business relationship and amounts with extremely low credit risks after assessment

If provisions for bad debts are made based on the general model of expected credit losses, please refer to disclosure of other receivables:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(3). Provisions for bad debts

Not applicable

(4). Accounts receivable actually written off during the period

Not applicable

(5). Account receivables from top five debtors by closing balance

Name of entity	Closing balance	Percentage in the closing balance of accounts receivable (%)
Yitai Supply Chain Finance Services Co., Ltd.	641,404,999.98	56.84
Yitai Bohai Energy Co., Ltd.	151,238,041.14	13.40
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd.	94,566,256.71	8.38
Inner Mongolia Yitai Chemical Co., Ltd.	87,458,027.19	7.75
Yitai Energy Investment (Shanghai) Co., Ltd.	75,946,438.70	6.73
Total	<u>1,050,613,763.72</u>	<u>93.10</u>

(6). Accounts receivable subject to derecognition due to the transfer of financial assets

Not applicable

(7). Amount of assets and liabilities arising from transfer of and continued involvement in trade receivables

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables

Presentation of items

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable	409,851,538.39	
Other receivables	10,355,170,037.41	8,399,470,548.03
Total	10,765,021,575.80	8,399,470,548.03

Interests receivable

(1). Classification of interests receivable

Not applicable

(2). Significant overdue interests

Not applicable

(3). Provisions for bad debts

Not applicable

(4). Dividends receivable

Unit: yuan Currency: RMB

Item (or investee)	Closing balance	Opening balance
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.	400,131,538.39	
Inner Mongolia Yitai Tongda Coal Co., Ltd.	9,720,000.00	
Total	409,851,538.39	

(5). Significant dividends receivable overdue for over a year

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Interests receivable (Continued)

- (6). Provisions for bad debts

Not applicable

Other receivables

- (7). Disclosure by age

Not applicable

- (8). Classification by nature

Unit: yuan Currency: RMB

Nature	Closing carrying balance	Opening carrying balance
Entrusted loans	5,425,000,000.00	6,861,798,000.00
Current accounts	4,805,557,242.21	1,439,745,548.67
Margins	128,185,267.68	95,812,262.68
Borrowings of employees	7,378,759.21	13,065,968.37
Deposits	2,087,100.00	2,087,100.00
Total	<u>10,368,208,369.10</u>	<u>8,412,508,879.72</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(9). Provision for bad debts

Unit: yuan Currency: RMB

	The first stage Expected credit loss in the next 12 months	The second stage Expected credit loss throughout the duration (no credit impairment incurred)	The third stage Expected credit loss throughout the duration (credit impairment incurred)	Total
Balance as at 1 January 2019		13,038,331.69		13,038,331.69
Balance as at 1 January 2019 during the period				
- Transfer into the second stage				
- Transfer into the third stage		8,372,681.49		8,372,681.49
- Reversal to the second stage				
- Reversal to the first stage				
Provisions during the period				
Reversal during the period				
Transferral during the period				
Write-off during the period				
Other changes			8,372,681.49	8,372,681.49
Balance as at 30 June 2019		4,665,650.20	8,372,681.49	13,038,331.69

Explanation for the significant changes in the balance of book balance of other receivables for which the loss provisions have changed during the period:

Not applicable

Basis for the provisions for bad debts in this period and the assessment of whether the credit risk of financial instruments has increased significantly:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(10). Provisions for bad debts

Unit: yuan Currency: RMB

Category	Opening balance	Changes in the period			Closing balance
		Provisions	Recovered or reversed	Write-back or write-off	
Other receivables with provisions for expected credit losses made on single item basis	13,038,331.69				13,038,331.69
Total	13,038,331.69				13,038,331.69

Among them, significant amounts of provisions for bad debts during the period have been reversed or recovered:

Not applicable

(11). Other receivables actually written off during the period

Not applicable

Explanation for the writing off of other receivables:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(12). Other receivables from top five debtors by closing balance

Unit: yuan Currency: RMB

Name of entity	Nature of the amount	Closing balance	Age	Percentage in the closing balance of other receivables (%)	Closing balance of provisions for bad debts
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Loans and current accounts	4,366,121,143.18	2-3 years	42.11	
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Loans and current accounts	3,603,853,867.27	2-3 years	34.76	
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Loans and current accounts	1,015,100,889.84	2-3 years	9.79	
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限公司)	Current accounts	264,054,752.92	Less than 1 year	2.55	
Yitai Supply Chain Finance Services (Shenzhen) Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Current accounts	260,261,790.17	Less than 1 year	2.51	
Total	/	9,509,392,443.38	/	91.72	

(13). Accounts receivable involved government subsidies

Not applicable

(14). Other receivables subject to derecognition due to the transfer of financial assets

Not applicable

(15). Amount of assets and liabilities arising from transfer of and continued involvement in trade receivables

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investment

Unit: yuan Currency: RMB

Items	Closing balance			Opening balance		
	Carrying balance	Impairment provisions	Book value	Carrying balance	Impairment provisions	Book value
Investments in subsidiaries	13,628,148,009.45	50,000,000.00	13,578,148,009.45	13,172,917,508.79	51,006,699.34	13,121,910,809.45
Investments in associates and joint ventures	8,831,165,906.74	250,288.45	8,830,915,618.29	8,680,243,891.02	250,288.45	8,679,993,602.57
Total	<u>22,459,313,916.19</u>	<u>50,250,288.45</u>	<u>22,409,063,627.74</u>	<u>21,853,161,399.81</u>	<u>51,256,987.79</u>	<u>21,801,904,412.02</u>

(1) Investments in subsidiaries

Unit: yuan Currency: RMB

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Impairment provisions during the period	Closing balance of impairment provisions
Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	301,023,372.75			301,023,372.75		
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	561,600,000.00			561,600,000.00		
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	50,000,000.00			50,000,000.00		
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	50,000,000.00			50,000,000.00		
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	50,000,000.00	50,000,000.00		100,000,000.00		
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	19,136,100.00			19,136,100.00		
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)	10,000,000.00			10,000,000.00		
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	50,000,000.00			50,000,000.00		50,000,000.00
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	1,162,208,802.53			1,162,208,802.53		
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	1,741,146,000.00			1,741,146,000.00		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	1,200,160,000.00			1,200,160,000.00		
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	1,416,140,000.00			1,416,140,000.00		
Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	591,300,000.00			591,300,000.00		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investment (Continued)

(1) Investments in subsidiaries (Continued)

Unit: yuan Currency: RMB

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Impairment provisions during the period	Closing balance of impairment provisions
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	1,226,720,000.00			1,226,720,000.00		
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限公司)	3,608,000,000.00			3,608,000,000.00		
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	269,713,734.17			269,713,734.17		
Inner Mongolia Yitai Railway Investment Co., Ltd. (內蒙古伊泰鐵路投資有限公司)	315,762,800.00	81,237,200.00		397,000,000.00		
Inner Mongolia Yitai Nalinmiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災害治理有限公司)						
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限公司)	1,006,699.34		1,006,699.34			
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰(山西)煤炭運銷有限公司)						
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限公司)	50,000,000.00			50,000,000.00		
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰騰方合成新材料研究院有限公司)	3,000,000.00			3,000,000.00		
Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	1,000,000.00			1,000,000.00		
Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信華投資管理合夥企業(有限合夥))	495,000,000.00	275,000,000.00		770,000,000.00		
Gongqingcheng Yitai Jiuyou Investment Management Partnership (Limited Partnership) (共青城伊泰久友投資管理合夥企業(有限合夥))		50,000,000.00		50,000,000.00		
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)						
Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)						
Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司)						
Inner Mongolia Yitai Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司)						
Total	13,172,917,508.79	456,237,200.00	1,006,699.34	13,628,148,009.45		50,000,000.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investment (Continued)

(2) Investments in associates and joint ventures

Unit: yuan Currency: RMB

Investee	Opening balance	Additional investments	Decrease in investments	Gain or loss of investment recognized using equity approach	Changes in the period				Closing balance	Closing balance of impairment provision
					Adjustments to other comprehensive income	Changes in other equity	Declaration of payment of cash dividend or profit	Impairment provision		
I. Joint ventures										
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)	4,900,000.00			-605,683.87						4,294,306.13
Sub-total	4,900,000.00			-605,683.87						4,294,306.13
II. Associates										
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限公司)	73,736,544.18			3,975,179.77			20,350,000.00			57,361,723.95
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	489,260,462.88			59,492,137.19						548,752,600.07
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰藥劑開發有限公司)	2,431,580.21			-429,401.56						2,002,178.65
Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. (內蒙古京泰發電有限公司)	423,055,336.78			8,184,241.95						431,239,578.73
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)	14,402,990.00			69,382.78						14,472,372.78
Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊政煤田滅火工程有限公司)	20,834,057.44			-378,843.61						20,455,213.83
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤礦機有限公司)										250,288.45
Yitai Guangqian Coal Chemical Co., Ltd. (內蒙古伊泰廣謙煤化工有限公司)	7,656,272,631.08			96,065,013.07						7,752,337,644.15
Sub-total	8,679,993,602.57			166,977,709.59			20,350,000.00			8,826,621,312.16
Total	8,679,993,602.57	4,900,000.00		166,372,015.72			20,350,000.00			8,830,915,618.29
										250,288.45

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating incomes and operating costs

(1). Operating incomes and operating costs

Unit: yuan Currency: RMB

Items	Amount incurred during the period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Principal operation	15,472,942,152.34	12,829,409,792.67	6,841,420,207.38	4,295,825,849.37
Other operations	503,932,175.22	205,166,922.97	524,024,050.36	210,777,333.91
Total	<u>15,976,874,327.56</u>	<u>13,034,576,715.64</u>	<u>7,365,444,257.74</u>	<u>4,506,603,183.28</u>

(2). Incomes generated from contracts

Unit: yuan Currency: RMB

Category of contract	Coal segment	Others	Total
Category of commercial goods			
Coal	15,472,942,152.34		15,472,942,152.34
Others	493,388,022.84	10,544,152.38	503,932,175.22
Sub-total	<u>15,966,330,175.18</u>	<u>10,544,152.38</u>	<u>15,976,874,327.56</u>
Classification by business region			
Northeast	8,622,717.33		8,622,717.33
North China	8,669,936,485.08	10,544,152.38	8,680,480,637.46
East China	5,116,011,569.32		5,116,011,569.32
South China	2,157,214,899.46		2,157,214,899.46
Central China			
Northwest	14,544,503.99		14,544,503.99
Southwest			
Sub-total	<u>15,966,330,175.18</u>	<u>10,544,152.38</u>	<u>15,976,874,327.56</u>

Explanation for incomes generated from contracts:

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating incomes and operating costs (Continued)

(3). Explanation for performance of obligations under contracts

Not applicable

(4). Explanation for allocation to residual performance of obligations under contracts

Not applicable

5. Investment income

Unit: yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investments under equity method	166,372,015.72	43,455,415.75
Income from long-term equity investments under cost method	421,200,000.00	940,806,001.39
Investment income from disposal of long-term equity investments	-5,453,755.87	
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period		
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period		
Investment income from disposal of held-to-maturity investment		
Investment income received during the period of ownership from held-to-maturity investment		
Investment income from financial assets available-for-sale, etc.		
Investment income from disposal of financial assets available-for-sale		
Investment income received during the period of ownership from held-for-trading financial assets		6,250,164.09
Dividend income received during the period of ownership from other equity instruments		
Interest income received during the period of ownership from debt investments		
Interest income received during the period of ownership from other debt investments		
Investment income from disposal of financial assets available-for-trading	3,046,652.09	8,128,850.87
Investment income from disposal of other equity instruments		
Investment income from disposal of debt investments		
Investment income from disposal of other debt investments		
Others	-3,016,666.68	
Total	582,148,245.26	998,640,432.10

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVII. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

6. Miscellaneous

Not applicable

XVIII. SUPPLEMENTARY INFORMATION

1. Non-recurring profit and loss statement of the period

Unit: yuan Currency: RMB

Items	Amount
Profit or loss from disposal of non-current assets	5,579,762.44
Tax refunds or relief of tax subject to ultra vires or without official approval	
Government subsidies recognized in profit or loss of the period (except for government subsidies which are closely related to the Company's operations, and granted in a fixed amount or quantity in conformity with the common standards of the State)	85,100,459.03
Gains or losses from discretionary investment or asset management	341,128.09
Investment incomes from financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, gain/(loss) on changes in the fair value from derivative financial liabilities, disposals of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities and other equity investments, except for effective hedging business related to normal operating of the Company	59,748,639.32
Other non-operating incomes and expenses other than the abovementioned items	-52,512,041.66
Impact of income tax	-15,220,874.30
Impact of minority shareholders' interests	-1,170,746.34
Total	<u>81,866,326.58</u>

Please explain on the Company's defining of non-recurring profit and loss items defined in accordance with "Interpretive Announcement No. 1 of information disclosure of companies with public issued securities – non-recurring profit and loss" and defining of the non-recurring profit and loss items listed under "Interpretive Announcement No. 1 of information disclosure of companies with public issued securities – non-recurring profit and loss" as recurring profit and loss items.

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVIII.SUPPLEMENTARY INFORMATION (CONTINUED)

2. Net return rate of assets and earnings per share

Profit generated during the reporting period	Weighted average net return rate of assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	5.48	0.59	
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	5.24	0.56	

Supplementary disclosure of the Group's operating costs classified by nature:

Items	Notes	January to June 2019	January to June 2018
Cost of sale of commercial goods	44	13,859,046,350.07	12,143,932,577.42
Labor cost	44	538,004,442.09	309,713,999.24
Depreciation of fixed assets	14	947,764,859.77	679,330,500.78
Depreciation of investment properties	13	18,231,087.78	13,642,445.25
Amortisation of intangible assets	17	51,147,820.21	44,937,915.35
Amortisation of long-term unamortized expenses	19	985,593,867.44	293,427,121.09
Depreciation of right-of-use assets	16	1,190,539.50	
Total depreciation and amortisation		<u>2,003,928,174.70</u>	<u>1,031,337,982.47</u>



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

For the six months ended 30 June 2019

XVIII. SUPPLEMENTARY INFORMATION *(CONTINUED)*

3. Differences in accounting data under domestic and foreign accounting standards

- (1). Differences in net profits and net assets set out in financial reports disclosed in accordance with International Accounting Standards and Chinese Accounting Standards

Not applicable

- (2). Differences in net profits and net assets set out in financial reports disclosed in accordance with foreign accounting standards and Chinese Accounting Standards

Not applicable

- (3). Explanation for the differences in accounting data under domestic and foreign accounting standards, please indicate the name of foreign auditor if adjustments are made to the differences in accounting data by such auditor.

Not applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVIII.SUPPLEMENTARY INFORMATION (CONTINUED)

4. Miscellaneous

Unit: '0,000 yuan

Items of statements	Closing balance (or amount for the current period)	Opening balance (or amount for the previous period)	Percentage of change (%)	Reason for change
Financial assets held for trading	515.08		100.00	Mainly due to the book profit of futures during the period
Notes receivable	3,698.93	10,805.97	-65.77	Mainly due to the decrease in bank acceptance bills during the period
Assets held for sale		1,705.66	-100.00	Mainly due to the transfer of production capacity quota during the period
Other non-current financial assets	89,610.09	55,521.01	61.40	Mainly due to new fund investment during the period
Short-term borrowings		90,000.00	-100.00	Mainly due to the repayment of short-term borrowings during the period
Contractual liabilities	48,972.28	33,837.08	44.73	Mainly due to the increase in advance receipts during the period
Employee benefits payables	8,490.52	32,997.10	-74.27	Mainly due to the payment of wages and bonuses during the period.
Tax payable	54,740.02	179,289.66	-69.47	Mainly due to the decrease in taxes and fees payable at the end of the period
Special reserves	12,897.85	5,708.72	125.93	Mainly due to the increase in the unutilised safe production costs at the end of the period
Management expense	55,528.25	39,886.56	39.22	Mainly due to the increase in employee compensation and depreciation and amortization during the period
Financial expenses	78,106.61	45,189.06	72.84	Mainly due to the increase in interest expenses during the period
Investment income	17,841.30	6,352.16	180.87	Mainly due to the increase in income from investment in associates and joint ventures during the period.
Fair value change income	4,404.84	-88.19	-5,094.83	Mainly due to the book profit of futures during the period
Asset disposal income	556.51	101.99	445.67	Mainly due to the increase in profit or loss from disposal of fixed assets during the period
Non-operating expenses	5,895.06	2,585.05	128.04	Mainly due to the increase in donation expenses during the period
Other cash Received related to business activities	28,109.75	12,757.23	120.34	Mainly due to the increase in working capital and margins and deposits received during the period

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

XVIII. SUPPLEMENTARY INFORMATION (CONTINUED)

4. Miscellaneous (Continued)

Unit: '0,000 yuan

Items of statements	Closing balance (or amount for the current period)	Opening balance (or amount for the previous period)	Percentage of change (%)	Reason for change
Cash recovered from investment	2,932.92	97,353.76	-96.99	Mainly due to the decrease in cash received from the recovery of investment during the period
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	157,629.39	94,242.62	67.26	Mainly due to the increase in compensation fees and stripping fees for open-pit mining and demolition during the period
Cash paid for investment	43,583.22	123,231.20	-64.63	Mainly due to the decrease in non-trading equity investment during the period
Cash received from borrowings	337,500.00	754,024.80	-55.24	Mainly due to the decrease in borrowings during the period
Cash payments for distribution of dividend, profit or interests expenses	255,011.86	91,854.21	177.63	Mainly due to the increase in the distribution of dividends and repayment of borrowings during the period



DOCUMENTS FOR INSPECTION

A financial report signed and sealed by the legal representative, the person in charge of accounting, and the person in charge of the accounting department.

The originals of all documents and announcements publicly disclosed in the Shanghai Securities News and Hong Kong Commercial Daily during the reporting period.

Interim report published on the Hong Kong Stock Exchange.

Chairman of the Group: Mr. Zhang Donghai
Approved for filing by the Board: 29 August 2019