

ANNUAL 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

## IMPORTANT NOTICE

- I. The Board of Directors and the Supervisory Committee of the Company and its Directors, supervisors and senior management warrant that the information herein contained is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this annual report, and severally and jointly accept full legal responsibility.
- II. All of the Company's Directors attended the Board meeting.
- III. Da Hua Certified Public Accountants (Special General Partnership) has issued its standard unmodified auditor's report for the Company.
- IV. The Company's Chairman, Zhang Jingquan, person in charge of accounting, Lv Gulliang, and Head of the Accounting Department (chief accounting officer), Ning Yu, warrant the truthfulness, accuracy and completeness of the financial report set out in this annual report.
- V. Preliminary Plans for Profit Distribution or Transfer of Public Reserve into Share Capital for the reporting period as reviewed by the Board of Directors

As of 31 December 2019, the net profit attributable to the owners of the parent company amounted to RMB3,789,312,908.34 as set out in the audited consolidated statements for the year 2019 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. To provide better return to our shareholders as well as improving corporate values, taking into consideration our cash dividends policy and the cash dividends distribution records for the last three years, the Board of the Company recommended a cash dividend of RMB3.5 (tax inclusive) per 10 shares, calculated by the total share capital of 3,254,007,000 shares, to be paid to all shareholders of the Company. The total dividends to be distributed are RMB1,138,902,450, accounting for 30.06% of the net profit attributable to the owners of the parent company of RMB3,789,312,908.34 as set out in the consolidated statements for the year 2019 of the Company.

- VI. 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 existing uncertainty. Investors are advised to pay attention to the investment risks involved.

- VII. During the reporting period, the Company did not have any non-operational funds appropriated by controlling shareholders and its related parties.
- VIII. During the reporting period, the Company did not provide third-party guarantees in violation of stipulated decision-making procedures.
- IX. Major Risk Notice

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

- X. Unless otherwise stated, the data is presented in Renminbi ("RMB" or "yuan") in this report.



## CONTENTS

SECTION I	DEFINITIONS	2
SECTION II	CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS	4
SECTION III	COMPANY BUSINESS PROFILE	13
SECTION IV	REPORT OF THE BOARD OF DIRECTORS	15
SECTION V	REPORT OF THE SUPERVISORY COMMITTEE	58
SECTION VI	SIGNIFICANT EVENTS	63
SECTION VII	CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS	97
SECTION VIII	DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	106
SECTION IX	CORPORATE GOVERNANCE REPORT	129
SECTION X	RELEVANT INFORMATION ON CORPORATE BOND	151
SECTION XI	FINANCIAL REPORT	158
APPENDIX I	INNER MONGOLIA YITAI COAL CO., LTD. 2019 ANNUAL SOCIAL RESPONSIBILITY REPORT	409
APPENDIX II	2019 ANNUAL INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.	452





## DEFINITIONS

### I. DEFINITIONS

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

#### Definitions of frequently-used terms

Company or the Company	Inner Mongolia Yitai Coal Co., Ltd.* (內蒙古伊泰煤炭股份有限公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai (Group) Hong Kong Co., Ltd. (伊泰(集團)香港有限公司)
Suancigou Mine	Suancigou coal mine of 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)
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)
Baoshan Mine	Baoshan coal mine of Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)
Dadijing Mine	Dadijing coal mine of Inner Mongolia Yitai Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司)
Nalinmiao Mine No. 1	Inner Mongolia Yitai Coal Co., Ltd. Nalinmiao Mine No. 1 (內蒙古伊泰煤炭股份有限公司納林廟煤礦一號井)
Nalinmiao Mine No. 2	Inner Mongolia Yitai Coal Co., Ltd. Nalinmiao Mine No. 2 (內蒙古伊泰煤炭股份有限公司納林廟煤礦二號井)
Hongjingta Mine No. 1	Inner Mongolia Yitai Coal Co., Ltd. Hongjingta Mine No. 1 (內蒙古伊泰煤炭股份有限公司宏景塔一礦)
Kaida Mine	Inner Mongolia Yitai Coal Co., Ltd. Kaida Mine (內蒙古伊泰煤炭股份有限公司凱達煤礦)
Baijialiang Mine	Inner Mongolia Yitai Coal Co., Ltd. Baijialiang Mine (內蒙古伊泰煤炭股份有限公司白家梁煤礦)
Yili Mining	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)
Huzhun Railway Company	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)

\* for identification purpose only



## DEFINITIONS *(Continued)*

### I. DEFINITIONS *(Continued)*

#### Definitions of frequently-used terms *(Continued)*

Yitai Chemical	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Coal-to-oil Company	Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)
Yili Energy	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Yitai Xinjiang	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)
Yitai Petrochemical	Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS

### I. CORPORATE INFORMATION

Chinese name of the Company	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰B股/伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO., LTD.
English abbreviation	IMYCC/Yitai Coal
Legal representative	Zhang Jingquan
Members of the Board	<i>Executive Directors</i> Zhang Jingquan ( <i>Chairman</i> ) Liu Chunlin Ge Yaoyong Zhang Dongsheng Liu Jian Lv Guiliang Lv Junjie  <i>Independent non-executive Directors</i> Zhang Zhiming Huang Sujian Wong Hin Wing Du Yingfen
Members of the Strategy Committee	Zhang Jingquan ( <i>Chairman</i> ) Liu Chunlin Ge Yaoyong Zhang Dongsheng Liu Jian Lv Guiliang Lv Junjie Zhang Zhiming Huang Sujian Wong Hin Wing Du Yingfen
Members of the Audit Committee	Du Yingfen ( <i>Chairman</i> ) Zhang Zhiming Huang Sujian Wong Hin Wing

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS *(Continued)*

### I. CORPORATE INFORMATION *(Continued)*

Members of the Nomination Committee	Zhang Zhiming <i>(Chairman)</i> Zhang Jingquan Liu Chunlin Lv Junjie Huang Sujian Wong Hin Wing Du Yingfen
Members of the Remuneration and Appraisal Committee	Huang Sujian <i>(Chairman)</i> Zhang Jingquan Liu Chunlin Lv Junjie Zhang Zhiming Wong Hin Wing Du Yingfen
Members of the Production Committee	Zhang Jingquan <i>(Chairman)</i> Ge Yaoyong Lv Junjie Huang Sujian Du Yingfen
Members of the Supervisory Committee	Zhang Zhenjin <i>(Chairman)</i> Liu Xianghua Jia Xiaolan <i>(resigned on 14 January 2020)</i> Zhang Wei <i>(appointed on 14 January 2020)</i> Li Cailing He Peixun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternative Authorized Representative	Wong Wai Ling
Company Secretary	Zhao Xin

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### II. CONTACT PERSONS AND CONTACT METHODS

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

### III. BASIC INFORMATION OF THE COMPANY

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

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Media selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Websites designed by the China Securities Regulatory Commission ("CSRC") for publishing the annual report	Website designated by CSRC for publishing the B share annual report: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Website designated by CSRC for publishing the H share annual report: <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place for inspection of the Company's 2019 annual report	Capital Operation and Compliance Management Department of the Company and principal place of business in Hong Kong



## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### V. BASIC INFORMATION ON THE COMPANY'S SHARES

Basic information on the Company's shares				
Class of shares	Stock exchange	Stock abbreviation	Stock code	Stock abbreviation before change
B shares	Shanghai Stock Exchange	Yitai B Share	900948	Yi Coal B Share (伊煤B股)
H shares	The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")	Yitai Coal	03948	/

### 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

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

#### (I) Key Business Data

Unit: million tonnes

Major Accounting Data	2019	2018	Increase/ decrease (%)
Coal production	56.41	47.69	18.28
Coal sales volume	87.25	85.99	1.47
Of which: Local sales at mines	24.88	19.75	25.97
Local sales at loading facilities	11.29	8.92	26.57
Sales via direct rail access	5.29	9.00	-41.22
Sales at ports	45.79	48.32	-5.24
Railway transport volume:	104.07	106.35	-2.14
Huzhun Railway Line	33.02	32.15	2.71
Zhundong Railway Line	71.05	74.20	-4.25
Coal-related chemical production	1.37	0.46	197.83

#### (II) Major Accounting Data

Unit: yuan Currency: RMB

Major Accounting Data	2019	2018		Increase or decrease as compared with the same period of last year (%)	2017
		After adjustment	Before adjustment		
Revenue	40,929,038,913.56	39,184,621,408.22	39,184,621,408.22	-8.39	37,008,673,780.22
Net profit attributable to shareholders of the listed company	3,789,312,908.34	4,136,195,840.06	4,136,726,558.79	-4.63	4,925,369,613.37
Net profit after non-recurring profit or loss attributable to shareholders of the listed company	3,826,178,849.14	4,011,954,513.11	4,012,485,231.84	-7.06	4,944,146,648.45
Net cash flow from operating activities	6,480,855,387.14	9,733,701,084.93	732,990,973.23	-33.42	8,074,870,031.55

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (Continued)

#### (II) Major Accounting Data (Continued)

	At the end of 2019	At the end of 2018		Increase or decrease as compared with the end of the same period of last year (%)	At the end of 2017
		After adjustment	Before adjustment		
Net assets attributable to shareholders of the listed company	34,926,974,420.67	33,207,467,047.43	33,207,467,047.43	5.18	28,682,872,442.32
Total assets	94,418,470,440.94	94,551,396,179.77	94,551,396,179.77	-0.14	84,560,528,019.78

#### (III) Major Financial Indicators

Major Financial Indicators	2019	2018		Increase or decrease as compared with the same period of last year (%)	2017
		After adjustment	Before adjustment		
Basic earnings per share (yuan/share)	1.16	1.27	1.27	-8.66	1.51
Diluted earnings per share (yuan/share)					
Basic earnings per share after deduction of non-recurring gain and loss (yuan/share)	1.18	1.23	1.23	-4.07	1.52
Weighted average return on net assets (%)	10.27	13.17	13.17	decreased by 2.90 percentage points	18.47
Weighted average return on net assets after deduction of non-recurring gain and loss (%)	10.37	12.77	12.77	decreased by 2.40 percentage points	18.54

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### VIII. MAJOR FINANCIAL DATA IN 2019 BY QUARTERS

Unit: yuan Currency: RMB

	First quarter (January- March)	Second quarter (April- June)	Third quarter (July- September)	Fourth quarter (October- December)
Revenue	9,918,349,582.98	10,156,983,676.06	10,815,405,860.13	10,038,299,794.39
Net profit attributable to shareholders of the listed company	983,822,572.40	932,228,737.56	948,228,041.05	925,033,557.33
Net profit after non-recurring profit or loss attributable to shareholders of the listed company	935,177,997.48	899,006,985.90	959,556,616.82	1,032,437,248.94
Net cash flow from operating activities	49,815,442.46	2,730,375,035.54	3,656,980,699.83	43,684,209.31

### IX. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Unit: yuan Currency: RMB

Non-recurring profit and loss item	Amount for 2019	Amount for 2018	Amount for 2017
Gains/(losses) from disposal of non-current assets	<b>-17,413,317.28</b>	48,435,297.11	-48,724,920.96
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)	<b>97,720,587.46</b>	43,940,964.00	18,767,056.78
Profit or loss from investment or management of assets by others	<b>17,040,712.00</b>	33,235,985.57	7,904,698.02
Gains and losses from change in fair value of financial assets available-for-trading, and financial liabilities available-for-trading, and investment income from disposal of financial assets available-for-trading, financial liabilities available-for-trading, and available-for-sale financial assets, except for effective hedging business related to normal operations of the Company	/	/	76,640.00

## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### IX. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS (Continued)

Unit: yuan Currency: RMB

Non-recurring profit and loss item	Amount for 2019	Amount for 2018	Amount for 2017
Gains and losses from change in fair value of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities, and investment income from disposal 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 operations of the Company	<b>93,359,566.81</b>	66,814,384.24	/
Individual impairment tests for receivables and contract asset impairment provision reversed	<b>3,000,000.00</b>	/	/
Other non-operating income and expenses other than the above-mentioned items	<b>-46,320,933.07</b>	-27,834,139.49	895,983.53
Effect on non-controlling interests	<b>5,295,389.46</b>	2,023,270.30	-3,734,951.10
Effect on income tax	<b>-189,547,946.18</b>	-42,374,434.78	6,038,458.65
<b>Total</b>	<b>-36,865,940.80</b>	124,241,326.95	-18,777,035.08



## CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

### X. ITEMS MEASURED AT FAIR VALUE

Unit: yuan Currency: RMB

Items	Opening balance	Closing balance	Change for the period	Amounts of effect on the profit for the period
Financial assets	8,444,791,909.37	8,281,482,774.51	-163,309,134.86	111,058,046.72
Financial liabilities	3,721,440.00	3,035,060.00	-686,380.00	686,380.00
Total	8,448,513,349.37	8,284,517,834.51	-163,995,514.86	111,744,426.72

### XI. FIVE-YEAR FINANCIAL SUMMARY

Unit: '000 yuan Currency: RMB

	2015	2016	2017	2018	2019
<b>Revenue and profit</b>					
Revenue	19,565,518	22,858,505	37,008,674	39,184,621	40,929,039
Cost of sales	15,234,795	16,333,277	24,689,118	27,274,747	28,556,238
Gross profit	4,330,723	6,525,228	12,319,556	11,909,874	12,372,801
Profit before tax	294,323	2,564,872	7,146,990	6,360,380	6,053,824
Profit for the year	252,727	2,125,362	5,713,956	5,171,916	4,807,133
Profit attributable to the owners of the Company	90,501	1,985,762	4,925,370	4,136,196	3,789,313
Earnings per share – basic (RMB)	0.03	0.61	1.51	1.27	1.16
<b>Assets and liabilities</b>					
Current assets	13,734,308	11,636,398	22,299,415	23,573,050	22,749,883
Non-current assets	54,434,456	59,305,206	63,538,981	70,989,259	71,668,587
Current liabilities	11,885,819	11,542,616	18,043,830	18,961,326	15,586,005
Non-current liabilities	29,514,599	30,830,687	29,334,793	33,049,132	34,004,455
Equity	26,768,347	28,568,300	38,459,773	42,551,851	44,828,010



## 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 Suancangou Mine. At the same time, the Company also holds 15% equity interests in Xin Baoshen Railway, 12.36% equity interests in Zhunshuo Railway, 9% equity interests in Mengji Railway, 3.9226% equity interests in the South Ordos Railway and 2% equity interests in Haoji Railway (previously known as 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 has continuously increased investment in technologies and equipment for railway management, so that its coal transport capacity constantly enhanced, transport networks covering the Company's main mining areas continued to improve, which created good conditions for coal transport of the Company and from the peripheral area. The Company was committed to developing clean coal technologies, increasing added value of its products, extending coal industry chain, and speeding up industrial transformation and upgrade to deploy large coal chemical projects in Inner Mongolia and Xinjiang by relying on world-leading indirect coal liquefaction technology.

In 2019, the coal industry structure continued to optimize, quality coal production capacity gradually released, and coal supply quality improved steadily. The supply and demand in coal industry were basically balanced, and coal market prices maintained at a reasonable level. Moreover, the national coal transport capacity and overall railway transport capacity both enhanced significantly. As such, the overall efficiency in the coal industry recovered at a steady pace.

### II. EXPLANATION ON SIGNIFICANT CHANGE IN THE PRINCIPAL ASSET OF THE COMPANY DURING THE REPORTING PERIOD

For details, please refer to "(III) Analysis on assets and liabilities" under "II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD" of "Section IV REPORT OF THE BOARD OF DIRECTORS" to this report.



## COMPANY BUSINESS PROFILE (Continued)

### III. 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-to-chemicals, which will be beneficial to the long-run stable development for its own.

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

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

Thirdly, the Company is in an advantageous position in railway transportation and has currently formed a railway transportation network, connecting Dazhun, Daqin Lines to the east, Dongwu Line to the west, Jingbao Line to the north, Shenshuo Line to the south, which centers on 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 for the storage and transportation of the Company's coal.

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

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



## REPORT OF THE BOARD OF DIRECTORS

### I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2019, the coal demand in the PRC slowed down its growth rate, and quality coal production capacity was released on an ongoing concern with a basically balanced supply and demand. Market prices of the coal fluctuated within a reasonable and narrow range. By promptly reacting to the latest market development, the Company stabilized supply and demand relations and consolidated the size of its principal business to ensure a stable production, delivery and sale of coal. Also, the Company input efforts on cost reduction and efficiency improvement to advance, with all efforts, the stable growth of various operating results.

As of the end of the reporting period, the Company recorded a total asset of RMB94.418 billion, a revenue of RMB40.929 billion in 2019 and a net profit attributable to owners of the parent company of RMB3.789 billion. During the year, the Company realized production of commodity coal of 56.406 million tonnes and sales of coal of 87.2525 million tonnes. In terms of railway sector, the Company cumulatively dispatched 104.07 million tonnes of coal. In terms of coal chemical sector, the Company realized production of oil products and chemicals of 1.3705 million tonnes.

As to coal production, in 2019, the Company organized production reasonably by refined management and technological innovation to enhance operating and safety guarantee abilities of equipment. The Company optimized coal washing and processing and blending processes, implemented accurate scheduling, and enhanced cost control, thereby achieving a stable and high yield, as well as cost reduction and efficiency improvement.

As to coal transportation and sales, during the reporting period, the Company implemented refined management of local sales, and introduced benchmarking and competitive pricing mechanism to improve sales of special categories of coal. It also strictly performed contracts, and continued to optimize customer structure to strengthen its capacity to resist market risks. Meanwhile, the Company implemented a low inventory strategy, with a view to increasing inventory turnover and reducing occupation of working capital, which in turn improved profitability of sales to external parties.

As to railway transportation, on one hand, the Company comprehensively improved the quality of equipment through strengthening inspection and repairment of equipment and scientific remedy of potential risks of equipment. On the other hand, the Company improved transportation efficiency through strengthening traffic flow connections, accelerating turnover of trains and enhancing loading quality to vitalize transportation.

As to coal chemical sector, during the reporting period, Coal-to-oil Company maintained the safety, stability, long-term and full capacity of the equipment. In the meantime, it optimized synthetic catalyst adding plan to improve production and effectively control costs, achieving high quality operations. Yitai Chemical Company continued to improve production and reduced costs and consumption with all efforts, realizing great enhancement of production and operation quality.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (Continued)

As to safety and environmental protection, during the reporting period, the Company ensured the investment in safe production, improved the conditions for safe production, and promoted innovation in safety technologies. It also strengthened safety inspection, enhanced safety management, vigorously advanced the standardized construction of safe production, and fully eliminated potential safety hazards to achieve safe production. In addition, the Company promoted environmental protection and water conservation approval and acceptance for construction projects in a steady pace, and strengthened control over environmental protection process to effectively prevent and control environmental risks. In such regard, the Company maintained effective operations of environmental protection facilities in general, and recorded a significant decrease in environmental issues and hazards as compared with the previous years, and was not aware of any emergent environmental incidents.

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD

Details are as follows:

#### (I) Analysis on the principal business

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

Unit: yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period of last year	Change (%)
Operating revenue	<b>40,929,038,913.56</b>	39,184,621,408.22	4.45
Operating costs	<b>28,556,238,232.38</b>	27,274,747,220.25	4.70
Cost of sales	<b>1,262,305,679.84</b>	1,340,091,412.47	-5.80
Administrative expenses	<b>1,533,482,437.08</b>	1,158,717,713.10	32.34
Research and development costs	<b>629,247,375.35</b>	863,396,413.73	-27.12
Finance costs	<b>1,599,110,567.58</b>	1,128,484,164.26	41.70
Net cash flow from operating activities	<b>6,480,855,387.14</b>	9,733,701,084.93	-33.42
Net cash flow from investing activities	<b>-2,289,041,657.47</b>	-7,273,373,861.18	68.53
Net cash flow from financing activities	<b>-5,231,934,920.12</b>	800,741,722.88	-753.39



## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

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

##### 2. Analysis on revenue and cost

###### (1) Principal business by segments

Unit: 0'000 yuan Currency: RMB

By segment	Operating revenue	Operating cost	Gross profit margin (%)	Year-on-year change in operating revenue (%)	Year-on-year change in operating cost (%)	Year-on-year change in gross profit margin (%)
Coal operation	3,318,497.65	2,265,618.15	31.73	-5.25	-6.16	Increased by 0.66 percentage point
Transportation business	72,419.55	41,326.06	42.94	-10.37	-6.80	Decreased by 2.18 percentage points
Coal-related chemical operation	597,282.65	504,023.03	15.61	127.76	125.26	Increased by 0.94 percentage point
Other	6,538.71	4,516.64	30.92	-1.95	128.90	Decreased by 39.49 percentage points
Total	3,994,738.56	2,815,483.88	29.52	3.70	4.88	Decreased by 0.79 percentage point

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

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

##### 2. Analysis on revenue and cost (Continued)

###### (2) Principal business by regions

Unit: 0'000 yuan Currency: RMB

Region	Operating revenue	Increase/ decrease of operating revenue compared to last year (%)
North China	1,598,722.07	9.81
East China	1,554,186.62	0.41
South China	627,479.07	-13.88
Northeast China	9,163.95	9.41
Central China	100,814.44	67.48
Northwest China	103,809.67	104.10
Southwest China	562.74	75.67
Total	<u>3,994,738.56</u>	<u>3.70</u>

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

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

##### 2. Analysis on revenue and cost (Continued)

##### (3) Synergies between each business segment

	2019		2018	
	<b>Sales volume</b>		<b>Sales volume</b>	
Coal operation	('0,000 tonnes)	<b>Percentage</b>	('0,000 tonnes)	<b>Percentage</b>
Sales to external customers	8,725	94.61%	8,599	96.77%
Sales to internal coal-related chemical operation	497	5.39%	287	3.23%
	<b>Transportation volume</b>		<b>Transportation volume</b>	
Railway operation	('0,000 tonnes)	<b>Percentage</b>	('0,000 tonnes)	<b>Percentage</b>
Internal transportation service	6,677	64.16%	7,075	66.53%
Transportation service to third parties	3,730	35.84%	3,560	33.47%
	<b>Purchase volume</b>		<b>Purchase volume</b>	
Coal-related chemical operation	('0,000 tonnes)	<b>Percentage</b>	('0,000 tonnes)	<b>Percentage</b>
Internal purchase	497	72.58%	287	50.71%
External purchase	188	27.42%	279	49.29%

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

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

##### 2. Analysis on revenue and cost (Continued)

###### (4) Analysis on production and sales

Principal products	Unit	Production	Sales	Inventory	Increase/ decrease in production compared to last year (%)	Increase/ decrease in sales compared to last year (%)	Increase/ decrease in inventory compared to last year (%)
Thermal coal	'0,000 tonnes	5,640.60	8,725.25	360.62	18.28	1.47	71.83
Coal-related chemical products	'0,000 tonnes	137.05	137.79	3.91	201.01	171.67	25.01

###### (5) Analysis on cost

Unit: '0,000 yuan

By segment	By segment				Amount for the reporting period compared to the same period of last year (%)
	Amount in the period	Amount for the reporting period over the total costs (%)	Amount in the same period of last year	Amount in the same period of last year over the total costs (%)	
Coal operation	2,265,618.15	80.47	2,414,431.04	89.95	-6.16
Transportation business	41,326.06	1.47	44,342.53	1.65	-6.80
Coal-related chemical operation	504,023.03	17.90	223,751.07	8.33	125.26
Other	4,516.64	0.16	1,973.20	0.07	128.90
<b>Total</b>	<b>2,815,483.88</b>	<b>100.00</b>	<b>2,684,497.84</b>	<b>100.00</b>	<b>4.88</b>

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

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

##### 2. Analysis on revenue and cost (Continued)

###### (6) Information on major customers and major suppliers

Sales to top five customers amounted to RMB7,805.9465 million, accounting for 19.07% of the total annual sales; among which sales to related parties amounted to nil, accounting for 0% of the total annual sales.

Purchases from top five suppliers amounted to RMB4,295.8070 million, accounting for 41.55% of the total annual purchases; among which purchases from related parties amounted to RMB2,895.3738 million, accounting for 28.00% of the total annual purchases.

##### 3. Expenses

Items	Amount in current Period (yuan)	Amount in previous period (yuan)	Change (%)	Reason for change
Cost of sales	1,262,305,679.84	1,340,091,412.47	-5.80	
Administrative expenses	1,533,482,437.08	1,158,717,713.10	32.34	Mainly due to the increase in employee remuneration and depreciation and amortization during the period.



## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

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

##### 4. Research and development investment

(1) Table on research and development investment

	<i>Unit: yuan</i>
Research and development costs in the period	629,247,375.35
Capitalized research and development investment in the period	0
Total research and development investment	629,247,375.35
Percentage of total contribution in research and development over operating revenue (%)	1.54
Proportion of research and development investment capitalization (%)	0

(2) Explanations

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

##### 5. Cash flow

As at 31 December 2019, the balance of cash and cash equivalents was RMB15,954.0460 million, decreased by RMB1,040.1212 million, or 6.12%, as compared with RMB16,994.1671 million in the same period of last year.

Net cash inflow from operating activities for the period was RMB6,480.8554 million, decreased by RMB3,252.8457 million, or 33.42%, as compared with RMB9,733.7011 million in the same period of last year, mainly due to the decrease in coal price and increase in tax payments during the reporting period.

Net cash outflow from investing activities for the period was RMB2,289.0417 million, decreased by RMB4,984.3322 million, or 206.66%, as compared with RMB7,273.3739 million in the same period of last year, mainly due to the decrease in equity investment and construction of long-term assets in the period.

Net cash inflow from financing activities for the period was RMB-5,231.9349 million, decreased by RMB6,032.6766 million, or 753.39%, as compared with the net inflow of RMB800.7417 million in the same period of last year, mainly due to the decrease in new borrowings in the period.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

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

##### 6. Liquidity and capital resources

For the year ended 31 December 2019, the Company's capital was mainly derived from capital generated from business operation, medium-term notes, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company was mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt as well as the working capitals and normal recurring expenses of the Company.

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

The Company's capital structure is set out as below:

Unit: '000 yuan Currency: RMB

	31 December 2019	31 December 2018
Interest-bearing borrowings	34,595,133	33,528,111
Long-term bonds	5,872,770	7,937,090
Trade and bills payables	4,134,440	4,057,718
Financial liabilities at fair value through profit or loss	3,035	3,721
Financial liabilities included in other payables and accruals	177,856	187,164
Other borrowings	852,700	853,639
Less: Cash and cash equivalents	15,954,046	16,994,167
Net debt	29,681,888	29,573,276
Equity attributable to equity holders of parent company	34,926,974	33,206,936
Gearing ratio*	45.94%	47.11%

\* 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.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (II) Explanations on significant profit change resulted from non-principal business

Not applicable

#### (III) Analysis on assets and liabilities

##### 1. Information on assets and liabilities

Unit: yuan

Item	Closing balance for the period	Closing balance over the total assets (%)	Closing balance for the last period	Closing balance for the last period over the total assets (%)	Percentage of change of closing balance for the period compared to the last period (%)	Explanation
Bills receivables	25,209,394.48	0.03	108,059,677.35	0.11	-76.67	Mainly due to the decrease in bank acceptance bills during the period
Inventories	2,084,901,592.16	2.21	1,341,020,255.68	1.42	55.47	Mainly due to the increase in the coal inventories during the period
Assets held for sale	0	0	17,056,603.77	0.02	-100.00	Mainly due to the transfer of production capacity quota at the beginning of the period
Other non-current financial assets	938,546,351.20	0.99	555,210,055.32	0.59	69.04	Mainly due to new fund investment during the period
Development expenditure	1,424,043.26	0.00	570,959.51	0.00	149.41	Mainly due to the increase in development expenditure capitalised during the period
Short-term borrowings	2,550,000,000.00	2.70	900,000,000.00	0.95	183.33	Mainly due to the increase in short-term borrowings during the period

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (III) Analysis on assets and liabilities (Continued)

##### 1. Information on assets and liabilities (Continued)

Unit: yuan

Item	Closing balance for the period	Closing balance for the balance over the total assets (%)	Closing balance for the last period	Closing balance for the last period over the total assets (%)	Percentage of change of closing balance for the period compared to the last period (%)	Explanation
Employee benefits payables	430,128,007.84	0.46	329,971,033.59	0.35	30.35	Mainly due to the increase in the wages and bonuses payables during the period
Tax payable	498,186,869.47	0.53	1,792,896,618.02	1.90	-72.21	Mainly due to the payment of value-added tax of last period during the period
Non-current liabilities due within one year	6,240,244,930.63	6.61	9,614,780,562.20	10.17	-35.10	Mainly due to the decrease in the long-term borrowings and bonds due within 1 year
Other current liabilities	9,411,068.49	0.01	5,874,623.10	0.01	60.20	Mainly due to the increase of taxation to be written off
Bonds payable	5,872,769,550.23	6.22	3,441,318,456.58	3.64	70.65	Mainly due to the bond issue in the period

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (III) Analysis on assets and liabilities (Continued)

##### 2. Restrictions on major assets as of the end of the reporting period

Unit: yuan

Items	Balance	Causes
Monetary fund	509,590,015.87	For the bank acceptance bill deposit, environmental protection deposit, coal mine risk deposit and wage guarantee for migrant workers
Total	<u>509,590,015.87</u>	

##### 3. Trade and bills receivables

As at 31 December 2019, the net value of the Company's trade and bills receivables amounted to RMB1,561,193 thousand, decreased by RMB28,319 thousand or 1.78% as compared with RMB1,589,512 thousand as at 31 December 2018, mainly due to the decrease in bills receivable of the Company at the end of the period.

##### 4. Borrowings

As at 31 December 2019, the balance of the Company's borrowings amounted to RMB34,595,133 thousand, increased by RMB1,067,022 thousand or 3.18% as compared with RMB33,528,111 thousand as at 31 December 2018, mainly due to the increase in short-term borrowings.



## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (IV) Analysis on operational information in the industry

##### 1. Analysis on factors causing changes in business revenue

	From January to December 2019		From January to December 2018	
	Quantity (in '0,000 tonnes)	Unit price (yuan/tonne) (tax exclusive)	Quantity (in '0,000 tonnes)	Unit price (yuan/tonne) (tax exclusive)
Local sales at mines	2,488	249	1,975	239
Local sales at loading facilities	1,129	281	892	271
Sales via direct rail access	529	443	900	476
Sales at ports	4,579	469	4,832	489
<b>Total</b>	<b>8,725</b>	<b>380</b>	<b>8,599</b>	<b>407</b>

##### 2. Analysis on factors influencing revenue from physical product sales

	From January to December 2019 Quantity (in '0,000 tonnes)	From January to December 2018 Quantity (in '0,000 tonnes)
Self-produced coal	5,616	4,450
Coal purchased externally	3,109	4,149

Company-owned railways	From January to December 2019		From January to December 2018	
	Total throughput	Freight volume for the Company	Total throughput	Freight volume for the Company
Zhundong Railway Line	7,105	5,514	7,420	5,706
Huzhun Railway Line	3,302	1,163	3,215	1,369

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (IV) Analysis on operational information in the industry (Continued)

##### 3. Information on major customers

Unit: yuan Currency: RMB

Customer	Sales revenue	Percentage of the total sales revenue (%)
First	3,005,091,533.76	7.34
Second	1,337,398,373.23	3.27
Third	1,285,156,926.56	3.14
Fourth	1,192,299,502.50	2.91
Fifth	986,000,135.11	2.41
Total	<u>7,805,946,471.16</u>	<u>19.07</u>

##### 4. Major suppliers

Unit: yuan Currency: RMB

Supplier	Purchase amount (tax exclusive)
First	2,895,373,767.35
Second	447,915,599.05
Third	353,165,208.79
Fourth	305,645,152.98
Fifth	<u>293,707,280.10</u>
Total	<u>4,295,807,008.27</u>

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (IV) Analysis on operational information in the industry (Continued)

##### Analysis on Operating Information of the Coal Industry

##### 1. Major operating status of coal

During the reporting period, the Company organized production reasonably by refined management and technological innovation to enhance operating and safety guarantee abilities of equipment. The Company optimized coal washing and blending processes, implemented accurate scheduling, and enhanced cost control, thereby achieving a stable and high yield, as well as cost reduction and efficiency improvement.

During the reporting period, the Company has realized production of commodity coal of 56.41 million tonnes, representing a year-on-year increase of 18.28%; completed the total drivage of 141,800 meters, representing a year-on-year increase of 10.78%.

During the reporting period, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB505.44 million which was mainly related to structures and electromechanical equipment.

Unit: '000 million yuan Currency: RMB

Type of coal	Production (tonnes)	Sales volume (tonnes)	Sales revenue	Sales costs	Gross profit
Thermal coal	<u>56,405,971.31</u>	<u>87,252,515.91</u>	<u>331.85</u>	<u>226.56</u>	<u>105.29</u>
Total	<u>56,405,971.31</u>	<u>87,252,515.91</u>	<u>331.85</u>	<u>226.56</u>	<u>105.29</u>

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (IV) Analysis on operational information in the industry (Continued)

##### Analysis on Operating Information of the Coal Industry (Continued)

##### 2. Reserves of mines

Main mines	Resource reserve (tonnes)	Mineable reserve (tonnes)
Suancigou Mine	1,208,180,000	808,560,000
Nalinmiao Mine No. 2	101,170,000	35,420,000
Hongjingta Mine No. 1	89,690,000	22,126,000
Nalinmiao Mine No. 1	18,510,000	16,660,000
Kaida Mine	184,000,000	106,320,000
Dadijing Mine	65,420,000	34,760,000
Baoshan Mine	33,640,000	13,680,000
Baijialiang Mine	4,500,000	4,050,000
Talahao Mine	839,040,000	508,610,000
Total	<u>2,544,150,000</u>	<u>1,550,186,000</u>

##### Explanations:

Calculation criteria: Quantity of resources and reserves of the Company estimated as at 31 December 2019 is obtained from the resources latest recorded by the Ministry of Land and Resources less the used resources year by year. There have been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in 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.

##### 3. Mine explorations by the Company during the reporting period

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

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (IV) Analysis on operational information in the industry (Continued)

##### Analysis on Operating Information of the Coal Industry (Continued)

#### 4. Construction of mines

The Company had no mines under construction currently.

#### 5. Cost of coal

Unit: yuan Currency: RMB

Item	Category	January to December 2019	January to December 2018
Production cost per unit of self-produced coal	Labor cost	<b>19.18</b>	19.15
	Raw material, fuel and power	<b>10.36</b>	9.04
	Depreciation and amortization	<b>9.56</b>	8.22
	Other production costs	<b>74.18</b>	56.21
	Total production cost for coal	<b>113.28</b>	92.62
Cost per unit of coal purchased domestically		<b>286.72</b>	302.47

Note: The increase in production cost per unit of self-produced coal was mainly due to the increase in disaster treatment output among other production costs, which caused the earthwork stripping fee to increase by 20.32 yuan/ton over the previous year.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (V) Analysis on investment

##### 1. Overall analysis on external equity investment

###### (1) Material equity investment

Not applicable

###### (2) Material non-equity investment

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 (%)	Profit or loss in the reporting period (in ten thousand yuan)
1	Stock	3369	QHD PORT	7,923.79	19,013,000.00	2,486.59	100	/
Total				<u>7,923.79</u>	<u>19,013,000.00</u>	<u>2,486.59</u>	<u>100</u>	<u>/</u>

##### Shareholding in non-listed financial entities

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	1,515.26	1,593.91	Other non-current financial assets	Capital contribution
Panmao (Shanghai) Investment Center LP (磐茂(上海)投資中心(有限合伙))	35,000.00	38,410.12	2,049.94	Other non-current financial assets	Capital contribution
Zhuhai Rongyu Investment Center L. L. P (珠海鎔聿投資中心(有限合伙))	11,416.14	14,136.08	538.98	Other non-current financial assets	Capital contribution
Panfeng Value Fund C (磐豐價值C期)	30,155.00	33,403.15	4,064.46	Other non-current financial assets	Capital contribution
HuaXia Monetary Fund B (華夏貨幣B基金)	6,390.03	6,390.03	110.16	Other non-current financial assets	Capital contribution
Total	<u>92,961.17</u>	<u>93,854.64</u>	<u>8,357.45</u>	/	/



## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (V) Analysis on investment (Continued)

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

###### (3) Financial assets measured at fair value

Please see “X. ITEMS MEASURED AT FAIR VALUE” under “CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS” of Section II in this report for details.

#### (VI) Disposal of major assets and equity

Not applicable

#### (VII) Analysis on major subsidiaries and investee companies

Company name	Business nature	Principal products or services	Registered capital (yuan)	Total assets (yuan)	Net profit (yuan)
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Mining and sales of coal	1,080,000,000.00	7,164,110,966.39	1,772,227,154.00
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	3,628,598,000.00	13,355,002,601.39	512,369,683.36
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Coal chemical products	Construction and operation of the production projects of 1# low-aromatic solvents, 85# Fischer-Tropsch wax, light synthetic lubricants, propane, LPG and other chemical products	2,352,900,000.00	3,819,640,214.80	-32,471,635.08
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Coal chemical products	Construction of the production projects of 1# low-aromatic solvents, 3# low-aromatic solvents, light liquid wax, heavy liquid wax, 85# Fischer-Tropsch wax and other chemical products	5,900,000,000.00	18,184,479,195.09	146,756,404.46

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (VII) Analysis on major subsidiaries and investees *(Continued)*

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

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

During the reporting period, Suancigou Mine consolidated management foundation, and improved safety assurance ability; optimized production system and conducted upgrade and transformation of equipment to enhance operating ability of equipment; strengthened cost control to achieve cost reduction and efficiency improvement, and enhanced coal quality control to realize quality and efficiency improvement; made rational planning for production and sales and refined coal washing and blending processes to maximize its benefits. During the year, the total operating revenue and net profit amounted to RMB3.856 billion and RMB1.772 billion, respectively.

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

The Resolution Regarding the Merger Plan of Holding Subsidiaries was considered and approved at the 28th meeting of the seventh session of the Board of Inner Mongolia Yitai Coal Co., Ltd. held on 7 November 2019. It was agreed that Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司), a holding subsidiary of the Company, would merge with Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) by way of absorption and merger. As the surviving party, Huzhun Railway Company inherits and undertakes all the assets, liabilities, business, personnel and all other rights and obligations of Zhundong Railway Company; as the merged party, Zhundong Railway Company will deregister its qualification as a legal person.

After the merger, Huzhun Railway Company is principally engaged in railway transport business, with a registered capital of RMB3,628,598,000, which is the sum of the original registered capital of Huzhun Railway Company (RMB2,074,598,000) and Zhundong Railway Company (RMB1,554,000,000). It is owned as to 72.66% by the Company, and 18.94% by Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. (兗州煤業鄂爾多斯能化有限公司), 4.04% by Inner Mongolia Mengtai Buliangou Coal Co., Ltd. (內蒙古蒙泰不連溝煤業有限責任公司), 2.83% by Inner Mongolia State-owned Capital Management Co., Ltd. (內蒙古國有資產運營有限公司), 1.22% by Datang Electric Power Fuel Co., Ltd. (大唐電力燃料有限公司) and 0.31% by China Railway Hohhot Railway Bureau Group Co., Ltd. (中國鐵路呼和浩特鐵路局集團有限公司). As of the date of this report, the aforesaid merger has not yet completed the changes of registration with industrial and commercial bureau.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (VII) Analysis on major subsidiaries and investees *(Continued)*

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

During the reporting period, Huzhun Railway Company enhanced on-site supervision, deepened check and remedy of potential hazards, strengthened inspection and repairment of equipment, and consolidated safety foundation for equipment. As at 31 December 2019, Zhundong Railway and Huzhun Railway maintained a safety production record of 6,955 days and 4,791 days in a row, respectively, with no railway accidents of general Class C and above or personal minor injuries during the whole year. In addition, in the context of increasingly intense market competition and growing shortage of goods supply, Huzhun Railway Company strengthened traffic flow connections, improved the efficiency of transportation organization, and comprehensively enhanced the quality of equipment to increase earnings. During the year, it dispatched an aggregate of 104.07 million tonnes of coal, and recorded an operating revenue and net profit of RMB2.233 billion and RMB512 million, respectively.

As to project construction, as at 31 December 2019, the environmental protection renovation project of the Xiyingsi Dispatch and Transportation Station basically completed subgrade, bridge and culvert works, ancillary works and power grid for the railway, and completed over 50% of the construction of the post-station engineering and the storage, loading and transportation system. As for the Second Track of Huzhun Railway Project, the Hujia connecting line has been put into operation on 8 November 2019, Wangqi to Huhe South station upline project has commenced its operation on 28 November 2019, and Huzhun upline project has completed over 50% of the construction.

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

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

During the reporting period, Coal-to-oil Company achieved improvement of equipment stability, higher production, and cost reduction and efficiency enhancement through optimizing synthetic catalyst adding plan, standardized check and repairment. During the whole year, it realized an effective operation of 360.7 days, and a production of a total of 0.2151 million tonnes of various types of oil products and chemicals, with an operating revenue of RMB965 million. Due to short recovery time, high depreciation and maintenance costs of fixed assets, high historical labor costs and others of its holding subsidiary Inner Mongolia Yitai Petrochemical Equipment Co., Ltd. (內蒙古伊泰石化裝備有限責任公司) after the completion of restructuring for the current period, resulting in a loss of RMB39.1544 million, the Coal-to-oil Company's recorded a net profit of RMB-32.4716 million.

In 2019, Coal-to-oil Company carried out feasibility study, costs and benefits analysis, research report on product plan for 2.0 Mtpa indirect coal-to-liquids conversion pilot project, phase II, and completed the preparation of technology comparison and selection plan, and advanced processing and manufacturing and technological transformation works for key equipment as scheduled.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (VII) Analysis on major subsidiaries and investees *(Continued)*

##### 4. Inner Mongolia Yitai Chemical Co., Ltd.

Inner Mongolia Yitai Chemical Co., Ltd. was incorporated on 29 October 2009 with a registered capital of RMB5.9 billion, and was owned as to 61.15% by the Company.

In 2019, Yitai Chemical Company coordinated technological renovation and check of facilities, improved operating efficiency of equipment and enhanced quality control of finished products to facilitate cost reduction and efficiency improvement. It achieved a stable operation of 365 days, and recorded a production volume of 1.1554 million tonnes of various chemicals, and a sales volume of 1.1454 million tonnes with an operating revenue of RMB5.224 billion and net profit of RMB147 million.

During the reporting period, Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司), a holding subsidiary of Yitai Chemical Company, completed all of the procedures for trial production of its 0.50 Mtpa Fischer-Tropsch alkane fine separation project, and passed the acceptance of trial production, and produced standard products on 5 October 2019 after successful run of the whole process. As at 31 December 2019, 73,900 tonnes of standard products were produced, with an operating revenue of RMB205 million, and net profit of RMB-21.8250 million due to short operation time, high depreciation costs of fixed assets and so on.

##### 5. Yitai Yili Energy Co., Ltd.

In 2019, Yili Energy Company completed protection works for arrival of equipment and engineering facilities, pushed forward safety management in an orderly way, and took various measures to reduce investment costs. It completed feasibility study report on part of downstream projects and obtained approval from and filed with the local National Development and Reform Commission, and continued to carry out preparation of environmental appraisal report on downstream projects, project financing, etc.

##### 6. Yitai Xinjiang Energy Co., Ltd.

During the reporting period, Yitai Xinjiang Energy Co., Ltd. continued to advance review and approval for its projects, completed protection works for warehousing equipment, and strengthened project financing, contract maintenance, tax exemption and reduction, etc.



## REPORT OF THE BOARD OF DIRECTORS (Continued)

### II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD (Continued)

#### (VII) Analysis on major subsidiaries and investees (Continued)

##### 7. Investee companies

###### (1) Inner Mongolia Yitai Finance Company Limited

Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司) was established in July 2015, jointly funded by the Company and Yitai Group. The Company held 40% of its shares. In 2019, the Finance Company accumulatively handled a total of 51,400 deals of settlement business with a total settlement amount of RMB345.158 billion and a net profit of RMB244 million.

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

Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司) was co-invested and founded by the Company, Beijing Jingneng Power Co., Ltd. and Shanxi Yudean Energy Co., Ltd., which is owned as to 29% by the Company, and its main business scope covers coal gangue power generation, sales and heat supply. During the reporting period, Jingtai Power Generation Company completed 3.545 billion kWh of power generation and recorded a net profit of RMB70.27 million. To meet the construction need for Jingtai Phase II project, all shareholders intended to make capital contributions of RMB1.008 billion in total to Jingtai Power Generation in tranches based on their respective shareholding percentage, of which the Company intended to inject RMB0.29232 billion by cash and injected RMB0.11832 billion during the reporting period, and cumulatively injected RMB0.29232 billion.

###### (3) Railway companies invested but not being controlled by the Company

During the reporting period, the total operating revenue of Mengji Railway was RMB7,980.0013 million and the net profit was RMB1,324.3168 million (unaudited) in 2019. In 2019, the total operating revenue of Xin Baoshen Railway for the year was RMB4,422.6004 million and the net profit was RMB1,370.3089 million (unaudited). The total operating revenue of South Ordos Railway was RMB3,907.2605 million and the net profit was RMB639.3607 million (unaudited).

During the reporting period, Haoji Railway (formerly known as Mengxi-Huazhong Railway) commenced its operation on 28 September 2019. As at 31 December 2019, it recorded a total operating revenue of RMB825.3532 million, and an annual loss of RMB1,457.2481 million (unaudited).

During the reporting period, Zhunshuo Railway commenced its operation on 2 January 2019. As at 31 December 2019, it recorded a total operating revenue of RMB573.4487 million, and an annual loss of RMB709.9858 million (unaudited). During the reporting period, Zhunshuo Railway made amendments to its articles of association so that the Company held 12.36% of its equity interests as calculated based on paid-in capital.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (I) Setup and trend of the industry

Macroscopically, China's economy developed amid greater uncertainties at home and abroad, but with an unchanged long-term development trend of improvement and progress in stability. In 2019, China's economy continued its shift to high-quality development.

For coal sector, the coal supply-side structural de-capacity further advanced with a gradual release of quality production capacity, and a steady improvement in coal supply quality. The coal industrial economy continued to operate at a steady pace.

In 2019, the supply and demand in the coal market were basically balanced throughout the year, and the market prices of coal maintained at a reasonable level with a significant enhancement in both national coal transport abilities and overall railway transport abilities. The coal sector saw a stable recovery of its overall benefits.

In 2020, the coal industry will continue to eliminate backward production capacities and release quality ones, and further improve coal supply quality. The market-oriented pricing mechanism will make a smoother price transmission mechanism, which facilitates striking a balance between coal and power benefits. The proportion of total coal consumption and disposable energy consumption will decrease, but the coal will remain highly competitive.

#### (II) Development strategies of the Company

In 2020, the Company will speed up industrial upgrading pace on the basis of strengthening its principal business of coal sector to enhance the Company's core competitiveness.

Firstly, the Company will take the national thorough implementation of supply-side reform as an opportunity to further participate in production capacity replacement, in order to ensure the release of advanced production capacity of existing mines and increase the earnings generated from its principal business of coal sector. Meanwhile, the Company will continue to actively seek mergers and acquisitions opportunities, focus on the implementation of reserved resources, integrate internal and external high-quality coal resources and make sure the continuity of resources to enrich the strategic reserves of the Company. Furthermore, the Company will promote the implementation of professional operation for coal production, maintain the vitality of production and operation, and implement stricter control over the costs of coal.

Secondly, the Company will adapt to the policy and market changes on the basis of consolidating the key long-term customers to develop customers, and optimize the structure of coal for chemical use through combination of spot and futures, benchmarking and bidding, in order to increase sales profit. In addition, the Company will seize the opportunities brought by the commencement of operation of Haoji Railway, the implementation of "Transfer of Highway to Railway" policy and the westward movement of power bases to actively explore the markets and direct rail access business in Central China, and cope with the issue on westward extension of Zhundong Railway Line, thereby tapping new markets for coal sales and railway operations of the Company.





## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (II) Development strategies of the Company *(Continued)*

Thirdly, the Company will develop clean coal technology, drive the growth of new driving forces, and explore high quality development. We will firmly extend the industry chain, improve added value of products and focus on quality and efficiency improvement for projects which have been put into operation to enhance the overall profitability of the coal chemical sector. On the basis of steadily advancing the examination and approval, construction and operation of coal chemical projects, the Company will promote the medium-to-high end extension of the industry, increase added value, and further develop the markets to improve the benefits and core competitiveness of the industry.

Fourthly, we will continue to improve the production safety mechanism, explore a safety supervision mechanism for professional operation for coal production, enhance safety management, and facilitate dual prevention mechanism and standardized construction to guarantee a continual and stable safety status. In addition, the Company will continue to scale up comprehensive utilization of resources and ecological environment protection in mining areas, insist on the simultaneous development of prevention & governance and construction, and improve the pollution prevention, control and governance system to ensure effective operations of environmental facilities and up-to-standard discharges. We will also take multiple measures to increase efforts on prevention and control of environmental risks, and develop environmentally-friendly industries to perform our environmental and social responsibilities.

Fifthly, the Company will continue to deepen the reform of management, enhance the autonomy of production and management of all grassroots units, stimulate and fully release the vitality of production and operation units as market players. By effective mechanism of professional operation, the Company will continue to maintain sound control over costs and expenses and sharpen our competitive edges. Meanwhile, we will create high-quality and highly-efficient functional service mechanism, and further improve the talent team building, with a view to building a young, vigorous and professional workforce with strong managerial abilities.

Sixthly, The Company builds a capital sector and gradually realizes a new industrial structure of "Industrial + Capital" dual-wheel drive, thereby breaking the constraints of traditional industry and geographic, entering emerging industries and fully integrating external resources. The Company achieves the development mode of industrial and capital two-wheel drive, gradually reduces the cyclical risks of the relatively concentrated industrial sector and ensures the Company's long-term and sustainable development.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

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

#### (III) Business plan

	Expected in 2020	Increase/decrease	Basis
Production volume (in ten thousand tonnes)	5,077.00	Decreased by 9.99% compared with the volume in 2019	Determined on the internal production capacity and plan of the Company
Sales volume (in ten thousand tonnes)	8,805.00	Increased by 0.91% compared with the volume in 2019	Determined on the market demand
Unit cost of sales (yuan/tonne)	268.00	Increased by 3.21% compared with the unit cost of sales in 2019	Determined on the internal estimate of the Company

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

In 2020, the Company will accelerate the switch of old and new driving forces, continue to decrease costs and improve efficiency and strive to accomplish various operational indicators, thereby facilitating the sustainable, healthy and high quality development of each segment.

#### 1. To focus on and extensively tap principal business, and enhance the basis for production, transportation and sales of coal

The Company will dedicate ourselves to strengthening our principal coal business. For coal production, we will adapt to the mineral resource management reform policies and follow the principle of maximal resource utilization to seek better economic benefits in strict accordance with the requirements of the government's industrial policies. In addition, we will arrange production in a scientific manner, resolve the issue on excavation continuation, focus on the implementation of reserved resources and lift the growth rate of quality capacity. Moreover, we will drive the implementation of professional operation for coal production as soon as possible in order to advance the level of safety management, further costs reduction and efficiency improvement, and keep all parties motivated, with a view to maintaining the vitality of production and operation.



## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (III) Business plan *(Continued)*

**1. To focus on and extensively tap principal business, and enhance the basis for production, transportation and sales of coal *(Continued)***

On the basis of consolidating the key long-term customers, the Company will adapt to the policy and market changes, accelerate the pace of optimization and adjustment of customer structure, open new markets along Menghua Railway, and promote the continual transformation of customer structure to non-power industry. Through coal allocation and transportation and spot-futures combination, we will replenish coal reserve and boost sales, and enhance our capabilities to resist risks arising from changes in demand and supply in ex-mine coal market so as to ensure reliable coal supply source for subsequent sustainable and stable sales and operations. Moreover, we will capture the opportunities from the state policy of “Transfer of Highway to Railway” and the distribution layouts of “West-to-East Coal Transmission and North-to-South Coal Delivery” to optimize transportation organization, improve construction of container infrastructures, conduct upgrade of equipment, and refine warehouse management, which will in turn lay a sound foundation for fulfilling the transportation target for the whole year.

**2. To facilitate the growth of new driving force and increase overall profitability of coal chemical sector**

Coal chemical sector is a growth driver and hope in exploring high quality development by the Company. In this connection, we will firmly insist on industry chain extension and increase added value of products. On the basis of stable operations of projects which have been put into operation, we will continue to further refined management, raise awareness of innovation to explore and resolve bottlenecks in operations of devices at high capacity, and continue costs reduction and efficiency enhancement work to increase profit of products, achieving the expected targets. On the other hand, we will regulate the production, management and operation of projects to be put into operation, implement standardized and refined production management to guarantee product passing rate, enhance safety management and promote technological innovation to commence operations thereof as soon as possible, thereby realizing supplemental benefits.

Meanwhile, we will gain experiences in advanced chemical operations through global benchmarking learning, and focus on costs reduction and efficiency improvement, construction of intelligent plants and practices of technological innovation to accumulate experiences for the entire coal chemical segment, facilitate medium-to-high end extension of the industry and increase added value. Moreover, we will further develop the markets, seek strategic cooperation with international leading chemical enterprises, and improve the chemical brand awareness of Yitai to enhance industrial benefits and core competitiveness.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (III) Business plan *(Continued)*

#### **3. To build a solid safety defense line to ensure stable safety status, and promote environmental protection and energy conservation work to achieve a win-win in ecological benefits and economic benefits**

Safety is a precondition, foundation and assurance for the survival and development of the Company. In this regard, we will build solid red-line safety awareness, strengthen management and control of key safety links, step up efforts on safety assessment, and conduct on-site supervision and inspection; ensure investment in safe production, vigorously carry out standardized safe production, advance the dual prevention mechanism of hierarchical management of safety risks and hazards screening governance, and continuously enhance emergency rescue capabilities to make sure the continuity and stability of safety.

Enhancing environmental protection is an important cornerstone for guaranteeing the sustainable development of the Company. Thus, we will stringently execute the national and local requirements on environmental protection by increasing environmental protection efforts, implementing an environmental protection target responsibility system, promoting system construction, and enhancing examination on environmental protection and energy conservation work; ensure stable operations of environmental protection facilities by equipment renovation and process innovation to achieve up-to-standard discharges of pollutants; and continue to advance clean production, and conduct energy conservation and consumption reduction to improve the utilization rate of resources.

#### **4. To enhance technological innovation and improve innovation-driven capability**

The Company will attach great importance to the leading role of innovation in advancement of our transformation at all levels, and regard innovation as a new driving force for the improvement of our competitiveness. In particular, we will continue to give play to the roles of innovation platform, further optimize the innovation operation mechanism, and strengthen the cooperation with domestic and overseas research institutions, colleges and universities, and technology enterprises, to make technological breakthroughs in mine pressure management, mining of thin coal bed, etc. as soon as possible; make progress on application and transformation of part of high-value-added coal chemical products to provide technical support for the industrial development; leverage on 5G and other new generation of information technologies to further advance the construction of intelligent plants, intelligent coal mines and unmanned mines, and improve digitalized system to increase the operating efficiency of production and operation.





## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (III) Business plan *(Continued)*

##### 5. To strengthen management and control of investment and financing and improve assets operating quality

We will, under the goal of reducing liabilities, raise the awareness of capital costs, and reasonably arrange operations and investments to increase the utilization efficiency of capital. Meanwhile, we will optimize assets structure, and continue to facilitate diversified investment in railway, coal chemical and extension projects. Furthermore, we will adopt multiple measures while strengthening receivables management, coordinate overall financing for coal chemical and railway operations, and promote corporate commercial bills, equity financing, debt financing and supply chain financing to expand financing channels and optimize debt structure.

#### (IV) Potential risks of the Company

##### 1. Policy risks

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

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

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

##### 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, the system and energy structure and switch of growth drivers 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, stabilize demand and supply relations and strengthen the ability in analyzing the coal market. The Company will consolidate its principal business, make the business segments, such as coal production, railways and coal-to-chemical, bigger and stronger, proactively improve its capability and core competitiveness, 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 coal industry will tend to be more internationalized with more intense competition. Under the circumstances of a prolonged slump in the international oil price and the continuous commencement of large-scale domestic coal chemical projects, the coal-to-chemical industry will encounter many difficulties such as low oil price, high coal price and fierce competition in product sales and so forth.

In response to the above risks, the Company will reduce costs and increase benefits through management reform, to 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 sluggish international oil price and other unfavorable factors, the Company will achieve product refinement and high-end extension and increase benefits by adjusting the product structure to adapt to market changes, while strengthening technological innovation and downstream product development efforts.





## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

##### 4. Risks of increasing need in capital

Coal-to-chemical industry is a capital-intensive industry. The Company is currently conducting a layout of three large-scale coal-to-oil projects in Inner Mongolia and Xinjiang. The 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-to-chemical industry from coal industry, further increasing the production safety risks.

To cope with these, the Company will, focusing on safety work, continuously increase investment in production safety, improve the administration system of production safety, enhance on-site management and intensify process control; clarify the responsibilities of persons in charge of production safety, specify responsibilities, objectives, rewards and punishment; continue to promote the safety quality standardization of coal mines, improve coal-to-chemical operation and safety technical regulations as soon as possible; step up efforts for establishing professional team, safety technique training as well as safety culture cultivation to comprehensively improve employees' professional competence and increase their awareness of safety, and strengthen safety regulation to ensure production safety; promote the application of digitalized, automated and intelligent mining facilities and systems to ease labor intensity for workers and increase safety level for operation personnel.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

##### 6. Risks of rising of costs

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

As such, the Company will continue to deepen the management reform, strengthen budget management of controllable cost, implement quota-based assessment system, develop potentials and reduce consumption, and further conduct technological and process innovation and allocation optimization for the purpose of cost reduction and efficiency enhancement.

##### 7. Risks of overall entrustment of coal mines

In order to strictly implement the national policies, and conduct production and operation in a legal manner, the Company chooses to entrust part of its coal mines in general. In the event of any unpredictable factors or force majeure, such as adjustment of industry policies, changes in market environment, adjustment of the Company's business strategies and the inability of the entrusted party to fulfill the conditions for overall entrustment of coal mines, in execution of the entrustment contract, the contract may not be performed on schedule or in full.

In this regard, the Company will strengthen supervision and inspection of production safety technologies and electromechanical equipment for coal mines, and enhance supervision and assessment on management of the use of the entrusting party's assets by the entrusted party as well as management and assessment on production and operation indicators, in order to advance the level of safety management, further lower costs and boost efficiency, and maintain the vitality of production and operation.

##### 8. Exchange rate risks

The Group has always attached great importance to the monitoring and research of exchange rate risks, maintained close ties with foreign and domestic financial institutions on exchange rate-related businesses, and at the same time, used a reasonable design of foreign currency methods to strengthen exchange rate risk management in various ways. As the Group's commitment to these risks is kept to a minimum, it does not use any derivatives and other instruments for hedging purposes, nor does it hold or issue derivative financial instruments for trading purposes.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

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

#### (V) Others

##### 1. The Company's capital expenditure plan for 2020

Unit: ten thousand yuan

Project	Plan for 2020
Supplementary payment of grant income on Jingtian mining rights by Talahao Mine of Inner Mongolia Yitai Coal Co., Ltd.	75,528.57
Grant income on mining rights by Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd.	12,528.61
Grant income on mining rights of Nalinmiao Mine No. 2 by Inner Mongolia Yitai Coal Co., Ltd.	4,700.00
Grant income on mining rights of Baijialiang Mine by Inner Mongolia Yitai Coal Co., Ltd.	1,913.73
Al marla integrated coal project of Yitai Yili Mining Co., Ltd.	5,834.93
2 Mtpa indirect coal-to-liquids conversion pilot project of Inner Mongolia Yitai Coal-to-oil Co., Ltd.	4,584.71
2 Mtpa coal-based poly-generation comprehensive project of Yitai Xinjiang Energy Co., Ltd.	28,211.64
1 Mtpa coal-to-oil pilot project of Yitai Yili Energy Co., Ltd.	39,480.00
Environmental protection renovation project of the Xiyingsi Collection and Transportation Centre	24,630.14
Wangqi to Huhe South station upline project of Inner Mongolia Yitai Huzhun Railway Co., Ltd.	2,698.00
Dama railway project	1,024.50
0.50 Mtpa Fischer-Tropsch alkane fine separation project of Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	7,207.00
Production and operation investment	113,192.89
<b>Total</b>	<b>321,534.72</b>

The Company's existing capital expenditure plan for 2020 may vary in line with the development of the business plan (including potential acquisitions), progress of capital projects, market conditions, outlook for future business conditions and the acquisition of necessary permits and regulatory approvals. In addition to the legal requirements, the Company does not undertake any responsibility to update any data of the capital expenditure plan.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

#### (V) Others *(Continued)*

##### 2. Financing plan

The Company will develop an overall plan for funds scheduling, optimize the asset structure, and meanwhile strictly control the costs, accelerate the capital turnover rate, and reasonably arrange the plans for fund use, in order to support the healthy development of the Company. The Company will sustain the capital demands for day-to-day business operation by collectively drawing on the operating revenue, equity financing and debt financing as well as other financing means to meet the Company's capital needs.

### IV. OTHER DISCLOSURES

#### (I) Material events after the balance sheet date

The Group's material events after the balance sheet date are detailed in Note XIII to the audited financial statement.

#### (II) Pledge of assets

As at 31 December 2019, the Group did not pledge any assets.

#### (III) Contingent liabilities

For details of the contingent liabilities of the Group as at 31 December 2019, please refer to "2. Contingent events" under "XII. COMMITMENTS AND CONTINGENT EVENTS" to the notes of the financial statements.

#### (IV) Issue, purchase, sale or redemption of shares

During the reporting period, the Group did not issue, purchase, sale or redeem any shares of the Company.

#### (V) Issue of warranty

The information of the Group's issue of warranty is detailed in section X – "Relevant Information on Corporate Bond" of this report.

#### (VI) Donation

As at the date of this report, the Group made an aggregate donation of approximately RMB81.60 million.

#### (VII) Share-linked agreement

As at the date of this report, the Group did not enter into any share-linked agreement.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

### IV. OTHER DISCLOSURES *(Continued)*

#### (VIII) Directors' liability insurance

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

#### (IX) Directors' and Supervisors' rights to acquire shares or debentures

During the reporting period, no arrangement has been made by the Group to procure its Directors, Supervisors or any of their respective associates to acquire shares or debentures from the Company or other companies.

#### (X) Financial, business, and family relationship among the Board members

During the reporting period, there was no financial, business or family relationship among the Board members of the Group.

#### (XI) Share option incentive granted to Directors, Supervisors and senior management

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

#### (XII) Board diversity policy

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

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

#### (XIII) Articles of Association

The Company made amendments to the Articles of Association on 22 July 2019. The effective date of the current Articles of Association is 22 July 2019 and has been published on the websites of the Company and the Hong Kong Stock Exchange.



## REPORT OF THE BOARD OF DIRECTORS (Continued)

### IV. OTHER DISCLOSURES (Continued)

#### (XIV) Proposed dividend

The Directors of the Group proposed to pay a dividend of RMB3.5 (tax inclusive) per 10 shares in 2019. For details, please refer to “Plans for Profit Distribution or Transfer of Capital Reserve to Ordinary Share” in Significant Events under section VI in this report.

#### (XV) Distributable reserves

Details of the movements in reserves of the Group during the year 2019 are set out in the Consolidated Statement of Changes in Equity in the independent auditor’s report, among which the information of the reserves distributable to Shareholders is set forth in Note 60 under V. Notes to Items of the Consolidated Financial Statements to the financial statements.

#### (XVI) Resignation of Directors

For details, please see the section headed “DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES”.

#### (XVII) Compliance with relevant laws and rules that have a significant impact on the Company

The Group is in strict compliance with relevant laws and regulations in the Mainland China and Hong Kong. As at 31 December 2019, the Company was not involved in any material litigation or arbitration. So far as the Directors are aware, there is no material litigation or claims which have not yet been understood or are threatened against the Company.

#### (XVIII) Directors’ and Supervisors’ material interests in transactions, arrangements or contracts of significance

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

#### (XIX) Rights and interests of Directors in competing businesses

In 2019, save as disclosed in this report, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete with the Company, either directly or indirectly.

#### (XX) Significant contracts

In 2019, save as disclosed in section VI “Significant Events” -- Material Connected Transactions in this report, none of the Company or any of its subsidiaries entered into any significant contracts with the controlling shareholder or any of its subsidiaries other than the Group.



## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

### IV. OTHER DISCLOSURES *(Continued)*

#### (XXI) Management contracts

In 2019, the Company did not sign or have any contract on the management or administrative work of its overall business or any major business.

#### (XXII) Pre-emptive right and share option arrangement

In 2019, the Company had no arrangement on pre-emptive right and share option; both Chinese laws and the Articles of Association of the Company have no clear provisions on the pre-emptive right.

#### (XXIII) Permitted indemnity provisions

As of the year ended 31 December 2019, the Company did not have any permitted indemnity provisions once in effect or in effect for the benefit of the Directors of the Company (whether entered by the Company or not) or any directors of associated companies of the Company (if entered by the Company).

#### (XXIV) Public float

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

#### (XXV) Service contracts of Directors and Supervisors

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

#### (XXVI) Relations with employees, suppliers and customers

The Group provides competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing consistently premium products and services to customers. In 2019, the Group had no material and significant disputes with suppliers and customers.

#### (XXVII) Audit Committee

The Audit Committee of the Board of Directors of the Company (the "Audit Committee") has reviewed the Company's and the Group's 2019 annual results, and the audited consolidated financial statements for 2019 prepared in accordance with the PRC Accounting Standards for Business Enterprises.

## REPORT OF THE BOARD OF DIRECTORS (Continued)

### IV. OTHER DISCLOSURES (Continued)

#### (XXVIII) Auditor

The financial report in this report is audited by Da Hua Certified Public Accountants (Special General Partnership).

#### (XXIX) Material litigation

As of 31 December 2019, the Company was not involved in any material litigation or arbitration. So far as the Directors are aware, there is no material litigation or claims which have not yet been understood or are threatened against the Company.

#### (XXX) Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

Save as disclosed in other part of this report, the Company did not have any other material investments, acquisitions and disposals, and future plans for material investments or capital assets during the reporting period.

#### (XXXI) Business review

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Major results review of the Group in 2019	Page 16 to page 37
Explanation on the significant relationships between the Group and its customers and suppliers	Page 21 to page 28
Discussion and analysis of the Group on the Company's future development	Page 38 to page 48
Description on the major risks that the Group is exposed to	Page 43 to page 46
The Group's compliance with relevant laws and rules that have a significant impact on the Company	Page 50
Information on the employees of the Group	Page 127 to page 128

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## REPORT OF THE BOARD OF DIRECTORS (Continued)

### IV. OTHER DISCLOSURES (Continued)

#### (XXXII) 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:
  - 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;
  - 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;
  - 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.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

### IV. OTHER DISCLOSURES *(Continued)*

#### (XXXII) Compliance procedure of the Agreement on Avoidance of Horizontal Competition and its implementation *(Continued)*

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 pre-emptive 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 the 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 in November 2018. It has completed on-site inspections and acceptances by 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 Agreement on Avoidance of Horizontal Competition entered into with Yitai Group, the Company will exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell Hongqinghe Mine to the Company or its subsidiaries on reasonable and fair terms and conditions through ways of financing.

② Analysis on risks in respect of performance of contracts

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

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

### IV. OTHER DISCLOSURES *(Continued)*

#### **(XXXII) Compliance procedure of the Agreement on Avoidance of Horizontal Competition and its implementation *(Continued)***

##### 2. *(Continued)*

##### ③ Preventive measures and control measures under default

Yitai Guanglian had not obtained the approval of coal mining for Hongqinghe Mine and was not qualified for the Company's acquisition when the Company issued H shares and was listed on the Main Board of the Hong Kong Stock Exchange in 2012. Yitai Group undertook in the Agreement on Avoidance of Horizontal Competition 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 owned by Yitai Guanglian 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 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 and urge Yitai Group to take further actions to solve the issue of horizontal competition if Yitai Group fails to implement such commitment. If Yitai Group failed to honor such commitment, pursuant to the Agreement on Avoidance of Horizontal Competition, Yitai Group should compensate all loss (including but not limited to business loss) caused thereby to the Company.



## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

### IV. OTHER DISCLOSURES *(Continued)*

#### (XXXII) Compliance procedure of the Agreement on Avoidance of Horizontal Competition and its implementation *(Continued)*

##### 3. Fulfillment of undertakings:

The Company entered into an equity transfer agreement with Yitai Group on 25 March 2014 in Ordos, and transferred 5% equity interests in Yitai Guanglian to Yitai Group at a consideration of RMB1.912 billion. The equity transfer was considered and approved at the thirty-second meeting of the fifth session of the 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 their independent opinions. Payment for the equity transfer consideration and changes of business registration have been completed.

The Company entered into an equity transfer agreement with Yitai Group on 18 March 2015, and proposed to acquire the 5% equity interests in Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd., a subsidiary of Yitai Group, from Yitai Group at a consideration of RMB1.912 billion. Such transaction has been considered and approved at the seventh meeting of the sixth session of the Board of Directors convened on 18 March 2015 and the 2014 annual general meeting convened on 9 June 2015 respectively, at which the independent non-executive Directors presented their 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 the procedures of changes in business registration were completed 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's H shares were issued and listed, the Company signed with Yitai Group an equity transfer agreement on 23 August 2017, with an intention to acquire the 10% equity interests held by Yitai Group in Yitai Guanglian with RMB3.824 billion. Such transaction has been considered and approved respectively at the fifth meeting of the seventh session of the Board of Directors on 25 August 2017 and the first extraordinary general meeting in 2017. Payment for the equity transfer consideration and changes of business registration have been completed.

Currently, the coal-related chemical production units of the Company that have been put into operation includes Inner Mongolia Yitai Coal-to-oil Co., Ltd. and Inner Mongolia Yitai Chemical Co., Ltd., of which 215,100 tonnes and 1,155,400 tonnes of various types of oil and chemicals were produced by Inner Mongolia Yitai Coal-to-oil Co., Ltd. and Inner Mongolia Yitai Chemical Co., Ltd. in 2019, respectively. In addition, Yitai Yili Energy Co., Ltd. completed the protection of arrived equipment and construction facilities in 2019, and feasibility report of part of the projects in the downstream which were replied and approved, and filed by the local DRC.

## REPORT OF THE BOARD OF DIRECTORS *(Continued)*

### IV. OTHER DISCLOSURES *(Continued)*

#### (XXXIII) Members of the Board

As of 31 December 2019 to the date of this report, the Board of the Company comprises the following Directors:

##### **Executive Directors:**

Zhang Jingquan (Appointed as a Director and Chairman on 30 December 2019)

Zhang Donghai (Resigned as a Director and Chairman on 7 November 2019)

Liu Chunlin

Ge Yaoyong

Zhang Dongsheng

Wang Sanmin (Resigned as a Director on 7 November 2019)

Liu Jian (Appointed as a Director on 11 March 2019)

Lv Guiliang

Lv Junjie (Appointed as a Director on 30 December 2019)

##### **Independent Non-executive Director:**

Yu Youguang (Resigned as a Director on 22 July 2019)

Zhang Zhiming

Huang Sujian

Wong Hin Wing

Du Yingfen (Appointed as a Director on 22 July 2019)

The biographical information of the directors are set out in the section headed “Directors, Supervisors, Senior Management and Employees” on pages 108 to 121 of this report.

Save as disclosed in the section headed “Directors, Supervisors, Senior Management and Employees” in this report, none of the members of the Board is related to one another, including financial, business, family or other material/relevant relationships.

On behalf of the Board  
*Chairman*  
**Zhang Jingquan**

20 March 2020



## REPORT OF THE SUPERVISORY COMMITTEE

To supervisors:

In 2019, the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd., under the leadership of the general meeting, strictly complied with the relevant laws, regulations and regulatory requirements of the People's Republic of China's "Company Law", "Securities Law", "Articles of Association", earnestly performed its supervisory functions, carried out a prudent and objective review on various issues such as the Company's financial position, production and operation, effectively supervised the legal compliance of Directors and senior management in performing their duties, maintained the stable, sound and rapid development of the Company, ensured the implementation of each resolution of general meeting and protected the legal rights and interests of the Company and all shareholders, which have played a positive role in all aspects.

### I. MEETINGS CONVENED AND RESOLUTIONS PASSED

In 2019, the Supervisory Committee held 9 meetings of the Supervisory Committee, of which 2 were on-site meetings, 1 on-site plus communication meeting, and 6 were communication meetings. Prior to the convening of the meetings, the Company was strictly in accordance with relevant laws and regulations as required, to issue relevant meeting materials to the members of the Supervisory Committee in advance within the prescribed time, and each procedure for holding and convening the meeting of the Supervisory Committee is legal. During the reporting period, the main details of the meeting time, session and proposal are as follows:

## REPORT OF THE SUPERVISORY COMMITTEE (Continued)

### I. MEETINGS CONVENED AND RESOLUTIONS PASSED (Continued)

Session and time of the Supervisory Committee	Proposal considered	Status
The 15th meeting of the seventh session (23 January 2019)	Proposal on considering the Company's participation in investment to establish a limited partnership	Passed
The 16th meeting of the seventh session (15 March 2019)	Proposal on considering the election of chairman of the seventh session of the Supervisory Committee of the Company	Passed
The 17th meeting of the seventh session (21 March 2019)	<p>Proposal on considering "2018 Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd."</p> <p>Proposal on considering "2018 Financial Report of Inner Mongolia Yitai Coal Co., Ltd."</p> <p>Proposal on considering "2018 Internal Control Evaluation Report of Inner Mongolia Yitai Coal Co., Ltd."</p> <p>Proposal on considering "2018 Report of Performing Social Responsibilities of Inner Mongolia Yitai Coal Co., Ltd."</p> <p>Proposal on considering the 2018 profit distribution plan of the Company</p> <p>Proposal on considering "2018 Annual Report of Inner Mongolia Yitai Coal Co., Ltd." and its summary, as well as "2018 Annual Results Announcement of Inner Mongolia Yitai Coal Co., Ltd."</p> <p>Proposal on considering the confirmation for the actual amount of daily connected transactions of the Company in 2018</p> <p>Proposal on considering the confirmation for continuing connected transactions of the Company in 2018</p> <p>Proposal on considering the provision of guarantees for holding subsidiaries of the Company</p> <p>Proposal on considering the changes in the accounting policies of the Company</p> <p>Proposal on considering the use of idle funds to entrust wealth management by the Company</p> <p>Proposal on considering the provision of entrusted loans for holding subsidiaries by the Company</p>	Passed

## REPORT OF THE SUPERVISORY COMMITTEE (Continued)

### I. MEETINGS CONVENED AND RESOLUTIONS PASSED (Continued)

Session and time of the Supervisory Committee	Proposal considered	Status
The 18th meeting of the seventh session (25 April 2019)	Proposal on considering “2019 First Quarterly Report of Inner Mongolia Yitai Coal Co., Ltd.”	Passed
The 19th meeting of the seventh session (5 June 2019)	Proposal on considering the recommendation to uniformly prepare financial statements according to Chinese accounting standards for enterprises and the engagement of auditing agency in 2019 Proposal on considering the engagement of internal control auditing agency of the Company in 2019	Passed
The 20th meeting of the seventh session (29 August 2019)	Proposal on considering “2019 Interim Report of Inner Mongolia Yitai Coal Co., Ltd.” and its summary, as well as “2019 Interim Results Announcement of Inner Mongolia Yitai Coal Co., Ltd.” Proposal on considering the changes in the accounting policies of the Company	Passed
The 21st meeting of the seventh session (29 October 2019)	Proposal on considering “2019 Third Quarterly Report of Inner Mongolia Yitai Coal Co., Ltd.”	Passed
The 22nd meeting of the seventh session (6 November 2019)	Proposal on considering the signing of “Resource Compensation Agreement” between Inner Mongolia Yitai Coal Co., Ltd. and Inner Mongolia Jingtai Power Generation Co., Ltd.	Passed
The 23rd meeting of the seventh session (12 December 2019)	Proposal on considering the approval for the proposed issuance of ultra-short-term financing bonds by the Company Proposal on considering the approval for the connected transaction concerning the acquisition of partial property of Yitai Property by the Company	Passed





## REPORT OF THE SUPERVISORY COMMITTEE (Continued)

### II. SPECIAL OPINIONS ON COMPANY-RELATED MATTERS

#### (I) Implementation of Resolutions of General Meetings

In 2019, the Company held a total of 4 general meetings, and 19 resolutions of general meeting were formed. After verification, the Supervisory Committee considered that all resolutions of general meeting were effectively implemented.

#### (II) Inspection of the Financial Position of the Company

In 2019, the Supervisory Committee of the Company complied with the latest laws, regulations and regulatory documents to conduct a comprehensive and prudent inspection of the Company's financial situation. By carefully reviewing the Company's financial statements and other information, and reviewing its financial revenue and expenditure, we believe that: The Company's financial system is complete, the internal control system is sound, the financial operations are standardized, and the financial status is good. The preparation and review procedures of periodic reports are in compliance with relevant laws, regulations and the Company's regulations, such as the Company Law, the Securities Law and the Articles of Association. The information contained in the reports objectively, truthfully, accurately, completely and comprehensively reflects the Company's operating conditions and financial status, and no major omissions, false records and violations were found. The conclusions of the audit report of the "standard unqualified audit opinion" issued by Da Hua Certified Public Accountants (Special General Partnership) are objective and fair, and is in line with the Company's objective actual situation. The Supervisory Committee verified that no personnel involved in the preparation and review of periodic reports had violated the confidentiality provisions.

#### (III) Connected Transactions, Guarantees, etc.

After verification, during the reporting period, the Company's connected transactions followed the principles of openness, impartiality and fairness, and the transaction procedures were legal and compliant, without harming the Company's interests and shareholders' rights. The Company strictly controls the external guarantee. There is no illegal external guarantee or illegal occupation of the Company's funds by controlling shareholders and other related parties during the reporting period, and there is also no illegal external guarantee and illegal occupation of company funds by controlling shareholders and other related parties that occurred in the previous year and continued until 31 December 2019. The various proposals implemented by the Company strictly complied with the requirements of laws, regulations and regulatory documents such as the Company Law, the Securities Law, and the Articles of Association. The trading prices implemented by the Company are reasonable, and there is no insider transaction, infringing upon the rights and interests of shareholders, resulting in the loss of the Company's assets.

#### (IV) Review of Internal Control Self-assessment Report

The Supervisory Committee reviewed the 2019 Annual Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that the annual report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2019, no material or significant defects were found in the design or execution of the Company's internal control.

## REPORT OF THE SUPERVISORY COMMITTEE (Continued)

### II. SPECIAL OPINIONS ON COMPANY-RELATED MATTERS (Continued)

#### (V) Supervision of the Company's Directors and Senior Management in Performing Duties

During the reporting period, the Supervisory Committee supervised the performance of the Company's Directors and senior management in the performing duties, and believed that: Company's Directors could strictly comply with laws and regulations such as the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Articles of Association, perform their duties in accordance with the law, make reasonable major decisions, and follow legal and effective procedures; all the Directors have performed their duties honestly and diligently, and the independent Directors have been able to express their independent opinions independently and completely in a responsible manner to all shareholders; senior management strictly abided by commitments and statements, faithfully performed their duties, and safeguarded the interests of the Company and shareholders as a whole. No acts of Directors and senior management of the Company in violation of laws and regulations, the Articles of Association, or damage to the interests of the Company's shareholders and the Company were found.

#### (VI) the Company's Operation According to Law

During the reporting period, the Company's general meeting, the Board of Directors and senior management strictly operated in accordance with decision-making authority and procedures. The procedures for calling and convening general meetings are legal; the Board of Directors strictly implemented the resolutions of the general meeting, and the Company further standardized the procedures for information disclosure and kept confidential before information disclosure, preventing the occurrence of insider trading. The Company disclosed all information in a timely and fair manner, expanded shareholders' right to know and participate, and enhanced the transparency and standardized operation of the Company. The Company implemented an active profit distribution plan based on the principle of good faith management, attached importance to reasonable returns to investors, strengthened communication with investors through various channels, and established a good corporate image. The Company has established a sound internal control mechanism and formed a standardized management system. The Company strictly abided by the relevant laws and regulations of the Country and the Company's various rules and regulations, and strived to fulfill its due diligence for the its development.

**Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.**

20 March 2020

## SIGNIFICANT EVENTS

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

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

##### 1. Formulation, execution or adjustment of cash dividend policy

The net profit attributable to shareholders of the Company amounts to RMB3,789,312,908.34 under the PRC Accounting Standards for Business Enterprises in 2019 and basic earnings per share amounts to RMB1.16. The Board proposed to distribute a cash dividend of RMB3.50 per 10 shares (tax inclusive) to all shareholders, based on the total share capital of the Company of 3,254,007,000 shares. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working day after the date of the general meeting (namely the 2019 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average of middle rate of RMB against HKD as published by the People's Bank of China on the first working day after the general meeting (namely the 2019 annual general meeting) at which the resolution on distribution of dividend is approved.

The Company will convene the 2019 annual general meeting on Friday, 8 May 2020 for consideration and approval of relevant proposals, including the above proposal regarding final dividend for 2019. The aforesaid 2019 final dividend will be distributed on Monday, 15 June 2020 upon approval by the shareholders.

##### 2. Closure of register of members

###### (1) Record date and dividend distribution for B shares

Given that the Company will convene the 2019 annual general meeting on Friday, 8 May 2020, and under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares after the 2019 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B shares.

###### (2) Closure of the register of members of H shares

The Company will convene the 2019 annual general meeting on Friday, 8 May 2020. The register of members of H shares of the Company will be closed from 8 April 2020 to 8 May 2020 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H shares should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 7 April 2020.

## SIGNIFICANT EVENTS *(Continued)*

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

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

##### 2. Closure of register of members *(Continued)*

###### (2) Closure of the register of members of H shares *(Continued)*

The register of members of the Company will be closed from 27 May 2020 to 1 June 2020 (both days inclusive). In order to qualify for receiving dividend, holders of H shares should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 26 May 2020.

The date for the payment of dividends of the Company is 15 June 2020.

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

##### 3. Taxation

- (1) According to the provisions of the Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》(Guo Shui Han [2009] No. 394), the Company have withheld 10% enterprise income tax when it distributed cash dividends to the non-resident enterprise holders of B shares in 2019.
- (2) In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares of the Company not registered under the name of an individual shareholder, including under the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. After receiving dividends, non-resident enterprise shareholders may apply, personally or by proxy, to the competent taxation authorities to enjoy the treatment under taxation agreements (arrangement), and provide materials proving their eligibility to be the actual beneficiaries under the taxation agreements (arrangement) for tax refund.

Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agents or custodian organizations for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 1 June 2020.



## SIGNIFICANT EVENTS *(Continued)*

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

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

##### 3. Taxation *(Continued)*

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

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

Other matters on the implementation of differentiated individual income tax policies on dividends and bonuses of listed companies shall be in conformity with the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Caishui [2012] No. 85).

- (4) For non-resident individual holders of B shares, pursuant to the requirements under the "Circular on Some Policy Questions Concerning Individual Income Tax" (Cai Shui Zi [1994] No.20) published by the Ministry of Finance and State Administration of Taxation on 13 May 1994 regarding the dividends and bonuses received by foreign individuals from foreign investment enterprises that were temporarily exempted from individual income tax, the Company will temporarily not withhold the individual income tax of non-resident individual holders of B share.



## SIGNIFICANT EVENTS (Continued)

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

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

Unit: yuan Currency: RMB

Year	Bonus shares for every 10 shares (share)	Dividends paid for every 10 existing shares (yuan) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to ordinary shareholders of the Company in the consolidated statements (%)
2019	0	3.50	0	1,138,902,450	3,789,312,908.34	30.06
2018	0	5.00	0	1,627,003,500	4,136,726,558.79	39.33
2017	0	4.55	0	1,480,573,185	4,925,369,613.37	30.06

### II. THE COMPANY'S ANALYSIS ON THE CAUSE AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF MATERIAL ACCOUNTING ERRORS

(I) The Company's analysis on the cause and impact of changes in accounting policies and accounting estimates

#### 1. Changes in accounting policies

The Company has implemented the revised "Accounting Standard for Business Enterprises No. 7 – Exchange of Non-monetary Assets" from 10 June 2019, and implemented the revised "Accounting Standard for Business Enterprises No. 12 – Debt Restructuring" from 17 June 2019. The changes of such accounting policies are subject to prospective application approach, and exchange of non-monetary assets and debt restructuring that occur between 1 January 2019 and the implementation date of the standards are adjusted in accordance with the standards. The first implementation of the standards by the Company has no impact on the financial statements.

The Company adopted the "Accounting Standards for Business Enterprises No. 21 – Lease" revised by the Ministry of Finance in 2018 from 1 January 2019. Please see Note V. (XLII) Lease for details of the changed accounting policies.

## SIGNIFICANT EVENTS (Continued)

### II. THE COMPANY'S ANALYSIS ON THE CAUSE AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF MATERIAL ACCOUNTING ERRORS (Continued)

#### (I) The Company's analysis on the cause and impact of changes in accounting policies and accounting estimates (Continued)

##### 1. Changes in accounting policies (Continued)

###### (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, related items in the balance sheet for the opening period, and income statement and cash flow statement for the previous period are affected as follows:

Unit: yuan Currency: RMB

Item	Amount accrued for 2018/balance as at 31 December 2018 before implementing the New Lease Standard	Affected amount	Amount accrued for 2018/balance as at 1 January 2019 after implementing the New Lease Standard
Right-of-use assets		10,913,278.59	10,913,278.59
Lease liabilities		252,244,386.76	252,244,386.76
Non-current liabilities due within one year	9,614,780,562.20	89,199,610.56	9,703,980,172
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
Management expense	1,158,407,315.52	310,397.58	1,158,717,713.10
Financial expenses	1,128,263,843.11	220,321.15	1,128,484,164.26
Cash payment for other operating activities	884,133,887.88	-710,111.70	883,423,776.18
Cash payment for other financing activities	64,472,000.00	710,111.70	65,182,111.70
Total	<u>38,035,239,946.42</u>	<u>22,357,275.91</u>	<u>38,057,597,222.33</u>

##### 2. Changes in accounting estimates

There were no changes in significant accounting estimates during the reporting period.

## SIGNIFICANT EVENTS (Continued)

### II. THE COMPANY'S ANALYSIS ON THE CAUSE AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF MATERIAL ACCOUNTING ERRORS (Continued)

#### (II) The Company's analysis on the cause and impact of correction of material accounting errors

Not applicable

#### (III) Communication with previous accounting firm

Not applicable

### III. APPOINTMENT OR DISMISSAL OF AUDITORS

Unit: yuan Currency: RMB

Current appointee	
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1,500,000
Term of audit of the domestic accounting firm	9 years
Name of the overseas accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the overseas accounting firm	2,200,000
Term of audit of the overseas accounting firm	1 year

	Name	Remuneration
Accounting firm as internal control auditor	Da Hua Certified Public Accountants (Special General Partnership)	850,000

## SIGNIFICANT EVENTS *(Continued)*

### III. APPOINTMENT OR DISMISSAL OF AUDITORS *(Continued)*

#### Explanation on appointment or dismissal of auditors

The twenty-fourth meeting of the seventh session of the Board of Directors of the Company was held on 6 June 2019, at which the following resolutions were considered and approved: the Resolution on Proposed Alignment in the Preparation of Financial Statements in Accordance with the PRC Accounting Standards for Business Enterprises and Appointment of Auditors for the Year 2019, approving the proposed dismissal of DTT who was the overseas auditor of the Company and the appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year 2019 to audit the Company's financial statements under the PRC Accounting Standards for Business Enterprises and undertake the responsibilities as an international auditor under the Listing Rules, including but not limited to the initial release of annual results and annual review of continuing connected transactions; and the Resolution on Appointment of Internal Control Auditor of the Company for the Year 2019, approving the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the internal control auditor of the Company for the year 2019. The aforesaid Resolution on Appointment of Auditors for the Year 2019 has been considered and approved at the second extraordinary general meeting of the Company in 2019.

### IV. MATERIAL LITIGATION AND ARBITRATION

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

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

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

### VI. EXPLANATION ON INTEGRITY OF THE COMPANY, AND ITS CONTROLLING SHAREHOLDERS AND 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 or de facto controller of the Company.

## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS

#### (I) Connected transactions in relation to daily operation

##### 1. Non-exempt continuing connected transactions

###### (1) *Yitai Group Framework Agreement on Purchase and Sale of Products and Services*

Yitai Group, directly and indirectly, holds 58.76% of the existing issued share capital of the Company and is a controlling shareholder of the Company, and thus constitutes a connected person of the Company. The Company and Yitai Group entered into the Yitai Group Framework Agreement on Purchase and Sale of Products and Services on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide products including equipment, materials or coals, working face moving and equipment rental related services to Yitai Group and/or its subsidiaries from time to time. Yitai Group and/or its subsidiaries shall provide coal, chemical-related materials, information products, agricultural and sideline products and technology and information, property, and hazardous waste treatment services to the Company and/or its subsidiaries from time to time.

To ensure that the transactions between the Company and Yitai Group are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures:

The sales price of the Company's coal products is mainly based on market price, including but not limited to (i) the price of coal provided by the Company to independent third parties; (ii) the open market price published by major suppliers in their quotations or on their websites which will be renewed from time to time; and (iii) the mainstream selling price of neighboring coal mines and the mainstream selling price in the ports. The Company will determine the final price of the transaction upon negotiation with the counterparty according to the market price and reasonable cost plus reasonable profit.

Regarding other products provided by the Company, the Company will make reference to the market price provided to the independent third party. In determining the price of chemical-related materials, the chemical-related materials are sold exclusively by Yitai Group, so the market has no comparable price for similar products. However, the Company will require Yitai Group to provide its price list for selling similar products to independent third parties to ensure that the price of chemical-related products provided by Yitai Group to the Company is not higher than the price of similar products provided by Yitai Group to independent third parties.



## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### (1) *Yitai Group Framework Agreement on Purchase and Sale of Products and Services (Continued)*

In determining the price of the information products, the Company will refer to the price of the products or services available in the market. Except for the inquiry and the market price, the Company and the counterparty may also determine the price at reasonable cost plus reasonable profit. In determining the development cost of new coal-related chemical technology collected by Yitai Group from the Company, the Company will require Yitai Group to provide its own price for the development of new coal-related chemical technology for independent third parties to ensure that the fees charged for the new technology developed for the Company by Yitai Group are not higher than the development expenses of similar technology in the market, and will not be higher than the development expenses of similar new technologies paid by the Company to independent third parties.

In determining the price of agricultural sideline products, the Company will require Yitai Group to provide a list of prices for selling similar products to independent third parties to ensure that the price of agricultural and sideline products sold by Yitai Group is not higher than the market price of similar products and will not be higher than the price at which the Company pays similar products to independent third parties.

The service fees charged by the Company will refer to the past fees of these services, and combined with the market comparable prices to ensure that the prices and terms of the services provided by the Company are fair and reasonable for the Company. The price that the Company provides services to Yitai Group is not lower than the average market price level and is not lower than the price level at which the Company provides similar services to other independent third parties.

In regard to the hazardous waste treatment services provided to the Company and its subsidiaries by Yitai Group's subsidiaries, the relevant service prices are determined based on Inner Mongolia Development and Reform Commission's Reply on Charge Standards for the Treatment of Hazardous Waste in Central and Western Inner Mongolia (IMDRC No. [2016]1005). The other service fees paid by the Company will refer to the past fees of these services, and combined with the market comparable prices to ensure that the prices and terms of the services provided to the Company are fair and reasonable for the Company. The price that Yitai Group provides services to the Company is not higher than the average market price level and is not higher than the price level at which the Company provides similar services to other independent third parties.

## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### (1) *Yitai Group Framework Agreement on Purchase and Sale of Products and Services (Continued)*

We have provided products to Yitai Group for several years. Therefore, we are able to fully understand the business and operating needs of Yitai Group. The entering into Yitai Group Framework Agreement on Purchase and Sale of Products and Services can maintain our stable product supply, which is of utmost importance to our current and future production and operations. Pursuant to the agreement, the fees received by the Company for provision of products are no less favourable than that for the products provided to the independent third party by us, which contributes to the Company's daily production management, income source expansion and profitability enhancement.

Yitai Group has provided products to us for several years. Therefore, Yitai Group is able to fully understand our business and operating needs. The entering into Yitai Group Framework Agreement on Purchase and Sale of Products and Services can maintain our acquisition of stable and high quality products, which is of utmost importance to our current and future production and operations. Yitai Group has been providing unified information services to its subsidiaries including the Company for a long time, therefore, Yitai Group can fully understand the needs of the Company in information services. Meanwhile, such provision of unified information services by Yitai Group will greatly reduce the cost of information communication, information management and information system construction and maintenance of the Company. As a part of the employee benefits of its subsidiaries including the Company, Yitai Group provides healthy organic agricultural and sideline products to the staff of the Company, contributing to improving staff centripetal force and sense of identity of the Company and building a good corporate culture. Given that the Company has self-operated hotels and restaurants, the provision of high quality green organic agricultural and sideline products by Yitai Group to the Company is beneficial to the improvement of the hotel and restaurants services level of the Company. Pursuant to the agreement, the consideration to be paid for products provided to the Company are no higher than that for similar products provided to us by independent third parties, which is beneficial to the daily operations and management of the Company; the expansion of income source and further enhancement of profitability.

###### (2) *Jingneng Power Framework Agreement on Supply of Products*

Shareholdings in Suancigou Mining Co. is owned by the Company as to 52% and by Jingneng Power as to 24% respectively, thus Jingneng Power constitutes a connected person of the Company.

The Company entered into the Jingneng Power Framework Agreement on Supply of Products with Jingneng Power on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### (2) *Jingneng Power Framework Agreement on Supply of Products (Continued)*

Pursuant to the agreement, the Company and/or its subsidiaries shall provide coal to Jingneng Power and/or its subsidiaries from time to time. To ensure that the transactions between the Company and Jingneng Power are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: In regard to the selling prices of the crushed coal slime sold through highway, coal gangue and other products of the Company, given that crushed coal slime sold through highway and coal gangue are coal products, their pricing policies are basically the same with the above-mentioned coal pricing policies.

We have provided products to Jingneng Power for several years. Therefore, we are able to fully understand the business and operating needs of Jingneng Power. The entering into Jingneng Power Framework Agreement on Supply of Products can maintain our stable products supply, which is of utmost importance to our current and future production and operations. Pursuant to the agreement, the fees to be received for products provided by the Company are no less favourable than that provided to independent third parties by us, which contributes to the Company's daily production management, income source expansion and profitability enhancement.

###### (3) *Guangdong Power Framework Agreement on Supply of Products*

Guangdong Power is a subsidiary of Yudean Group, which is the controlling shareholder of Shanxi Yudean, which in turn owns 24% shareholdings in Suancigou Mining Co., a subsidiary of the Company. Thus, Guangdong Power constitutes a connected person of the Company.

The Company entered into the Guangdong Power Framework Agreement on Supply of Products with Guangdong Power on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide coal to Guangdong Power and/or its subsidiaries from time to time. Their pricing policies are basically the same with the above-mentioned coal pricing policies.

We have provided products to Guangdong Power for several years. Therefore, we are able to fully understand the business and operating needs of Guangdong Power. The entering into Guangdong Power Framework Agreement on Supply of Products can maintain our stable products supply, which is of utmost importance to our current and future production and operations. Pursuant to the agreement, the fees for products provided by the Company are no less favourable than that for the products provided to independent third parties by us, which contributes to the Company's daily production management, income source expansion and profitability enhancement.

## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### *(4) Huadian Coal Framework Agreement on Supply of Products and Services*

Buliangou holds 16.67% shareholdings in Huzhun Railway and the Company holds 76.99% shareholdings in Huzhun Railway, thus Buliangou constitutes a connected person of the Company. Huadian Coal holds 51% shareholdings in Buliangou thus constitutes a connected person of the Company.

The Company entered into the Huadian Coal Framework Agreement on Supply of Products and Services with Huadian Coal on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide coal to Huadian Coal and/or its subsidiaries from time to time and provide railway transportation and maintenance management and logistics services.

To ensure that the transactions between the Company and Huadian Coal are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: The coal product transaction pricing policy is basically the same as the coal pricing policy stated above. The fees charged for the provision of the rail transportation and maintenance management and logistics services are determined after arm's length negotiations between the parties. The Company will refer to the past fees of these services and railway charges approved by the Inner Mongolia DRC, to ensure that the price and terms of the products provided by the Company are fair and reasonable to the Company, and make sure that the price offered by Company to Huadian Coal for railway transportation, maintenance management and logistic services will neither be lower than the average market price, nor lower than that offered by the Company to other independent third parties for similar railway transportation, maintenance management and logistics services.

We have provided products to Huadian Coal for a long time. Therefore, we are able to fully understand the business and operating needs of Huadian Coal. The entering into Huadian Coal Framework Agreement on Supply of Products and Services can maintain our stable products supply, which is of utmost importance to our current and future production and operations. Pursuant to the agreement, the fees for products provided by the Company are no less favourable than that for the products provided to independent third parties by us, which contributes to the Company's daily production management, income source expansion and profitability enhancement.



## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### (5) Luhe Coal Coking Framework Agreement on Supply of Products and Services

Mr. Zhang Manwang (張滿旺先生), the controlling shareholder of Luhe Coal Coking, is a family member of Mr. Zhang Donghai, chairman of the Board of the Company, thus Luhe Coal Coking constitutes a connected person of the Company.

The Company entered into the Luhe Coal Coking Framework Agreement on Supply of Products and Services with Luhe Coal Coking on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall supply and purchase coal to Luhe Coal Coking and/or its subsidiaries from time to time and provide railway transportation and maintenance management and logistics services.

To ensure that the transactions between the Company and Luhe Coal Coking are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures:

Given Luhe Coal Coking does not have the railway plan qualification for the transportation of the coal produced by it to related destination, therefore, according to the Luhe Coal Coking Framework Agreement on Supply of Products and Services, Luhe Coal Coking will first sell 500,000 tonnes of coal produced by it to the Company and/or its subsidiaries, and then the Company and/or its subsidiaries will use the Company's railway plan to transport the coal to related destination, and then the Company at the destination will re-sell such 500,000 tonnes of coal to Luhe Coal Coking. The price for the coal of Luhe Coal Coking sold to the Company is consistent with the price for the coal of the Company sold to Luhe Coal Coking, the Company shall charge the transportation fees for such 500,000 tonnes of coal from Luhe Coal Coking during the transaction. The pricing policies provided by Company to Luhe Coal Coking is consistent with those provided by Luhe Coal Coking to the Company.



## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### (6) *Yitai Investment Framework Agreement on Purchase and Sale of Products and Services*

Yitai Investment directly holds 99.64% of the existing share capital of Yitai Group and is a Controlling Shareholder of Yitai Group, and thus Yitai Investment constitutes a connected person of the Company.

The Company entered into the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services with Yitai Investment on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, Yitai Investment and/or its subsidiaries shall provide electricity and greening services to the Company and/or its subsidiaries from time to time. To ensure that the transactions between the Company and Yitai Investment are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: For the power sold to the Company by Yitai Investment, the relevant price shall be determined to be RMB0.37/kilowatt hour with reference to the electricity charging standard by Inner Mongolia Development and Reform Commission. This power purchase price is consistent with the market price, and it is not higher than the average market price or power price paid to the independent third party by the Company. For the greening price, the Company mainly makes reference to the industry standard price and requires that the price provided by Yitai Investment's subsidiary shall not be higher than the price for the services of the same type and quality in the market, and ensures that the price for such services shall not be higher than the prices charged by the independent third party for provision of reclamation services to the Company.

The power energy produced by the solar photovoltaic power plant under Yitai Investment is clean energy, the use of power provided by Yitai Investment's subsidiary is in line with the environmental economic philosophy of the Company and contribute to the Company's social responsibility practice. Pursuant to the agreement, the power price paid by the Company to Yitai Investment shall be determined to be RMB0.37/kilowatt hour according to the unified power standard announced by Inner Mongolia DRC, and it is not higher than the average market price or power price paid to other independent third party by the Company.

## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### *(7) Machine Equipment Complete Co. Tender Agent and Supervision Service Framework Agreement*

Mrs. Zhang Dongmei (張冬梅女士), the controlling shareholder of Machine Equipment Complete Co., is an immediate family member of Mr. Zhang Donghai, chairman of the Board of the Company, thus Machine Equipment Complete Co., constitutes a connected person of the Company.

The Company entered into the Machine Equipment Complete Co. Tender Agent and Supervision Service Framework Agreement with Machine Equipment Complete Co. on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, Machine Equipment Complete Co. shall provide services of tender agent and supervision to the Company and/or its associates from time to time.

To ensure that the transactions between the Company and Machine Equipment Complete Co. are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: The Company will make reference to the historical fees of such services, together with the comparable prices in the market, to ensure that the price and terms of the services provided to the Company are fair and reasonable to the Company. The fees charged by Machine Equipment Complete Co. for its tender agent and supervision services to the Company shall be neither higher than fees charged by Machine Equipment Complete Co. for similar tender agent and supervision services to the independent third party, nor higher than fees charged by the independent third party for similar tender agent and supervision services to the Company.

We have received the services of tender agent and supervision from Machine Equipment Complete Co. for several years. Therefore, Machine Equipment Complete Co. is able to fully understand our needs for agent and supervision services. The entering into Machine Equipment Complete Co. Tender Agent and Supervision Service Framework Agreement can maintain our obtaining of stable and high quality agent and supervision service, which is of utmost importance to our current and future operations. Pursuant to the agreement, service fee paid by the Company shall be not higher than that paid by the Company for the service of the independent third party, which is beneficial to the daily operations and management of the Company.

###### *(8) Financial Services Framework Agreement*

The Company and Yitai Group hold 40% and 60% of shareholdings in Yitai Finance respectively, thus Yitai Finance constitutes a connected person of the Company.

The Company entered into the Financial Services Framework Agreement with Yitai Finance on 6 November 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### (8) Financial Services Framework Agreement *(Continued)*

Pursuant to the agreement, Yitai Finance shall provide financial services, including deposits, settlement, credit facility, credit verification, issuance of financial bonds and other financial services to the Company and/or its subsidiaries.

To ensure that the transactions between the Company and Yitai Finance are fair and reasonable and in line with market practices, Yitai Finance has undertaken to provide the aforesaid financial services to the Company are as follows:

The interest rate for the Company's deposit with Yitai Finance shall be no less than (i) the benchmark interest rate published by The People's Bank of China from time to time for deposits of similar type and term; (ii) the interest rate offered by main commercial banks in the PRC (including but not limited to the Bank of China, China Construction Bank, Industrial and Commercial Bank of China and Agricultural Bank of China) for deposits of similar type and term; and (iii) interest rate offered by Yitai Finance to the Company and its connected companies for deposits of similar type and term; (2) The settlement services provided by Yitai Finance to the Company is free of charge; (3) Yitai Finance undertakes to provide favourable interest rate for loans extended to the Company, which should not be higher than the interest rate charged by major commercial banks in the PRC for the loans with the same type and term; and (4) the rate charged by Yitai Finance for other financial services must comply with the charging standards prescribed by The People's Bank of China or CBRC, and should be no higher than the rate charged by major commercial banks in the PRC for the same type of services.

The benefits of this transaction are set out as below:

- (i) It is an alternative choice for the Company in addition to obtain loans from other financial institutions, which can improve the liquidity within the Company, enhance the Company's overall solvency, and assist in financial risks monitoring;
- (ii) The Company will utilize Yitai Finance as a capital management platform to help the members of the Company to deploy their capital more efficiently;
- (iii) The interest rate on the deposit services offered to the Company, and handling charges related to other financial services charged by Yitai Finance shall be no less favorable (according to individual circumstances) than those offered by any independent third parties to the Company; and
- (iv) The arrangements under the Financial Services Framework Agreement would help to save financial costs so as to enhance the Company's profitability.

## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### (9) *Contracting Agreement Entered into Between Yitai Chemical and Jingtai Environmental Technology*

On the date of entering the Connected Transaction Agreement, Mr. Zhang Shuangwang, Mr. Zhang Donghai, Mr. Liu Chunlin, Mr. Ge Yaoyong and Mr. Zhang Dongsheng, all being the connected persons of the Company, hold the directorship in Erdos Yitai Investment Holdings Company Limited\* (鄂爾多斯市伊泰投資控股有限責任公司) and have significant influence over its board of directors, and Jingtai Environmental Technology is then a wholly-owned subsidiary of Erdos Yitai Investment Holdings Company Limited, thus Jingtai Environmental Technology constitutes a connected person of the Company.

Yitai Chemical, a holding subsidiary of the Company entered into the Contracting Agreement with Jingtai Environmental Technology on 2 December 2017, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties. Pursuant to the agreement, Jingtai Environmental Technology provides contracted operation and management services for high-concentration brine evaporation and crystallization unit for the 1.2 Mtpa of fine chemicals project of Yitai Chemical.

To ensure that the transactions between the Company and Jingtai Environmental Technology are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: Yitai Chemical negotiates with Jingtai Environmental Technology on arm's length basis mainly according to the actual operational needs to determine the final contracting service fees. These contracting fees mainly include, without limitation, labor costs, equipment and machine charges, charges for use of tools, costs of consumables, various measure fees, travel expenses, expenses on meals, communication costs, health and safety expenses, insurance expenses, management fees, profits, taxes and others necessary for all work. Yitai Chemical will also refer to the historical costs and expenses for such services and take into account the comparable market rates to ensure that the price and terms of the services offered by Jingtai Environmental Technology to Yitai Chemical are fair and reasonable so far as Yitai Chemical is concerned. The fees for contracting operation and management service that would be charged by Jingtai Environmental Technology from Yitai Chemical are neither higher than those that would be charged by Jingtai Environmental Technology in respect of their provision of similar contracting and operation management services to the independent third parties, nor higher than the prices that would be offered by other independent third parties in respect of their provision of similar services to Yitai Chemical.



## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

###### (9) *Contracting Agreement Entered into Between Yitai Chemical and Jingtai Environmental Technology (Continued)*

Jingtai Environmental Technology has obvious technology advantages in operation and maintenance of high brine evaporation and crystallization devices for Yitai Chemical through adopting the technology of high magnification, high efficiency purification and crystallization, which enables it to provide Yitai Chemical with quality contracting and operation management services in respect of the high brine evaporation and crystallization devices of the 1.20 Mtpa fine chemicals project. Besides, the fees charged by Jingtai Environmental Technology in relation to the aforesaid contracting and operation management services are in conformity with market rates, neither higher than the prices that would be charged to other independent third parties in respect of the provision of similar services by Jingtai Environmental Technology, nor higher than those that would be charged by Jingtai Environmental Technology in respect of their provision of similar contracting and operation management services to the independent third parties. Therefore, the Directors believe that provision of contracting and operation management services by Jingtai Environmental Technology to Yitai Chemical in respect of the high brine evaporation and crystallization devices is in the interest of the Company and the shareholders as a whole.

###### (10) *Yanzhou Coal Neng Hua Framework Agreement on Purchase and Sale of Products and Services*

The Company holds 71.27% shareholdings in Yitai Zhundong and therefore Yitai Zhundong is a non-wholly owned subsidiary of the Company. Meanwhile, Yanzhou Coal Neng Hua holds 25% shareholdings in Yitai Zhundong and therefore Yanzhou Coal Neng Hua constitutes a connected person of the Company at the subsidiary level.

The Company entered into the Yanzhou Coal Neng Hua Framework Agreement on Purchase and Sale of Products and Services with Yanzhou Coal Neng Hua on 21 March 2018, which shall be effective from 1 January 2018 and expired on 31 December 2020, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide railway transportation service to Yanzhou Coal Neng Hua and/or its subsidiaries from time to time; Yanzhou Coal Neng Hua and/or its subsidiaries shall provide coal production to the Company and/or its subsidiaries from time to time. Their pricing policies are basically the same with the above-mentioned coal and railway transportation service pricing policies.

Yanzhou Coal Neng Hua is a shareholder of Yitai Zhundong which is a controlled subsidiary of the Company. Therefore, we are able to fully understand the business and railway transportation needs of Yanzhou Coal Neng Hua. The entering into Yanzhou Coal Neng Hua Framework Agreement on Purchase and Sale of Products and Services can maintain our stable professional services provided to Yanzhou Coal Neng Hua, which is of utmost importance to our current and future business operations. Pursuant to the agreement, railway transportation service fee received by the Company from Yanzhou Coal Neng Hua is no less favourable than that from the provision of railway transportation service to independent third parties by us, and is expected to contribute to the Company's daily production management, income source expansion and profitability enhancement.



## SIGNIFICANT EVENTS (Continued)

### VII. CONNECTED TRANSACTIONS (Continued)

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

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

(11) Summary of continuing connected transactions in 2019

Category of transaction	Nature of transaction	For the year ended 31 December 2019 Transaction amount (RMB'000)
Products provided by the Company	Supply of equipment, materials or coal by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	130,895
	Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiaries	319,176
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	843,928
	Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	356,322
	Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0
Products provided to the Company	Purchases of chemical materials, coal, information products and other products by the Company from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	3,350,258
	Purchases of electricity, agricultural and sideline products and other products by Company from Inner Mongolia Yitai Beimu Pastoral Resources Development Group (內蒙古伊泰北牧田園資源開發有限公司), a subsidiary of Inner Mongolia Yitai Investment Co., Ltd.	29,447
	Purchases of coal by the Company from Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	222,219
	Supply of coal by Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd. to the Company	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.	135,765
	Supply of working face relocation and leasing services by the Company to Yitai Group and its subsidiaries	14,047
	Supply of rail transportation, maintenance and management and logistics services by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0

## SIGNIFICANT EVENTS (Continued)

### VII. CONNECTED TRANSACTIONS (Continued)

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

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

###### (11) Summary of continuing connected transactions in 2019 (Continued)

Category of transaction	Nature of transaction	For the year ended 31 December 2019 Transaction amount (RMB'000)
Services provided to the Company	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
	Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	3,544
	Supply of properties, information, rental equipment and hazardous waste treatment services from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries to the Company	46,168
	Supply of greening service from Inner Mongolia Yitai Beimu Pastoral Resources Development Group, a subsidiary of Inner Mongolia Yitai Investment Co., Ltd. to the Company	0
Financial services	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) to the Company	59,406
	Interest on deposit services provided by Yitai Finance to the Company	44,010
	Fees on financial services provided by Yitai Finance to the Company	2,307

Note: The actual maximum daily deposit balance (after deducting accrued interest) of the Group was RMB8,968,814,000 and the maximum limits was RMB9,000,000,000.

## SIGNIFICANT EVENTS (Continued)

### VII. CONNECTED TRANSACTIONS (Continued)

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

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

(12) The annual caps of the following continuing connected transactions in 2019 disclosed in the announcements on 7 November 2017, 2 December 2017 and 22 March 2018 are as follows:

Category of transaction	For the year ended 31 December 2019 RMB'000
Supply of equipment, materials or coal by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	500,000
Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiary	988,000
Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	2,600,000
Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	770,000
Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	257,000
Purchases of chemical materials, coal, information products and other products by the Company from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	10,012,000
Purchases of electricity, agricultural and sideline products and other products by Company from Inner Mongolia Yitai Beimu Pastoral Resources Development Group (內蒙古伊泰北牧田園資源開發有限公司), a subsidiary of Inner Mongolia Yitai Investment Co., Ltd.	50,000
Supply of coal by Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. to the Company	800,000
Supply of coal by Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd. to the Company	175,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Huadian Coal Industry Group and its subsidiaries	190,000
Supply of working face relocation and leasing services by the Company to Yitai Group and its subsidiaries	180,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	50,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	250,000
Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	80,000

## SIGNIFICANT EVENTS (Continued)

### VII. CONNECTED TRANSACTIONS (Continued)

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

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

(12) The annual caps of the following continuing connected transactions in 2019 disclosed in the announcements on 7 November 2017, 2 December 2017 and 22 March 2018 are as follows: (Continued)

Category of transaction	For the year ended 31 December 2019 RMB'000
Supply of properties, information, rental equipment and hazardous waste treatment services from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries to the Company	101,000
Supply of greening service from Inner Mongolia Yitai Investment Co., Ltd. and its subsidiaries to the Company	30,000
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) to the Company	101,000
Interest on deposit services provided by Yitai Finance to the Company	45,000
Fees on financial services provided by Yitai Finance to the Company	25,000

##### 2. Independent directors' opinions on the non-exempt continuing connected transactions

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

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

## SIGNIFICANT EVENTS *(Continued)*

### VII. CONNECTED TRANSACTIONS *(Continued)*

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

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

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

The Board of Directors confirms that, the auditor has reported the results of their procedures to the Board stating that:

- a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;
- b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the maximum aggregate annual value.

##### 4. Related party transactions

Please refer to Note 10 to the financial statements for details of the related party transactions entered into by the Group during the reporting period. Save as the above mentioned connected transactions disclosed in the report, none of the related party transactions as disclosed in Note 10 to the financial statements constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules which were required to comply with the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.



## SIGNIFICANT EVENTS (Continued)

### VII. CONNECTED TRANSACTIONS (Continued)

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

Overview of Matters	Search Index
The Company acquired two properties of Yitai Property located in Hohhot and Ordos for office use at a consideration of RMB229,154,900.	For details of the matter, please refer to the Announcement of Connected Transaction in Relation to Acquisition of Certain Properties of Yitai Property by Inner Mongolia Yitai Coal Co., Ltd. and Connected Transaction in Relation to Acquisition of Properties of Yitai Property published on the website of Shanghai Stock Exchange, Shanghai Securities News, Hong Kong Commercial Daily and the website of the Hong Kong Stock Exchange on 12 December 2019.

#### (III) Material related transactions relating to common external investments

On 22 March 2018, the Company entered into relevant agreements with Beijing Jingneng Power Co., Ltd. (北京京能電力股份有限公司) and Shanxi Yudean Energy Co., Ltd. (山西粵電能源有限公司), to increase the registered capital of Jingtai Power Generation to RMB1.008 billion in proportion to their shareholding according to the project process of Jingtai Phase II. Of which, the Company additionally increased investment of RMB292.32 million by cash. After the increase, the shareholding ratio of the Company in Jingtai Power Generation remained unchanged. To date, the Company has invested a total of capital of RMB292.32 million according to the agreement, and the industrial and commercial registration of changes was completed.

#### (IV) 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 fiscal years of 2017, 2018 and 2019. The amount of guarantee provided by the Yitai Group for the Company and its subsidiaries during the year amounted to RMB1.142 billion and the balance was RMB4.258 billion. The amount of guarantee provided by listed company for Yitai Group and its subsidiaries was RMB1 billion and the balance was RMB1 billion.

#### (V) Others

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. During the reporting period, 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 (Continued)

### VIII. 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
<b>Guarantees of the Company and its Subsidiaries for Subsidiaries</b>	
Total amount of guarantees for subsidiaries occurring during the reporting period	153,980,000.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	15,094,749,640.43
<b>Total Guarantee Amount of the Company (including those for subsidiaries)</b>	
Total guarantee (A+B)	15,094,749,640.43
Percentage of total guarantee in the Company's net assets	52.88%
Including:	
Amount of guarantees for shareholders, de facto controllers and their related parties (C)	1,000,000,000.00
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	1,398,100,000.00
Amount of total guarantees in excess of 50% of net assets (E)	821,768,907.58
Amount of total three guarantees above (C+D+E)	3,219,868,907.58
Statement on the contingent joint liability in connection with unexpired guarantees	
Statement on guarantee	

The amount of guarantee provided by Yitai Group for listed companies and its subsidiaries (Coal-to-oil Company provided guarantee of RMB175 million for CDB, Shares provided guarantee of RMB700 million for Agricultural Development Bank of China, Huzhun Railway Company provided for guarantee of RMB46.02 million for Minsheng Bank, Yitai Coal Co., Ltd. provided guarantee of RMB200 million and RMB20.7 million for SPD Bank and Industrial and Commercial Bank of China, respectively) during the year amounted to RMB1,141.72 million and the balance was RMB4,257,671,300. The amount of guarantee provided by the Company for Yitai Group and its subsidiaries (excluding the Company and its subsidiaries) was RMB1,000 million (Yitai Group provided guarantee of RMB1,000 million for Export-Import Bank) and the balance RMB1,000 million.

## SIGNIFICANT EVENTS (Continued)

### VIII. GUARANTEE (Continued)

#### (I) Entrusted Cash Assets Management

##### 1. Entrusted wealth management

(1) Overview of entrusted wealth management

Not applicable

(2) Single entrusted wealth management

Not applicable

(3) Provision for impairment of entrusted wealth management

Not applicable

##### 2. Entrusted Loans

(1) Overview of entrusted loans

Unit: yuan Currency: RMB

Type	Sources of funds	Amount incurred	Unexpired balance	Overdue uncollected amount
Entrusted borrowings	Private capital	0	3,520,000,000	0

## SIGNIFICANT EVENTS (Continued)

### VIII. GUARANTEE (Continued)

#### (I) Entrusted Cash Assets Management (Continued)

##### 2. Entrusted loans (Continued)

##### (2) Single entrusted loans

Unit: '0,000 yuan Currency: RMB

Entrustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Through a legal procedure or not	Whether the future entrusted loans exist
Finance Company	Entrusted loans	27,000	2017-9-20	2020-9-19	Private capital	Supplementary working capital	Fixed interest rate	6%	4,860	1,620	Due and received	Yes	Yes
Finance Company	Entrusted loans	15,000	2017-12-13	2020-12-12	Private capital	Repayment of loans	Fixed interest rate	4.75%	2137.5	712.5	Due and received	Yes	Yes
Finance Company	Entrusted loans	20,000	2017-10-31	2020-10-30	Private capital	Repayment of loans and equipment	Fixed interest rate	6%	3,600	1,200	Due and received	Yes	Yes
Finance Company	Entrusted loans	10,000	2017-6-20	2020-6-19	Private capital	Supplementary working capital	Fixed interest rate	8%	2,400	800	Due and received	Yes	Yes
Agricultural Bank of China	Entrusted loans	100,000	2017-3-7	2020-3-6	Private capital	Project construction and repayment of loans	Fixed interest rate	8%	24,000	8,000	Due and received	Yes	Yes
Finance Company	Entrusted loans	16,000	2017-9-22	2020-9-21	Private capital	Supplementary working capital	Fixed interest rate	6%	2,880	960	Due and received	Yes	Yes
Finance Company	Entrusted loans	110,000	2017-12-13	2020-12-12	Private capital	Repayment of loans	Fixed interest rate	4.75%	15,675	5,225	Due and received	Yes	Yes
Finance Company	Entrusted loans	50,000	2017-11-23	2020-11-22	Private capital	Repayment of loans	Fixed interest rate	6%	9,000	3,000	Due and received	Yes	Yes
Finance Company	Entrusted loans	2,000	2017-6-20	2020-6-19	Private capital	Supplementary working capital	Fixed interest rate	8%	480	160	Due and received	Yes	Yes
Finance Company	Entrusted loans	2,000	2017-11-23	2020-11-22	Private capital	Repayment of loans and project funds	Fixed interest rate	6%	360	120	Due and received	Yes	Yes

**Explanation:** The above entrusted loans were provided by the Company for its holding subsidiaries within the scope of its consolidated statements.

## SIGNIFICANT EVENTS (Continued)

### IX. OTHER SIGNIFICANT EVENTS

1. Inner Mongolia Yitai Galutu Mining Co, Ltd (內蒙古伊泰嘎魯圖礦業有限公司) (hereinafter referred to as “Yitai Galutu Mining”) is a wholly-owned subsidiary of the Company with a registered capital of RMB100 million. On 16 August 2019, the Company signed the Joint Venture Cooperation Agreement in relation to Inner Mongolia Yitai Galutu Mining Co, Ltd with Inner Mongolia Mining Industry Group Co., Ltd. (hereinafter referred to as “Inner Mongolia Mining”), pursuant to which, the Company and Inner Mongolia Mining jointly increased the capital of Yitai Galutu Mining. After the capital increase and share issuance, the registered capital of Yitai Galutu Mining increased to RMB1 billion, and was owned as to 47.23% and 52.77% by the Company and Inner Mongolia Mining. Galutu Mining is mainly committed to the development and utilization of the Galutu Mine in Nalin River Mining Area. On 21 August 2019, the Company paid grant income on mining rights of RMB922,576,800. On 25 October 2019, Galutu Mining obtained the Exploration Permit.
2. As of the date of disclosure of the report, in order to strictly implement the national policies and the Administrative Measures for Coal Mine Overall Entrusted Management Safety (Trial) (《煤礦整體託管安全管理辦法(試行)》), On condition that the Company’s mining rights, ownership, profits tax relationship and subordination remain unchanged, the Company entrusted the safety production and technical management of the Six Coal Mines, namely Talahao Mine, Kaida Mine, Hongjingta No.1 Mine, Suancigou Mine, Baoshan Mine and Dadijing Mine, to Inner Mongolia Zhongtai Energy Co., Ltd. (內蒙古仲泰能源有限公司) (hereinafter referred to as “Zhongtai Energy”) as a whole, without change in the business model and asset ownership, not involving the transfer of ownership or interest or any other assets, and not causing changes in the consolidated scope of the financial statements. Zhongtai Energy is a combination of a number of professional service units that the Company has long cooperation relationships with. No run-in cycle is required in coal mining and production management, which is conducive to ensuring the smooth continuity of overall entrusted management of coal mine production, and better guaranteeing the safe production of coal mines and improving economic benefits.



## SIGNIFICANT EVENTS *(Continued)*

### X. FULFILLMENT OF SOCIAL RESPONSIBILITY

Please refer to the 2019 Annual Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd. for details.

#### (I) Environmental information

##### 1. 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) *Drainage information*

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 tonnes, 480 tonnes and 480 tonnes, respectively. The actual total emissions of flue gas, sulfur dioxide and nitrogen oxides from January to December 2019 are 18.81 tonnes, 70.13 tonnes and 125.68 tonnes, respectively.

Yitai Chemical 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 tonnes of sulfur dioxide and 1,067.72 tonnes of nitrogen oxides. The actual total emissions of sulfur dioxide and nitrogen oxides from January to December 2019 are 282.94 tonnes and 607.67 tonnes, respectively.

###### 2) *Construction and operation of pollution prevention facilities*

###### 2.1 Waste gas pollution prevention and control

- (1) Dust. 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 Coal-to-oil Company and Yitai Chemical install 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; the coal yard is equipped with spray facilities to decrease dust, ensuring the dust emission complies with the Class II emission standard of the "Integrated Emission Standard of Air Pollutants" (GB16297-1996).

## SIGNIFICANT EVENTS *(Continued)*

### X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

#### (I) Environmental information *(Continued)*

##### 1. 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 newly built a set of semidry desulfurization process outside the furnace on the basis of calcium desulfurization process in the original furnace. The desulfurization efficiency reached over 90%; in 2016, Coal-to-oil 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 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 of Coal-to-oil Company treats hydrogen sulfide in the acid gas by using a complex iron desulfurization process and recovers sulfur.

The acid gas produced by Yitai Chemical is transformed to sulfur recovery device and 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 SO<sub>2</sub> emission concentration meets the requirements of Table 3 under the “Emission Standard of Pollutants for Petroleum Refining Industry” (GB31570-2015).

- (4) 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%, effectively reducing the emission of volatile organic compounds.

Yitai Chemical adopted the oil and gas recovery facility for loading system, and the oil and gas recovery efficiency reached over 98%, effectively reducing the emission of volatile organic compounds.

## SIGNIFICANT EVENTS *(Continued)*

### X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

#### (I) Environmental information *(Continued)*

##### 1. 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

##### (1) Coal-to-oil Company

The process wastewater and domestic sewage of about 80 m<sup>3</sup>/h and 5 m<sup>3</sup>/h in Coal-to-oil Company are sent to the sewage treatment system. The designed treatment capacity is 100 m<sup>3</sup>/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 Coal-to-oil Company built a new water treatment system in 2014, the processing capacity of which is 300 m<sup>3</sup>/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 m<sup>3</sup>/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 $\geq$ 10,000mg/L is in line with the standard of concentrated brine in the Dalu Park.

##### (2) Yitai Chemical

- A. Drainage system: The wastewater discharge system of chemical projects 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. The total capacity of the temporary storage outside the factory is 270,000m<sup>3</sup> of drainage, of which 30,000m<sup>3</sup> is a fire accident pool; 240,000m<sup>3</sup> is an emergency storage pool, used for storage sewage when there are production systems (such as sewage treatment, concentrated brine evaporation, and synthetic water handling, etc.) problems.
- B. Sewage treatment: The process wastewater, domestic sewage and initial rainwater of chemical projects are all treated in a sewage treatment plant with designed scale of 1,200 m<sup>3</sup>/h. The effluent quality of the sewage treatment plant meets the first level requirement (GB8978-2002) of the "Integrated Sewage Discharge Standards".

## SIGNIFICANT EVENTS *(Continued)*

### X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

#### (I) Environmental information *(Continued)*

##### 1. 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) Yitai Chemical *(Continued)*

C. Wastewater treatment and reuse: 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.

D. 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 of the whole factory.

##### 2.3 Solid waste pollution prevention and control

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.

Waste catalysts and used lubricating oils generated by Yitai Chemical are recycled by qualified manufacturers. For 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. 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.

## SIGNIFICANT EVENTS *(Continued)*

### X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

#### (I) Environmental information *(Continued)*

##### 1. 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

For Coal-to-oil Company and chemical projects, priority is given to low noise equipment in equipment selection. 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; 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;

(2) On 3 August 2011, the Environmental Protection Department of Inner Mongolia Autonomous Region replied the 1.2 Mtpa of fine chemicals project of Inner Mongolia Yitai Chemical Co., Ltd. with the document [2011] No. 240. 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).

###### 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 sent them to the local bureau of ecology and environment for filing upon the evaluation of experts.



## SIGNIFICANT EVENTS *(Continued)*

### X. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

#### (I) Environmental information *(Continued)*

##### 1. 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)*

###### 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. Ordos Environmental Monitoring and Inspection Co., Ltd. (鄂爾多斯市環境監測檢驗有限公司) 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 has formulated the “Environmental Self-Monitoring Program of Inner Mongolia Yitai Chemical Co., Ltd.” to test the environment. The automatic monitoring of flue gas entrusts third-party operating agencies to carry out operation and maintenance. Ordos Environmental Monitoring and Inspection Co., Ltd. (鄂爾多斯市環境監測檢驗有限公司) is responsible for entrusted operation and maintenance. Inner Mongolia Rundi Environmental Technology Co., Ltd. (內蒙古潤地環境技術有限公司) is entrusted for manual monitoring.

##### 2. Explanation on the Environmental Protection of Companies other than the Major Pollutant Discharge 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 tonnes, 222.24 tonnes and 180.07 tonnes, respectively. The actual sulfur dioxide, nitrogen oxides and smoke discharge of non-key pollution emitted units from January to December 2019 is 10.12 tonnes, 206.48 tonnes and 0.31 tonnes, 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 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公司) to manually monitor the pollution factors in wastewater and waste gas on a quarterly basis.

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### I. CHANGES IN ORDINARY SHARE CAPITAL

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

### II. ISSUE AND LISTING OF SECURITIES

#### (I) Issue of securities during the reporting period

Unit: share Currency: RMB

Types of shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved to be listed	Transaction termination date
<b>Convertible corporate bonds, warrant bonds and corporate bonds</b>						
Corporate bonds in 2018 (First tranche)	7 June 2018	6.0%	1,500,000,000	28 June 2018	1,500,000,000	8 June 2021
Corporate bonds in 2018 (Second tranche)	17 December 2018	5%	2,000,000,000	26 December 2018	2,000,000,000	18 December 2021
Corporate bonds in 2019 (First tranche)	2 April 2019	4.9%	500,000,000	11 April 2019	500,000,000	4 April 2024
Corporate bonds in 2019 (Second tranche)	2 July 2019	4.75%	1,000,000,000	9 July 2019	1,000,000,000	2 July 2024
Corporate bonds in 2019 (Third tranche)	22 July 2019	4.7%	1,000,000,000	30 July 2019	1,000,000,000	23 July 2024

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

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

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

As at 31 December 2018, the gearing ratio of the Company was 55%. As at 31 December 2019, the gearing ratio of the Company was 52.52%, representing a decrease of 2.48 percentage points as compared with last year.

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

### III. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER

#### (I) Total Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (in the number of accounts)	73,806
Total number of shareholders of ordinary shares at the end of the last month prior to the disclosure of annual report (in the number of accounts)	73,254

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

##### Shareholdings of the Top Ten Shareholders

Unit: Share

Name of shareholder (in full name)	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion  (%)	The number of shares held subject to selling restrictions	Pledged or frozen shares		Class of Shareholder
					Status of the shares	No. of shares	
Inner Mongolia Yitai Group Co., Ltd.	0	1,600,000,000	49.17	1,600,000,000	Nil		Domestic non- state-owned legal person
HKSCC NOMINEES LIMITED	3,900	325,957,900	10.02		Unknown		Foreign legal person
Yitai Group (Hong Kong) Co., Ltd.	0	312,000,000	9.59		Nil		Foreign legal person
China Merchants Securities (HK) Co., Limited	-128,300	21,878,200	0.67		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	-887,800	16,836,198	0.52		Unknown		Foreign legal person
ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF	1,818,925	13,204,527	0.41		Unknown		Foreign legal person
Hu Jiaying	-891,800	11,961,114	0.37		Unknown		Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	-1,888,300	10,113,495	0.31		Unknown		Foreign legal person
GIC PRIVATE LIMITED	-1,064,594	8,615,319	0.26		Unknown		Foreign legal person

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

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

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

##### Top Ten Holders of Shares Not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions (share(s))	Class and number of shares	
		Class	Number of shares (share(s))
HKSCC NOMINEES LIMITED	325,957,900	Overseas listed foreign shares	325,957,900
Yitai Group (Hong Kong) Co., Ltd	312,000,000	Domestic listed foreign shares	312,000,000
China Merchants Securities (HK) Co., Limited	21,878,200	Domestic listed foreign shares	21,878,200
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	18,632,366	Domestic listed foreign shares	18,632,366
VANGUARD EMERGING MARKETS STOCK INDEX FUND	16,836,198	Domestic listed foreign shares	16,836,198
ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF	13,204,527	Domestic listed foreign shares	13,204,527
Hu Jiaying	11,961,114	Domestic listed foreign shares	11,961,114
ISHARES CORE MSCI EMERGING MARKETS ETF	10,113,495	Domestic listed foreign shares	10,113,495
GIC PRIVATE LIMITED	8,615,319	Domestic listed foreign shares	8,615,319
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 (Hong Kong) Co., Ltd. is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares. The Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.	
Details of the holders of preference shares with voting rights restored and number of shares held	N/A		

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

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

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

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

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

*Unit: Share*

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



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

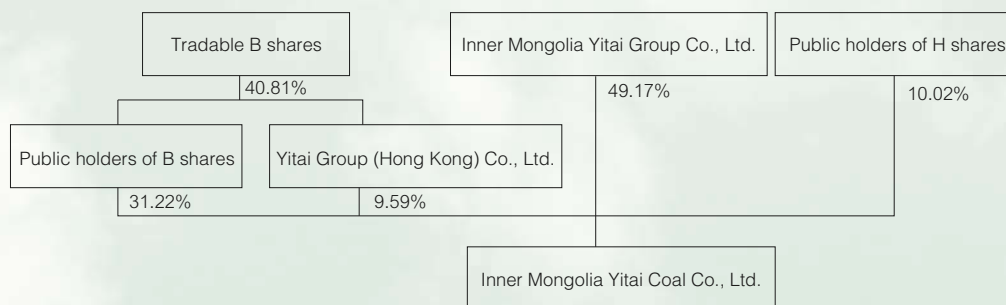
### IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

#### (I) Information on the controlling shareholder

##### 1. Legal person

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

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



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

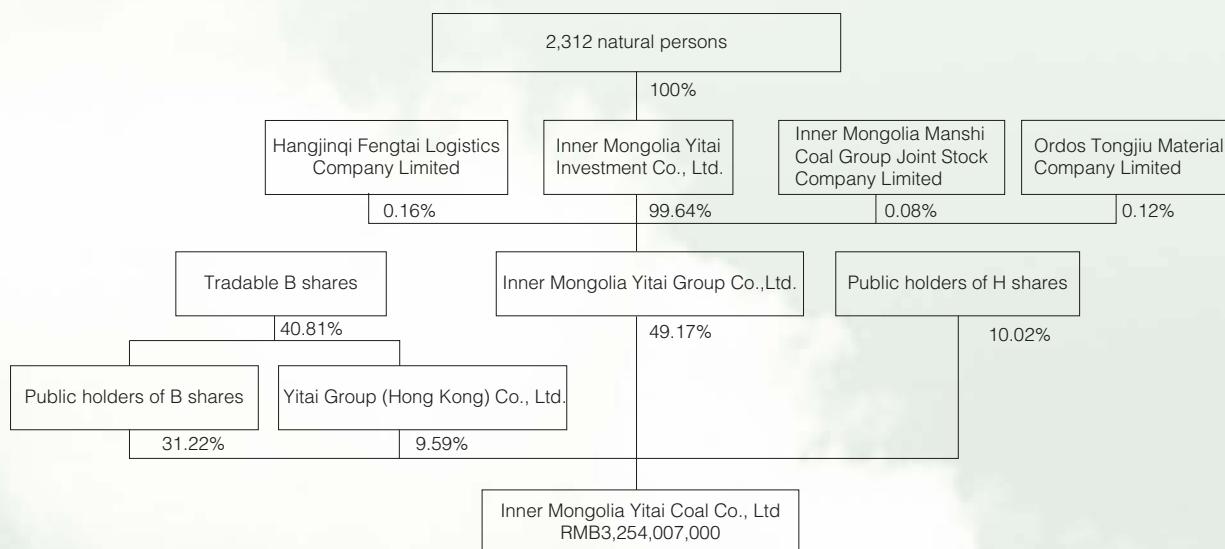
### IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER (Continued)

#### (II) Information on the de facto controller

##### 1. Legal person

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

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



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

### IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER *(Continued)*

#### (II) Information on the de facto controller *(Continued)*

##### 2. Chart concerning the property rights and controlling relationship between the company and the de facto controller *(Continued)*

Explanation: Yitai Investment intended to submit an application for the supervision of non-listed public companies and convened the inaugural meeting on 27 June 2017 to transform entirely into a company limited by shares with the share issue at the audited book value of net assets of RMB1,557,147,038.66 as of 31 December 2016, and with the witness of Global Law Office (Beijing), the on-site confirmation of the registered equity of unlisted public companies was completed and the authentic rights and shareholding were clear without dispute. On 14 October 2019, Yitai Investment signed the Equity Escrow Service Agreement with Inner Mongolia Equity Exchange Co., Ltd. (內蒙古股權交易中心股份有限公司). As of the date of entering into the agreement, the total number of shares under the escrow of Inner Mongolia Equity Exchange Co., Ltd. escrowed by Yitai Investment amounted to 720,495,144, with a total of 2,312 shareholders and the escrow ratio of 100%.

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

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

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

### VI. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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	Percentage of the underlying shares in issue (%) <sup>5,6</sup>	Percentage of the total issued shares (%) <sup>5,6</sup>
Inner Mongolia Yitai Group Co., Ltd. <sup>1</sup>	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. <sup>2</sup>	Non-overseas-listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Yitai Group (Hongkong) Co., Ltd. <sup>1</sup>	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 <sup>3</sup>	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Harvest Luck Development Limited <sup>3</sup>	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Poseidon Sports Limited <sup>3</sup>	H shares	Beneficial owner	Long	20,017,000	6.14	0.61
China Datang Corporation <sup>4</sup>	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55
Datang International (Hong Kong) Limited <sup>4</sup>	H shares	Beneficial owner	Long	18,031,100	5.53	0.55
Datang International Power Generation Co., Ltd. <sup>4</sup>	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55

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

### VI. 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 31 December 2019, 18,031,100 shares represented 5.53% of the H shares in issue.
5. According to the Articles of Association, the Company has two classes of shares, namely (i) "non-overseas-listed-foreign shares" which include domestic shares and B shares; and (ii) H shares.
6. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 31 December 2019, no person, other than the directors and supervisors of the Company whose interests are set out in the section headed "DIRECTORS, SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" below, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period

Unit: share

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration before tax received from the Company for the period (RMB'0,000)	Remuneration from related parties of the Company
Zhang Donghai	Chairman	male	50	May 2017	November 2019	0	0	0	Nil	417.46	Yes
Zhang Jingquan	Chairman	male	50	December 2019	May 2020	0	0	0	Nil	0	Yes
Liu Chunlin	Executive Director	male	53	May 2017	May 2020	0	0	0	Nil	2.4	Yes
Zhang Dongsheng	Executive Director	male	49	May 2017	May 2020	0	0	0	Nil	2.4	Yes
Ge Yaoyong	Executive Director	male	50	May 2017	May 2020	0	0	0	Nil	2.4	Yes
Liu Jian	Executive Director, General Manager	male	53	March 2019	May 2020	0	0	0	Nil	185.85	No
		male	53	November 2019	May 2020						
Lv Guiliang	Executive Director, Chief Finance Officer	male	54	May 2017	May 2020	0	0	0	Nil	196.39	Yes
Lv Junjie	Executive Director	male	52	December 2019	May 2020	0	0	0	Nil	180.2	No
	Deputy Manager	male	52	May 2017	May 2020	0	0	0	Nil		
Wang Sanmin	Executive Director, General Manager	male	46	May 2017	November 2019	0	0	0	Nil	191.72	Yes
Yu Youguang	Independent non-executive Director	male	65	May 2017	July 2019	0	0	0	Nil	11.18	No
Zhang Zhiming	Independent non-executive Director	male	58	May 2017	May 2020	0	0	0	Nil	20	No
Huang Sujian	Independent non-executive Director	male	65	May 2017	May 2020	0	0	0	Nil	20	No
Wong Hin Wing	Independent non-executive Director	male	58	May 2017	May 2020	0	0	0	Nil	25	No
Du Yingfen	Independent non-executive Director	female	56	July 2019	May 2020	0	0	0	Nil	8.82	No

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Unit: share

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration before tax received from the Company for the period (RMB'0,000)	Remuneration from related parties of the Company
Zhang Zhenjin	Chairman of the Supervisory Committee	male	51	March 2019	May 2020	0	0	0	Nil	1.2	Yes
Liu Xianghua	Supervisor	male	42	May 2017	May 2020	0	0	0	Nil	1.2	Yes
Jia Xiaolan	Supervisor	female	46	May 2017	January 2020	0	0	0	Nil	69.87	Yes
Li Cailing	Supervisor	female	45	May 2017	May 2020	0	0	0	Nil	1.2	Yes
He Peixun	Supervisor	male	34	May 2017	May 2020	0	0	0	Nil	36.56	No
Wang Yongliang	Independent Supervisor	male	57	May 2017	May 2020	0	0	0	Nil	10	No
Wu Qu	Independent Supervisor	male	55	May 2017	May 2020	0	0	0	Nil	10	No
Bai Shibang (白士邦)	Chief Engineer	male	51	November 2019	May 2020	0	0	0	Nil	131.85	No
Zhao Like (趙立克)	Deputy Manager	male	38	November 2019	May 2020	0	0	0	Nil	363.31	Yes
Zhang Mingliang	Chief Engineer	male	51	May 2017	November 2019	0	0	0	Nil	212.88	No
Zhang Haifeng	Deputy Manager	male	47	December 2018	November 2019	0	0	0	Nil	160.89	No
Zhao Xin	Secretary to the Board/Company Secretary	female	38	May 2017	May 2020	5,100	5,100	0	Nil	67.14	No
Total	/	/	/	/	/	5,100	5,100	/	/	2,329.92	/

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Donghai	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and joined Chinese Communist Party in June 1993. He possesses a master's degree, a title of senior economist and was awarded as the national model worker. Mr. Zhang served in Ikochao League Coal Company (伊克昭盟煤炭集團公司), from April 1990 to July 1999 as the vice chief and the chief of the Beijing branch office and the deputy head of the Operation Department and the deputy manager of the business operating company under the same company. He was our vice general manager from July 1999 to February 2001, has been acted as an executive Director of our Company from March 2001 to November 2019, and has been served as the chairman of our Company from April 2003 to November 2019. Mr. Zhang served as the vice general manager of Yitai Group from April 2003 to June 2004, and the general manager of the Yitai Group from 2004 to January 2017. He acted as a director and general manager of Inner Mongolia Yitai Investment Limited Liability Company from March 2006 to June 2017. He has been a director and general manager of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been acting as a director of Yitai Group (Hong Kong) Co., Ltd. since October 2008. He has been acting as the Chairman of Yitai Group since August 2016. He also serves as the president of Yitai Group since January 2017.</p>
Zhang Jingquan	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and graduated with a master degree in business administration major of China Europe International Business School. Mr. Zhang worked in Yihua United Wool Manufacturing Factory (伊華聯合毛紡織工廠) from January 1994 to January 1998; served as the cashier in Tianjin Branch of the Company from March 1998 to August 2000; the manager of Guangzhou Sales Branch of the Operation Department under the Company from August 2000 to April 2001; the manager of the sales branch in South China of the Operation Department under the Company from April 2001 to August 2005; the deputy manager of the Operation Department under the Company and manager of the sales company in South China of the Company from February 2002 to March 2003. Mr. Zhang acted as the division chief of the Operation Division of Inner Mongolia Yitai Group Co., Ltd. from August 2005 to 5 March 2006; the manager of coal transportation and sales business department of Inner Mongolia Yitai Group Co., Ltd. from 5 March 2006 to 27 March 2006; the deputy general manager of Synfuels China Technology Co., Ltd. under Inner Mongolia Yitai Group Co., Ltd. from March 2006 to November 2010 and the deputy general manager of Yitai Yili Energy Co., Ltd. from November 2010 to January 2012; the general manager of Yitai Xinjiang Energy Co., Ltd. from January 2012 to September 2017; the chairman and general manager of Yitai Xinjiang Energy Co., Ltd. from December 2012 to September 2017; the president of Xinjiang Yitai Co., Ltd. from October 2014 to September 2017; the chairman of the Board and general manager of Inner Mongolia Yitai Chemical Co., Ltd. from September 2015 to March 2017; the general manager of the Company from September 2015 to March 2017; the director of Inner Mongolia Yitai Group Co., Ltd. since September 2015; the director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017; the executive Director of the Company from December 2015 to May 2017; the vice president of Inner Mongolia Yitai Group Co., Ltd. since March 2017; and the chairman of the Company since December 2019.</p>

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Liu Chunlin	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1967 and possesses a master's degree and a title of senior accountant. He worked in Ikocho League Coal Company from June 1989 to February 1993 and was appointed as the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997 and as the director of the Finance Department of our Company from August 1997 to July 1999. Mr. Liu served as the financial director of our Company from July 1999 to October 2002, the deputy chief accountant of Yitai Group from October 2002 to May 2004, the vice president of our Company from May 2004 to October 2004 and has been the director and chief account of Yitai Group since June 2004. He has been the deputy chief executive officer of Yitai Group since July 2018. He acted as the director and chief accountant of Inner Mongolia Yitai Investment Limited Liability Company from March 2006 to June 2017. He has been acting as the director and chief accountant of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been the director of Yitai Group (Hong Kong) Co., Ltd. since October 2008 and has been the executive Director of the Company since March 2001.</p>
Zhang Dongsheng	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1971 and possesses a master's degree and titles of senior economist and business manager. He worked in Ikocho League Coal Company from October 1989 to January 2002, served as the director of the Operation Department of our Company from January 2002 to July 2005. Mr. Zhang was the deputy general manager of Inner Mongolia Yitai Zhundong Railway Co., Ltd. from August 2005 to January 2007, and acted as the chairman of Zhundong Railway Company since November 2008 to August 2014, and served as the general manager of Inner Mongolia Yitai Huzhun Railway Co., Ltd. from January 2007 to August 2014 and also as the director of Inner Mongolia Yitai Group Co., Ltd. since November 2008. Mr. Zhang was entitled as the chairman of Inner Mongolia Yitai Huzhun Railway Co., Ltd. from July 2009 to August 2014. He acted as the deputy general manager of Inner Mongolia Yitai Group Co., Ltd. from March 2014 to January 2017 and the director of Inner Mongolia Yitai Investment Limited Liability Company from January 2015 to June 2017. He has been acting as a director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been the vice president of Inner Mongolia Yitai Group Co., Ltd. since January 2017 as well as the executive Director of the Company since May 2009.</p>



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Ge Yaoyong	Gender: Male. Ethnicity: Han ethnicity. Mr. Ge was born in 1969 and possesses a master's degree and a title of senior engineer. He served as the deputy manager and the manager of E'qian League Coking Factory from November 1996 to March 2001, and was promoted as the deputy general manager of the Company from March 2001 to August 2005. Mr. Ge was appointed as the deputy chief engineer of Yitai Group from August 2005 to November 2008, and from November 2008 to March 2014, the general manager of the Company. He was appointed and still serves as the director of Inner Mongolia Yitai Group Co., Ltd. since November 2008. From March 2014 to January 2017, he served as the deputy general manager of Inner Mongolia Yitai Group Co., Ltd. He acted as the general manager of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) from July 2014 to September 2017 and has been acting as the chairman of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) since July 2014. He has been the vice president of Inner Mongolia Yitai Group Co., Ltd. since January 2017, the director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017 and the executive Director of the Company since December 2008.
Liu Jian	Gender: Male. Ethnicity: Han ethnicity, born in 1967, holds a doctoral degree. He graduated from the Universitat Duisburg-Essen in July 2004 with a Doctor's degree in cardiology and graduated from School of Economics and Management of Tsinghua University in 2014 with an EMBA degree. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司) from August 2005 to February 2007, Mr. Liu was granted the qualification of fellow senior chief pharmacist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古人事廳) in July 2006. He was the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012. He was appointed as the deputy manager of the Company from December 2012 to November 2019. He has served as the Director of the Company since March 2019, and the general manager of the Company since November 2019.
Lv Guiliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1966 and possessed a master's degree of Business Administration and a title of semi- senior accountant. He served in Ikocho League Coal Company from August 1994 to August 1997 and joined our Company in August 1997, acting as the vice director of our Finance Department from July 1999 to November 2002, the director of the same department from March 2004 to February 2009. Since April 2008 and February 2011, Mr. Lv has been serving as the chief finance officer and the executive Director of our Company, respectively. He has been acting as the supervisor of Yitai Group from December 2018 to January 2020.



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Lv Junjie	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Lv is a member of Chinese Communist Party and was born in 1967. He graduated from Huazhong University of Science and Technology with a master degree in EMBA and is a senior economist. Mr. Lv Junjie worked as a teacher in Jungar Banner Nalin Middle School (准格爾旗納林中學) from July 1985 to July 1991; worked in the Administrative Department of Labour of Yimeng Coal Company (伊盟煤炭公司政工勞資科) from July 1991 to December 1991; acted as the secretary of Resident Chinese Communist Party Committee Office in Yimeng Coal Company from December 1991 to April 1992; acted as the deputy secretary and secretary of Communist Youth Party Committee of Yimeng Coal Company from April 1992 to April 1997; the director of Materials Sales Department of the Company and the manager assistant of Industrial Development Company from April 1997 to February 2001; the deputy manager and manager of Materials Supply Department of the Company from February 2001 to April 2004; the director of Xiyingzi Collection and Transportation Centre of the Company from April 2004 to May 2005; the minister of Business Development Department of the Company from May 2005 to October 2008; the minister of Environment Monitoring Department of the Company from October 2008 to February 2012; the deputy general manager of Coal-to-oil Company from February 2012 to November 2013; the deputy general manager of Coal-related Chemical Operation under Inner Mongolia Yitai Group Co., Ltd. from November 2013 to October 2016. He has been the deputy manager and executive Director of the Company since October 2016 and December 2019, respectively.</p>

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Sanmin	<p>Gender: Male. Ethnicity: Mongol ethnicity. Mr. Wang was born in 1974. He is a member of the Communist Party of China and possesses a master's degree. Mr. Wang Sanmin graduated from Inner Mongolia Finance &amp; Economics College in July 2005. He was granted the operating manager and licensed pharmacist in March 2006, senior IT project manager in November 2008 and qualification of international accountant in July 2010. Mr. Wang joined Yitai Group in 1996 and joined the Company in April 2005. Mr. Wang held different positions in Yitai Group as the director of the marketing department and the finance department of Taifeng Simengou Coke Flour Mill, Taifeng Variety Operating Company, Taifeng Coal Mine, Taifeng Hu City Clean Coal Branch and Taifeng General Company from 1996 to 2000. He was the head of finance department of E'qian League Coking Factory from December 2000 to October 2001. From October 2001 to April 2004, he held various positions in Yitai Pharmaceutical as the head of the finance department of Licorice Base, deputy head of the finance department, and head of both the finance department and corporate management department of Shenglong Branch. He was the head of the accounting department of Yitai Group from April 2004 to April 2005. Mr. Wang was the president of the labor union and the deputy general manager of the Shenglong Branch of Yitai Pharmaceutical from April 2005 to September 2006. He was the deputy administrative general manager of Yitai (Beijing) Pharmatech Co., Ltd. from October 2006 to March 2007. He was the head of our corporate management department from April 2007 to November 2010. Mr. Wang was the head of the supplies purchase and supply department of the Company from December 2010 to March 2013. He was the deputy manager of the Company from April 2013 to March 2014. He served as the chairman and general manager of Inner Mongolia Yitai Zhundong Railway Co., Ltd. and Inner Mongolia Yitai Huzhun Railway Co., Ltd. from March 2014 to March 2017 and has been the chairman of Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司) from April 2015 to March 2017. He was a supervisor of the Company from February 2011 to April 2013. He has been acted as the general manager of the Company from March 2017 to November 2019 and the executive Director of the Company from May 2017 to November 2019; the director of Inner Mongolia Yitai Group Co., Ltd. from November 2019 to the present.</p>
Yu Youguang	<p>Gender: Male, Ethnicity: Han ethnicity, born in 1955, holds an associate degree and is a certified accountant and senior auditor. Mr. Yu is the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm and the executive councilor of Certified Public Accountant Association of Inner Mongolia Autonomous Region. He has extensive experience in financial and accounting. He taught in Inner Mongolia Light Industry School from July 1981 to November 1985. He worked in the Audit Bureau of Baotou from November 1985 to September 1999. He has been serving as the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm since September 1999. He was appointed as independent non-executive Director of the Company from June 2013 to July 2019.</p>

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Zhiming	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1962 and possessed a doctoral degree of laws and now serves as the professor and doctoral supervisor of Renmin University of China. Mr. Zhang finished his undergraduate courses in law from Peking University in 1983 and master degree in law from the same university in 1986. He received his doctoral degree in laws from the graduate school of Chinese Academy of Social Science in 1998. Mr. Zhang also served as the independent director of Shanxi Taigang Stainless Steel Co., Ltd. Mr. Zhang has been serving as the independent non-executive Director of our company since June 2015.
Huang Sujian	Gender: Male. Ethnicity: Han ethnicity. Mr. Huang was born in 1955, and has been working in the Institute of Industrial Economics of Chinese Academy of Social Sciences since 1988 and is a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences and the president of Chinese Institute of Business Administration currently. Mr. Huang achieved a bachelor degree and a master degree of economics from Xiamen University in 1982 and 1985, respectively, and a doctor degree of economics from the Chinese Academy of Social Sciences in 1988. He also served as the director of Jianfeng Group Co., Ltd. and the independent director of Wolong Electric Group Co., Ltd., Qingdao Hiron Commercial Cold Chain Co., Ltd. and Anxin Property & Casualty Insurance Co., Ltd. Mr. Huang Sujian has been the independent non-executive Director of the Company since November 2016.

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wong Hin Wing	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Wong was born in 1962 and holds a master's degree in Executive Business Administration from The Chinese University of Hong Kong (香港中文大學). He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England &amp; Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administration in the UK. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities &amp; Investment in the UK. He is an independent non-executive director of AEON Credit Service (Asia) Co. Ltd. (AEON信貸財務亞洲有限公司) (a public company listed on the Stock Exchange), Dongjiang Environmental Company Limited (東江環保股份有限公司) (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange), CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (a public company with H shares listed on the Stock Exchange), Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) (a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) (a public company listed on the Stock Exchange) and Jiangxi Bank Co., Ltd. (a public company with H shares listed on the Stock Exchange). He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal, a panel member of Public Interest Entities Auditor Review Tribunal, a member of the Nursing Council of Hong Kong, a member of Construction Industry Council and a member of Betting and Lotteries Commission. He is the managing director and has been the responsible officer of Silk Road International Capital Limited (絲路國際資本有限公司) (formerly known as Legend Capital Partners, Inc. (安裡俊投資有限公司)), a licensed corporation under the Securities and Futures Ordinance since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. He has 36 years of experience in accounting, finance, investment management and advisory. Mr. Wong Hin Wing has been the independent non-executive Director of the Company since May 2017.</p>



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Du Yingfen	<p>Gender: Female. Ethnicity: Han ethnicity, Ms. Du was born in 1964 and holds a master's degree in economics and is the expert with special allowance from the State Council. She is currently a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences, deputy director of the Management Science and Innovation Development Research Center (管理科學與創新發展研究中心), a professor of accounting and a doctoral supervisor of the University of Chinese Academy of Social Sciences, and a standing member of the Chinese Institute of Business Administration (中國企業管理研究會). Ms. Du graduated with a Bachelor's degree from the Department of Accounting and Business Management of Xiamen University in 1981, and graduated with a master degree from the Department of Industrial Economics of Renmin University of China in 1987. She has been served as a director of the Finance and Accounting Research Office of the Institute of Industrial Economics of Chinese Academy of Social Sciences, with main academic expertise in financial management, corporate mergers and acquisitions and reorganizations, management innovation, enterprise internal control and risk management. She has won the third prize for National Science and Technology Progress Award, Sun Yefang Economics Prize and the first prize of China Development Research. She has been the independent non-executive Director of the Company since July 2019.</p>
Zhang Zhenjin	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1969. Mr. Zhang is a senior engineer. He graduated from Shanxi Mining Institute and holds a post-graduate degree. He acted as the deputy head of infrastructure in coal preparation plant at Tanggongta loading facility from May 1994 to November 1994. He worked in the preparatory office at coal preparation plant from November 1994 to September 1996. He acted as the deputy spot chief of Nalinmiao Mine of the Industrial Development Company from September 1996 to January 1998, supervisor of the Company from August 1997 to July 1999, deputy manager of the Industrial Development Company from January 1998 to July 1999, deputy general manager and chief engineer of the Company from July 1999 to March 2001, and chief engineer of the Company from 2001 to 2006. From 2006 to 2009, Mr. Zhang consecutively served as the deputy general manager, chief engineer and the president of the labor union of the Company. From 2009 to 2014, he consecutively served as the deputy chief engineer of Yitai Group Co., Ltd. and the deputy general manager of Yitai Guanglian Coal Chemical Co., Ltd. He acted as the chairman and general manager of Yitai Guanglian Coal Chemical Co., Ltd. from January 2014 to September 2017, and the chairman of Yitai Guanglian Coal Chemical Co., Ltd. from September 2017 to December 2018. He has been acting as the chairman of each of the supervisory committee of Inner Mongolia Yitai Investment Co., Ltd. and Inner Mongolia Yitai Group Co., Ltd. since December 2018. Mr. Zhang has served as the supervisor and chairman of the Supervisory Committee of the Company since March 2019.</p>



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Liu Xianghua	Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1978. He is a member of the Communist Party of China and possesses a bachelor's degree. Mr. Liu worked for Zhundong Railway Company from August 2000 to July 2001. He was the deputy director for administrative affairs of Zhundong Railway Company from July 2001 to October 2002 and was the office director in administrative department of Zhundong Railway Company from November 2002 to February 2004. Mr. Liu was the head secretary of the general manager office of group company from March 2004 to August 2005. He was the deputy director of the general manager office of group company from September 2005 to December 2005. He was the deputy director of the general manager office of the Company from January 2006 to November 2010. He was the office director of the board of directors of Yitai Group from December 2010 to February 2012. He has been the secretary of the board of directors of Inner Mongolia Yitai Group Co., Ltd. since March 2012. He was the office director of the board of directors of Inner Mongolia Yitai Group Co., Ltd. from January 2013 to October 2016. He also was the general manager of the administrative department of the Company from November 2016 to September 2017. He has been acting as the office director of the board of directors of Inner Mongolia Yitai Group Co., Ltd. since September 2017. He has been the supervisor of the Company since May 2017.
Jia Xiaolan	Gender: Female. Ethnicity: Han ethnicity. Ms. Jia was born in 1973 and possessed a bachelor's degree and was granted with qualifications of senior engineer and registered cost engineer. She worked in Ikocho League First Construction Engineering Company (伊盟一建) (now renamed Erdos Da Hua Construction Group LLC) (鄂爾多斯大華建築集團有限責任公司) from July 1993 to July 2000, and served in Erdos Defeng Project Management LLC. (鄂爾多斯市得豐工程項目管理有限責任公司) from July 2000 to July 2005 as the deputy director of Installation Budgeting Division (安裝預結算). In August 2005, Ms. Jia transferred to Yitai Group as the installation budgeting engineer in Construction Cost Center of the Group from August 2005 to October 2006 and served as the deputy chief and chief of the same division from October 2006 to March 2010, and from March 2010 to April 2011, respectively. She was the vice director of Internal Control and Audit Department of Inner Mongolia Yitai Group Co., Ltd. from April 2011 to July 2013 and was promoted as the director for a working period from July 2013 to January 2014. Ms. Jia acted as the director of Internal Control and Audit Department of the Company from January 2014 to March 2015, and worked as the director of the Audit and Discipline Department of the Company from March 2015 to August 2017. She has been the general manager of the Audit and Discipline Department of the Company from August 2017 to June 2018, the deputy general manager of Coal-to-oil Company since June 2018, the supervisor of Inner Mongolia Yitai Group Co., Ltd. from January 2018 to January 2019, and the supervisor of the Company from June 2015 to January 2020.

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Li Cailing	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Li was born in 1975, she is a member of the Communist Party of China with a postgraduate degree. She is also a senior accountant, a certified tax agent and a certified public accountant. Ms. Li worked in Ordos Group Company (鄂爾多斯集團公司) from June 1995 to January 1998. She once held the positions of Head of Auditing Department and Deputy Director in Inner Mongolia Zhonglei Accounting Firm (內蒙古中磊會計事務所) from February 1998 to July 2005 and she worked in the Finance Department of the Company from August 2005 to February 2012. She was the director of the Financial Information Section of the Finance Department (財務部財務資訊科) of the Company from March 2012 to July 2013. She was an accountant of deputy director level in the Finance Department of the Company from August 2013 to November 2014. She was the deputy director of the finance department of Inner Mongolia Yitai Group Co., Ltd. from December 2014 to March 2015. She has been the deputy director of the financial management center of the Company from April 2015 to December 2018, the deputy general manager of the financial management department of Inner Mongolia Yitai Group Co., Ltd. since December 2018 and the supervisor of the Company since May 2017.</p>
He Peixun	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. He was born in 1986 and possesses a bachelor's degree. Mr. He is a lawyer and has obtained the legal professional qualification certificate. He graduated from Inner Mongolia University in July 2009. He worked in the general manager office in the Company from July 2009 to December 2009. He worked in the Securities Department of the Company from January 2010 to May 2012. He was the director for security business in the Securities Department of the Company from June 2012 to July 2013. He was the business director of the Securities Department of the Company from August 2013 to April 2015. He was the business manager in the Investor Relations and Management Department of the Company from May 2015 to October 2016; the intermediate business manager in the Investor Relations and Management Department of the Company from November 2016 to December 2017; the deputy director of the Investor Relations and Management Department of the Company from December 2017 to June 2018; the deputy general manager of Capital and Compliance Management Department since June 2018; the supervisor of Inner Mongolia Yitai Investment Co., Ltd. since June 2017; and the supervisor of the Company since May 2017.</p>

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Yongliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1963 and possessed a master's degree and was granted the qualification of Level 2 Lawyer. He was a member of Ikochao League correctional division from August 1985 to December 1986, a teacher in Ikochao League Politics & Law School from December 1986 to March 1990, the deputy head of the correctional division and office of the judicial department of Ikochao League from March 1990 to April 1996, the head of economic business department of Ikochao League Law Firm from April 1996 to March 2001. Mr. Wang has been acting as the director of Inner Mongolia Ikochao League Law Firm since March 2001. Mr. Wang is the vice chairman of the Inner Mongolia Autonomous Region Lawyers Association and the chairman of Erdos Lawyers Association. Mr. Wang has been acting as an independent supervisor of our Company since February 2011.
Wu Qu	Gender: Male. Ethnicity: Han ethnicity. Mr. Wu was born in 1965 and possessed a bachelor's degree. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company (伊克昭盟東勝食品工業公司) from July 1986 to October 1994, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998, the finance manager of Ordos Rongze Food Co., Ltd. (鄂爾多斯榮澤食品有限責任公司) from December 1998 to October 2000. Mr. Wu has been serving as the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd. (內蒙古東審會計師事務所有限責任公司) since July 2001 and an independent supervisor of the Company since February 2011.

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Bai Shibang (白士邦)	Gender: Male. Ethnicity: Han ethnicity. Mr. Bai was born in 1969 and possessed a bachelor's degree. He worked in Yimeng Coal Company from September 1994 to March 1998; he acted as the deputy spot chief of the Dadijing Mine in Yitai Group from March 1998 to February 1999; the deputy head of Nalinmiao Mine Kaida Mine of Yitai Group from February 1999 to July 1999; the chief of the Security Technology Division of Industrial Development Company from July 1999 to December 2000; the deputy head of the Nalinmiao Mine of Industrial Company from December 2000 to April 2001; the deputy head of Nalinmiao Mine from April 2001 to December 2001; the head of Wangjiapo Mine of Production Technology Department from December 2001 to February 2002; the head of Wangjiapo Mine of Production Technology Department from February 2002 to August 2005; the deputy director of the Suancigou Mine Construction Project Office from August 2005 to March 2007; the deputy general manager of Yitai Guanglian Coal Chemical Co., Ltd. from March 2007 to April 2007; the deputy head of the Suancigou Mine of Department of Coal Production from April 2007 to March 2008; the deputy general manager and chief engineer of Yitai Jingyue Suancigou Mining Co., Ltd. from March 2008 to October 2008; the deputy general manager of Yitai Jingyue Suancigou Mining of Production Department of Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from November 2008 to June 2009; the head of Nalinmiao Mine No. 2 Mine of Production Department of Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from June 2009 to June 2011; the head of Talahao Mine of Inner Mongolia Yitai Coal Co., Ltd. from June 2011 to July 2017; and the general manager of the Coal Production Management Department of Inner Mongolia Yitai Coal Co., Ltd. from July 2017 to November 2019. Mr. Bai has been serving as the chief engineer of the Company since November 2019.



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhao Like (趙立克)	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhao was born in 1982 and possessed a bachelor's degree. He worked in Shandong Longkou Liu Hai Mining Co., Ltd. (山東龍口柳海礦業有限公司) from July 2004 to December 2005 and the Suancangou Safety Supervision Station of the Safety Supervision Department from March 2006 to April 2007. He served as the director of comprehensive business of Safety Supervision Department from April 2007 to July 2009; the head of Kaida Mine Safety Supervision Station of Inner Mongolia Yitai Coal Co., Ltd. from August 2009 to August 2012; the vice director of Safety Supervision and Quality Control Department of Inner Mongolia Yitai Coal Co., Ltd. from August 2012 to March 2013; the deputy director of Safety Supervision Station of Yitai Guanglian Coal Chemical Co., Ltd., the Safety and Quality Control Department of Inner Mongolia Yitai Coal Co., Ltd. from March 2013 to July 2013; the director of the Safety Supervision Station of Yitai Guanglian Coal Chemical Co., Ltd., the Safety and Quality Control Department of Inner Mongolia Yitai Coal Co., Ltd. from July 2013 to January 2014; the safety deputy head of Hongjingta Mine No.1 mine of Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from January 2014 to September 2014; the general manager and head of Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司), the Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from October 2014 to March 2015; the safety deputy general manager of the Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from March 2015 to January 2016; the deputy general manager of Coal Production Management Department of Inner Mongolia Yitai Coal Co., Ltd. from January 2016 to November 2016; the head of Kaida Mine of Inner Mongolia Yitai Coal Co., Ltd. from November 2016 to December 2017; and the general manager and head of Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. from January 2018 to November 2019. He has been the deputy manager of the Company since November 2019.</p>
Zhang Mingliang	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1969 and possessed a master's degree. He was granted with a qualification of semi senior engineer and held various positions in our Company as the deputy spot chief of Nalinmiao Mine No. 1 mine, the spot chief of Nalinmiao Mine No. 4 mine, the deputy head and the head of Nalinmiao Mine and the deputy head of Nalinmiao Mine No. 2 mine from November 1997 to June 2009. Mr. Zhang was appointed as the head of Sujiahao Mine of Yitai Group from June 2009 to March 2011, the director of Jungar Temple dispatching station of our Coal Transportation Department from March 2011 to February 2012, the deputy general manager of our Production Department from February 2012 to September 2012, the supervisor of our Company from April 2002 to October 2012 and the chief engineer of the Company from May 2014 to August 2015 and from October 2016 to November 2019.</p>



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

#### (I) Changes in the shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Haifeng	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1973 and possessed a master's degree and a title of senior engineer. He worked in China Coal Building &amp; Installation Engineering Group Co., Ltd. from 1997 to May 1999, and served in Industrial Development Company from May 1999 to December 1999. He worked as a measurement technician in Nalinmiao Mine from December 1999 to February 2002; worked as the chief of Security Technology Division of Nalinmiao Mine of Production Technology Department from February 2002 to March 2005. Mr. Zhang acted as the deputy head of Wangjiapo Mine of Production Technology Department from March 2005 to February 2006, the spot chief of Hongjingta Mine No.1 mine of Department of Coal Production from February 2006 to August 2006, and worked as an engineer at the level of head of Department of Coal Production from August 2006 to April 2007, an engineer at the level of deputy head of Dadijing Mine of Department of Coal Production of Yitai Group from April 2007 to October 2008. He also was appointed as the deputy head of Nalinmiao Mine No.1 Mine of Production Department of Department of Coal Production from November 2008 to June 2009, the head of Yangwangou Coal of Department of Coal Production from June 2009 to June 2013, and the head of Shenmu County Sujiahao Mine of Department of Coal Production of Yitai Group from July 2013 to January 2014. He acted as the head of Chengyi Coal of Department of Coal Production of the Company from January 2014 to March 2016, the head of Dadijing Mine of the Company from March 2016 to July 2017 and the head of Talahao Mine of the Company from July 2017 to December 2018. Mr. Zhang was appointed as the deputy manager of the Company from December 2018 to November 2019.</p>
Zhao Xin	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Zhao was born in 1981, she holds a doctoral degree. Ms. Zhao graduated from Inner Mongolia University of Finance and Economics with a bachelor's degree in management in July 2003 and graduated from Capital University of Economics and Business with a master's degree in management in July 2008. In July 2012, Ms. Zhao graduated from Chinese Academy of Social Sciences with a doctoral degree in management. Ms. Zhao joined the Securities Department of the Company in August 2008. She served as the head of the Information Disclosure Sector under the Securities Department of the Company from December 2010 to June 2013. She served as the vice director of the Securities Department of the Company from July 2013 to March 2015. Ms. Zhao has served as the securities affairs representative of the Company from August 2013 to March 2015 and she has been the director of Investor Relation and Management Department of the Company since March 2015. She was appointed as secretary to the Board of the Company in April 2015, joint company secretary from April 2015 to April 2018, the company secretary since April 2018 and the general manager of Capital and Compliance Management Department of the Company since June 2018.</p>

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

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

#### (I) Particulars concerning positions held in shareholders' entities

Name of incumbent	Name of shareholders' entity	Position held in shareholders' entity	Starting date of term	End date of term
Zhang Donghai	Inner Mongolia Yitai Group Co., Ltd.	Chairman	August 2016	
	Inner Mongolia Yitai Group Co., Ltd.	Chief Executive Officer	January 2017	
Zhang Jingquan	Inner Mongolia Yitai Group Co., Ltd.	Director	September 2015	
	Inner Mongolia Yitai Group Co., Ltd.	Deputy Chief Executive Officer	March 2017	
Liu Chunlin	Inner Mongolia Yitai Group Co., Ltd.	Director, Chief Accountant	June 2004	
	Inner Mongolia Yitai Group Co., Ltd.	Deputy Chief Executive Officer	July 2018	
Ge Yaoyong	Inner Mongolia Yitai Group Co., Ltd.	Director	November 2008	
	Inner Mongolia Yitai Group Co., Ltd.	Deputy Chief Executive Officer	January 2017	
Zhang Dongsheng	Inner Mongolia Yitai Group Co., Ltd.	Director	November 2008	
Wang Sanmin	Inner Mongolia Yitai Group Co., Ltd.	Director	November 2019	
Liu Xianghua	Inner Mongolia Yitai Group Co., Ltd.	Board Secretary	March 2012	
Jia Xiaolan	Inner Mongolia Yitai Group Co., Ltd.	Supervisor	January 2018	January 2020
Zhang Zhenjin	Inner Mongolia Yitai Group Co., Ltd.	Supervisor, Chairman of the Supervisory Committee	December 2018	
Lv Guiliang	Inner Mongolia Yitai Group Co., Ltd.	Supervisor	December 2018	January 2020
Li Cailing	Inner Mongolia Yitai Group Co., Ltd.	Deputy General Manager of the Financial Management Department	December 2018	

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

### II. PARTICULARS ABOUT THE CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (Continued)

#### (II) Particulars concerning positions held in other entities

Name of incumbent	Name of other entity	Position held in other entity	Starting date of term	End date of term
Yu Youguang	Inner Mongolia Zhongtian Huazheng	Deputy president	June 2013	
Zhang Zhiming	School of Law of Renmin University	Professor, Doctoral supervisor	September 2005	
Huang Sujian	Institute of Industrial Economics of Chinese Academy of Social Sciences	Researcher	July 1988	
Wong Hin Wing	Silk Road International Capital Limited	Director, General Manager	January 1997	
Du Yingfen	Institute of Industrial Economics of Chinese Academy of Social Sciences	Researcher	November 1991	
Wang Yongliang	Inner Mongolia Ikochao League Law Firm	Director	March 2001	
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of Auditing Department	July 2001	

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

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

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 and Appraisal Committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and supervisors will be proposed to the general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.
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
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 income tax.
Total remuneration actually obtained by the Directors, supervisors and senior management as a whole at the end of the reporting period	RMB23.2992 million

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

### IV. PARTICULARS ABOUT THE CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for change
Zhang Donghai	Executive Director, Chairman	Resigned	Work adjustment
Zhang Jingquan	Executive Director, Chairman	Elected	Work adjustment
Liu Jian	Executive Director	Elected	Work adjustment
	General Manager	Appointed	Work adjustment
Wang Sanmin	Executive Director, General Manager	Resigned	Work adjustment
Lv Junjie	Executive Director	Elected	Work adjustment
Yu Youguang	Independent non-executive Director	Resigned	Expiry of term
Du Yingfen	Independent non-executive Director	Elected	New independent non-executive Director
Zhang Mingliang	Chief Engineer	Resigned	Work adjustment
Bai Shibang (白士邦)	Chief Engineer	Appointed	Work adjustment
Zhang Haifeng	Deputy Manager	Resigned	Work adjustment
Zhao Like (趙立克)	Manager	Appointed	Work adjustment

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

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

### VI. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

### VI. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

#### Long positions in the shares of associated corporation of the Company

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
<b>Directors:</b>				
Mr. Zhang Jingquan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr. Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,181,234	0.86
Mr. Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	52,798	0.01
Mr. Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	153,446	0.02
Mr. Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr. Liu Jian	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr. Lv Junjie	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	1,328,225	0.18
<b>Supervisors:</b>				
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

Save as disclosed above, as at 31 December 2019, none of the directors, supervisors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

### VII. EMPLOYEES INFORMATION ON THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

#### (I) Information on employees

Number of in-service employees in the parent company	2,570
Number of in-service employees in major subsidiaries	3,827
Total number of in-service employees	6,397
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	414

Specialty composition Category	Headcount
Production	2,848
Sales	2,104
Technician	342
Finance	182
Administration	921
Total	<u>6,397</u>

Education level Category	Headcount
Postgraduate	270
Undergraduate	2,931
College graduate and secondary technical school	2,214
Below secondary technical school	982
Total	<u>6,397</u>

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

### VII. EMPLOYEES INFORMATION ON THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES (Continued)

#### (II) Remuneration Policy

The Company made great efforts in motivating employees' working enthusiasm and creativity, and promoting the internal fairness and external competitiveness of the remuneration incentive system. On the basis of equal pay for equal work, the Company established a dynamic distribution mechanism in terms of taking position value as the core and performance assessment as the support, thus reflecting the employees' work ability and work achievement. The remuneration level strategy adopted by the Company consisted of market leading level for key personnel and talents, appropriately advanced level for ordinary staff members and average level for auxiliary staff members.

#### (III) Training Program

In 2019, the Company will further improve and optimise the training management system from the aspects of the regulation, curriculum, teachers, and project operation system. Meanwhile, according to the organization's leadership and professional development requirements, the Company forms a learning map for all types of talents at all levels, while standardising the training management and project implementation processes to achieve the classified development and hierarchical empowerment of talent training.

#### (IV) Subcontracting Information

Total working hours for subcontracting	753,879 hours
Total remuneration paid for subcontracting (RMB)	RMB15.5265 million



## CORPORATE GOVERNANCE REPORT

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

During the reporting period, the Company has gradually improved its corporate governance system and standardized its operation pursuant to the Company Law (《公司法》), Securities Law (《證券法》) and relevant laws and regulations. The general meeting, the Board and senior management of the Company interacted with each other and carried out their own duties in an effective manner.

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

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

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

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

## CORPORATE GOVERNANCE REPORT (Continued)

### II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

Session of the meeting	Convening date	Resolutions of the meeting	Status of resolutions	Enquiry index of the designated website for the publication of the proposals	Dates of publication of the resolutions
The first extraordinary general meeting in 2019 (the "first EGM in 2019") (Note 1)	11 March 2019	1. To consider and approve the resolution on the appointment of an executive director; and	All passed	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	11 March 2019
		2. To consider and approve the resolution on the appointment of a supervisor			12 March 2019
Annual general meeting for 2019 (the "2019 AGM") (Note 2)	16 May 2019	<ol style="list-style-type: none"> <li>1. To consider and approve the financial report of the Company for the year 2018;</li> <li>2. To consider and approve the report of the Board for the year 2018;</li> <li>3. To consider and approve the report of the Supervisory Committee of the Company for the year 2018;</li> <li>4. To consider and approve the performance report of the independent directors of the Company for the year 2018;</li> <li>5. To consider and approve the profit distribution plan of the Company for the year 2018;</li> <li>6. To consider and approve the Company's capital expenditure for the year 2019;</li> <li>7. To consider and approve the guarantee to be provided by the Company to holding subsidiaries;</li> <li>8. To consider and approve entrusted wealth management using the Company's idle equity fund;</li> <li>9. To consider and approve the proposal of issuance of green corporate bonds by the Company; <ol style="list-style-type: none"> <li>9.01 Issue size of the green corporate bonds</li> <li>9.02 Issue methods and issue targets</li> <li>9.03 Arrangement on placement to shareholders of the Company</li> <li>9.04 Par value and issue price</li> <li>9.05 Bond duration</li> <li>9.06 Use of proceeds</li> <li>9.07 Place of listing</li> <li>9.08 Validity of the resolution</li> <li>9.09 Lead underwriter and trustee manager for the bonds</li> <li>9.10 Measures for guaranteeing the repayment</li> <li>9.11 Authorization of the Board or its authorized persons for the issue</li> </ol> </li> </ol>	All passed	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	16 May 2019 17 May 2019



## CORPORATE GOVERNANCE REPORT (Continued)

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

Session of the meeting	Convening date	Resolutions of the meeting	Status of resolutions	Enquiry index of the designated website for the publication of the proposals	Dates of publication of the resolutions
		10. To consider and approve the proposal relating to the general mandate to the Board for the issuance of H shares; and 11. To consider and approve the amendments to the Articles of Association.			
The second extraordinary general meeting in 2019 (the "second EGM in 2019") (Note 3)	22 July 2019	1. Proposed alignment in the preparation of financial statements in accordance with the PRC Accounting Standards for Business Enterprises and appointment of auditors for year 2019: 1.01 Proposed alignment in the preparation of financial statements in accordance with the PRC Accounting Standards for Business Enterprises 1.02 Appointment of auditors for year 2019 2. Proposed re-appointment of internal auditors for year 2019; 3. Proposed change of independent non-executive directors; and 4. Proposed amendments to the Articles of Association.	All passed	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	22 July 2019 23 July 2019
The third extraordinary general meeting in 2019 (the "third EGM in 2019") (Note 4)	30 December 2019	1. To consider and approve the resolution of the proposed issue of Super Short-term Commercial Papers; and 2. To consider and approve the resolutions in relation to the proposed appointment of executive directors: 2.01 To consider and approve the appointment of Mr. Zhang Jingquan as an executive director of the Company 2.02 To consider and approve the appointment of Mr. Lv Junjie as an executive director of the Company	All passed	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	30 December 2019 31 December 2019

**Notes:**

- For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 11 March 2019.
- For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 16 May 2019.
- For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 22 July 2019.
- For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 30 December 2019.

## CORPORATE GOVERNANCE REPORT (Continued)

### III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

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

Name of directors	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Attendance of Board meeting(s)				Whether or not he has been absent in person for two consecutive times	Attendance rate of Board meetings (%)	Attendance in general meeting(s)	
			Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence			Times/ Number of attendance in general meetings	Attendance rate of general meetings (%)
Zhang Jingquan (Note A)	No	1	1	0	0	0	No	100	1/1	100
Zhang Donghai (Note B)	No	8	8	6	0	0	No	100	2/2	100
Liu Chunlin	No	11	11	8	0	0	No	100	4/4	100
Ge Yaoyong	No	11	11	8	0	0	No	100	2/4	50
Zhang Dongsheng	No	11	11	8	0	0	No	100	3/4	75
Liu Jian (Note C)	No	10	10	7	0	0	No	100	4/4	100
Wang Sanmi (Note D)	No	8	8	6	0	0	No	100	2/2	100
Lv Junjie (Note E)	No	1	1	0	0	0	No	100	1/1	100
Lv Guiliang	No	11	11	8	0	0	No	100	4/4	100
Yu Youguang (Note F)	Yes	5	5	4	0	0	No	100	2/2	100
Zhang Zhiming	Yes	11	11	9	0	0	No	100	4/4	100
Huang Sujian	Yes	11	11	9	0	0	No	100	4/4	100
Wong Hin Wing	Yes	11	11	9	0	0	No	100	4/4	100
Du Yingfen (Note G)	Yes	6	6	5	0	0	No	100	2/4	100

## CORPORATE GOVERNANCE REPORT (Continued)

### III. DIRECTORS' PERFORMANCE OF THEIR DUTIES (Continued)

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

*Note A:* Zhang Jingquan was elected as an executive director of the Company on 30 December 2019.

*Note B:* Zhang Donghai resigned as an executive director of the Company on 7 November 2019.

*Note C:* Liu Jian was elected as an executive director of the Company on 11 March 2019.

*Note D:* Wang Sanmin resigned as an executive director of the Company on 7 November 2019.

*Note E:* Lv Junjie was elected as an executive director of the Company on 30 December 2019.

*Note F:* Yu Youguang resigned as an independent non-executive director of the Company on 22 July 2019.

*Note G:* Du Yingfen was elected as an independent non-executive director of the Company on 22 July 2019.

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

Number of Board meetings convened during the year	11
Of which: Number of meetings on-site	2
Number of meetings held by teleconference	8
Number of meetings held both on-site and via teleconferencing	1

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

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

#### (III) Others

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

## CORPORATE GOVERNANCE REPORT (Continued)

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

Nil

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

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

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

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

## CORPORATE GOVERNANCE REPORT (Continued)

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

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

### VIII. CORPORATE GOVERNANCE PRACTICES

#### Corporate Governance Practices

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

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

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

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

The Board is of the view that throughout the year ended 31 December 2019, the Company has complied with all the applicable Code Provisions as set out in the CG Code.

#### Directors’ and Supervisors’ Securities Transactions

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

Specific enquiry has been made to all the directors and supervisors and all directors and supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

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

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



## CORPORATE GOVERNANCE REPORT (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

#### Chairman and General Manager

The positions of Chairman and General Manager are held by Zhang Jingquan and Liu Jian respectively. The Chairman is responsible for the effective functioning and leadership of the Board. The General Manager focuses on the Company's business development and daily management and operations generally.

#### Independent Non-executive Directors

During the year ended 31 December 2019, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

#### Non-executive Directors and Directors' Re-election

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

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

#### Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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



## CORPORATE GOVERNANCE REPORT *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### **Responsibilities, Accountabilities and Contributions of the Board and Management *(Continued)***

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

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

#### **Continuous Professional Development of Directors**

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

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

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

## CORPORATE GOVERNANCE REPORT (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

#### Continuous Professional Development of Directors (Continued)

During the year ended 31 December 2019, the following directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Event/Topic <sup>note</sup>
<b>Executive Directors</b>	
Zhang Jingquan	2,3,4,5,6
Liu Chunlin	2,3,4,5,6
Ge Yaoyong	2,3,4,5,6
Zhang Dongsheng	2,3,4,5,6
Liu Jian	2,3,4,5,6
Lv Guiliang	1,2,3,4,5,6
Lv Junjie	2,3,4,5,6
<b>Independent non-executive Directors</b>	
Zhang Zhiming	4,5,6
Huang Sujian	4,5,6
Wong Hin Wing	4,5,6,8,9
Du Yingfen	4,5,6,7

*Notes:*

- The training courses for the directors, supervisors and senior management of the listed companies in the district for the year of 2019 organized by China Securities Regulatory Commission, Inner Mongolia Branch (內蒙古證監局);
- Special training on information disclosure compliance of listed companies organized by the Shanghai Stock Exchange;
- Business training on 2019 second session of regulatory dynamic analysis organized by Shanghai Stock Exchange;
- Online training on detailed explanation of the revision of the Securities Law of the People's Republic of China organized by Shanghai Xiao Duo Finance Co., Ltd.\* (上海小多金融服務有限責任公司);
- Online training on detailed rules for the implementation of share repurchase by listed companies on the Shanghai Stock Exchange organized by Shanghai Xiao Duo Finance Co., Ltd.\* (上海小多金融服務有限責任公司);
- Online training on amendments to the articles of association of listed companies organized by Shanghai Xiao Duo Finance Co., Ltd.\* (上海小多金融服務有限責任公司);
- Qualification training for independent directors organized by Shanghai Stock Exchange;
- Follow-up training of independent directors organized by Shanghai Stock Exchange;
- The training course for directors and supervisors of Shenzhen listed companies organized by the China Securities Regulatory Commission Shenzhen Supervision Bureau (中國證券監督管理委員會深圳監管局).

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



## CORPORATE GOVERNANCE REPORT *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### **Board Committees**

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

#### **Strategy Committee**

The Strategy Committee currently comprises a total of 11 members, being 7 Executive Directors, namely Zhang Jingquan (Chairman), Liu Chunlin, Ge Yaoyong, Zhang Dongsheng, Liu Jian, Lv Guiliang and Lv Junjie, and 4 Independent non-executive Directors, namely Zhang Zhiming, Huang Sujian, Wong Hin Wing and Du Yingfen.

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

The responsibilities of the Strategy Committee include, among others:

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

The Strategy Committee held 3 meetings during the year to review and make recommendation to the Board on the establishment of investment limited partnership, 2019 capital expenditure of the Company, issuance of green corporate bond, and the merger plan of the holding subsidiaries of the Company.



## CORPORATE GOVERNANCE REPORT *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### **Audit Committee**

The Audit Committee currently comprises a total of 4 members, all being Independent non-executive Directors, namely Du Yingfen (Chairman), Zhang Zhiming, Huang Sujian and Wong Hin Wing.

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

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

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

#### **Remuneration and Appraisal Committee**

The Remuneration and Appraisal Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Jingquan, Liu Chunlin and Lv Junjie, and 4 Independent non-executive Directors, namely Du Yingfen, Huang Sujian (Chairman), Zhang Zhiming and Wong Hin Wing.

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

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



## CORPORATE GOVERNANCE REPORT *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### Nomination Committee

The Nomination Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Jingquan, Liu Chunlin and Lv Junjie, and 4 Independent non-executive Directors, namely Du Yingfen, Huang Sujian, Zhang Zhiming (Chairman) and Wong Hin Wing.

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

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and national and industrial experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. For summary of the Board diversity policy, please refer to the content in page 49 of Section V – Other Disclosures under “Reports of Directors” of this report.

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

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

The Nomination Committee held four meetings during the year to review the structure, size and composition of the Board and the independence of the independent non-executive directors of the Company, to consider and recommend to the Board on the appointment of chairman, executive directors and independent non-executive directors of the seventh session of the Board and the general manager, deputy manager and chief engineer of the Company.

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

## CORPORATE GOVERNANCE REPORT *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### Production Committee

The Production Committee currently comprises a total of 5 members, being 3 Executive Directors, namely Zhang Jingquan (Chairman), Ge Yaoyong and Lv Junjie, and 2 Independent non-executive Directors, namely Du Yingfen and Huang Sujian.

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

The responsibilities of the Production Committee include, among others:

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

The Production Committee held one meeting during the year to review 2019 annual production plan of the Company.

#### Corporate Governance Functions

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

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

## CORPORATE GOVERNANCE REPORT (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

#### Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2019 is set out in the table below:

Name of Director	Attendance/Number of meetings							Other general meetings (if any)
	Board	Nomination Committee	Remuneration and Appraisal Committee	Audit Committee	Production Committee	Strategy Committee	Annual general meeting	
Zhang Jingquan (Note A)	1/1	0/0	0/0	N/A	0/0	0/0	N/A	1/1
Zhang Donghai (Note B)	8/8	2/2	1/1	N/A	1/1	2/2	1/1	1/1
Liu Chunlin	11/11	4/4	1/1	N/A	N/A	3/3	1/1	3/3
Ge Yaoyong	11/11	N/A	N/A	N/A	1/1	3/3	1/1	1/3
Zhang Dongsheng	11/11	N/A	N/A	N/A	N/A	3/3	1/1	2/3
Liu Jian (Note C)	10/10	N/A	N/A	N/A	1/1	2/2	1/1	3/3
Wang Sanmin (Note D)	8/8	2/2	1/1	N/A	1/1	2/2	1/1	1/1
Lv Junjie (Note E)	1/1	0/0	0/0	N/A	0/0	0/0	N/A	1/1
Lv Guiliang	11/11	N/A	N/A	N/A	N/A	3/3	1/1	3/3
Yu Youguang (Note F)	5/5	2/2	1/1	3/3	1/1	2/2	1/1	1/1
Zhang Zhiming	11/11	4/4	1/1	7/7	N/A	3/3	1/1	3/3
Huang Sujian	11/11	4/4	1/1	7/7	1/1	3/3	1/1	3/3
Wong Hin Wing	11/11	4/4	1/1	7/7	N/A	3/3	1/1	3/3
Du Yingfen (Note G)	6/6	2/2	0/0	4/4	0/0	0/0	N/A	2/2

*Note A:* Zhang Jingquan was elected as an executive director of the Company on 30 December 2019.

*Note B:* Zhang Donghai resigned as an executive director of the Company on 7 November 2019.

*Note C:* Liu Jian was elected as an executive director of the Company on 11 March 2019.

*Note D:* Wang Sanmin resigned as an executive director of the Company on 7 November 2019.

*Note E:* Lv Junjie was elected as an executive director of the Company on 30 December 2019.

*Note F:* Yu Youguang resigned as an independent non-executive director of the Company on 22 July 2019.

*Note G:* Du Yingfen was elected as an independent non-executive director of the Company on 22 July 2019.

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

## CORPORATE GOVERNANCE REPORT (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

#### Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 161 to 163 of this annual report.

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

#### Senior Management's Remunerations

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of 5 Senior Management (excluding Directors and Supervisors) by bands for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of individuals
RMB1 million and below	1
RMB 1 million to RMB 2 million	2
RMB2 million to RMB3 million	1
Over RMB 3 million	1

## CORPORATE GOVERNANCE REPORT (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

#### Auditors' Remuneration

An analysis of the remuneration paid to the external overseas auditors of the Company, internal auditor, Da Hua Certified Public Accountants (Special General Partnership), in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service category	Fees paid/payable
Audit Services <sup>Note A</sup>	RMB4.55 million

Note A: Nature of non-audit services

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



## CORPORATE GOVERNANCE REPORT (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

#### Risk Management and Internal Controls

During the year under review, the Board conducted one review of the effectiveness of the risk management and internal control systems of the Group, covering all material aspects of internal control, including internal control, operational control and compliance control for the year ended 31 December 2019. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is responsible for the risk management and internal control systems, and reviewed the effectiveness on such systems. Details as follows:

1. The Company established a sound internal control system, (i) Audit Committee was set up under the Board to be responsible for the communication, inspection and supervision on external audit, reviewing and monitoring the financial control, internal control and risk management systems; and to ensure the establishment of an effective internal control system by which the management fulfils their duty; and to study the substantive investigation results for internal control and responses to such results from the management, on a voluntary basis or based on the appointment of the Board; (ii) the in-house audit department of the Company is in charge of the organization and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; and (iii) the internal control and assessment group is in charge of the organisation and assessment of the detailed internal control and is accountable to the Board.
2. In order to further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardised and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.
3. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the 2019 Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司2019年內部控制評價方案》). Please refer to Appendix II 2019 Internal Control Self-Assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2019年內部控制自我評價報告》) for the details of internal control.
4. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012, and established special agency and appointed special personnel being responsible for registration and management of insiders, also set up internal management files for insiders management which subject to regular updating. Meanwhile, regular trainings have been conducted by the Group engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.



## CORPORATE GOVERNANCE REPORT *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### **Risk Management and Internal Controls *(Continued)***

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

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

In 2019, centering on five internal control elements of financial monitoring, risk assessment, compliance monitoring and communication and regulation, the Group implemented comprehensive inspection of the effectiveness of the Company’s internal control system in 2019, including mechanisms for communication with and feedback from auditors on statutory audit work. Through the assessment of the Group’s internal control system by the Audit Committee and the internal control department, the Board held that within the reporting period, no material failure or weakness was found in respect of risk monitoring. In addition, the Group had a complete internal control system covering corporate governance, operation, investment, finance, administration and human resources, and the internal control system could play its effective role.

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

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

## CORPORATE GOVERNANCE REPORT (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

#### Company Secretary

Ms. Zhao Xin, the Company Secretary, has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

#### Dividend Policy

According to paragraph 16.15 of the Company's Articles of Association, profit distribution policies of the Company are specified as follows:

- (1) Subject to conditions, interim profit distribution may be made by the Company;
- (2) Specific conditions and ratios for distributing cash dividend by the Company: If the Company's profit for the year and its total unappropriated profit are positive, the Company may distribute dividend in cash and the profit to be distributed in cash. The Company may distribute dividend in cash per annum not less than 10% of distributable profit for the year, and profit distributed cumulatively in cash in the last three years should not less than 30% of average distributable profit in the recent three years. Taking into account features of the industries where the Company operates, its development stage, business model, profit level and whether it has significant capital expenditure plans, the Company shall make sure that cash dividends to be distributed represent at least 40% of the profit distribution;
- (3) Specific conditions for distributing dividends in shares by the Company: Where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all shareholders of the Company as a whole, provided that the above conditions of cash dividend are fully met, the Company may propose dividend distribution in shares;
- (4) Profit shall be distributed in cash at least one time for every 3 consecutive years. When the company distributes profits, cash dividends is in preference to the share dividend.

The dividends paid by the Company shall be declared in RMB, and shall be paid to holders of domestic legal person's shares in RMB, paid to holders of domestically-listed foreign shares in US dollars, and paid to holders of H shares in Hong Kong dollars. The applicable exchange rate shall be the average closing rate for the US dollars and RMB and the average closing rate for the Hong Kong dollars and RMB announced by the People's Bank of China at the first business day on which the relevant resolution is passed at the shareholders' general meeting. Any amount paid upon any shares before a call is made shall bear interest thereon. However, the shareholder is not entitled to any dividends of such prepaid share capital declared subsequently.



## CORPORATE GOVERNANCE REPORT *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### Shareholders' Rights

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

#### Convening an Extraordinary General Meeting by Shareholders

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

#### Putting Forward Proposals at General Meetings

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

#### Putting Forward Enquiries to the Board

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

## CORPORATE GOVERNANCE REPORT *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### Contact Details

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

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

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

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

#### Communication With Shareholders and Investors

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

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

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

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

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



## RELEVANT INFORMATION ON CORPORATE BOND

### I. OVERVIEW OF CORPORATE BONDS

Unit: yuan Currency: RMB

Name of corporate bond	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 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 of the bonds 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 (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 of the bonds 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 of the bonds held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange

## RELEVANT INFORMATION ON CORPORATE BOND *(Continued)*

### I. OVERVIEW OF CORPORATE BONDS *(Continued)*

Unit: yuan Currency: RMB

Name of corporate bond	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (second tranche)	19 Yitai 02	155494	2 July 2019	2 July 2024	1,000,000,000	4.75%	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 of the bonds 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 (third tranche)	19 Yitai 03	155558	22 July 2019	23 July 2024	1,000,000,000	4.7%	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 of the bonds held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange

### Reasons for issuing corporate bonds

Aiming to expand financing channels, optimize and adjust the Company's debt structure and reduce financing costs.

### Interest payment in respect of bonds

The Company has completed the capital repayment with interest for "14 Yitai 01" and fully paid the interest on "18 Yitai 01" and "18 Yitai 02" for 2019.

## RELEVANT INFORMATION ON CORPORATE BOND *(Continued)*

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

#### 1. 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

#### 2. 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

#### 3. 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 BOND *(Continued)*

### II. CONTACT PERSONS AND METHODS OF CORPORATE BONDS TRUSTEE MANAGER, CONTACT METHODS OF CREDIT RATING AGENCY *(Continued)*

#### 4. 19 Yitai 02

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

#### 5. 19 Yitai 03

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

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

The proceeds raised from public issuance of 18 Yitai 01, 18 Yitai 02, 19 Yitai 01, 19 Yitai 02 and 19 Yitai 03 were used for disclosing the bonds. As at 31 December 2019, proceeds raised from 18 Yitai 01, 18 Yitai 02, 19 Yitai 01, 19 Yitai 02, 19 Yitai 03 were utilized in full.

## RELEVANT INFORMATION ON CORPORATE BOND *(Continued)*

### IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a credit rating on bonds “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. Golden Credit Rating International Co., Ltd. conducted a 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. 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. conducted a credit rating on bonds “19 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. conducted a credit rating on bonds “19 Yitai 03” 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.

In line with the schedule of follow-up rating, Dagong Global Credit Rating Co., Ltd. will carry out a periodical follow-up rating on bonds 18 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. In line with the schedule of follow-up rating, Golden Credit Rating International Co., Ltd. will carry out a periodical follow-up rating on bonds 18 Yitai 02, 19 Yitai 01, 19 Yitai 02 and 19 Yitai 03 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. If the Company publishes its annual report on 21 March 2020, Dagong Global Credit Rating Co., Ltd. and Golden Credit Rating International Co., Ltd. are required to issue a follow-up rating report before 21 May 2020. The rating results will be disclosed on the website of the Shanghai Stock Exchange of the current issue of corporate bonds.

### 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.



## RELEVANT INFORMATION ON CORPORATE BOND (Continued)

### VI. MEETING OF CORPORATE BONDHOLDERS

Not applicable

### VII. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGERS

Within the period of existence of the bonds of this tranche aforementioned, Haitong Securities Co., Ltd., the bonds trustee manager 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 Company. 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.

The Trustee Management Business Report during the reporting period is expected to be disclosed by the trustee manager in three months upon the disclosure of the Annual Report of the Company. For specific details of the report, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

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

Unit: yuan Currency: RMB

Major indicator	2019	2018	Increase or decrease as compared with the same period of last year (%)
EBITDA	9,892,906,417.42	10,288,661,838.29	-3.85
Liquidity ratio	1.43	1.24	0.19
Quick ratio	1.30	1.17	0.13
Gearing ratio (%)	52.52	55.00	-2.48
EBITDA ratio	0.24	0.24	0
Times interest earned	3.51	3.41	0.10
Cash interest coverage ratio	4.58	6.00	-1.41
EBITDA times interest earned	4.46	4.66	-0.21
Loan repayment rate (%)	100	100	0
Interest payment rate (%)	100	100	0



## RELEVANT INFORMATION ON CORPORATE BOND *(Continued)*

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

Except for corporate bonds, there were no other bonds or debt financing instruments during the reporting period.

### X. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totaled RMB50,364,950,000 and the credit limit was RMB34,095,132,900. The credit available was RMB16,269,817,100.

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

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

### XII. MAJOR EVENTS OF THE COMPANY AND THEIR IMPACTS ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

Not applicable

# AUDIT REPORT

Da Hua Shen Zi [2020] No. 001834

## I. AUDIT OPINION

We have audited the accompanying financial statements of Inner Mongolia Yitai Coal Co., Ltd. (hereafter abbreviated as the “Yitai Coal Company” or “the Company”), which comprise the consolidated balance sheet and balance sheet of the parent company as at 31 December 2019, and the consolidated income statement and income statement of the parent company, consolidated cash flow statement and cash flow statement of the parent company, and consolidated statement of changes in owners’ equity and consolidated statement of changes in owners’ equity of the parent company, and the notes to the financial statements in 2019.

In our opinion, the consolidated financial statements attached below give a true and fair view of the consolidated financial position of the Company and the parent company as at 31 December 2019, and of its consolidated financial performance and cash flows of the Company and the parent company in 2019 in accordance with Accounting Standards for Business Enterprises.

## II. BASIS FOR OPINION

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of the auditor’s report. We are independent of the Company in accordance with the Certified Public Accountants of China’s Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## III. KEY AUDIT MATTERS

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

We determined that the of Impairment on long-term assets of coal-related chemical projects under construction and the recognition of coal sales income are the key audit matters that need to be discussed in the audit report.

### 1. Impairment on long-term asset of coal-related chemical projects under construction

#### 1.1 Description of the matter

For the accounting policies on long-term asset impairment of the Company, please refer to Note V, Principal Accounting Policies and Accounting Estimates: (XXX) Impairment on long-term assets, For the carrying amount of long-term assets, please refer to Note XVI: 6. Financial information of the reporting segments.

As of 31 December 2019, the carrying value of long-term assets of coal-related chemical projects under construction of the Company was RMB13,727,192,300, accounting for 14.50% of the total assets. Due to the significant amount of long-term assets of coal-related chemical projects under construction, and the sign of asset impairment and impairment test involves basic assumptions, parameter settings, etc., all rely on significant judgments made by management. Therefore, we identified the long-term asset impairment of coal-related chemical projects under construction as a key audit matter.

### III. KEY AUDIT MATTERS (Continued)

#### 1. Impairment on long-term asset of coal-related chemical (Continued)

##### 1.2 How our audit addressed the key audit matter

We have performed the following key audit matter to address the impairment on long-term asset of coal-related chemical projects under construction:

- (1) Understand, evaluate and test the effectiveness of key internal control design and implementation related to asset impairment, and evaluate whether its internal control is effective.
- (2) Review the management's relevant documents on the judgment of the sign of impairment on long-term asset of coal-related chemical projects under construction, and evaluate whether the management's major judgments are reasonable and sufficient.
- (3) Evaluate the appropriateness of the impairment test method selected by management.
- (4) Data assumptions such as future product prices, forecasted output, forecasted costs and capital expenditures used by management for impairment testing are respectively compared and analysed with price forecast periods, design capacity and actual output and future production plans, design production costs and actual production costs, follow-up capital investment, upgrading spending and etc. issued by relevant institutions and were evaluated whether they are reasonable.
- (5) Review and evaluate whether the future cash flow model and the discount rate selected by the management are appropriate.

Based on the audit work performed, we believe that the evidence we have obtained supports the management's significant accounting estimates and judgments regarding the long-term asset impairment of the coal-related chemical projects under construction.

#### 2. Recognition of coal sales income

##### 2.1 Description of the matter

For the accounting policies on coal sales income of the Company, please refer to Note V, Principal Accounting Policies and Accounting Estimates: (XXXVIII) Revenue; for the carrying amount of coal sales income, please refer to 61. Operating income and operating cost of Note VII, Notes to Items of the Consolidated Financial Statements.

The Company's operating income in 2019 was RMB40,929,038,900, mainly for coal sales, chemical products sales, and freight services. Among them, the operating income of coal sales for the current period was RMB33,184,976,500, accounting for 81.08% of the Company's current operating income, and a decrease of 5.25% compared with the same period of the previous year, which had a great impact on the performance of the Company.

The generation and integrity of coal sales income will have a great impact on the operating results, as the Company takes income as one of its key performance indicators and there may be risks associated with income recognition. Therefore, we recognize the recognition of coal sales income as a key audit matter.

## AUDIT REPORT *(Continued)*

### III. KEY AUDIT MATTERS *(Continued)*

#### 2. Recognition of operating income *(Continued)*

##### 2.2 How our audit addressed the key audit matter

We have performed the following key audit matter to address the coal sales income:

- (1) Understand, evaluate and examine the effectiveness of the design and implementation of coal sales income's key related internal controls, and evaluate whether the internal controls are effective.
- (2) Review whether the recognition conditions and methods of coal sales income meet the requirements of the Accounting Standards for Business Enterprises and whether they are consistent in the previous and subsequent periods.
- (3) Implement the analytical procedures, mainly including comparing and analyzing the coal sales income of the current period with the coal sales income and sales budget of the previous period, analyzing whether the coal sales income and its composition are abnormal, and analyzing the causes of abnormal changes; calculating the gross profit margin of important products, comparing and analyzing with the previous period's data, and review whether there is any abnormality; comparing the fluctuations of various types of coal sales income in each month of the current period, and analyzing whether there is any abnormality in the change trend; comparing the gross profit margin of important products in this period with the same industry, and review whether there are any abnormalities.
- (4) Inquire about the market prices of major products, obtain pricing documents for the Company's major products, and review whether the prices of the major products are consistent with the market trend, and pay attention to the fairness of the pricing of related transactions.
- (5) Extract a certain number of billing vouchers, review whether the entry date, product name, quantity, amount and so on are consistent with the sales contract, shipping voucher, inspection report and sales invoice.
- (6) Extract a certain number of shipping vouchers, review whether the inventory delivery date, quantity, amount and so on are consistent with the sales contract, shipping voucher and sales invoice.
- (7) Combined with the letter certification procedures for the account receivables, select the major customers to confirm the current coal sales.
- (8) Implement coal sales revenue cut-off test.

Based on the audit work performed, we believe that the evidence we have obtained supports the management's judgment on the Company's coal sales income.



#### IV. OTHER INFORMATION

The management of Yitai Coal Company is responsible for the other information. The other information comprises the information included in the 2019 annual report of Yitai Coal Company, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Yitai Coal Company is responsible for preparing of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Yitai Coal Company's ability to continue as a going concern, disclosure of matters regarding going concern, and using the going concern basis of accounting unless the management either intend to liquidate Yitai Coal Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Yitai Coal Company's reporting process.

#### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT

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

## AUDIT REPORT *(Continued)*

### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT *(Continued)*

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

1. identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yitai Coal Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yitai Coal Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Yitai Coal Company to express an auditor's opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our auditor's opinion.

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

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

## VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT (Continued)

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

Da Hua Certified Public Accountants (Special General Partnership)

Beijing, the PRC

Chinese Certified Public Accountant:  
(Project Partner)

Chinese Certified Public Accountant:

20 March 2020

## CONSOLIDATED BALANCE SHEET

At 31 December 2019

Unit: yuan Currency: RMB

Items	Notes	31 December 2019	31 December 2018
<b>Current assets:</b>			
Cash and bank balance		<b>16,463,635,973.62</b>	17,619,345,617.65
Trading financial assets		<b>716,960.00</b>	–
Bills receivable		<b>25,209,394.48</b>	108,059,677.35
Accounts receivable		<b>1,535,983,331.86</b>	1,481,452,372.49
Funds paid in advance		<b>658,150,464.92</b>	866,158,607.74
Other receivables		<b>591,148,197.21</b>	643,850,689.43
Including: Interests receivable		–	–
Dividends receivable		<b>31,101,623.02</b>	–
Inventories		<b>2,084,901,592.16</b>	1,341,020,255.68
Assets held for sale			17,056,603.77
Other current assets		<b><u>1,390,137,429.52</u></b>	<u>1,496,106,304.83</u>
Total current assets		<b><u>22,749,883,343.77</u></b>	<u>23,573,050,128.94</u>

## CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2019

Items	Notes	31 December 2019	31 December 2018
<b>Non-current assets:</b>			
Long-term equity investment		9,720,274,594.36	8,916,032,985.53
Investments in other equity instruments		7,342,219,463.31	7,889,581,854.05
Other non-current financial assets		938,546,351.20	555,210,055.32
Investment property		509,672,558.86	546,134,734.37
Fixed assets		33,117,715,931.75	33,371,998,346.85
Construction in progress		14,313,979,729.73	13,785,815,058.59
Right-of-use assets		39,290,050.66	—
Intangible assets		2,954,647,981.17	2,974,985,561.79
Development expenditure		1,424,043.26	570,959.51
Long-term deferred expenses		2,272,013,184.03	2,197,294,897.75
Deferred income tax assets		406,130,804.84	686,014,193.07
Other non-current assets		52,672,404.00	54,707,404.00
Total non-current assets		<u>71,668,587,097.17</u>	<u>70,978,346,050.83</u>
Total assets		<u>94,418,470,440.94</u>	<u>94,551,396,179.77</u>



## CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2019

Items	Notes	31 December 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term borrowings		2,550,000,000.00	900,000,000.00
Trading financial liabilities		3,035,060.00	3,721,440.00
Bills payable		878,795,526.24	1,009,306,562.44
Accounts payable		2,820,890,520.24	2,710,040,983.63
Contract liabilities		434,754,040.95	338,370,808.43
Staff remuneration payable		430,128,007.84	329,971,033.59
Taxes payable		498,186,869.47	1,792,896,618.02
Other payables		2,053,058,831.46	2,256,363,729.52
Including: Interest payable		177,856,169.80	187,163,740.89
Dividend payable		114,920,000.00	710,430.00
Non-current liabilities due within one year		6,240,244,930.63	9,614,780,562.20
Other current liabilities		9,411,068.49	5,874,623.10
<b>Total current liabilities</b>		<b>15,918,504,855.32</b>	<b>18,961,326,360.93</b>

## CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2019

Items	Notes	31 December 2019	31 December 2018
<b>Non-current liabilities:</b>			
Long-term borrowings		26,137,387,560.56	27,509,102,119.45
Bonds payable		5,872,769,550.23	3,441,318,456.58
Lease liabilities		6,915,082.45	–
Long-term payables		522,700,000.03	853,638,566.68
Projected liabilities		526,848,461.52	464,231,961.93
Deferred income		72,909,354.93	73,783,748.97
Deferred income tax liabilities		532,425,167.19	695,612,758.47
Total non-current liabilities		<u>33,671,955,176.91</u>	<u>33,037,687,612.08</u>
Total liabilities		<u>49,590,460,032.23</u>	<u>51,999,013,973.01</u>
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)		3,254,007,000.00	3,254,007,000.00
Capital reserves		4,577,897,866.65	2,222,887,682.42
Other comprehensive income		1,138,559,569.59	1,707,916,871.73
Special reserve		212,715,747.06	57,087,245.53
Surplus reserve		1,634,024,476.72	1,634,024,476.72
Undistributed profit		24,109,769,760.65	24,331,543,771.03
Total equity attributable to owners of the parent company (or shareholders' equity)		<u>34,926,974,420.67</u>	<u>33,207,467,047.43</u>
Minority interests		<u>9,901,035,988.04</u>	<u>9,344,915,159.33</u>
Total Owners' equity (or shareholders' equity)		<u>44,828,010,408.71</u>	<u>42,552,382,206.76</u>
Total liabilities and Owners' equity (or shareholders' equity)		<u>94,418,470,440.94</u>	<u>94,551,396,179.77</u>

Legal representative: Zhang Jingquan

Person-in-charge of accounting affairs: Lv Guiliang

Person responsible for the accounting institute: Ning Yu

## BALANCE SHEET OF THE PARENT COMPANY

At 31 December 2019

Unit: yuan Currency: RMB

Items	Notes	31 December 2019	31 December 2018
<b>Current assets:</b>			
Cash and bank balance		7,707,006,501.16	8,255,930,041.31
Trading financial assets		716,960.00	–
Bills receivable		10,000,000.00	42,300,000.00
Accounts receivable		802,646,386.37	231,204,081.31
Funds paid in advance		257,928,245.57	452,443,202.58
Other receivables		11,147,729,102.84	8,399,470,548.03
Including: Dividends receivable		315,080,000.00	–
Inventories		1,390,895,873.10	844,870,645.43
Assets held for sale		–	17,056,603.77
Other current assets		29,920,365.79	19,756,909.29
Total current assets		<u>21,346,843,434.83</u>	<u>18,263,032,031.72</u>

## BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 31 December 2019

Items	Notes	31 December 2019	31 December 2018
<b>Non-current assets:</b>			
Long-term equity investment		<b>23,447,140,731.25</b>	21,801,904,412.02
Investments in other equity instruments		<b>5,910,390,074.12</b>	6,813,967,788.23
Other non-current financial assets		<b>15,152,594.04</b>	32,964,616.18
Investment property		<b>486,950,309.32</b>	522,227,666.63
Fixed assets		<b>4,093,281,120.77</b>	4,096,978,758.49
Construction in progress		<b>42,805,682.01</b>	220,054,744.80
Intangible assets		<b>738,178,042.33</b>	741,894,789.69
Long-term deferred expenses		<b>1,057,503,027.15</b>	1,159,300,198.54
Deferred income tax assets		<b>193,550,752.04</b>	589,447,791.85
Other non-current assets		<b>2,000,000.00</b>	10,459,543.00
Total non-current assets		<b><u>35,986,952,333.03</u></b>	<u>35,989,200,309.43</u>
Total assets		<b><u>57,333,795,767.86</u></b>	<u>54,252,232,341.15</u>

## BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 31 December 2019

Items	Notes	31 December 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term borrowings		<b>2,350,000,000.00</b>	700,000,000.00
Bills payable		<b>180,665,148.84</b>	267,182,279.47
Accounts payable		<b>1,870,523,531.61</b>	2,212,404,753.76
Contract liabilities		<b>414,758,099.15</b>	463,571,009.54
Staff remuneration payable		<b>140,583,452.97</b>	139,741,388.96
Taxes payable		<b>232,347,636.99</b>	1,119,358,675.86
Other payables		<b>902,587,149.07</b>	673,399,888.84
Non-current liabilities due within one year		<b>3,353,925,000.00</b>	6,820,721,558.52
Other current liabilities		<b>9,411,068.49</b>	4,653,278.73
Total current liabilities		<b><u>9,454,801,087.12</u></b>	<u>12,401,032,833.68</u>



## BALANCE SHEET OF THE PARENT COMPANY *(Continued)*

At 31 December 2019

Items	Notes	31 December 2019	31 December 2018
<b>Non-current liabilities:</b>			
Long-term borrowings		12,497,575,000.00	10,227,800,000.00
Bonds payable		5,872,769,550.23	3,441,318,456.58
Long-term payables		1,700,000.03	2,638,566.68
Projected liabilities		456,129,770.22	433,002,838.67
Deferred income		1,440,000.00	1,670,000.00
Deferred income tax liabilities		<u>503,418,894.57</u>	<u>665,590,576.42</u>
Total non-current liabilities		<u>19,333,033,215.05</u>	<u>14,772,020,438.35</u>
Total liabilities		<u>28,787,834,302.17</u>	<u>27,173,053,272.03</u>
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)		3,254,007,000.00	3,254,007,000.00
Capital reserve		1,475,066,906.63	1,475,066,906.63
Other comprehensive income		1,087,142,143.99	1,623,825,429.61
Special reserve		159,878,281.51	57,087,245.53
Surplus reserve		1,634,024,476.72	1,634,024,476.72
Undistributed profit		<u>20,935,842,656.84</u>	<u>19,035,168,010.63</u>
Total owners' equity (or shareholders' equity)		<u>28,545,961,465.69</u>	<u>27,079,179,069.12</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>57,333,795,767.86</u>	<u>54,252,232,341.15</u>

Legal representative: Zhang Jingquan

Person-in-charge of accounting affairs: Lv Guiliang

Person responsible for the accounting institute: Ning Yu

## CONSOLIDATED INCOME STATEMENT

January to December 2019

Unit: yuan Currency: RMB

Items	Notes	Year 2019	Year 2018
I. Total operating revenue		<b>40,929,038,913.56</b>	39,184,621,408.22
Of which: Revenue from operations		<b>40,929,038,913.56</b>	39,184,621,408.22
II. Total operating cost		<b>35,246,566,610.51</b>	33,164,448,626.54
Of which: Operating cost		<b>28,556,238,232.38</b>	27,274,747,220.25
Tax and surcharges		<b>1,666,182,318.28</b>	1,399,011,702.73
Selling expenses		<b>1,262,305,679.84</b>	1,340,091,412.47
Administrative expenses		<b>1,533,482,437.08</b>	1,158,717,713.10
Research and development costs		<b>629,247,375.35</b>	863,396,413.73
Finance costs		<b>1,599,110,567.58</b>	1,128,484,164.26
Of which: Interest expenses		<b>1,724,778,997.84</b>	1,216,912,791.80
Interest income		<b>135,294,988.48</b>	119,602,374.00
Add: Other income		<b>102,973,075.09</b>	43,940,964.00
Investment income			
(loss is represented by “-”)		<b>304,782,374.68</b>	295,710,681.74
Of which: Gains from investment in associates and joint ventures		<b>260,976,465.11</b>	88,093,052.02
Derecognition of Income from financial assets at amortised cost		—	—
Exchange gains (loss is represented by “-”)		—	—
Net gains from hedging exposure			
(loss is represented by “-”)		—	—
Gains from changes in fair value			
(loss is represented by “-”)		<b>67,937,194.65</b>	23,530,394.17
Credit impairments loss			
(loss is represented by “-”)		<b>-3,025,782.92</b>	-1,760,000.00
Asset impairments loss			
(loss is represented by “-”)		<b>-32,328,166.71</b>	-41,816,014.71
Gains from disposal of assets			
(loss is represented by “-”)		<b>7,274,870.13</b>	41,686,653.35
III. Profit from operations (loss is represented by “-”)		<b>6,130,085,867.97</b>	6,381,465,460.23
Add: Non-operating income		<b>64,737,068.26</b>	39,066,007.64
Less: Non-operating expense		<b>140,998,676.37</b>	60,151,503.37
IV. Total profit (total loss is represented by “-”)		<b>6,053,824,259.86</b>	6,360,379,964.50
Less: Income tax expenses		<b>1,246,691,401.32</b>	1,188,464,113.69

## CONSOLIDATED INCOME STATEMENT (Continued)

January to December 2019

Items	Notes	Year 2019	Year 2018
V. Net profit (net loss is represented by “-”)		<b>4,807,132,858.54</b>	5,171,915,850.81
(I) Classified on a going concern basis		-	-
1. Net profit from continuing operations (net loss is represented by “-”)		<b>4,807,132,858.54</b>	5,171,915,850.81
2. Net profit from discontinued operations (net loss is represented by “-”)		-	-
(II) Classified according to the ownership		-	-
1. Net profit attributable to the shareholders of the parent company (net loss is represented by “-”)		<b>3,789,312,908.34</b>	4,136,195,840.06
2. Minority interests (net loss is represented by “-”)		<b>1,017,819,950.20</b>	1,035,720,010.75
VI. Net other comprehensive income after taxes		<b>-584,053,901.21</b>	816,563,756.60
(I) Net other comprehensive income attributable to owners of the parent company after taxes		<b>-569,357,302.14</b>	810,803,998.82
1. Other comprehensive income that cannot be reclassified to profit and loss		<b>-569,854,777.26</b>	809,494,468.33
(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 instrument investments		<b>-569,854,777.26</b>	809,494,468.33
(4) Changes in fair value of enterprise’s own credit risk		-	-
2. Other comprehensive income that may be reclassified to profit or loss		<b>497,475.12</b>	1,309,530.49
(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 profit and loss of financial assets available for sale		-	-
(6) Provisions for credit impairment of other credit investments		-	-

## CONSOLIDATED INCOME STATEMENT (Continued)

January to December 2019

Items	Notes	Year 2019	Year 2018
(7) Cash flow hedging reserve (effective portion of cash flow hedging profit and loss)		-	-
(8) Exchange differences from retranslation of financial statements		497,475.12	1,309,530.49
(9) Others		-	-
(II) Net other comprehensive income attributable to minority interests after taxes		-14,696,599.07	5,759,757.78
VII. Total comprehensive income		4,223,078,957.33	5,988,479,607.41
(I) Total comprehensive income attributable to the owners of the parent company		3,219,955,606.20	4,946,999,838.88
(II) Total comprehensive income attributable to minority shareholders		1,003,123,351.13	1,041,479,768.53
VIII. Earnings per share:		-	-
(I) Basic earnings per share (RMB/share)		1.16	1.27
(II) Diluted earnings per share (RMB/share)		-	-

Business merger were conducted under the same control during the period, the net profit realised by the merged party before the merger was RMB599,298,041.86, and the net profit realised by the merged party in the previous period was RMB771,322,591.12.

Legal representative: Zhang Jingquan      Person-in-charge of accounting affairs: Lv Guiliang  
 Person responsible for the accounting institute: Ning Yu

## INCOME STATEMENT OF THE PARENT COMPANY

January to December 2019

Unit: yuan    Currency: RMB

Items	Notes	Year 2019	Year 2018
I. Revenue from operations		<b>32,231,192,116.65</b>	21,635,915,778.90
Less: Operating cost		<b>26,080,298,702.81</b>	16,029,919,300.03
Tax and surcharges		<b>1,090,690,357.24</b>	887,181,236.85
Selling expenses		<b>95,095,705.09</b>	80,556,145.29
Administrative expenses		<b>904,637,619.24</b>	715,116,964.31
Research and development expense		<b>328,315,914.26</b>	736,602,672.02
Finance costs		<b>1,077,748,786.79</b>	976,128,885.27
Including: Interest expenses		<b>1,152,352,322.70</b>	1,033,206,184.52
Interest income		<b>80,081,797.32</b>	77,511,125.68
Add: Other income		<b>2,293,366.92</b>	2,434,800.00
Investment income (loss is represented by “-”)		<b>1,055,376,204.19</b>	1,183,434,680.21
Including: Investment income from associates and joint ventures		<b>249,681,811.40</b>	81,892,758.57
Derecognition of Income from financial assets at amortised cost		-	-
Net gains from hedging exposure (loss is represented by “-”)		-	-
Gains from changes in fair value (loss is represented by “-”)		<b>716,960.00</b>	3,600.00
Credit impairments loss (loss is represented by “-”)		<b>3,000,000.00</b>	-
Asset impairments loss (loss is represented by “-”)		-	-16,781,551.69
Gains from disposal of assets (loss is represented by “-”)		<b>685,751,968.64</b>	39,699,587.43
II. Profit from operations (loss is represented by “-”)		<b>4,401,543,530.97</b>	3,419,201,691.08
Add: Non-operating income		<b>43,674,365.18</b>	34,145,188.70
Less: Non-operating expense		<b>109,651,844.58</b>	40,764,785.07
III. Total profit (total loss is represented by “-”)		<b>4,335,566,051.57</b>	3,412,582,094.71
Less: Income tax expenses		<b>807,887,905.36</b>	559,609,051.92
IV. Net profit (net loss is represented by “-”)		<b>3,527,678,146.21</b>	2,852,973,042.79
(I) Net profit from continuing operations (net loss is represented by “-”)		<b>3,527,678,146.21</b>	2,852,973,042.79
(II) Net profit from discontinued operations (net loss is represented by “-”)		-	-



## INCOME STATEMENT OF THE PARENT COMPANY (Continued)

January to December 2019

Items	Notes	Year 2019	Year 2018
V. Net other comprehensive income after taxes		-536,683,285.62	795,207,944.46
(I) Other comprehensive income that cannot be reclassified into profit or loss		-536,683,285.62	795,207,944.46
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 instrument investments		-536,683,285.62	795,207,944.46
4. Changes in fair value of the enterprise's own credit risk		-	-
(II) Other comprehensive income that will be reclassified into profit or loss		-	-
1. Other comprehensive income that can be converted into 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 profit or loss 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		-	-
9. Others		-	-
VI. Total comprehensive income		<b>2,990,994,860.59</b>	3,648,180,987.25
VII. Earnings per share:		-	-
(I) Basic earnings per share (RMB/share)		-	-
(II) Diluted earnings per share (RMB/share)		-	-

Legal representative: Zhang Jingquan

Person-in-charge of accounting affairs: Lv Guiliang

Person responsible for the accounting institute: Ning Yu

## CONSOLIDATED CASH FLOW STATEMENT

January to December 2019

Unit: yuan Currency: RMB

Items	Notes	Year 2019	Year 2018
<b>I. Cash flow from operating activities:</b>			
Cash received from sales of goods and provision of services		<b>47,044,216,433.30</b>	46,352,646,026.15
Refunds of taxes		<b>2,213,686.17</b>	6,917,787.00
Other cash received from activities related to operation		<b>1,064,833,123.18</b>	398,804,864.29
Sub-total of cash inflows from operating activities		<b>48,111,263,242.65</b>	46,758,368,677.44
Cash paid for goods purchased and service rendered		<b>32,021,876,193.42</b>	29,640,321,627.25
Cash paid to and for employees		<b>1,599,030,807.87</b>	1,517,056,513.22
Payment of various taxes		<b>6,154,812,678.46</b>	4,983,865,675.86
Cash paid for other operating activities		<b>1,854,688,175.76</b>	883,423,776.18
Sub-total of cash outflows for operating activities		<b>41,630,407,855.51</b>	37,024,667,592.51
Net Cash Flow from operating activities		<b>6,480,855,387.14</b>	9,733,701,084.93

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

January to December 2019

Items	Notes	Year 2019	Year 2018
<b>II. Cash flow from investing activities:</b>			
Cash received upon disposal of investments		71,097,022.14	1,304,771,872.59
Cash received from return on investments		40,778,093.17	137,070,149.95
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		32,090,005.47	5,947,016.66
Net cash received upon disposal of subsidiaries and other business units		1,197.37	119,823,436.14
Cash received from other investing activities		—	68,217,262.18
Sub-total of cash inflows from investing activities		<u>143,966,318.15</u>	<u>1,635,829,737.52</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,132,130,964.41	3,381,208,798.70
Cash paid for investment		1,213,876,010.21	5,397,994,800.00
Cash paid for other Investing activities		87,001,001.00	130,000,000.00
Sub-total of cash outflows from investing activities		<u>2,433,007,975.62</u>	<u>8,909,203,598.70</u>
Net Cash Flow from investing activities		<u>-2,289,041,657.47</u>	<u>-7,273,373,861.18</u>
<b>III. Cash flow from financing activities:</b>			
Cash received from investments		1,320,286.00	73,500,000.00
Of which: Proceeds received by subsidiaries from minority shareholder's investment		1,320,286.00	73,500,000.00
Cash received from borrowings		11,045,700,000.00	15,449,750,000.00
Sub-total of cash inflows from financing activities		<u>11,047,020,286.00</u>	<u>15,523,250,000.00</u>
Cash paid for repayments of debts		11,979,827,782.86	10,578,223,249.79
Cash paid for dividends, profit distributions or interest payment		4,192,508,732.46	4,079,102,915.63
Of which: Dividend and profit paid by subsidiaries to minority shareholders		402,639,442.98	496,744,170.00
Other cash paid relating to financing activities		106,618,690.80	65,182,111.70
Sub-total of cash outflow from financing activities		<u>16,278,955,206.12</u>	<u>14,722,508,277.12</u>
Net cash flow from financing activities		<u>-5,231,934,920.12</u>	<u>800,741,722.88</u>

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

January to December 2019

Items	Notes	Year 2019	Year 2018
<b>IV. Effect on cash and cash equivalents due to changes in foreign exchange rates</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-1,040,121,190.45</b>	3,261,068,946.63
Add: Balance of cash and cash equivalents at the beginning of the period		<u>16,994,167,148.20</u>	<u>13,733,098,201.57</u>
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<u><b>15,954,045,957.75</b></u>	<u>16,994,167,148.20</u>

Legal representative: Zhang Jingquan      Person-in-charge of accounting affairs: Lv Guiliang  
Person responsible for the accounting institute: Ning Yu

## CASH FLOW STATEMENT OF THE PARENT COMPANY

January to December 2019

Unit: yuan Currency: RMB

Items	Notes	Year 2019	Year 2018
<b>I. Cash flow from operating activities:</b>			
Cash received from sales of goods and provision of services		<b>35,185,153,441.34</b>	24,600,214,498.69
Other cash received from activities related to operation		<b>368,882,150.53</b>	210,063,864.01
Sub-total of cash inflows from operating activities		<b>35,554,035,591.87</b>	24,810,278,362.70
Cash paid for goods purchased and service rendered		<b>28,838,150,433.62</b>	16,680,239,416.37
Cash paid to and on behalf of employees		<b>539,471,683.30</b>	560,656,523.82
Taxes paid		<b>3,806,093,470.43</b>	3,191,638,198.44
Other cash paid for activities relating to operation		<b>720,998,556.88</b>	693,954,788.82
Sub-total of cash outflow from operating activities		<b>33,904,714,144.23</b>	21,126,488,927.45
Net cash flows from operating activities		<b>1,649,321,447.64</b>	3,683,789,435.25
<b>II. Cash flow from investment activities:</b>			
Cash received from disposal of investments		<b>3,430,787,388.79</b>	1,275,771,872.59
Cash received from gains in investments		<b>528,035,595.63</b>	1,046,702,039.12
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>41,127,033.07</b>	5,491,504.40
Net cash received from disposal of subsidiaries and other operating entities		—	119,823,436.14
Other cash received relating to investment activities		<b>373,134,307.34</b>	511,242,601.00
Sub-total of cash inflows from investment activities		<b>4,373,084,324.83</b>	2,959,031,453.25
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		<b>286,090,138.09</b>	215,472,181.94
Cash paid for investment		<b>1,381,757,200.00</b>	5,314,762,800.00
Other cash paid relating to investing activities		<b>4,884,919,560.35</b>	1,048,730,780.38
Sub-total of cash outflow from investment activities		<b>6,552,766,898.44</b>	6,578,965,762.32
Net cash flow from investment activities		<b>-2,179,682,573.61</b>	-3,619,934,309.07



## CASH FLOW STATEMENT OF THE PARENT COMPANY (Continued)

January to December 2019

Items	Notes	Year 2019	Year 2018
<b>III. Cash flow from financing activities:</b>			
Cash received from other financing activities		<u>10,670,700,000.00</u>	11,599,750,000.00
Sub-total of cash inflow from financing activities		<u>10,670,700,000.00</u>	11,599,750,000.00
Cash repayments of borrowing		7,721,950,000.00	8,406,000,000.00
Cash payments for dividend and profit distribution or interest repayment		2,829,469,716.40	2,461,876,455.41
Other cash paid relating to financing activities		<u>103,223,277.50</u>	64,472,000.00
Sub-total of cash outflow from financing activities		<u>10,654,642,993.90</u>	10,932,348,455.41
Net cash flow from financing activities		<u>16,057,006.10</u>	<u>667,401,544.59</u>
<b>IV. Effect on cash and cash equivalents due to changes in foreign exchange rates</b>		-	-
<b>V. Net increase in cash and cash equivalents</b>		-514,304,119.87	731,256,670.77
Add: Balance of cash and cash equivalents at the beginning of the period		<u>8,192,014,896.28</u>	<u>7,460,758,225.51</u>
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<u>7,677,710,776.41</u>	<u>8,192,014,896.28</u>

Legal representative: Zhang Jingquan      Person-in-charge of accounting affairs: Lv Guiliang  
 Person responsible for the accounting institute: Ning Yu

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

January to December 2019

Unit: yuan    Currency: RMB

Items	Year 2019							Total equity	
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Subtotal		
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	33,207,467,047.43	9,344,915,159.33	42,552,382,206.76
II. Add: Changes in accounting policies	-	-	-	-	-	-530,718.73	-530,718.73	-	-530,718.73
III. 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	33,206,936,328.70	9,344,915,159.33	42,551,851,488.03
III. Changes for the current period	-	2,355,010,184.23	-569,357,302.14	155,628,501.53	-	-221,243,291.65	1,720,038,091.97	556,120,828.71	2,276,158,920.68
(I) Total comprehensive income	-	-28,542,515.76	-569,357,302.14	-	-	3,789,312,908.34	3,219,955,606.20	1,003,123,351.13	4,223,078,957.33
(II) Owner contribution and capital decrease	-	-7,092.73	-	-	-	-	-28,342,515.76	29,736,687.88	1,194,172.12
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	1,255,223.38	1,248,130.65
2. Capital contributed by the holders of other equity instruments	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in owners' equity	-	-	-	-	-	-	-	-	-
4. Others	-	-28,535,423.03	-	-	-	-1,627,003,500.00	-28,535,423.03	28,481,464.50	-53,958.53
(III) Profit distribution	-	-	-	-	-	-1,627,003,500.00	-1,627,003,500.00	-517,559,442.98	-2,144,562,942.98
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-
2. Withdrawal of general risk reserves	-	-	-	-	-	-	-	-	-
3. Profits distributed to owners (or shareholders)	-	-	-	-	-	-1,627,003,500.00	-1,627,003,500.00	-517,559,442.98	-2,144,562,942.98
4. Others	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over of owners' equity	-	2,383,552,699.99	-	-	-	-2,383,552,699.99	-	-	-
6. Others	-	2,383,552,699.99	-	-	-	-2,383,552,699.99	-	-	-
(V) Special reserve	-	-	-	155,628,501.53	-	-	155,628,501.53	40,820,232.68	196,448,734.21
1. Transferred to special reserve in the current period	-	-	-	695,625,774.52	-	-	695,625,774.52	138,156,811.23	833,782,585.75
2. Amount utilized in the current period	-	-	-	539,997,272.99	-	-	539,997,272.99	97,336,578.55	637,333,851.54
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	3,254,007,000.00	4,577,897,866.65	1,138,559,569.59	212,715,747.06	1,634,024,476.72	24,109,769,760.65	34,926,974,420.67	9,901,035,988.04	44,828,010,408.71

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

January to December 2019

Items	Year 2018							Total equity	
	Attributable to owners of the Parent Company								
	Paid-in capital (or share capital)	Capital reserve	comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Subtotal		
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	28,682,572,442.32	8,807,240,447.09	37,490,112,889.41
II. Add: Changes in accounting policies	-	-	888,057,929.68	-	5,410,486.00	48,694,373.95	942,162,789.63	27,497,188.37	969,659,978.00
III. Opening balance of the current year	3,254,007,000.00	2,164,500,485.08	897,112,872.91	-	1,634,024,476.72	21,675,390,397.24	29,625,055,231.95	8,834,737,635.46	38,459,772,867.41
III. Changes for the current period	-	-	-	-	-	-	-	-	-
(decrease is represented by "-")	-	-	-	-	-	-	-	-	-
(I) Total comprehensive income	-	58,387,197.34	810,803,998.82	57,087,245.53	-	2,666,153,373.79	3,582,431,815.48	510,177,523.87	4,092,609,339.35
(II) Owner contribution and capital decrease	-	58,259,797.34	-	-	-	4,136,726,538.79	4,947,530,557.61	1,041,479,768.53	5,989,010,326.14
1. Ordinary shares contributed by owners	-	58,259,797.34	-	-	-	-	58,259,797.34	-34,558,074.66	23,701,722.68
2. Capital contributed by the holders of other equity instruments	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in owners' equity	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-15,202.66	-15,202.66	118,740,747.88	118,725,545.22
(III) Profit distribution	-	58,275,000.00	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-
2. Withdrawal of general risk reserves	-	-	-	-	-	-	58,275,000.00	-153,298,822.54	-95,023,822.54
3. Profits distributed to owners (or shareholders)	-	-	-	-	-	-1,480,573,185.00	-1,480,573,185.00	-496,744,170.00	-1,977,317,355.00
4. Others	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over within owners' equity	-	-	-	-	-	-1,480,573,185.00	-1,480,573,185.00	-496,744,170.00	-1,977,317,355.00
(V) Special reserve	-	-	-	57,087,245.53	-	-	57,087,245.53	-	-
1. Transferred to special reserve in the current period	-	-	-	660,331,175.05	-	-	660,331,175.05	146,887,292.70	797,218,467.75
2. Amount utilized in the current period	-	-	-	593,243,929.52	-	-	593,243,929.52	146,887,292.70	740,131,222.22
(VI) Others	-	127,400.00	-	-	-	-	127,400.00	-	127,400.00
IV. Closing balance of the current period	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	33,207,467,047.43	9,344,915,159.33	42,552,382,206.76

Legal representative: Zhang Jingquan      Person-in-charge of accounting affairs: Lv Guiliang      Person responsible for the accounting institute: Ning Yu

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

January to December 2019

Unit: yuan    Currency: RMB

Items	Year 2019					Total equity	
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profit
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 "-")	-	-	-536,683,285.62	102,791,035.98	-	1,900,674,646.21	1,466,782,395.57
(I) Total comprehensive income	-	-	-536,683,285.62	-	-	3,527,678,146.21	2,990,994,860.59
(II) Owner contribution and capital decrease	-	-	-	-	-	-	-
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-
2. Capital contributed by the holders of other equity instruments	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in owners' equity	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-1,627,003,500.00	-1,627,003,500.00
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-
2. Profits distributed to owners (or shareholders)	-	-	-	-	-	-1,627,003,500.00	-1,627,003,500.00
3. Others	-	-	-	-	-	-	-
(IV) Internal carry-over within owners' equity	-	-	-	-	-	-	-
1. Transfer of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-
2. Transfer of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-	-
4. Changes in defined benefit plans carry-over retained earnings	-	-	-	-	-	-	-
5. Other comprehensive income carry-over retained earnings	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	102,791,035.98	-	-	102,791,035.98
1. Transferred to special reserve in the current period	-	-	-	495,715,025.76	-	-	495,715,025.76
2. Amount utilized in the current period	-	-	-	392,923,989.78	-	-	392,923,989.78
(VI) Others	-	-	-	-	-	-	-
IV. Closing balance of the current period	3,254,007,000.00	1,475,066,906.63	1,087,142,143.99	159,878,281.51	1,634,024,476.72	20,935,842,656.84	28,545,961,465.69

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

January to December 2019

Items	Year 2018						
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
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	-	-	819,853,805.00	-	5,410,486.00	48,694,373.95	873,958,664.95
II. Opening balance of the current year	3,254,007,000.00	1,474,939,506.63	828,617,485.15	-	1,634,024,476.72	17,662,768,152.84	24,854,356,621.34
III. Changes for the current period (decrease is represented by "-")	-	127,400.00	795,207,944.46	57,087,245.53	-	1,372,399,857.79	2,224,822,447.78
(I) Total comprehensive income	-	-	795,207,944.46	57,087,245.53	-	2,852,973,042.79	3,648,180,987.25
(II) Owner contribution and capital decrease	-	127,400.00	-	-	-	-	127,400.00
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-
2. Capital contributed by the holders of other equity instruments	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in owners' equity	-	-	-	-	-	-	-
4. Others	-	127,400.00	-	-	-	-	127,400.00
(III) Profit distribution	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-
2. Profits distributed to owners (or shareholders)	-	-	-	-	-	-1,480,573,165.00	-1,480,573,165.00
3. Others	-	-	-	-	-	-	-
(IV) Internal carry-over within owners' equity	-	-	-	-	-	-	-
1. Transfer of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-
2. Transfer of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-	-
4. Changes in defined benefit plans carry-over retained earnings	-	-	-	-	-	-	-
5. Other comprehensive income carry-over retained earnings	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	57,087,245.53	-	-	57,087,245.53
1. Transferred to special reserve in the current period	-	-	-	443,754,530.10	-	-	443,754,530.10
2. Amount utilized in the current period	-	-	-	386,667,284.57	-	-	386,667,284.57
(VI) Others	-	-	-	-	-	-	-
IV. Closing balance of the current period	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

Legal representative: Zhang Jingquan      Person-in-charge of accounting affairs: Lv Guiliang      Person responsible for the accounting institute: Ning Yu



## NOTES TO THE FINANCIAL STATEMENTS

For the twelve months ended 31 December 2019

### I. 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 2019, 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 was totally 1,328,000,000 shares, accounting for 40.81% of the Company’s total share capital, and the H shares issued a total of 326,007,000 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, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia, the PRC. 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### I. 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 Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Controlling subsidiary	One	72.66	72.66
10	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
11	Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	Subsidiary of controlling subsidiary	Two	61.00	61.00
12	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
13	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
14	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
15	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Controlling subsidiary	One	90.20	90.20
16	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Controlling subsidiary	One	90.27	90.27
17	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Controlling subsidiary	One	90.20	90.20
18	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
19	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
20	Inner Mongolia Yitai Ningneng 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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### I. 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 Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	Controlling subsidiary	One	90.20	90.20
22	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
23	Yitai Chemical (Shanghai) Co., Ltd. (伊泰化學(上海)有限公司)	Subsidiary of controlling subsidiary	Two	100.00	100.00
24	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
25	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
26	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
27	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
28	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)	Controlling subsidiary	One	60.00	60.00
29	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
30	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
31	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	98.70	98.70
32	Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)	Wholly-owned subsidiary	One	100.00	100.00
33	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
34	Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤炭有限公司)	Wholly-owned subsidiary	One	100.00	100.00
35	Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	Wholly-owned subsidiary	One	100.00	100.00
36	Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海臨港伊泰供應鏈有限公司)	Wholly-owned subsidiary	One	100.00	100.00

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### I. BASIC INFORMATION OF THE COMPANY (Continued)

#### 2. Scope of consolidated financial statements (Continued)

As compared with the same period of last year, there are 6 new entities involved and 3 entities removed. They are:

**(1) 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
Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	Newly-established
Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海臨港伊泰供應鏈有限公司)	Newly-established

**(2) 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
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)	Loss of control of disposal equity
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Absorption and merger under the same control

Please see "Note VIII, Changes in the scope of consolidation" for details of entity changes in the scope of consolidation.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### II. 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).

#### 2. Going concern

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.

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates:

Not applicable

#### 1. Statement of compliance of ASBEs

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, changes in shareholders' equity and cash flows and other related information.

#### 2. Accounting period

The period from 1 January to 31 December (based on solar calendar) is a fiscal year.

#### 3. Operating cycle

The period from 1 January to 31 December (based on solar calendar) is an operating cycle.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

#### 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 (capital premium or share premium), if the capital reserve is insufficient, the retained earnings are adjusted.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 of the current period 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

##### (2) Combination procedure *(Continued)*

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

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.

###### 2) *Disposal of subsidiaries or businesses*

###### A. 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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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)

##### B. 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:

- 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

##### (2) Combination procedure *(Continued)*

##### 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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 *(Continued)*

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

##### (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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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*

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.

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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 10. Financial instruments (Continued)

##### (6) Recognition basis and measurement for transfer of financial asset (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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 10. Financial instruments (Continued)

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

- (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.
- (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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

##### **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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 15. Inventory (Continued)

##### 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;

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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 17. Assets held for sale (Continued)

##### 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.

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

##### (1). Method for determining expected credit loss of debt investment and accounting treatment

Not applicable

#### 19. Other debt investment

##### (1). Method for determining expected credit losses of other debt investment and accounting treatment

Not applicable

#### 20. Long-term receivables

##### (1). Method for determining expected credit loss of long-term receivables and accounting treatment

Not applicable



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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).
- (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 and relevant taxes payable, 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 include the fair value of the creditor's rights waived and the taxes that can be directly attributable to the asset and other costs.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 21. Long-term equity investment *(Continued)*

##### 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.

###### (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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 21. Long-term equity investment *(Continued)*

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

###### *(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.

###### *(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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 21. Long-term equity investment (Continued)

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

###### (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.

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.



## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 21. Long-term equity investment *(Continued)*

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

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.
- (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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 22. Investment property (Continued)

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.

##### (2). Depreciation method

Type	Depreciation method	Depreciation period (year)	Residual rate	Annual depreciation rate
Houses and buildings	–	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 background of the page features a faded, green-tinted image of a large industrial complex, likely a coal processing plant or power station, with various structures, pipes, and chimneys. The image is overlaid with a semi-transparent green geometric pattern consisting of overlapping lines and shapes.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 23. Fixed assets *(Continued)*

##### (2). Depreciation method *(Continued)*

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

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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 and time point of 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.

#### 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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 25. Borrowing cost (Continued)

##### 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 26. Biological assets

Not applicable

#### 27. Oil and gas assets

Not applicable

#### 28. Right-to-use assets

The Company initially measures the right-to-use assets at cost, which includes:

- 1) Initial measurement amount of lease liabilities;
- 2) If there are rental incentives in the rental payments paid before or at the beginning of the lease term, the relevant amount of rental incentives happened shall be deducted;
- 3) Initial direct expenses incurred by the Company;
- 4) Expected costs of dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the agreed state of leasing terms (Excluding costs incurred for the production of inventory).

After the beginning of the lease period, the Company adopts the cost model to measure the right-to-use assets for subsequent measurement.

If the ownership of the leased assets can be reasonably determined at the expiration of the lease term, the Company shall depreciate the leased assets within the remaining useful life of the leased assets. If it is impossible to reasonably determine the ownership of the leased assets at the expiration of the lease term, the Company shall depreciate the leased assets within the shorter period of time between the lease term and the remaining useful life of the leased assets. In the future, depreciation shall be calculated based on the book value after deduction of impairment reserve referred to the above principles for the right-to-use assets with impairment reserve.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 29. Intangible assets (Continued)

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

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 31. Long-term deferred expenses (Continued)

##### 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.

#### 32. Contract liabilities

##### (1). 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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 34. Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. In calculating the present value of rental payments, the company adopts the rental interest rate as the discount rate. If it is impossible to determine the interest rate of the lease, the incremental borrowing rate of the company shall be used as the discount rate. Lease payments include:

- 1) Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive;
- 2) Variable rental payments depending on index or ratio;
- 3) Where the Company reasonably determines that the option will be exercised, the amount of the lease payment includes the exercise price of the right to purchase the option;
- 4) Where the lease term reflects that the company will exercise the option to terminate the lease, the amount of the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;
- 5) Expected payments based on the guaranteed residual value provided by the Company.

The Company calculates the interest charges of the lease liabilities for each period of the lease period at a fixed discount rate and takes them into account the profits and losses of the current period or the cost of related assets.

Variable lease payments not included in the measurement of lease liabilities shall be incorporated in current profits and losses or the cost of related assets when they actually occur.

#### 35. 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 35. Expected liabilities *(Continued)*

##### 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 involve 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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 causing 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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:

**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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

##### 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 38. Revenue (Continued)

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

- (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.

##### 2. 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.



## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 38. Revenue *(Continued)*

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

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

- (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.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 38. Revenue (Continued)

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

##### 2. Revenue treatment principles for specific transactions (Continued)

##### (5) After-sale repurchase (Continued)

- 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.

- (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.

##### 3. 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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 38. Revenue *(Continued)*

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

##### 3. 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 38. Revenue (Continued)

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

##### 3. 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 38. Revenue *(Continued)*

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

##### 3. Detailed method for revenue recognition *(Continued)*

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

##### (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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 38. Revenue (Continued)

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

##### 3. Detailed method for revenue recognition (Continued)

##### (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 period, the Company recognises the sales revenue according to the transportation unit price as required and the distance after the provision of relevant transportation businesses.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 39. Contract costs *(Continued)*

##### 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 40. Government subsidies (Continued)

##### 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.

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.

#### 41. Deferred tax assets/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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 41. Deferred tax assets/deferred tax liabilities (Continued)

##### 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 42. Lease

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

Not applicable

**(2). Accounting treatment for finance leases**

Not applicable

**(3). Determination method and accounting treatment of lease under the new lease standard**

On the commencement date of the contract, the Company evaluates whether the contract is a lease or includes a lease. If one party in a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or includes a lease.

*1. Spin off of lease contracts*

When the contract contains a number of separate leases, the Company will split the contract and separate leases for accounting.

When the contract contains both leasing and non-leasing parts, the Company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the leasing standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for enterprises.

*2. Consolidation of lease contracts*

When two or more lease-containing contracts concluded by the Company with the same trader or its related parties at the same time or at a similar time meet one of the following conditions, the Company shall merge them into one contract for accounting:

- (1) The two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognized.
- (2) The amount of consideration for a contract in two or more contracts depends on the pricing or performance of other contracts.
- (3) The right-to-use assets transferred by the two or more contracts together constitutes a separate lease.



## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 42. Lease *(Continued)*

##### (3). Determination method and accounting treatment of lease under the new lease standard *(Continued)*

###### 3. Accounting for the Company as lessee

On the commencement date of leasing, the Company recognizes the right-to-use assets and lease liabilities for leases, in addition to short-term leases and low-value assets leases with simplified treatment.

###### (1) Short-term leases and low-value assets leases

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset has low value when it is new.

The Company recognizes the right-to-use assets and lease liabilities for the short-term leases and low-value asset leases.

###### 4. Accounting for the Company as lessor

###### (1) Classification of Leases

The Company divides the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to leases other than financial leases.

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease:

- 1) At the end of the lease term, the ownership of the leased assets is transferred to the lessee.
- 2) The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.
- 3) Although the ownership of the assets is not changed, the lease period accounts for the majority of the life of the leased assets.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 42. Lease (Continued)

##### (3). Determination method and accounting treatment of lease under the new lease standard (Continued)

##### 4. Accounting for the Company as lessor (Continued)

##### (1) Classification of Leases (Continued)

- 4) At the beginning of the lease, the present value of the rental fee is almost equal to the fair value of the leased assets.
- 5) The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

If one or more of the following conditions exist in a lease, the Company may also be classified as a financial lease:

- 1) If the lessee stops the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.
- 2) The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.
- 3) The lessee can continue to lease far below the market level for the next period.

##### (2) Accounting for financial lease

At the beginning of the lease term, the Company confirms the financial lease receivable on the financial lease and terminates the recognition of the financial lease assets.

When the initial measurement of the financial lease receivable is made, the present value of the financial lease receivable is the sum of the unsecured balance and the amount of the lease receivable that has not yet been received at the beginning of the lease term and the present value discounted at the interest rate included in the lease. The amount of rental receipts includes:

- 1) Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive;
- 2) Variable rental payments depending on index or ratio;

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### 42. Lease *(Continued)*

##### (3). Determination method and accounting treatment of lease under the new lease standard *(Continued)*

##### 4. Accounting for the Company as lessor *(Continued)*

##### (2) Accounting for financial lease *(Continued)*

- 3) In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option;
- 4) The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease;
- 5) Guarantee residual value provided by the lessee to the lessor, the party concerned with the lessee and an independent third party with financial capacity to fulfil the guarantee obligation.

The Company calculates and confirms the interest income for each period of the lease period based on the fixed rental interest rate, and the variable rental payments which are not included in the net rental investment amount are included in the profits and losses of the current period when they actually occur.

##### (3) Accounting for operating lease

The Company adopts the straight line method or other systematic and reasonable method to recognize the rental receipts from operating leases as rental income during each period of the lease period. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease period, and shall be recorded in the profits and losses of the current period. Variable rental payments obtained in connection with operating leases that are not incorporated in the rental receipts shall be incorporated in the profits and losses of the current period when they actually occur.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 42. Lease (Continued)

##### (3). Determination method and accounting treatment of lease under the new lease standard (Continued)

##### 5. Sale-leaseback

##### (1) Accounting for the Company as seller and lessee

If the transfer of assets in the sale-leaseback transaction is for sale, the Company shall measure the assets of the right of use formed by the after-sale leaseback based on the part of the book value of the original assets related to the right of use acquired by the leaseback, and only confirm the relevant gains or losses in respect of the rights transferred to the lessor. If the fair value of the sale consideration is different from the fair value of the assets, or the lessor does not collect rent at the market price, the Company will treat the amount of the sale consideration 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 for the accounting office. At the same time, adjust the relevant sales gains or losses according to fair value.

If the transfer of assets in the sale-leaseback transaction does not belong to the sale, the Company shall continue to recognize the transferred assets and at the same time recognize a financial liability equal to the transfer income.

##### (2) Accounting for the Company as buyer and lessor

If the transfer of assets in the sale-leaseback transaction belongs to sales, the Company shall account for the purchase of assets and the lease of assets in accordance with the leasing standards. If the fair value of sales consideration is different from that of assets, or if the Company fails to collect rent at market price, the Company will treat the amount of sales consideration below market price as advance rent, and the amount above market price as additional financing provided by the Company to lessees. At the same time, adjust rent income according to market price.

If the transfer of assets in the sale-leaseback transaction does not belong to the sale, the Company shall recognize a financial asset equal to the transfer income.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### III. 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, of which well mining is provided at RMB15.00/tonnes and surface mines provided at RMB5.00/tonnes. 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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	Approved by the Board	See explanations

Other explanations:

The Company has implemented the revised “Accounting Standard for Business Enterprises No. 7– Exchange of Non-monetary Assets” from 10 June 2019, and implemented the revised “Accounting Standard for Business Enterprises No. 12 – Debt Restructuring” from 17 June 2019. The changes of such accounting policies are subject to prospective application approach, and exchange of non-monetary assets and debt restructuring that occur between 1 January 2019 and the implementation date of the standards are adjusted in accordance with the standards. The first implementation of the standards by the Company has no impact on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 44. Changes in significant accounting policies and accounting estimates (Continued)

##### (1). Changes in significant accounting policies (Continued)

##### (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, related items in the balance sheet for the opening period, and income statement and cash flow statement for the previous period are affected as follows:

Item	Before adoption of the New Lease Standard Amount for 2018/ Balance at 31 December 2018	Amount affected	After adoption of the New Lease Standard Amount for 2018/ Balance at 1 January 2019
Right-of-use assets		10,913,278.59	10,913,278.59
Lease liabilities		252,244,386.76	252,244,386.76
Non-current liabilities due within one year	9,614,780,562.20	89,199,610.56	9,703,980,172.76
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
Administrative expenses	1,158,407,315.52	310,397.58	1,158,717,713.10
Financial expenses	1,128,263,843.11	220,321.15	1,128,484,164.26
Other cash paid for activities relating to operation	884,133,887.88	-710,111.70	883,423,776.18
Other cash paid for financing activities	64,472,000.00	710,111.70	65,182,111.70
Total	38,035,239,946.42	22,357,275.91	38,057,597,222.33

##### (2). Changes in significant accounting estimates

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 adoption of the New Financial Instrument Standard, the New Revenue Standard or the New Lease Standard since 2019

Consolidated Balance Sheet

Unit: yuan Currency: RMB

Items	31 December 2018	1 January 2019	Adjustment
<b>Current assets:</b>			
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	—
Funds paid in advance	866,158,607.74	866,158,607.74	—
Other receivables	643,850,689.43	643,850,689.43	—
Inventories	1,341,020,255.68	1,341,020,255.68	—
Assets held for sale	17,056,603.77	17,056,603.77	—
Other current assets	1,496,106,304.83	1,496,106,304.83	—
<b>Total current assets</b>	<b>23,573,050,128.94</b>	<b>23,573,050,128.94</b>	<b>—</b>
<b>Non-current assets:</b>			
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	—
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	—
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	—
<b>Total non-current assets</b>	<b>70,978,346,050.83</b>	<b>70,989,259,329.42</b>	<b>10,913,278.59</b>
<b>Total assets</b>	<b>94,551,396,179.77</b>	<b>94,562,309,458.36</b>	<b>10,913,278.59</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 adoption of the New Financial Instrument Standard, the New Revenue Standard or the New Lease Standard since 2019 (Continued)

Consolidated Balance Sheet (Continued)

Unit: yuan Currency: RMB

Items	31 December 2018	1 January 2019	Adjustment
<b>Current liabilities:</b>			
Short-term borrowings	900,000,000.00	900,000,000.00	—
Trading financial liabilities	3,721,440.00	3,721,440.00	—
Bills payable	1,009,306,562.44	1,009,306,562.44	—
Accounts payable	2,710,040,983.63	2,710,040,983.63	—
Contract liabilities	338,370,808.43	338,370,808.43	—
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	—
Non-current liabilities due within one year	9,614,780,562.20	9,703,980,172.76	89,199,610.56
Other current liabilities	5,874,623.10	5,874,623.10	—
<b>Total current liabilities</b>	<b>18,961,326,360.93</b>	<b>19,050,525,971.49</b>	<b>89,199,610.56</b>
<b>Non-current liabilities:</b>			
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	—
Lease liabilities	—	252,244,386.76	252,244,386.76
Long-term payables	853,638,566.68	523,638,566.68	-330,000,000.00
Long-term staff remuneration payable	—	—	—
Projected liabilities	464,231,961.93	464,231,961.93	—
Deferred income	73,783,748.97	73,783,748.97	—
Deferred income tax liabilities	695,612,758.47	695,612,758.47	—
<b>Total non-current liabilities</b>	<b>33,037,687,612.08</b>	<b>32,959,931,998.84</b>	<b>-77,755,613.24</b>
<b>Total liabilities</b>	<b>51,999,013,973.01</b>	<b>52,010,457,970.33</b>	<b>11,443,997.32</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 adoption of the New Financial Instrument Standard, the New Revenue Standard or the New Lease Standard since 2019 (Continued)

Consolidated Balance Sheet (Continued)

Unit: yuan Currency: RMB

Items	31 December 2018	1 January 2019	Adjustment
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)	3,254,007,000.00	3,254,007,000.00	—
Capital reserves	2,222,887,682.42	2,222,887,682.42	—
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	—
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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 adoption of the New Financial Instrument Standard, the New Revenue Standard or the New Lease Standard since 2019 (Continued)

Balance Sheet of the Parent Company

Unit: yuan Currency: RMB

Items	31 December 2018	1 January 2019	Adjustment
<b>Current assets:</b>			
Cash and bank balance	8,255,930,041.31	8,255,930,041.31	—
Bills receivable	42,300,000.00	42,300,000.00	—
Accounts receivable	231,204,081.31	231,204,081.31	—
Funds paid in advance	452,443,202.58	452,443,202.58	—
Other receivables	8,399,470,548.03	8,399,470,548.03	—
Inventories	844,870,645.43	844,870,645.43	—
Assets held for sale	17,056,603.77	17,056,603.77	—
Other current assets	19,756,909.29	19,756,909.29	—
Total current assets	18,263,032,031.72	18,263,032,031.72	—
<b>Non-current assets:</b>			
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	—
Intangible assets	741,894,789.69	741,894,789.69	—
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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 adoption of the New Financial Instrument Standard, the New Revenue Standard or the New Lease Standard since 2019 (Continued)

Balance Sheet of the Parent Company (Continued)

Unit: yuan Currency: RMB

Items	31 December 2018	1 January 2019	Adjustment
<b>Current liabilities:</b>			
Short-term borrowings	700,000,000.00	700,000,000.00	—
Bills payable	267,182,279.47	267,182,279.47	—
Accounts payable	2,212,404,753.76	2,212,404,753.76	—
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	—
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	—
<b>Total current liabilities</b>	<b>12,401,032,833.68</b>	<b>12,401,032,833.68</b>	<b>—</b>
<b>Non-current liabilities:</b>			
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	—
Long-term payables	2,638,566.68	2,638,566.68	—
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	—
<b>Total non-current liabilities</b>	<b>14,772,020,438.35</b>	<b>14,772,020,438.35</b>	<b>—</b>
<b>Total liabilities</b>	<b>27,173,053,272.03</b>	<b>27,173,053,272.03</b>	<b>—</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. 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 adoption of the New Financial Instrument Standard, the New Revenue Standard or the New Lease Standard since 2019 (Continued)

Balance Sheet of the Parent Company (Continued)

Unit: yuan Currency: RMB

Items	31 December 2018	1 January 2019	Adjustment
<b>Owners' equity</b>			
<b>(or shareholders' equity):</b>			
Paid-in capital (or share capital)	3,254,007,000.00	3,254,007,000.00	—
Capital reserve	1,475,066,906.63	1,475,066,906.63	—
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	<u>19,035,168,010.63</u>	<u>19,035,168,010.63</u>	—
Total owners' equity (or shareholders' equity)	<u>27,079,179,069.12</u>	<u>27,079,179,069.12</u>	—
Total liabilities and owners' equity (or shareholders' equity)	<u>54,252,232,341.15</u>	<u>54,252,232,341.15</u>	—

- (4). Explanations on retroactive adjustments to comparative data in the previous periods upon adoption of the New Financial Instrument Standard and the New Lease Standard since 2019

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 45. Others

Not applicable

### IV. TAXATION

#### 1. Major categories of taxes and tax rates

##### (1) Turnover tax and surcharges

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%
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%, ad valorem 10%
Water tax	Dredge, drain and recycle (including recharge)	2RMB/m <sup>3</sup>
Environmental tax (air pollution)	Sewage equivalent	1.8 RMB/equivalent of pollution
Farmland occupation tax	Farmland actually occupied	22 RMB/m <sup>2</sup> , 25 RMB/m <sup>2</sup> , 27 RMB/m <sup>2</sup>

Note 1: Pursuant to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform 《關於深化增值稅改革有關政策的公告》(Notice [2019] No. 39 from the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs) of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, from 1 April 2019, the Company has occurred value-added taxes from taxable sales or imported goods, and the original tax rates of 16% and 10% will be adjusted to 13% and 9%, respectively.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### IV. TAXATION (Continued)

#### 1. Major categories of taxes and tax rates (Continued)

##### (2) Enterprise income tax

Details of income tax rates for different taxpayers are set out below:

Name of entity paying taxes	Income tax rate (%)
The Company	25.00%
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 Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司)	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%
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	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%

##### (3) Real estate tax

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.

##### (4) Individual income tax

Staff's individual income tax shall be withheld and paid by the Company.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### IV. 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 Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司), Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司), Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司) and Inner Mongolia Yitai Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司) 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 (內蒙古自治區國家稅務局) 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. : GR201915000219) 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 (2019-2021) after the certification of hi-tech enterprise in 2019.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### IV. TAXATION (Continued)

#### 2. Preferential tax treatment (Continued)

##### (2) Preferential tax treatment policy for hi-tech enterprises (Continued)

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. : GR201915000008) to Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司) 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 (2019-2021) after the certification of hi-tech enterprise in 2019.

##### (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

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Monetary funds

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	1,012,542.40	1,696,877.14
Deposits at banks	15,953,033,415.35	16,992,470,271.06
Other monetary funds	509,590,015.87	625,178,469.45
Total	16,463,635,973.62	17,619,345,617.65
Of which: total amount deposited abroad	145,850,781.62	144,441,314.32

Other explanations

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Deposit of bank acceptance bills	476,369,585.15	590,241,852.51
Environmental deposit	19,670,922.02	23,370,555.98
Coal mine risk deposit	10,547,467.03	10,366,060.96
Letter of guarantee deposit	—	1,200,000.00
Wage guarantee for workers	3,002,041.67	—
Total	509,590,015.87	625,178,469.45

#### 2. Trading financial assets

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Financial assets at fair value through current profit and loss	716,960.00	—
Of which:	—	—
Derivative financial instruments	716,960.00	—
Total	716,960.00	—

Other explanations:

At the end of the period, the thermal coal futures business floated a profit of RMB716,960.00.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Derivative financial liabilities

Not applicable

#### 4. Notes receivable

##### (1). Categories of notes receivable

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes	<b>25,209,394.48</b>	105,363,593.15
Commercial acceptance notes	—	2,696,084.20
Total	<b><u>25,209,394.48</u></b>	<b><u>108,059,677.35</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. Notes receivable (Continued)

(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	Not confirmed at the period end
Bank acceptance notes	492,053,985.23	—
Commercial acceptance notes	—	—
Total	<u>492,053,985.23</u>	<u>—</u>

(4) Notes that were transferred to accounts receivable by the Company at the end of the period because the drawer failed to perform contract

Not applicable



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. Notes receivable (Continued)

##### (5). Disclosure by classification of bad debts provisions

Unit: yuan Currency: RMB

Type	Carrying balance		Closing balance		Carrying value	Carrying balance		Opening balance		Carrying value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
		(%)		(%)			(%)		(%)	
Bad debts provision on combination	25,209,394.48	100.00	-	-	25,209,394.48	108,059,677.35	100.00	-	-	108,059,677.35
Of which:										
Clients with extreme low credit risk	25,209,394.48	100.00	-	-	25,209,394.48	108,059,677.35	100.00	-	-	108,059,677.35
Total	<u>25,209,394.48</u>	<u>/</u>	<u>-</u>	<u>/</u>	<u>25,209,394.48</u>	<u>108,059,677.35</u>	<u>/</u>	<u>-</u>	<u>/</u>	<u>108,059,677.35</u>

Bad debts provision on single item:

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. Notes receivable (Continued)

##### (5). Disclosure by classification of bad debts provisions (Continued)

Bad debts provision on combination:

Combination provision items: clients with extreme low credit risk

*Unit: yuan Currency: RMB*

Name	Notes receivable	Closing balance Bad debts provision	Provision percentage (%)
Clients with extreme low credit risk	25,209,394.48	—	—
Total	<u>25,209,394.48</u>	<u>—</u>	<u>—</u>

Recognition criteria and explanation of bad debts provision on combination

Clients with good credit and frequent business relationship and amounts with extremely low credit risks after assessment.

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

##### (6). Conditions on bad debts provision

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. Notes receivable (Continued)

##### (7). Actual write-off of notes receivable for the current period

Not applicable

#### 5. Accounts receivable

##### (1). Disclosure by aging

Not applicable

##### (2). Disclosure by classification of bad debts provisions

Unit: yuan Currency: RMB

Type	Carrying balance		Closing balance		Carrying value	Carrying balance		Opening balance		Carrying value
	Amount	Percentage (%)	Bad debts provision			Amount	Percentage (%)	Bad debts provision		
			Amount	Percentage (%)				Amount	Percentage (%)	
Bad debts provision on single item	22,339,885.92	1.43	22,339,885.92	100	-	19,964,988.90	1.33	19,964,988.90	100	-
Bad debts provision on combination	1,535,983,331.86	98.57	-	-	1,535,983,331.86	1,481,452,372.49	98.67	-	-	1,481,452,372.49
Of which:	-	-	-	-	-	-	-	-	-	-
Clients with extreme low credit risk	1,535,983,331.86	98.57	-	-	1,535,983,331.86	1,481,452,372.49	98.67	-	-	1,481,452,372.49
Total	1,558,323,217.78	/	22,339,885.92	/	1,535,983,331.86	1,501,417,361.39	/	-	/	-

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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 to be unrecoverable
Kaifeng Air Separation Group Co., Ltd. (開封空分集團有限公司)	366,003.02	366,003.02	100.00%	Expected to be unrecoverable
Wuhan Dongli Photovoltaic Electronic Co., Ltd.	2,008,894.00	2,008,894.00	100.00%	Expected to be unrecoverable
Total	<u>22,339,885.92</u>	<u>22,339,885.92</u>	100.00%	/

Description of bad debts provision on single item:

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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 combination:

Item of provision on combination: clients with extreme low credit risk

*Unit: yuan Currency: RMB*

Name	Accounts receivable	Closing balance Bad debts provision	Percentage (%)
Clients with extreme low credit risk	1,535,983,331.86	—	—
Total	<u>1,535,983,331.86</u>	<u>—</u>	<u>—</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

##### (3). Conditions on bad debts provision

*Unit: yuan Currency: RMB*

Type	Opening balance	Provision	Changes during the period			Closing balance
			Received or reversed	Resale or write-off	Other changes	
Accounts receivable subjected to provision for expected credit losses on single item	19,964,988.90	2,634,165.74	—	259,268.72	—	22,339,885.92
Total	<u>19,964,988.90</u>	<u>2,634,165.74</u>	<u>—</u>	<u>259,268.72</u>	<u>—</u>	<u>22,339,885.92</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Accounts receivable (Continued)

##### (3). Conditions on bad debts provision (Continued)

Of which, significant amounts of provision for bad debt recovered or reversed for the period:

Not applicable

##### (4). Actual write-off of accounts receivable during the period

Unit: yuan Currency: RMB

Item	Write-off amount
Actual write-off of accounts receivable	<u>259,268.72</u>

Of which, the significant write-off of accounts receivable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Accounts receivable (Continued)

##### (4). Actual write-off of accounts receivable during the period (Continued)

Unit: yuan Currency: RMB

Name of entity	Nature of accounts receivable	Write-off amount	Reason	Fulfillment procedure	Whether the amount was generated by a connected transaction
Shandong Huayu Alloy Materials Co., Ltd.	Amount from coal selling	259,268.72	Confirmed to be unrecoverable	Approval by the management	No
Total	/	<u>259,268.72</u>	/	/	/

Explanation of write-off of accounts receivable:

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	213,311,981.01	13.69	—
Second	200,493,597.41	12.87	—
Third	114,391,279.10	7.34	—
Fourth	90,688,296.64	5.82	—
Fifth	78,759,308.60	5.05	—
Total	<u>697,644,462.76</u>	<u>44.77</u>	<u>—</u>

##### (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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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	575,316,540.44	87.42	762,307,778.25	88.01
1 to 2 years	60,829,689.65	9.24	39,597,261.03	4.57
2 to 3 years	12,920,596.12	1.96	53,347,573.99	6.16
Over 3 years	9,083,638.71	1.38	10,905,994.47	1.26
Total	<u>658,150,464.92</u>	<u>100.00</u>	<u>866,158,607.74</u>	<u>100.00</u>

Note: The balance of prepayments of Qiqihar No.2 Machine Tool (Group) Co., Ltd. and Jiangsu Xinzhong Environmental Protection Co., Ltd. at the end of the period was RMB3,243,000.00 and RMB3,391,617.18, respectively. These prepayments are expected unrecoverable in future and for which full bad debts provisions were made.

Notes to reasons of significant prepayments over 1 year and not settled in time:

Name of entity	Closing balance	Aging	Reasons
First	37,052,600.40	1 to 2 years	Demolition not yet complete
	12,918,703.70	2 to 3 years	Demolition not yet complete
Second	10,124,133.00	1 to 2 years	Service not yet available
Third	7,841,677.60	Over 3 years	Service not yet available
Fourth	6,420,325.00	1 to 2 years	Demolition not yet complete
Fifth	2,030,966.00	1 to 2 years	Service not yet available
Total	<u>76,388,405.70</u>		

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	30,029,374.80	4.56	2019	Demolition not yet complete
	37,052,600.40	5.63	2018	Demolition not yet complete
	12,918,703.70	1.96	2017	Demolition not yet complete
Second	80,000,000.00	12.16	2019	Service not yet available
Third	47,933,126.67	7.28	2019	Service not yet available
Fourth	47,536,158.51	7.22	2019	Service not yet available
Fifth	<u>39,359,199.46</u>	<u>5.98</u>	2019	Service not yet available
Total	<u>294,829,163.54</u>	<u>44.79</u>		

#### 8. Other receivables

##### Item presented

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable	-	-
Dividends receivable	31,101,623.02	-
Other receivables	<u>560,046,574.19</u>	<u>643,850,689.43</u>
Total	<u>591,148,197.21</u>	<u>643,850,689.43</u>

##### Interest receivables

##### (1). Classification of interest receivables

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Other receivables (Continued)

##### Interest receivables (Continued)

(2). Significant overdue interest

Not applicable

(3). Bad debt provision

Not applicable

##### Dividends receivable

(1). Dividends receivable

Item (or investee)	Unit: yuan Currency: RMB	
	Closing balance	Opening balance
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	30,000,000.00	—
Investment in HuaXia Monetary Fund B (华夏货币B基金)	1,101,623.02	—
Total	31,101,623.02	—

(2). Significant dividends receivable aging over 1 year

Not applicable

(3). Bad debt provision

Not applicable

##### Other receivables

(1). Disclosure by aging

Not applicable



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Other receivables (Continued)

##### Other receivables (Continued)

(2). Classified by the nature

Unit: yuan Currency: RMB

Nature	Closing carrying balance	Opening carrying balance
Intercourse funds	170,657,551.17	290,318,037.13
Security	351,566,069.73	304,336,921.97
Advances	36,765,959.25	44,480,854.72
Employee borrowing	6,353,243.32	15,656,202.36
Deposit	4,883,866.41	2,238,788.94
Total	<u>570,226,689.88</u>	<u>657,030,805.12</u>

(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
- Transfer into the phase III	-	-8,372,681.49	8,372,681.49	-
Reversal during the period	-	3,000,000.00	-	3,000,000.00
Balance at 31 December 2019	<u>-</u>	<u>1,807,434.20</u>	<u>8,372,681.49</u>	<u>10,180,115.69</u>

Explanation of the significant changes in the carrying balance of other receivables that occurred during the period in which loss provisions changed:

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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Other receivables (Continued)

##### Other receivables

##### (4). Bad debt provision

Unit: yuan Currency: RMB

Type	Opening balance	Provision	Changes during the period			Closing balance
			Received or reversed	Resale or write-off	Other changes	
Other receivables for expected credit losses on a single item	13,180,115.69	-	3,000,000.00	-	-	10,180,115.69
Total	13,180,115.69	-	3,000,000.00	-	-	10,180,115.69

Significant amounts of provision for bad debt recovered or reversed for the period:

Unit: yuan Currency: RMB

Name of entity	Received or reversed	Received method
Yijin Huoluoqi Coal Bureau (伊金霍洛旗煤炭局)	3,000,000.00	Bank deposits
Total	3,000,000.00	/

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Other receivables (Continued)

##### Other receivables (Continued)

(5). Actual write-off of other receivables during 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 balance of closing balance of other receivables (%)	Closing balance of bad debt provision
First	Current accounts	103,991,020.00	1-3 year(s)	18.23	-
Second	Deposits	99,792,744.27	Within 1 year	17.50	-
Third	Current accounts	61,414,530.33	1-2 year(s)	10.78	-
Fourth	Deposits	34,891,972.54	Within 1 year	6.12	-
Fifth	Deposits	34,341,856.58	1-2 year(s)	6.03	-
Total	/	<u>334,432,123.72</u>	/	<u>58.66</u>	<u>-</u>

(7). Accounts receivable related to government subsidy

Not applicable

(8). Other receivables that were derecognised due to the transfer of financial assets

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Other receivables (Continued)

##### Other receivables (Continued)

(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	Carrying balance	Closing balance		Carrying value	Opening balance	
		Provision for decline in value of inventories/ provision for impairment in contract performance cost	Carrying value		Provision for decline in value of inventories/ provision for impairment in contract performance cost	Carrying value
Raw materials	729,571,191.46	32,760,578.15	696,810,613.31	652,743,922.19	37,907,194.42	614,836,727.77
Finished goods	1,388,660,044.46	1,308,579.51	1,387,351,464.95	726,797,166.53	1,308,579.51	725,488,587.02
Low-value consumables	<u>739,513.90</u>	-	<u>739,513.90</u>	694,940.89	-	694,940.89
Total	<u>2,118,970,749.82</u>	<u>34,069,157.66</u>	<u>2,084,901,592.16</u>	<u>1,380,236,029.61</u>	<u>39,215,773.93</u>	<u>1,341,020,255.68</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 9. Inventories (Continued)

(2). Provision for decline in value of inventories and 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	-	-	5,146,616.27	-	32,760,578.15
Finished goods	1,308,579.51	-	-	-	-	1,308,579.51
Total	39,215,773.93	-	-	5,146,616.27	-	34,069,157.66

(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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 10. Contract assets

(1). Information for contract assets

Not applicable

(2). The amount of and the reason for the significant changes in carrying value during the reporting period

Not applicable

(3). Provision for impairment of contract assets in the current period

Not applicable

#### 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
Input VAT to be deducted	1,369,995,486.14	1,492,056,405.14
Enterprise income tax prepaid	19,997,199.42	4,046,803.91
Other	144,743.96	3,095.78
Total	<u>1,390,137,429.52</u>	<u>1,496,106,304.83</u>

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 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

#### 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Long-term equity investments

Unit: yuan Currency: RMB

Investee	Opening balance	Increase/decrease in the current period			Closing balance	Closing balance of impairment provisions
		Added investment	Investment profits and losses recognized under equity method	Distribution of cash dividend or profit declared		
<b>I. Joint Ventures</b>						
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	55,112,800.30	-	1,238,361.27	-4,144,856.28	52,206,305.29	-
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)	-	4,900,000.00	-1,854,447.22	-	3,045,552.78	-
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)	-	472,300,000.00	30,140.71	-	472,330,140.71	-
Subtotal	55,112,800.30	477,200,000.00	-585,945.24	-4,144,856.28	527,581,998.78	-
<b>II. Associates</b>						
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	-	18,293,299.49	-20,350,000.00	151,525,919.89	-
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	489,260,462.88	-	97,413,953.66	-	586,674,416.54	-
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	118,320,000.00	20,379,133.29	-	561,754,470.07	-
Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華遠酒業有限公司)	14,402,990.00	-	13,428.29	-	14,416,418.29	-
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	-	-2,273,944.72	-	18,560,112.72	-
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)	-	-	-	-	-	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	-	118,109,649.46	-30,000,000.00	7,744,382,280.54	-
Ordos Gonggouyangta Storage and Transportation Co., Ltd. (鄂爾多斯市公滿陽塔儲運有限責任公司)	58,560,000.00	2,240,000.00	11,916,645.24	-	72,716,645.24	-
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	44,952,086.65	-	-2,289,754.36	-	42,662,332.29	-
Subtotal	8,860,920,185.23	120,560,000.00	261,562,410.35	-50,350,000.00	9,192,692,595.58	250,288.45
Total	8,916,032,985.53	597,760,000.00	260,976,465.11	-54,494,856.28	9,720,274,594.36	250,288.45

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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
Ordos Nanbu Railway Co., Ltd. (鄂爾多斯市南部鐵路有限責任公司)	506,000,000.00	412,000,000.00
Mengji Railway Co., Ltd.	1,239,000,000.00	1,202,000,000.00
Haoji Railway Co., Ltd. (浩吉鐵路股份有限公司)	1,197,000,000.00	1,115,762,800.00
Qinhuangdao Port H Share (秦皇島港H股)	24,865,939.10	31,819,054.05
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	52,000,000.00	64,000,000.00
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	2,755,000,000.00	3,246,000,000.00
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	1,424,000,000.00	1,818,000,000.00
China National Coal Exchange Co., Ltd. (全國煤炭交易中心有限公司)	12,000,000.00	—
Industrial and Commercial Bank of China Limited	101,060,000.00	—
Other non-transactional equity instrument investment	31,293,524.21	—
<b>Total</b>	<b>7,342,219,463.31</b>	<b>7,889,581,854.05</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Other equity instruments investment (Continued)

##### (2). Non-transactional equity instrument investment

<i>Unit: yuan Currency: RMB</i>				
Item	Reason of designating at fair value through other comprehensive income	Dividend income recognized for the current period	Accumulative profit	Accumulative loss
Ordos Nanbu Railway Co., Ltd. (鄂爾多斯市南部鐵路有限責任公司)	Non-transactional equity instrument investment		306,000,000.00	
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	Non-transactional equity instrument investment			1,461,045,000.00
Haoji Railway Co., Ltd. (浩吉鐵路股份有限公司)	Non-transactional equity instrument investment			
Qinhuangdao Port H Share (秦皇島港H股)	Non-transactional equity instrument investment	1,344,147.91		54,371,970.97
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Non-transactional equity instrument investment			20,000,000.00
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	Non-transactional equity instrument investment		2,222,200,000.00	
Zhunshuo Railway Co., Ltd. (淮朔鐵路有限責任公司)	Non-transactional equity instrument investment		558,713,000.00	
China National Coal Exchange Co., Ltd. (全國煤炭交易中心有限公司)	Non-transactional equity instrument investment			
Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司)	Non-transactional equity instrument investment		1,060,000.00	
Other non-transactional equity instrument investment	Non-transactional equity instrument investment			
Total		1,344,147.91	3,087,973,000.00	1,535,416,970.97

#### 19. Other non-current financial assets

<i>Unit: yuan Currency: RMB</i>		
Items	Closing balance	Opening balance
Equity investment	938,546,351.20	555,210,055.32
Total	938,546,351.20	555,210,055.32

Other explanations:

The other non-current financial assets in the current period increased significantly over the previous period, which is mainly attributed to the combination effect from Hangzhou Xinyu's new private fund investment cost of RMB270,714,177.37, Jiuyou Investment's new private fund investment cost of RMB63,900,286.00, the collection of investment in Mianyang Fund of RMB17,812,022.14 and accumulated change in fair value in the period of RMB66,533,854.65.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	Land use rights	Construction in progress	Total
<b>I. Original carrying amount</b>				
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
<b>II. Accumulated depreciation or amortization</b>				
1. Opening balance	219,863,498.01	-	-	219,863,498.01
2. Addition during the period	36,462,175.51	-	-	36,462,175.51
(1) Provision or amortized	36,462,175.51	-	-	36,462,175.51
3. Decrease during the period	-	-	-	
4. Closing balance	256,325,673.52	-	-	256,325,673.52
<b>III. Impairment Provision</b>	-	-	-	
<b>IV. Carrying amount</b>				
1. At the end of the period	509,672,558.86	-	-	509,672,558.86
2. At the beginning of the period	<u>546,134,734.37</u>	<u>-</u>	<u>-</u>	<u>546,134,734.37</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 20. Investment properties (Continued)

##### Measurement model of investment properties (Continued)

(2). Investment properties with pending certificates of ownership:

*Unit: yuan Currency: RMB*

Item	Carrying amount	Reasons for pending certificates of ownership
Hohhot Office Building	<u>18,580,613.77</u>	Still under processing

#### 21. Fixed assets

##### Items presented

*Unit: yuan Currency: RMB*

Items	Closing balance	Opening balance
Fixed assets	<b>33,117,655,432.50</b>	33,371,998,346.85
Fixed assets in liquidation	<u>60,499.25</u>	
Total	<u><b>33,117,715,931.75</b></u>	<u>33,371,998,346.85</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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
<b>I. Original carrying amount:</b>									
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	651,344,597.87	3,872,672.85	-	-	4,501,068.00	15,529,918.68	902,406,830.17	206,757,937.73	1,784,413,025.30
(1) Acquisition	426,739,050.42	3,872,672.85	-	-	-	15,529,918.68	426,136,965.51	62,425,855.32	934,704,462.78
(2) Transfer from construction in progress	224,605,547.45	-	-	-	4,501,068.00	-	476,269,864.66	144,332,082.41	849,708,562.52
3. Decrease during the period	38,775,182.69	-	-	244,972.34	21,098,562.14	12,686,252.61	215,019,870.23	13,065,226.11	300,890,066.12
(1) Disposal or scrapping	38,775,182.69	-	-	244,972.34	21,098,562.14	12,686,252.61	215,019,870.23	13,065,226.11	300,890,066.12
4. Closing balance	10,257,214,858.78	403,461,134.65	1,909,751,280.81	659,143,070.91	11,797,367,273.26	220,109,514.48	18,506,052,865.43	1,356,037,050.83	45,109,137,049.15
<b>II. Accumulated depreciation</b>									
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	403,955,380.15	23,003,772.52	85,724,717.53	32,756,393.82	283,137,694.36	14,988,881.58	1,004,560,751.47	95,303,061.19	1,943,430,652.62
(1) Provision	403,955,380.15	23,003,772.52	85,724,717.53	32,756,393.82	283,137,694.36	14,988,881.58	1,004,560,751.47	95,303,061.19	1,943,430,652.62
3. Decrease during the period	1,135,096.27	-	-	208,413.03	6,523,680.79	10,645,102.24	177,132,837.78	9,919,648.98	205,564,779.09
(1) Disposal or scrapping	1,135,096.27	-	-	208,413.03	6,523,680.79	10,645,102.24	177,132,837.78	9,919,648.98	205,564,779.09
4. Closing balance	2,136,582,946.75	318,361,525.20	473,448,315.24	316,666,989.09	2,164,401,548.90	165,629,289.27	5,356,575,595.84	787,369,248.22	11,719,035,458.51
<b>III. Impairment provision</b>									
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	-	-	-	-	-	-	-	-	-
3. Decrease during the period	-	-	-	-	-	-	-	-	-
4. Closing balance	267,728,243.69	34,200.00	2,108,147.64	2,575,566.81	-	-	-	-	272,446,158.14
<b>IV. Carrying amount</b>									
1. At the end of the period	7,852,903,668.34	85,065,409.45	1,434,194,817.93	339,900,515.01	9,632,965,724.36	54,480,225.21	13,149,477,269.59	568,667,802.61	33,117,655,432.50
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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	Carrying amount
Mechanical equipment	7,550,885.97	7,070,932.54	–	479,953.43
Transportation equipment	501,946.59	476,849.26	–	25,097.33
Well construction	59,345.00	10,903.22	29,370.34	19,071.44
Other equipment	1,260,739.04	1,199,827.63	–	60,911.41
Total	<u>9,372,916.60</u>	<u>8,758,512.65</u>	<u>29,370.34</u>	<u>585,033.61</u>

(3). Fixed assets acquired under finance leases

Not applicable

(4). Fixed assets leased by way of operating lease

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 21. Fixed assets (Continued)

##### Fixed assets (Continued)

(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>1,292,832,092.56</u>	Still in processing

##### Fixed assets in liquidation

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Equipment to be liquidated	<u>60,499.25</u>	—
Total	<u>60,499.25</u>	—



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 22. Construction in progress

##### Items presented

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	<b>12,670,180,946.90</b>	12,181,262,488.38
Construction materials	<b>1,643,798,782.83</b>	1,604,552,570.21
Total	<b><u>14,313,979,729.73</u></b>	<u>13,785,815,058.59</u>

##### Construction in progress

(1). Construction in progress

Unit: yuan Currency: RMB

Item	Carrying balance	Closing balance		Carrying balance	Opening balance	
		Impairment provision	Carrying value		Impairment provision	Carrying value
Construction in progress	<u>12,909,779,431.88</u>	<u>239,598,484.98</u>	<u>12,670,180,946.90</u>	<u>12,420,860,973.36</u>	<u>239,598,484.98</u>	<u>12,181,262,488.38</u>
Total	<u>12,909,779,431.88</u>	<u>239,598,484.98</u>	<u>12,670,180,946.90</u>	<u>12,420,860,973.36</u>	<u>239,598,484.98</u>	<u>12,181,262,488.38</u>

## V. 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	16,880,280,000.00	202,450,968.13	43,680,022.33	246,130,990.86	-	-	100	100	2,063,100,255.42	-	-	Loan, other
Ningmeng-0.50 Mtpa Fischer-Tropsch alkane fine separation project	544,445,700.00	112,769,881.07	406,926,365.40	519,716,276.47	-	-	100	100	-	-	-	Self-owned fund
VIII Energy-1 million tonnes Coal-to-Oil Project	16,068,000,000.00	4,928,259,886.72	266,912,545.91	-	5,195,171,632.63	40.9	40.9	40.9	1,490,655,361.37	230,232,400.63	5.70	Loan, other
Xinjiang Energy-2 million tonnes Coal-to-Oil Project	32,007,880,100.00	4,239,861,263.99	373,932,361.63	-	4,633,643,625.62	20.08	20.08	20.08	1,344,400,999.70	233,023,216.72	7.83	Loan, other
Yitai Mining-Auxiliary mining project	2,628,666,500.00	921,472,432.97	35,846,961.92	-	957,319,414.89	40.66	40.66	40.66	171,420,880.55	30,186,961.43	7.11	Loan, other
Coal-to-0.2 million tonnes indirect coal-to-liquids conversion project	29,342,310,400.00	712,180,302.20	42,833,834.21	25,501,735.11	-	728,512,801.30	3.15	3.15	71,830,021.11	-	-	Loan, other
Dama railway	3,265,000,000.00	559,153,259.66	2,039,865.02	-	561,193,124.68	19.77	19.77	19.77	-	-	-	Self-owned fund
Other items	-	724,863,776.62	319,450,153.44	167,234,461.02	12,303,779,431.88	832,939,202.76	-	-	61,576,109.92	-	-	Other
<b>Total</b>	<b>100,766,771,700.00</b>	<b>12,420,860,973.36</b>	<b>1,461,642,190.06</b>	<b>953,363,930.26</b>	<b>44,139,738.28</b>	<b>12,309,779,431.88</b>	<b>-</b>	<b>-</b>	<b>5,203,015,769.07</b>	<b>483,462,570.78</b>	<b>/</b>	<b>/</b>

Note: the proportion of project investment in the budget is calculated based on the proportion of the total expenditures incurred in the project to the budget. The project expenditures include fixed assets, intangible assets, and construction in progress.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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

(1). Construction materials

Unit: yuan Currency: RMB

Item	Carrying balance	Closing balance		Carrying balance	Opening balance	
		Impairment provision	Carrying value		Impairment provision	Carrying value
Construction materials	962,925,228.95	-	962,925,228.95	961,543,809.02	-	961,543,809.02
Equipment not yet installed	680,873,553.88	-	680,873,553.88	643,008,761.19	-	643,008,761.19
Total	<u>1,643,798,782.83</u>	<u>-</u>	<u>1,643,798,782.83</u>	<u>1,604,552,570.21</u>	<u>-</u>	<u>1,604,552,570.21</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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

#### 25. Right-of-use asset

Unit: yuan Currency: RMB

Item	Office Building	Total
<b>I. Original carrying amount</b>		
1. Opening balance	11,905,394.84	—
2. Addition during the period	30,958,882.74	—
3. Decrease during the period	—	—
4. Closing balance	42,864,277.58	—
<b>II. Accumulated depreciation</b>		
1. Opening balance	992,116.25	—
2. Addition during the period	2,582,110.67	—
(1) Provision	2,582,110.67	—
3. Decrease during the period	—	—
4. Closing balance	3,574,226.92	—
<b>III. Impairment provision</b>		
<b>IV. Carrying amount</b>		
1. At the end of the period	39,290,050.66	—
2. At the beginning of the period	10,913,278.59	—

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 26. Intangible assets

##### (1). Intangible assets

Items	Unit: yuan Currency: RMB						Total
	Land use rights	Resource assets	Patented technology	Software	Road use rights		
<b>I. Original carrying amount:</b>							
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	119,750,870.78	8,444,452.94	-	11,194,792.04	-		139,390,115.76
(1) Acquisition	16,262,856.91	8,444,452.94	-	5,807,375.17	-		30,514,685.02
(2) Internal research and development	-	-	-	-	-		-
(3) Increase due to business merger	-	-	-	-	-		-
(4) Transfer from construction in progress	103,488,013.87	-	-	5,387,416.87	-		108,875,430.74
3. Decrease during the period	31,511,247.00	1,509,433.96	-	-	-		33,020,680.96
(1) Disposal	31,511,247.00	1,509,433.96	-	-	-		33,020,680.96
4. Closing balance	1,885,245,338.39	1,343,660,065.94	303,308,701.13	128,396,113.59	213,842,927.52		3,874,453,146.57
<b>II. Accumulated amortisation</b>							
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	41,864,115.73	54,856,442.75	19,611,578.98	5,673,932.64	4,756,420.57		126,762,490.67
(1) Provision	41,864,115.73	54,856,442.75	19,611,578.98	5,673,932.64	4,756,420.57		126,762,490.67
3. Decrease during the period	55,475.25	-	-	-	-		55,475.25
(1) Disposal	55,475.25	-	-	-	-		55,475.25
4. Closing balance	275,887,266.15	319,603,971.85	48,047,698.14	115,316,747.32	144,167,713.85		903,023,397.31
<b>III. Impairment provision</b>							
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
<b>IV. Carrying amount</b>							
1. At the end of the period	1,604,463,897.05	1,012,168,501.19	255,261,002.99	13,079,366.27	69,675,213.67		2,954,647,981.17
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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	4,384,637.22	Still under processing

#### 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 Fischer-Tropsch wax compound asphalt modifier	282,472.02	413,801.63	-	-	-	696,273.65
Development and application research of direct injection modifiers of Fischer-Tropsch wax for road	288,487.49	439,282.12	-	-	-	727,769.61
<b>Total</b>	<b>570,959.51</b>	<b>853,083.75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,424,043.26</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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

**(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	Other decreases	Closing balance
Compensation and divestiture fees for open mining and demolition	2,112,624,185.52	536,929,926.09	406,323,573.25		2,243,230,538.36
Water rights fees	9,605,396.93	415,200.02	1,525,954.99		8,494,641.96
Others	75,065,315.30	23,738,194.90	15,228,457.04	63,287,049.45	20,288,003.71
Total	2,197,294,897.75	561,083,321.01	423,077,985.28	63,287,049.45	2,272,013,184.03

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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*

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets impairment	534,491,064.57	133,622,766.14	595,485,354.92	146,473,223.45
Unrealised profit of internal transaction	871,813,341.94	150,991,817.19	82,331,572.71	19,460,220.62
Deductible losses	—	—	13,315,261.00	3,328,815.25
Business combination	—	—	1,534,458,130.48	383,614,532.62
Price adjustment fund	—	—	3,999,999.80	999,999.95
Commissioning profit	415,397,658.13	70,162,565.44	350,706,124.81	89,338,878.04
Deferred earnings and others	199,297,246.75	48,417,954.72	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
<b>Total</b>	<b>2,032,742,116.79</b>	<b>406,130,804.84</b>	<b>2,763,363,512.37</b>	<b>686,014,193.07</b>

##### (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 debt investments	1,553,272,989.05	380,332,423.26	2,371,868,000.00	579,349,635.91
Accelerated depreciation of fixed assets	608,370,975.72	152,092,743.93	490,642,186.05	116,263,122.56
<b>Total</b>	<b>2,161,643,964.77</b>	<b>532,425,167.19</b>	<b>2,862,510,186.05</b>	<b>695,612,758.47</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 30. Deferred tax assets/deferred tax liabilities (Continued)

(3). Deferred income tax assets or liabilities presented on net basis after offset

Not applicable

(4). Details of unrecognized deferred income tax assets

Items	Unit: yuan Currency: RMB	
	Closing balance	Opening balance
Deductible loss	627,932,667.77	436,154,698.41
Deferred earnings	57,259,354.93	58,783,748.97
Provision for assets impairment	87,787,496.34	58,468,432.71
Total	<u>772,979,519.04</u>	<u>553,406,880.09</u>

(5). Deductible loss of the unrecognized deferred income tax assets will be due in the following years

Year	Unit: yuan Currency: RMB		
	Closing amount	Opening amount	Remark
2019	–	18,559,449.42	
2020	13,438,372.59	14,967,176.00	
2021	16,667,332.43	17,901,813.92	
2022	254,627,498.94	255,703,020.76	
2023	123,175,301.88	129,023,238.31	
2024	<u>220,024,161.93</u>	–	
Total	<u>627,932,667.77</u>	<u>436,154,698.41</u>	

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 31. Other non-current assets

Unit: yuan Currency: RMB

Items	Closing balance			Opening balance		
	Carrying balance	Impairment provision	Carrying value	Carrying balance	Impairment provision	Carrying value
Advanced road payment	40,212,861.00	-	40,212,861.00	40,212,861.00	-	40,212,861.00
Prepaid land transfer fee	10,459,543.00	-	10,459,543.00	10,459,543.00	-	10,459,543.00
Prepaid payments for mining rights	2,000,000.00	-	2,000,000.00	-	-	-
Other	-	-	-	4,035,000.00	-	4,035,000.00
Total	<u>52,672,404.00</u>	<u>-</u>	<u>52,672,404.00</u>	<u>54,707,404.00</u>	<u>-</u>	<u>54,707,404.00</u>

#### 32. Short-term borrowings

##### (1). Classification of short-term borrowings

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	200,000,000.00	600,000,000.00
Credit borrowings	<u>2,350,000,000.00</u>	<u>300,000,000.00</u>
Total	<u>2,550,000,000.00</u>	<u>900,000,000.00</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 32. Short-term borrowings (Continued)

##### (2). Short-term borrowing that is due but unpaid

Not applicable

#### 33. Transactional financial liabilities

Items	Opening balance	Increase during the period	Unit: yuan Currency: RMB	
			Decrease during the period	Closing balance
Transactional financial liabilities	3,721,440.00		686,380.00	<b>3,035,060.00</b>
Of which:				
Derivative financial liabilities	<u>3,721,440.00</u>		<u>686,380.00</u>	<u><b>3,035,060.00</b></u>
Total	<u>3,721,440.00</u>		<u>686,380.00</u>	<u><b>3,035,060.00</b></u>

Other explanations:

At the end of the period, the thermal coal futures business floated a loss of RMB3,035,060.00.

#### 34. Derivative financial liabilities

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 35. Notes payable

##### (1). Items presented

*Unit: yuan Currency: RMB*

Type	Closing balance	Opening balance
Commercial acceptance notes	<b>305,072,146.53</b>	312,938,062.44
Bank acceptance notes	<b>573,723,379.71</b>	696,368,500.00
Total	<b><u>878,795,526.24</u></b>	<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.

#### 36. Accounts payable

##### (1). Accounts payable presented

*Unit: yuan Currency: RMB*

Item	Closing balance	Opening balance
Coal purchasing payable	<b>456,017,311.21</b>	415,948,741.50
Materials and equipment payable	<b>1,134,652,537.78</b>	588,751,256.11
Mining and mining works payable	<b>847,869,715.53</b>	1,031,872,341.61
Freight payable	<b>124,445,080.48</b>	103,788,048.75
Maintenance fee payable	<b>55,974,438.06</b>	77,924,646.94
Other	<b>201,931,437.18</b>	491,755,948.72
Total	<b><u>2,820,890,520.24</u></b>	<u>2,710,040,983.63</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 36. Accounts payable (Continued)

##### (2). Significant accounts payable with the aging over 1 year

Unit: yuan Currency: RMB

Item	Opening balance	Reasons for unrepayment or carrying over
First	20,274,694.97	Outstanding payment period
Second	17,940,759.37	Outstanding payment period
Third	9,570,147.51	Outstanding payment period
Fourth	4,572,101.40	Outstanding payment period
Fifth	3,899,907.04	Outstanding payment period
Total	<u>56,257,610.29</u>	

#### 37. Advances

##### (1). Advanced payment presented

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 37. Advances (Continued)

##### (2). Significant advances with the aging over 1 year

Not applicable

#### 38. Contract liabilities

##### (1). Contract liabilities

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Contract liabilities relating to sales contract	434,754,040.95	338,370,808.43
Total	434,754,040.95	338,370,808.43

##### (2). Amount and reason of significant changes in carrying value during the reporting period

Not applicable

Unit: yuan Currency: RMB

Item	Changes	Reason for changes
	-	-
Total	-	/

Other explanations:

Note: 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 31 December 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 39. 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	1,529,691,368.82	1,435,202,286.38	<b>420,678,229.41</b>
II. Post-employment – Defined contribution plan	<u>3,781,886.62</u>	<u>120,127,608.08</u>	<u>114,459,716.27</u>	<b><u>9,449,778.43</u></b>
Total	<u>329,971,033.59</u>	<u>1,649,818,976.90</u>	<u>1,549,662,002.65</u>	<b><u>430,128,007.84</u></b>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 39. Employee benefits payable (Continued)

##### (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	1,359,806,895.14	1,270,644,137.48	402,337,929.54
II. Employee welfare		37,034,491.73	37,034,491.73	
III. Social insurance	1,328,825.64	45,704,184.57	43,199,368.27	3,833,641.94
Of which: Medical insurance	1,030,139.14	36,345,080.04	34,400,377.14	2,974,842.04
Work injury insurance	117,317.60	3,626,229.58	3,378,178.41	365,368.77
Maternity insurance	181,368.90	5,732,874.95	5,420,812.72	493,431.13
IV. Housing fund	1,864,499.20	54,696,771.66	52,443,176.32	4,118,094.54
V. Union expenses and employees education expenses	9,820,650.25	32,449,025.72	31,881,112.58	10,388,563.39
VI. Short-term paid leave	-	-	-	-
VII. Short-term profit sharing plan	-	-	-	-
Total	<u>326,189,146.97</u>	<u>1,529,691,368.82</u>	<u>1,435,202,286.38</u>	<u>420,678,229.41</u>

##### (3). Defined contribution plan presented

*Unit: yuan Currency: RMB*

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic retirement insurance	3,014,211.28	97,256,284.46	92,634,086.44	7,636,409.30
2. Unemployment insurance	169,525.34	3,406,637.66	3,286,039.87	290,123.13
3. Enterprise annuity payment	598,150.00	19,464,685.96	18,539,589.96	1,523,246.00
Total	<u>3,781,886.62</u>	<u>120,127,608.08</u>	<u>114,459,716.27</u>	<u>9,449,778.43</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 31 December 2019, there is no significant change in annuity plan.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 40. Taxes payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	242,130,573.24	883,346,009.69
Enterprise income tax	122,036,670.32	612,491,390.87
Individual income tax	6,741,771.67	6,823,425.56
City maintenance and construction tax	5,477,037.22	17,911,624.46
Resources tax	100,380,989.91	235,155,147.46
Price adjustment funds	67,775.40	3,999,999.73
Withholding tax	2,464,101.38	1,337,635.51
Education surcharge	2,927,521.30	8,787,806.62
Foundation for water works	3,962,000.56	2,603,370.03
Local education surcharge	1,964,171.79	5,434,239.22
Stamp duty	3,795,830.77	3,127,450.58
Property tax	124,771.62	41,590.54
Water resources tax	248,920.00	7,180,395.70
Environmental tariff	5,853,996.79	4,652,555.20
Land use tax	10,737.50	3,976.85
Total	<u>498,186,869.47</u>	<u>1,792,896,618.02</u>

#### 41. Other payables

##### Items presented

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Interests payable	177,856,169.80	187,163,740.89
Dividends payable	114,920,000.00	710,430.00
Other payables	<u>1,760,282,661.66</u>	<u>2,068,489,558.63</u>
Total	<u>2,053,058,831.46</u>	<u>2,256,363,729.52</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Other payables (Continued)

##### Interests payable

(1). Items presented

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Interest on long-term borrowings with interest payments by installment and principal payments at due	60,595,917.54	60,676,606.75
Interest on corporate bonds	115,917,293.93	124,753,225.81
Interest payable on short-term borrowings	1,342,958.33	1,733,908.33
Total	<u>177,856,169.80</u>	<u>187,163,740.89</u>

##### Dividends payable

(1). Items presents

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Ordinary share dividends	114,920,000.00	710,430.00
Total	<u>114,920,000.00</u>	<u>710,430.00</u>

Other explanations, including important dividends payable that have not been paid for more than one year, should disclose the reason for the unpaid payment:

There was no significant overdue and unpaid dividend of the Company at the end of the period.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Other payables (Continued)

##### Other payables

(1). Other payables presented by nature of amount

*Unit: yuan Currency: RMB*

Item	Closing balance	Opening balance
Payments of construction and installation engineering and equipment	<b>1,109,017,147.95</b>	1,783,199,948.65
Deposits and margins	<b>336,105,083.27</b>	208,025,192.96
Coal pipe fee	<b>10,936,586.60</b>	39,104,013.44
Payment of house purchasing	<b>229,154,919.60</b>	
Others	<b>75,068,924.24</b>	38,160,403.58
<b>Total</b>	<b><u>1,760,282,661.66</u></b>	<b><u>2,068,489,558.63</u></b>

(2). Significant other payables aged over 1 year

*Unit: yuan Currency: RMB*

Item	Closing balance	Reason for outstanding or carry-forward
First	<b>103,000,000.00</b>	Deposits
Second	<b>70,311,066.61</b>	Undue
Third	<b>42,896,601.73</b>	Undue
Fourth	<b>36,000,000.00</b>	Undue
Fifth	<b>10,659,751.04</b>	Undue
<b>Total</b>	<b><u>262,867,419.38</u></b>	

#### 42. Liabilities held for sale

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 43. Non-current liabilities due within 1 year

*Unit: yuan Currency: RMB*

Items	Closing balance	Opening balance
Long-term borrowings due within 1 year	<b>5,907,745,320.07</b>	5,119,009,003.68
Bonds payable due within 1 year	–	4,495,771,558.52
Lease liabilities due within 1 year	<b><u>332,499,610.56</u></b>	<u>89,199,610.56</u>
Total	<b><u><u>6,240,244,930.63</u></u></b>	<u><u>9,703,980,172.76</u></u>

#### 44. Other current liabilities

*Unit: yuan Currency: RMB*

Items	Closing balance	Opening balance
Taxation to be written off	<b><u>9,411,068.49</u></b>	<u>5,874,623.10</u>
Total	<b><u><u>9,411,068.49</u></u></b>	<u><u>5,874,623.10</u></u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	<b>15,308,387,560.56</b>	19,100,102,119.45
Credit borrowings	<b>10,829,000,000.00</b>	8,409,000,000.00
Total	<b><u>26,137,387,560.56</u></b>	<u>27,509,102,119.45</u>

##### (2) Maturity of long-term borrowings

Maturity	Ending balance	Opening balance
Within 1 year	<b>5,907,745,320.07</b>	5,119,009,003.68
1-2 year(s)	<b>15,333,517,235.24</b>	10,978,414,007.37
2-5 years	<b>5,859,191,097.38</b>	4,012,438,112.08
Above 5 years	<b><u>4,944,679,227.94</u></b>	<u>12,518,250,000.00</u>
Total	<b><u>32,045,132,880.63</u></b>	<u>32,628,111,123.13</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 46. Bonds payable

##### (1). Bonds payable

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Other bonds payable	<b>5,872,769,550.23</b>	7,937,090,015.10
Less: bonds payable due within 1 year		<u>-4,495,771,558.52</u>
<b>Total</b>	<b><u>5,872,769,550.23</u></b>	<b><u>3,441,318,456.58</u></b>

##### (2). Change in bonds payable: (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

Unit: yuan Currency: RMB

Bonds name	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		4,228,441.48	4,228,441.48	4,500,000,000.00	
18 Yitai 01	100.00	2018/6/8	3 years	1,500,000,000.00	1,492,417,848.37		2,984,083.08	2,984,083.08		1,495,401,941.45
18 Yitai 02	100.00	2018/12/18	3 years	2,000,000,000.00	1,948,900,608.21		16,251,953.07	16,251,953.07		1,965,152,561.28
19 Yitai 01	100.00	2019/04/02	5 years	500,000,000.00		500,000,000.00	2,779,054.78	-18,381,322.57		481,618,677.43
19 Yitai 02	100.00	2019/07/02	5 years	2,000,000,000.00		1,000,000,000.00	3,273,776.79	-33,754,525.08		966,245,474.92
19 Yitai 03	100.00	2019/07/22	5 years	1,000,000,000.00		1,000,000,000.00	3,030,140.40	-35,649,104.85		964,350,895.15
<b>Total</b>				<b>11,500,000,000.00</b>	<b>7,937,090,015.10</b>	<b>2,500,000,000.00</b>	<b>32,547,459.60</b>	<b>-64,320,464.87</b>	<b>4,500,000,000.00</b>	<b>5,872,769,550.23</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 46. Bonds payable (Continued)

##### (3). Maturity of bonds payable

*Unit: yuan Currency: RMB*

Maturity	Ending balance	Opening balance
Within 1 year		4,495,771,558.52
1-2year(s)	<b>3,460,554,502.73</b>	1,492,417,848.37
2-5 years	<b>2,412,215,047.50</b>	1,948,900,608.21
Above 5 years		
Total	<b><u>5,872,769,550.23</u></b>	<b><u>7,937,090,015.10</u></b>

##### (4). Explanation on condition and time for conversion of convertible corporate bonds

Not applicable

##### (5). Explanation on other financial instrument classified as financial liabilities

Not applicable

#### 47. Lease liabilities

*Unit: yuan Currency: RMB*

Remaining lease life	Closing balance	Opening balance
Within 1 year	<b>341,664,610.56</b>	89,199,610.56
1 to 2 year(s)	<b>2,769,449.81</b>	269,664,610.56
2 to 3 years	<b>3,147,224.76</b>	2,769,449.81
3 to 4 years	<b>1,835,881.11</b>	3,147,224.76
4 to 5 years		1,835,881.11
Over 5 years		
Subtotal lease payment	<b><u>349,417,166.24</u></b>	<u>366,616,776.80</u>
Less: Unrecognized financing costs	<b><u>10,002,473.23</u></b>	<u>25,172,779.48</u>
Subtotal present value of lease payment	<b><u>339,414,693.01</u></b>	<u>341,443,997.32</u>
Less: Lease liabilities due within 1 year	<b><u>332,499,610.56</u></b>	<u>89,199,610.56</u>
Total	<b><u>6,915,082.45</u></b>	<b><u>252,244,386.76</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 48. Long-term payables

##### Items presented

Items	Unit: yuan Currency: RMB	
	Closing balance	Opening balance
Long-term payables	<u>522,700,000.03</u>	<u>523,638,566.68</u>
Total	<u>522,700,000.03</u>	<u>523,638,566.68</u>

##### Long-term payables

(1). Long-term payables presented by nature of amount

Items	Unit: yuan Currency: RMB	
	Opening balance	Closing balance
Long-term borrowings from non-financial institutions	<u>523,638,566.68</u>	<u>522,700,000.03</u>

(2). Maturity of long-term payables

Maturity	Unit: yuan Currency: RMB	
	Ending balance	Opening balance
Within 1 year	1,700,000.03	2,638,566.68
1-2 year(s)	30,000,000.00	
2-5 years	95,000,000.00	95,000,000.00
Above 5 years	<u>396,000,000.00</u>	<u>426,000,000.00</u>
Total	<u>522,700,000.03</u>	<u>523,638,566.68</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 48. Long-term payables (Continued)

##### Special payables

(1). Special payables presented by nature of amount

Not applicable

#### 49. Long-term payroll payable

Not applicable

#### 50. Estimated liabilities

Unit: yuan Currency: RMB

Items	Opening balance	Closing balance	Formation reasons
Reclamation fee	464,231,961.93	<b>526,848,461.52</b>	Provision was made based on the estimation of the management
Total	<u>464,231,961.93</u>	<u><b>526,848,461.52</b></u>	/

#### 51. Deferred income

##### Deferred income

Unit: yuan Currency: RMB

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance	Formation reasons
Government subsidy	<u>73,783,748.97</u>	<u>1,920,091.00</u>	<u>2,794,485.04</u>	<u><b>72,909,354.93</b></u>	see the table below
Total	<u>73,783,748.97</u>	<u>1,920,091.00</u>	<u>2,794,485.04</u>	<u><b>72,909,354.93</b></u>	/



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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
Xiyingzi 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		180,000.00	1,440,000.00	Relating to assets
Waste steam power generation project	3,125,000.00		250,000.00	2,875,000.00	Relating to assets
Boiler flue gas desulfurization project	6,700,000.00		400,000.00	6,300,000.00	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	625,000.00		50,000.00	575,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilization project	4,550,000.00		250,000.00	4,300,000.00	Relating to assets
Infrastructure subsidy	50,458,500.00			50,458,500.00	Relating to assets
R&D subsidy from Tianjin University	175,248.97	20,091.00	194,485.04	854.93	Relating to income
R&D funds for coal indirect liquefaction process	2,000,000.00			2,000,000.00	Relating to assets
Large pressure vessel project with annual capacity of 60,000t	4,480,000.00		1,120,000.00	3,360,000.00	Relating to assets
Enterprise smart security information platform management system construction project		1,600,000.00		1,600,000.00	Relating to assets
Support funds for zero-emission technological transformation project of concentrated brine		300,000.00	300,000.00		Relating to assets
<b>Total</b>	<b>73,783,748.97</b>	<b>1,920,091.00</b>	<b>2,794,485.04</b>	<b>72,909,354.93</b>	

#### 52. Other non-current liabilities

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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		
Total number of 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

#### 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	2,383,552,699.99	28,542,515.76	3,164,389,864.23
Other capital reserve	1,413,508,002.42			1,413,508,002.42
Total	2,222,887,682.42	2,383,552,699.99	28,542,515.76	4,577,897,866.65

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 55. Capital reserve (Continued)

Other explanations, 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 Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司) in cash in January 2019. Upon completion the capital increase, Inner Mongolia Yitai Zhundong Railway Co., Ltd. held 61.00% shares of Ordos Dama Railway Co., Ltd. As at 31 December 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.
2. In December 2019, Inner Mongolia Yitai Huzhun Railway Co., Ltd. ("Yitai Huzhun Railway Company"), a holding subsidiary of the Company, acquired Inner Mongolia Yitai Zhundong Railway Co., Ltd. ("Yitai Zhundong Railway Company") by way of absorption. Yitai Zhundong Railway Company inherited and took over all assets, liabilities, business, personnel and all other rights and obligations of Yitai Zhundong Railway Company, and Yitai Zhundong Railway Company cancelled its qualification as a legal representative. Upon completion of the merger, the Company's shareholding in Inner Mongolia Yitai Huzhun Railway Co., Ltd. was 72.66%. As of 31 December 2019, the merger has been completed. When preparing the consolidated financial statements, the Company adjusted the capital reserve of RMB-28,535,423.03 for the difference between the carrying amount of the equity of the combining party and the combined party calculated before and after the merger based on the shareholding ratio.
3. In December 2019, Inner Mongolia Yitai Huzhun Railway Co., Ltd. ("Yitai Huzhun Railway Company"), a holding subsidiary of the Company, acquired Inner Mongolia Yitai Zhundong Railway Co., Ltd. ("Yitai Zhundong Railway Company") by way of absorption. Yitai Zhundong Railway Company inherited and took over all assets, liabilities, business, personnel and all other rights and obligations of Yitai Zhundong Railway Company, and Yitai Zhundong Railway Company cancelled its qualification as a legal representative. As of 31 December 2019, the merger has been completed. When preparing the consolidated financial statements, the Company transferred the retained earnings attributable to the parent company in the net assets of Yitai Zhundong Railway Company on the date of merger to the capital reserve in an aggregate amount of RMB2,383,552,699.99.

#### 56. Stock shares

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	Less: amount included in other comprehensive income in previous periods and transferred to current profit or loss	Amount in the period		Attributable to the Parent Company after tax	Attributable to minority shareholders after tax	Closing balance
				Less: income tax expenses	Less: amount included in other comprehensive income in previous periods and transferred to retained earnings			
<b>I. Other comprehensive income that cannot be reclassified into profit or loss</b>								
Including: Re-measurement of change in defined benefit plan	1,706,316,078.16	-754,602,998.45			-184,748,221.19	-569,854,777.26	-14,696,599.07	1,136,461,300.90
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	-754,602,998.45			-184,748,221.19	-569,854,777.26	-14,696,599.07	1,136,461,300.90
Change in fair value of enterprise's credit risk								
<b>II. Other comprehensive income that will be reclassified into profit or loss</b>								
Including: Other comprehensive income that can be transferred to profit or loss under equity method	1,600,793.57	497,475.12				497,475.12		2,098,268.69
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	497,475.12				497,475.12		2,098,268.69
<b>Total other comprehensive income</b>	<b>1,707,916,871.73</b>	<b>-754,105,523.33</b>			<b>-184,748,221.19</b>	<b>-569,357,302.14</b>	<b>-14,696,599.07</b>	<b>1,138,559,569.59</b>

#### 58. Special reserve

Unit: yuan Currency: RMB

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Safety production fee	57,087,245.53	695,625,774.52	539,997,272.99	212,715,747.06
<b>Total</b>	<b>57,087,245.53</b>	<b>695,625,774.52</b>	<b>539,997,272.99</b>	<b>212,715,747.06</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 59. Surplus reserve

<i>Unit: yuan Currency: RMB</i>				
Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	1,634,024,476.72	_____	_____	<u>1,634,024,476.72</u>
Total	<u>1,634,024,476.72</u>	<u>_____</u>	<u>_____</u>	<u>1,634,024,476.72</u>

Explanation of surplus reserve, including changes in the period and reason for the changes:

Note: 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.

#### 60. Undistributed profits

<i>Unit: yuan Currency: RMB</i>		
Items	Current period	Previous period
Undistributed profits at the end of previous period before adjustment	<b>24,331,543,771.03</b>	21,626,696,023.29
Total increase or decrease in undistributed profits at the beginning of the period before adjustment(increase represented by "+", and decrease represented by "-")	<b>-530,718.73</b>	48,694,373.95
Undistributed profits at the beginning of the period after adjustment	<b>24,331,013,052.30</b>	21,675,390,397.24
Add: Net profits attributable to owners of Parent Company in the period	<b>3,789,312,908.34</b>	4,136,195,840.06
Less: Extract for statutory surplus reserve		
Extract for discretionary surplus reserve		
Extract for general risk reserve		
Ordinary shares dividend payable	<b>1,627,003,500.00</b>	1,480,573,185.00
Dividend of ordinary shares converted to share capital		
The amount transferred to capital reserves of absorption under common control	<u>2,383,552,699.99</u>	_____
Undistributed profits at the end of the period	<u>24,109,769,760.65</u>	<u>24,331,013,052.30</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 60. Undistributed profits (Continued)

Breakdown of adjustment for undistributed profits at the beginning of the period:

1. 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 RMB-530,718.73.
2. Due to changes in accounting policies, the affected undistributed profit at the beginning of the period was RMB0.
3. Due to the correction of major accounting errors, the affected undistributed profit at the beginning of the period was RMB0.
4. Due to the change in the scope of combination under common control, the affected undistributed profit at the beginning of the period was RMB0.
5. Undistributed profit that was not affected by other adjustments at the beginning of the period was RMB0.
6. For details of the amount transferred to capital reserve of absorption under common control of RMB2,383,552,699.99, please see “Capital Reserve- 3” of Note 55.

#### 61. Operating income and operating cost

##### (1). Operating income and operating cost

Items	Amount in current period		Amount in previous period	
	Income	Cost	Income	Cost
Principal business	39,947,385,608.99	28,154,838,775.85	38,522,176,580.76	26,844,978,412.38
Other business	981,653,304.57	401,399,456.53	662,444,827.46	429,768,807.87
Total	<u>40,929,038,913.56</u>	<u>28,556,238,232.38</u>	<u>39,184,621,408.22</u>	<u>27,274,747,220.25</u>

Unit: yuan Currency: RMB

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 61. Operating income and operating cost (Continued)

##### (2). Income generated from contracts

Unit: yuan Currency: RMB

Type of contracts	Coal segment	Coal-related Chemical segment	Transportation segment	Other	Total
Type of goods					
Coal	33,184,976,493.56				33,184,976,493.56
Chemical products		5,972,826,498.18			5,972,826,498.18
Freight			724,195,546.92		724,195,546.92
Others products disclosed in revenue from principal business		29,979,258.62	19,811,165.54	15,596,646.17	65,387,070.33
Others products disclosed in revenue from other business	367,519,128.34	522,480,668.35	80,889,887.28	10,763,620.60	981,653,304.57
By operating region					
Northeast	67,306,380.71	24,333,100.64			91,639,481.35
North China	12,925,261,517.82	3,193,493,931.88	824,896,599.74	25,221,928.13	16,968,873,977.57
East China	13,545,925,445.14	1,995,940,789.20			15,541,866,234.34
South China	6,227,927,952.47	45,724,420.62		1,138,338.64	6,274,790,711.73
Central China	343,794,017.39	664,350,386.52			1,008,144,403.91
Northwest	442,280,308.37	595,816,429.97			1,038,096,738.34
Southwest		5,627,366.32			5,627,366.32
Types of market or client					
Type of contracts					
By time of transfer of goods					
By term of contract					
By sales channel					
Total	<u>33,552,495,621.90</u>	<u>6,525,286,425.15</u>	<u>824,896,599.74</u>	<u>26,360,266.77</u>	<u>40,929,038,913.56</u>

##### (3). Description on performance obligations

Not applicable

##### (4). Description of apportionment to the remaining performance obligations

Applicable  Not applicable

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 RMB384,738,089.34, of which RMB384,738,089.34 is expected to be recognized in 2020.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 62. Taxes and surcharges

*Unit: yuan Currency: RMB*

Items	Amount in current period	Amount in previous period
City maintenance and construction tax	113,508,353.11	149,408,361.83
Education surcharges	61,421,002.22	80,778,776.74
Resources tax	1,138,720,240.14	894,321,550.86
Property tax	33,492,620.15	46,487,743.46
Land use tax	52,086,973.09	54,505,501.33
Vehicle and vessel use tax	271,284.26	280,296.73
Stamp duty	37,514,469.55	38,704,352.09
Local education surcharges	40,544,735.63	52,837,710.43
Water resources tax	11,801,859.36	26,428,412.48
Environmental tax	25,834,748.94	20,515,326.41
Land occupation tax	112,446,239.00	
Others	38,539,792.83	34,743,670.37
Total	<u>1,666,182,318.28</u>	<u>1,399,011,702.73</u>

#### 63. Cost of sales

*Unit: yuan Currency: RMB*

Items	Amount in current period	Amount in previous period
Port charges	1,101,117,334.30	1,187,115,919.57
Payroll	89,709,454.75	78,607,726.13
Depreciation and amortisation	15,682,521.06	17,506,723.82
Operating expenses	12,071,484.33	10,734,589.09
Travel expenses	4,138,326.94	6,437,075.60
Transportation and loading service fee	9,333,707.88	24,219,453.87
Leasehold charges	1,765,886.39	5,037,139.16
Utilities	376,876.56	754,517.39
Maintenance fee	7,398,123.17	
Others	20,711,964.46	9,678,267.84
Total	<u>1,262,305,679.84</u>	<u>1,340,091,412.47</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 64. Administrative expenses

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Payroll	692,805,983.16	460,160,301.17
Depreciation and amortisation	213,186,574.37	163,296,028.75
Service fee	59,522,053.98	54,047,335.57
Travel expenses	28,832,996.59	46,726,168.20
Operating expenses	81,000,126.91	66,120,503.87
Greening expenses	67,327,632.07	37,880,034.09
Office expenses	12,167,651.82	30,073,892.39
Audit and consulting fee	48,923,956.03	37,096,139.12
Maintenance fee	74,702,455.88	122,111,779.96
Anticorrosive insulation fee		13,079,702.68
Insurance fee	21,790,994.51	
Design fee	18,874,218.74	
Fees for technical services	41,410,825.22	
Others	172,936,967.80	128,125,827.30
Total	<u>1,533,482,437.08</u>	<u>1,158,717,713.10</u>

#### 65. R&D expenditure

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Rentals	95,740,019.80	198,142,053.77
Payroll	240,750,157.22	238,310,570.78
Material consumption	167,625,611.13	147,658,827.56
Depreciation and amortisation	52,865,532.41	91,846,026.16
Service fee	9,337,850.00	134,244,744.25
Fees for technical services		2,982,141.80
Repair and maintenance fee	802,420.80	2,945,654.79
Utilities	55,819,368.73	34,992,542.35
Washing processing fee		7,958,081.66
Travel expenses	17,095.69	407,374.13
Others	6,289,319.57	3,908,396.48
Total	<u>629,247,375.35</u>	<u>863,396,413.73</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 66. Finance cost

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Interest expense	<b>1,724,778,997.84</b>	1,216,912,791.80
Less: Interest income	<b>-135,294,988.48</b>	-119,602,374.00
Exchange gain or loss	<b>4,927,014.55</b>	24,256,036.73
Commission charges	<b>4,699,543.67</b>	6,917,709.73
Total	<b><u>1,599,110,567.58</u></b>	<u>1,128,484,164.26</u>

#### 67. Other gains

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Special funds for financial support	<b>38,111,998.50</b>	22,480,000.00
Xiyingszi coal storage plant treatment and dust suppression project	<b>50,000.00</b>	300,000.00
Hongyi Mine airtight cylinder coal storage warehouse project	<b>180,000.00</b>	180,000.00
Naer Mine airtight cylinder coal storage warehouse project	<b>2,200,000.00</b>	1,254,750.00
Science and Technology Progress Award		1,800,000.00
Waste steam power generation project	<b>250,000.00</b>	250,000.00
Boiler flue gas desulfurization project	<b>400,000.00</b>	400,000.00
High temperature slurry bed Fischer-Tropsch process project	<b>50,000.00</b>	50,000.00
Fischer-Tropsch process water comprehensive utilization project	<b>250,000.00</b>	250,000.00
Special funds of intellectual property of autonomous region received from Dongsheng Science and Technology Bureau in 2017		100,000.00
R&D funds of applied technology of autonomous region received from Dongsheng Science and Technology Bureau in 2016		1,000,000.00
Subsidy received from Intellectual Property Research Association of Inner Mongolia		50,000.00
Incentives for R&D investment of enterprises received from Finance Treasury Payment Center of Dongsheng		304,800.00
High-tech Award	<b>500,000.00</b>	500,000.00
Additional funds of science and technology innovation award issued by Jungar Banner Finance Bureau	<b>251,600.00</b>	506,400.00



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V.. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 67. Other gains (Continued)

Unit: yuan Currency: RMB

Items	Amount in current period	Amount in previous period
Talent funds for postdoctoral scientific research workstation in 2018		100,000.00
Engineering construction bonus of Demonstration Enterprise of National Intellectual Property Advantage		100,000.00
Ordos Mayor Quality Award Bonus		100,000.00
Special fund subsidy for facility operation of environmental protection in excellent enterprise	300,000.00	300,000.00
Enterprise safety production standardization incentive fees		30,000.00
Discounted funds for imported goods		1,090,000.00
Subsidy for pollution prevention		1,000,000.00
Infrastructure subsidy		859,527.00
Special Fund for Independent Innovation Industry Development in Nanshan District – Sub-fund for Economic Development	66,300.00	1,000,000.00
Talent subsidy		3,017,700.00
Support development funds and incentive funds	16,885,000.00	6,917,787.00
Ordos Zhundong Science and Technology Innovation Award in 2019	843,600.00	
Financial support funds	27,602,000.01	
Incentives for innovative talent and high-level talent in Ordos	500,000.00	
Incentives for staff innovation studio in Ordos	10,000.00	
Tax handling fee refund	969,092.11	
Project of large-scale pressure vessel with an annual output of 60,000 tonnes	1,120,000.00	
Project support funds for zero emission technical transformation of concentrated brine	300,000.00	
Qianhai Enterprise Support Funds	5,000,000.00	
Unemployment insurance subsidy for job stabilisation	1,219,371.80	
Refund of the special account for the payment managed by Yuepu Town People's Government, Baoshan District, Shanghai	370,000.00	
R&D subsidy paid by Tianjin University	194,485.04	
Bonus from China Merchants	50,000.00	
Employment incentives for attracting Jungar Banner registered residence labour by local enterprises	10,000.00	
Subsidy from the Bureau of Market Supervision and Administration of Jungar Banner	37,140.00	
Input tax deduction	5,252,487.63	
<b>Total</b>	<b>102,973,075.09</b>	<b>43,940,964.00</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	<b>260,976,465.11</b>	88,093,052.02
Investment gain on disposal of long-term equity investment	<b>-1,322.50</b>	131,097,654.08
Investment gain of held-for-trading financial assets during the period of holding	<b>17,040,712.00</b>	
Dividend income from investment in other equity instruments during the period of holding	<b>1,344,147.91</b>	33,235,985.57
Investment gain on disposal of held-for-trading financial assets	<b>25,422,372.16</b>	43,283,990.07
Total	<b><u>304,782,374.68</u></b>	<u>295,710,681.74</u>

#### 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	<b>67,250,814.65</b>	27,248,234.17
Held-for-trading financial liabilities	<b>686,380.00</b>	-3,717,840.00
Total	<b><u>67,937,194.65</u></b>	<u>23,530,394.17</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 71. Loss on credit impairment

Items	Amount in current period	Amount in previous period
Bad debt loss on other receivables	-3,000,000.00	1,760,000.00
Impairment loss on debt investment	-	-
Impairment loss on other debt investment	-	-
Bad debt loss on long-term receivables	-	-
Impairment loss on contract assets	-	-
Bad debt loss on accounts receivable	2,634,165.74	-
Bad debt loss on prepayments	3,391,617.18	-
Total	<u>3,025,782.92</u>	<u>1,760,000.00</u>

#### 72. Loss on asset impairment

Items	Amount in current period	Amount in previous period
I. Bad debt losses	-	-
II. Inventory depreciation loss and impairment loss on contract performance cost	-	-2,962,344.31
III. Impairment loss on available-for-sale financial assets	-	-
IV. Impairment loss on held-to-maturity investment	-	-
V. Impairment loss on long-term equity investment	-	-
VI. Impairment loss on investment property	-	-
VII. Impairment loss on fixed assets	-	44,778,359.02
VIII. Impairment loss on construction materials	-	-
IX. Impairment loss on construction in progress	-	-
X. Impairment loss on productive biological assets	-	-
XI. Impairment loss on oil and gas assets	-	-
XII. Impairment loss on intangible assets	-	-
XIII. Impairment loss on goodwill	-	-
XIV. Others	32,328,166.71	-
Total	<u>32,328,166.71</u>	<u>41,816,014.71</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 73. Gain on disposal of assets

*Unit: yuan Currency: RMB*

Items	Amount in current period	Amount in previous period
Gains or losses on disposal of fixed assets	<b>7,274,870.13</b>	37,766,244.23
Gains or losses on disposal of construction in progress		22,586.60
Gains or losses on disposal of intangible assets		3,897,822.52
Total	<b><u>7,274,870.13</u></b>	<b><u>41,686,653.35</u></b>

#### 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	<b>1,581,741.77</b>	23,009,783.01	1,581,741.77
Including: Gain on disposal of fixed assets	<b>1,581,741.77</b>	23,009,783.01	1,581,741.77
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	<b>19,773,801.00</b>	7,917,807.77	19,773,801.00
Others	<b>43,381,525.49</b>	8,138,416.86	43,381,525.49
Total	<b><u>64,737,068.26</u></b>	<b><u>39,066,007.64</u></b>	<b><u>64,737,068.26</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 75. Non-operating expenses

Unit: yuan Currency: RMB

Items	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	<b>26,269,929.18</b>	16,261,139.25	26,269,929.18
Including: Loss on disposal of fixed assets	<b>26,269,929.18</b>	16,261,139.25	26,269,929.18
Loss on disposal of intangible assets			
Loss on debt restructuring			
Exchange loss on non-monetary assets			
Donations	<b>81,600,188.23</b>	29,184,110.00	81,600,188.23
Penalties	<b>29,392,142.69</b>	9,724,247.73	29,392,142.69
Total	<b><u>140,998,676.37</u></b>	<u>60,151,503.37</u>	<u>140,998,676.37</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	<b>942,653,865.75</b>	1,375,546,283.82
Deferred income tax expenses	<b>304,037,535.57</b>	-187,082,170.13
Total	<b><u>1,246,691,401.32</u></b>	<u>1,188,464,113.69</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	6,053,824,259.86
Income tax expense calculated at statutory/applicable tax rate	1,513,456,064.97
Impact of different tax rates applied to subsidiaries	-328,363,465.13
Impact of adjustment of income tax of previous periods	23,505,040.41
Impact of non-taxable income	-68,212,707.01
Impact of non-deductible costs, expenses and losses	134,059,609.82
Impact of utilising deductible loss of deferred tax assets unrecognized in previous periods	9,288,579.90
Impact of deductible temporary difference or deductible loss of deferred tax assets unrecognized in current period	44,617,188.23
Additional deduction for R&D expenses	-76,883,843.28
Impact of tax credit	-4,775,066.59
Income tax expenses	<u>1,246,691,401.32</u>

#### 77. Other comprehensive income

See notes for details

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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	<b>135,294,988.48</b>	119,440,280.82
Revolving fund, warranty premium and deposit	<b>806,679,988.50</b>	221,934,769.89
Government subsidy	<b>101,551,784.16</b>	31,282,450.00
Others	<b>21,306,362.04</b>	26,147,363.58
Total	<b><u>1,064,833,123.18</u></b>	<u>398,804,864.29</u>

##### (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.	<b>1,103,923,953.38</b>	184,438,935.11
Travel expenses	<b>32,971,323.53</b>	37,283,456.39
Operating expenses	<b>90,874,197.12</b>	78,172,454.92
Expenditure on public welfare donations	<b>80,710,470.00</b>	29,184,110.00
R&D expenditure	<b>335,087,811.10</b>	326,795,923.83
Others	<b>211,120,420.63</b>	227,548,895.93
Total	<b><u>1,854,688,175.76</u></b>	<u>883,423,776.18</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 78. Items in cash flow statement (Continued)

##### (3). Other cash receipts relating to investment activities

Items	Unit: yuan Currency: RMB	
	Amount in current period	Amount in previous period
Futures deposits received		68,026,637.23
Wealth management income		190,624.95
Total		68,217,262.18

##### (4). Other cash payments relating to investment activities

Items	Unit: yuan Currency: RMB	
	Amount in current period	Amount in previous period
Futures deposits paid	87,001,001.00	130,000,000.00
Total	87,001,001.00	130,000,000.00

##### (5). Other cash receipts relating to financial activities

Not applicable

##### (6). Other cash payments relating to financial activities

Items	Unit: yuan Currency: RMB	
	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	103,223,277.50	64,472,000.00
Lease related payments	2,635,113.30	710,111.70
Total	106,618,690.80	65,182,111.70

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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
<b>1. Net profit adjusted to cash flow of operating activities:</b>		
Net profit	4,807,132,858.54	5,171,915,850.81
Add: Provision for impairment of assets	35,353,949.63	43,576,014.71
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	1,951,449,988.60	1,506,369,157.37
Amortization of right-of-use assets		
Amortization of intangible assets	109,636,583.58	86,576,546.98
Amortization of long-term deferred expenses	423,077,985.28	1,123,854,752.73
Losses from disposal of fixed assets, intangible assets and other long-term assets (“-” for gains)	-7,274,870.13	-41,686,653.35
Losses from scrapping of fixed assets (“-” for gains)	24,688,187.41	-6,748,643.76
Losses from changes in fair value (“-” for gains)	-67,937,194.65	-23,530,394.17
Finance expenses (“-” for gains)	1,724,778,997.84	1,240,948,507.38
Investment losses (“-” for gains)	-304,782,374.68	-295,710,681.74
Decrease in deferred income tax assets (“-” for increase)	268,028,674.20	71,847,257.20
Increase in deferred income tax liabilities (“-” for decrease)	36,008,861.37	-258,929,427.33
Decrease in inventories (“-” for increase)	-743,881,336.48	186,320,120.01
Decrease in operating receivables (“-” for increase)	320,131,581.56	1,420,588,299.54
Increase in operating payables (“-” for decrease)	-2,095,556,504.93	-491,689,621.45
Others	6,480,855,387.14	9,733,701,084.93
Net cash flow from operating activities		
<b>2. Significant investing and financing activities that do not involve cash receipts and payment:</b>		
Conversion of debts into capita		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	15,954,045,957.75	16,994,167,148.20
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	<u>-1,040,121,190.45</u>	<u>3,261,068,946.63</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 79. Supplementary information of cash flow statement (Continued)

(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	<u>1,197.37</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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
<b>I. Cash</b>	<b>15,954,045,957.75</b>	16,994,167,148.20
Of which: Treasury cash	<b>1,012,542.40</b>	1,696,877.14
Bank deposit that can be used for payment at any time	<b>15,953,033,415.35</b>	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		
<b>II. Cash equivalents</b>		
Of which: bond investments due within 3 months		
<b>III. Balance of cash and cash equivalents at the end of the period</b>	<b>15,954,045,957.75</b>	16,994,167,148.20
Of which: restricted cash and cash equivalents used by the parent company and the subsidiaries of the Group		

#### 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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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	509,590,015.87	For the bank acceptance bill deposit, guarantee deposit and environmental protection deposit, please see Note 1 to this Note VII. for details.
Total	509,590,015.87	/

#### 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	22,963,515.58	6.9762	160,198,077.39
EURO	3,804,793.34	0.8958	3,408,333.87
Long-term loans	–	–	–
Including: Dinars	3,449,700.00	23.0116	79,383,116.52

##### (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 31 December 2019: 1 USD = 6.9762 RMB.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. 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 treatment and dust suppression project	50,000.00
Asset-related	1,620,000.00	Hongyi Mine airtight cylinder coal storage warehouse project	180,000.00
Asset-related	3,125,000.00	Waste steam power generation project	250,000.00
Asset-related	6,700,000.00	Boiler flue gas desulfurization project	400,000.00
Asset-related	625,000.00	High temperature slurry bed Fischer-Tropsch process project	50,000.00
Asset-related	4,550,000.00	Fischer-Tropsch process water comprehensive utilization project	250,000.00
Asset-related	50,458,500.00	Infrastructure subsidy	0.00
Revenue-related	195,339.97	R&D subsidy paid by Tianjin University	194,485.04
Asset-related	2,000,000.00	Research and development fund of coal indirect liquefaction process	0.00
Asset-related	4,480,000.00	Project of large-scale pressure vessel with an annual output of 60,000 tonnes	1,120,000.00

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 84. Government subsidy (Continued)

##### (1). Basic information about government subsidies (Continued)

Unit: yuan Currency: RMB

Category	Amount	Item presented	Amount included in the current profits or losses
Asset-related	1,600,000.00	Construction project of management system of enterprise intelligence and safety information platform	0.00
Asset-related	300,000.00	Project support funds for zero emission technical transformation of concentrated brine	300,000.00
Revenue-related	38,111,998.50	Financial support special fund	38,111,998.50
Revenue-related	2,200,000.00	Subsidy from Jungar Banner Technology Bureau	2,200,000.00
Revenue-related	500,000.00	High-tech Award	500,000.00
Revenue-related	251,600.00	Additional funds of science and technology innovation award issued by Jungar Banner Finance Bureau	251,600.00
Revenue-related	300,000.00	Special fund subsidy for facility operation of environmental protection in excellent enterprise	300,000.00
Revenue-related	66,300.00	Special Fund for Independent Innovation Industry Development in Nanshan District - Sub-fund for Economic Development	66,300.00
Revenue-related	16,885,000.00	Supportive development funds and incentive funds	16,885,000.00
Revenue-related	843,600.00	Ordos Zhundong Science and Technology Innovation Award in 2019	843,600.00
Revenue-related	27,602,000.01	Financial support funds	27,602,000.01

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 84. Government subsidy (Continued)

##### (1). Basic information about government subsidies (Continued)

Unit: yuan Currency: RMB

Category	Amount	Item presented	Amount included in the current profits or losses
Revenue-related	500,000.00	Incentives for innovative talent and high-level talent in Ordos	500,000.00
Revenue-related	10,000.00	Incentives for staff innovation studio in Ordos	10,000.00
Revenue-related	969,092.11	Tax handling fee refund	969,092.11
Revenue-related	5,000,000.00	Qianhai Enterprise Support Funds	5,000,000.00
Revenue-related	1,219,371.80	Unemployment insurance subsidy for job stabilisation	1,219,371.80
Revenue-related	370,000.00	Refund of the special account for the payment managed by Yuepu Town People's Government, Baoshan District, Shanghai	370,000.00
Revenue-related	50,000.00	Bonus from China Merchants	50,000.00
Revenue-related	10,000.00	Employment incentives for attracting Jungar Banner registered residence labour by local enterprises	10,000.00
Revenue-related	37,140.00	Subsidy from the Bureau of Market Supervision and Administration of Jungar Banner	37,140.00
	<u>170,629,942.39</u>		<u>97,720,587.46</u>

##### (2). Refund of government subsidies

Not applicable



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VI. CHANGES IN CONSOLIDATION SCOPE

#### 1. Business merger under different control

Not applicable

#### 2. Business combination under common control

##### (1). Business combination under common control in the current period

Unit: yuan Currency: RMB

Name of merged party	Percentage of equity acquired in the business combination	Basis for business combination under common control	Date of merger	Basis for determining the date of merger	Merged party's income from the beginning of the current period to the date of merger	Merged party's net income from the beginning of the current period to the date of merger	Merged party's income in the comparative period	Merged party's net profit in the comparative period
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	72.66%	-	30 December 2019	-	1,685,864,968.75	599,298,041.86	1,867,078,233.76	771,322,591.12

Other explanations:

The explanation of the basis for the transaction to form a business combination under the common control and the basis for determining the date of merger: On 30 December 2019, Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) (hereinafter referred to as "Yitai Huzhun Railway Company") and Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) (hereinafter referred to as "Yitai Zhundong Railway Company") signed a merger agreement, which agreed that Yitai Huzhun Railway Company merged Yitai Zhundong Railway Company by way of merger and acquisition, and Yitai Huzhun Railway Company inherits and undertakes all the assets, liabilities, business, personnel and all other rights and obligations of Yitai Zhundong Railway Company, and Yitai Zhundong Railway Company cancelled its legal personality. The merger and acquisition agreement specifies the positioning of directors, supervisors and management of the surviving company thereafter. The date of merger is determined to be 30 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VI. CHANGES IN CONSOLIDATION SCOPE (Continued)

#### 2. Business combination under common control (Continued)

##### (2). Combined cost

Unit: yuan Currency: RMB

Combined cost	– Company
Par value of the issued equity securities	1,554,000,000.00

##### (3). Book value of assets and liabilities of Merged party at the date of merger

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)	
	Date of merger	The end of the previous period
Assets:	7,221,325,134.73	6,687,485,733.38
Monetary funds	801,982,721.00	388,179,595.99
Accounts receivable	242,491,843.63	171,660,591.98
Inventories	29,229,296.40	27,537,634.94
Other current assets	16,204,520.85	892,406.49
Long-term equity investment	559,780,867.47	518,624,222.23
Investment in other equity instruments	203,535,864.98	259,851,265.82
Fixed assets	4,567,058,017.47	4,821,326,431.84
Construction in progress	235,870,201.97	29,869,298.98
Intangible assets	10,472,097.45	10,833,527.51
Long-term deferred expenses	30,757,851.03	33,926,280.24
Deferred income tax assets	23,941,852.48	24,784,477.36
Other non-current assets	500,000,000.00	400,000,000.00
Liabilities:	1,674,681,722.97	1,303,933,173.86
Borrowings	854,000,000.00	1,012,000,000.00
Accounts payable	726,896,955.63	140,126,032.78
Staff remuneration payable	48,815,417.50	58,759,466.42
Taxes payable	32,990,613.85	72,621,628.54
Deferred income tax liabilities	11,978,735.99	20,426,046.12
Net assets	5,546,643,411.76	5,383,552,559.52
Less: minority interests		
Net assets acquired	5,546,643,411.76	5,383,552,559.52

#### 3. Counter purchase

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VI. CHANGES IN CONSOLIDATION SCOPE (Continued)

#### 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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VI. CHANGES IN CONSOLIDATION SCOPE (Continued)

#### 5. Changes in the scope of consolidation due to other reasons (Continued)

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: (Continued)

5. In September 2019, the Company established a wholly-owned subsidiary, Yitai Equity Investment Management Co., Ltd.(伊泰股權投資管理有限公司) with a registered capital of RMB100 million. On 18 September 2019, it obtained the “Business License for Enterprise Legal Person” (Unified Social Credit Code: 91440300MA5FTHQU5Y) issued by the Administration Bureau for Industry and Commerce of Shenzhen. A wholly-owned subsidiary was added to the scope of consolidation during the period.
6. In August 2019, the Company established a wholly-owned subsidiary, Shanghai Lingang Yitai Supply Chain Co., Ltd.(上海臨港伊泰供應鏈有限公司) with a registered capital of RMB50 million. On 14 August 2019, it obtained the “Business License for Enterprise Legal Person” (Unified Social Credit Code: 91310120MA1HTBXA49) issued by the Administration Bureau for Industry and Commerce of Shanghai. A wholly-owned subsidiary was added to the scope of consolidation during the period.
7. In August 2019, Inner Mongolia Yitai Galutu Mining Co., Ltd.(內蒙古伊泰嘎魯圖礦業有限公司) (hereinafter referred to as “Yitai Galutu Company”) introduced a new shareholder Inner Mongolia Mining (Group) Co., Ltd. (hereinafter referred to as “Mining Group”) and changed its articles of association. After the equity change in the current period, the shareholding ratios of the Company and Mining Group to Yitai Galutu are 47.23% and 52.77%, respectively. The scope of consolidation in this period decreased by 1 wholly-owned subsidiary.
8. In December 2019, the Company’s holding subsidiary Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) (hereinafter referred to as “Yitai Huzhun Railway Company”) merged Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) (hereinafter referred to as “Yitai Zhundong Railway Company”), Yitai Huzhun Railway Company inherits and undertakes all assets, liabilities, business, personnel and all other rights and obligations of Yitai Zhundong Railway Company, and Yitai Zhundong Railway Company cancelled its legal personality. The scope of consolidation in the current period decreased by 1 holding subsidiary.
9. In the current period, the Company completed the liquidation and cancellation of its wholly-owned subsidiary, Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限公司) and removed one wholly-owned subsidiary in the scope of consolidation in the current period.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

##### (1). Composition of the Group

Name of subsidiary	kind of legal entity	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)	limited liability	Ordos	Nalin Taohai Town, Yijin Holo Banner, Ordos	Coal mining	100.00	-	Subsidiary acquired through business combination under common control
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)	limited liability	Ordos	Majjata Village, Haji Gaole Township, Jungar Banner	Coal mining	52.00	-	Subsidiary acquired through establishment or investment
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	limited	Shanghai	Lingshi Road, Shanghai	Consultation	100.00	-	Subsidiary acquired through establishment or investment
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	limited	Shanghai	Room 504-A27, East Floor of Building 1, No.29, Jiatai Road, Shanghai Pilot Free Trade Zone, China	Investment management	100.00	-	Subsidiary 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)	limited	Shenzhen	Room 201, Block A, No.1, Qianwan Road 1, Qianhai Shenzhen – Hong Kong Cooperative District, Shenzhen	Sales of coal	100.00	-	Subsidiary acquired through establishment or investment
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	limited	Hong Kong	Room 3312, 33/F, Rian Centre, 6-8 Harbour Road, Wanchai, Hong Kong	International trade	100.00	-	Subsidiary acquired through establishment or investment
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd. (內蒙古伊泰准格爾煤炭運輸有限責任公司)	limited liability	Ordos	Hujitu Village, Jungar Town, Jungar Banner, Ordos	Sales of coal	100.00	-	Subsidiary 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)	limited	Ulanqab	Xinghe Miaoliang Coal Logistics Park, Ulanqab	Sales of coal	100.00	-	Subsidiary acquired through establishment or investment
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司)	limited	Ordos	Yitai Building, North Tianjiao Road, Dongsheng District	Railway transportation	72.66	-	Subsidiary acquired through business combination under different control
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	limited liability	Ordos	Crystal Road, Xuejiawan Town, Jungar Banner, Ordos, Inner Mongolia Autonomous Region	Railway transportation	-	61.00	Subsidiary acquired through business combination under different control
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)	limited liability	Ordos	Warm Water Township, Jungar Banner	Consultation	-	51.00	Subsidiary acquired through establishment or investment



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 1. Interests in subsidiaries (Continued)

##### (1). Composition of the Group (Continued)

Name of subsidiary	kind of legal entity	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition Method
					Direct	Indirect	
Zhungeer Huzhun Ruyi Logistics Co., Ltd. (准格爾旗呼如意物流有限責任公司)	limited liability	Ordos	Guanniujia, Town East Kongdui Village, Jungar Road	Storage and loading of goods	-	51.00	Subsidiary acquired through establishment or investment
Inner Mongolia Yitai Coalto- Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	limited liability	Ordos	Dalu Town, Jungar Banner	Coal-related chemical	51.00	-	Subsidiary 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)	limited liability	Ordos	New District, Jungar Banner Road	Manufacturing	-	83.89	Subsidiary acquired through business combination under different control
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	limited	Yili	Yinan Industrial Park, Chabuhaer County, Yili, Xinjiang	Coal technology development	90.20	-	Subsidiary acquired through business combination under common control
Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	limited	Yili	Yinan Industrial Park, Chabuhaer County	Investment	90.27	-	Subsidiary acquired through establishment or investment
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	limited	Urumchi	Room 1512, No.1 Weitai South Road, Urumqi Economic and Technological Development Zone	Consultation	90.2	-	Subsidiary acquired through establishment or investment
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	limited liability	Ordos	Sini South Road, 109 National North Road, Xini Town, Hangjinqi	Chemical production	61.15	-	Subsidiary 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)	limited liability	Ordos	South Project Area, Dugui Tala Industrial Park, Hangjin Banner, Ordos	Municipal administration for infrastructure	-	80.00	Subsidiary acquired through establishment or investment
Inner Mongolia Yitai Ningeng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	limited	Ordos	Dugui Tala Industrial Park, Hangjin Banner, Ordos	Coal-related chemical	-	51.00	Subsidiary acquired through establishment or investment
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	limited	Ordos	Dongsheng District, Ordos	Sales of oil and chemicals	90.20	-	Subsidiary acquired through establishment or investment

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 1. Interests in subsidiaries (Continued)

##### (1). Composition of the Group (Continued)

Name of subsidiary	kind of legal entity	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition Method
					Direct	Indirect	
Yitai Clean Oil Products (Beijing) Co., Ltd. (伊泰清潔油品(北京)有限公司)	limited	Beijing	No.88 Yangyan Road, Yanqi Economic Development Zone, Huairou District, Beijing	Sales of oil and chemicals	-	100.00	Subsidiary acquired through establishment or investment
Yitai Chemical (Shanghai) Co., Ltd. (伊泰化學(上海)有限公司)	limited	Shanghai	Jinle Road, Baoshan District, Shanghai	Sales of oil and chemicals	-	100.00	Subsidiary 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)	limited liability	Ordos	No. 14 Street, Yimei South Road, Dongsheng District, Ordos, Inner Mongolia Autonomous Region	Railway investment	100.00	-	Subsidiary acquired through establishment or investment
Inner Mongolia Yitai Nalinmiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災害治理有限公司)	limited	Ordos	Liuzhongnan Block District, No. 14 Yimei South Road, Dongsheng District, Ordos	Disaster management	100.00	-	Subsidiary acquired through establishment or investment
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限責任公司)	limited liability	Qinhuangdao	No. 225 Haining Road, Beidaihe District, Qinhuangdao, Hebei Province	Sales of coal	100.00	-	Subsidiary acquired through establishment or investment
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰(山西)煤炭運輸有限責任公司)	limited liability	Taiyuan	Room 210-4, 2/F, Zizhengyuan Building B, No.46 Jingyuan Road, Private District, Taiyuan	Sales of coal	100.00	-	Subsidiary 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)	limited	Chongqing	2-1, Unit 3, Building 2, No.53 Gangcheng West Road, Jiangbei District, Chongqing	Research and development	60.00	-	Subsidiary 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)	limited	Ordos	Dongsheng District, Ordos	Test for coal quality and oil	100.00	-	Subsidiary 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(有限合夥))	limited partnership	Xiaoshan District, Hangzhou, Zhejiang Province	Xianghu Financial Town, Xiaoshan District, Hangzhou, Zhejiang Province, China	Fund investment	100.00	-	Subsidiary acquired through establishment or investment
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))	limited partnership	Jiujiang, Jiangxi Province	Gongqingcheng Private Equity Fund Innovation Park, Jiujiang, Jiangxi Province	Investment in project, management and industry	98.70	-	Subsidiary acquired through establishment or investment

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 1. Interests in subsidiaries (Continued)

##### (1). Composition of the Group (Continued)

Name of subsidiary	kind of legal entity	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition Method
					Direct	Indirect	
Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)	limited	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	-	Subsidiary 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)	limited	Tangshan	Caofeidian Lingang Business District, Tangshan	Supply chain management services, sales and transportation of coal	100.00	-	Subsidiary acquired through establishment or investment
Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤炭有限責任公司)	limited	Ordos	Daliuta Village, Nalin Taohai Town, Yijin Holo Banner, Ordos	Coal	100.00	-	Subsidiary acquired through establishment or investment
Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	limited	Nanshan District, Shenzhen	China Resources Headquarters, 2666 Keyuan South Road, Haizhu Community, Yuehai Street	Investment management	100.00	-	Subsidiary acquired through establishment or investment
Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海臨港伊泰供應鏈有限公司)	limited	Shanghai	Room 3278, Building 2, Lane 1800, Xinyang Highway, Fengxian District, Shanghai	Supply chain management	100.00	-	Subsidiary acquired through establishment or investment

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 1. Interests in subsidiaries (Continued)

##### (2). Significant non-wholly-owned subsidiaries

*Unit: yuan 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	Closing 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	-1,282.04	-	130,948.23
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	85,066.90	38,880.00	323,073.26
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司)	27.34	15,084.09	11,492.00	217,891.03
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	38.85	6,157.92	1,383.94	236,429.15

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 1. Interests in subsidiaries (Continued)

##### (3). Main financial information for significant non-wholly-owned subsidiaries

Unit: yuan 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)	51,530.13	330,433.89	381,964.02	71,427.06	39,401.00	110,828.06	80,661.47	338,747.23	419,408.70	43,264.96	101,748.00	145,012.96
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)	360,513.51	355,897.59	716,411.10	39,153.58	4,188.24	43,341.82	285,457.91	346,459.60	631,917.51	58,234.85	3,685.66	61,920.51
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司)	122,892.72	1,212,607.54	1,335,500.26	236,527.29	265,229.13	501,756.42	75,794.32	1,236,690.97	1,312,485.29	186,721.40	300,122.82	486,844.22
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	392,769.26	1,425,678.66	1,818,447.92	263,302.82	939,185.19	1,202,488.01	505,623.90	1,436,403.59	1,942,027.49	198,575.35	1,139,200.00	1,337,775.35



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 1. Interests in subsidiaries (Continued)

##### (3). Main financial information for significant non-wholly-owned subsidiaries (Continued)

Name of subsidiaries	Amount in current period				Amount in 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)	96,541.90	-3,247.16	-3,247.16	18,177.77	89,395.99	3,183.66	3,183.66	9,664.00
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)	385,592.68	177,222.72	177,222.72	184,552.61	352,997.08	161,825.05	161,825.05	157,920.17
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司)	223,339.52	51,236.97	46,450.16	112,980.17	240,684.48	66,650.23	68,654.86	175,904.36
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	522,358.14	14,675.64	14,675.64	98,620.31	129,195.14	5,778.09	5,778.09	194,701.88

##### (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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 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 Ordos Dama Railway Co., Ltd. (鄂爾多斯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 Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司). As of 31 December 2019, the above capital increase has been completed.
- 2) In December 2019, Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) (hereinafter referred to as "Yitai Huzhun Railway Company") and Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) (hereinafter referred to as "Yitai Zhundong Railway Company") signed a merger agreement, which agreed that Yitai Huzhun Railway Company merged Yitai Zhundong Railway Company by way of merger and acquisition, and Yitai Huzhun Railway Company inherits and undertakes all the assets, liabilities, business, personnel and all other rights and obligations of Yitai Zhundong Railway Company, and Yitai Zhundong Railway Company cancelled its legal personality. After the completion of the above merger and acquisition, the Company's shareholding ratio in Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) was 72.66%. As of 31 December 2019, the above merger and acquisition 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)	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		
– Fair value of non-cash assets	27,000,000.00	1,554,000,000.00
Total acquisition cost/disposal consideration	27,000,000.00	1,554,000,000.00
Less: Net asset share of the subsidiary calculated according to percentage of the acquired/ disposed equity	26,992,907.27	1,525,464,576.97
Differences	7,092.73	28,535,423.03
Including: adjustment to capital reserves	7,092.73	28,535,423.03

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. 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 Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)	Ordos	Galutu Town, Wushen Banner, Ordos, Inner Mongolia	Raw coal production and sales	47.23	-	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:

None

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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 3. Equity in joint ventures or associates (Continued)

##### (2). Key financial information of significant associates

	Unit: yuan		Currency: RMB
	Closing balance/ Amount in current period	Opening balance/ Amount in previous period	
	Inner Mongolia		
	Ordos Yitai Water Co., Ltd. (鄂爾多斯市 伊泰水務 有限責任公司)	Yitai Galutu Mining Co., Ltd. (內蒙古伊泰 嘎魯圖礦業 有限公司)	Ordos Yitai Water Co., Ltd. (鄂爾多斯市 伊泰水務 有限責任公司)
Current assets	20,369,676.23	77,390,718.70	21,103,506.20
Of which: cash and cash equivalent	6,926,007.59	77,390,718.70	3,720,183.99
Non-current assets	92,409,351.71	922,675,031.00	95,400,657.99
Total assets	112,779,027.94	1,000,065,749.70	116,504,164.19
Current liabilities	6,235,547.75	1,932.82	4,972,474.74
Non-current liabilities			
Total liabilities	6,235,547.75	1,932.82	4,972,474.74
Minority equity	-	-	-
Shareholders' equity attributable to the Parent Company	106,543,480.19	1,000,063,816.88	111,531,689.45
Net asset calculated by proportion of shareholding	52,206,305.29	472,330,140.71	55,112,800.30
Book value of equity investment in joint ventures	52,206,305.29	472,330,140.71	55,112,800.30
Fair value of equity investments in joint ventures with public offer	-	-	-
Operating revenues	13,433,675.84		22,737,455.80
Financial cost	-41,318.66	-315,858.93	-76,635.54
Income tax expense		1,973.72	-
Net profit	2,470,681.11	63,885.21	12,531,689.45
Total comprehensive income	2,470,681.11	63,885.21	12,531,689.45
Dividends received from associates in the current year	4,144,856.28	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 3. Equity in joint ventures or associates (Continued)

##### (3). Main financial information for significant associates

Unit: yuan Currency: RMB

	Closing balance/ Amount in current period			Opening balance/ Amount in previous period		
	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Inner Mongolia Yitai Generation Co., Ltd. (內蒙古伊泰發電有限公司)	Inner Mongolia Yitai Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限公司)	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Inner Mongolia Yitai Generation Co., Ltd. (內蒙古伊泰發電有限公司)	Inner Mongolia Yitai Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限公司)
Current assets	9,844,448,028.72	202,677,940.88	563,197,928.79	13,204,522,389.04	375,204,349.65	2,087,915,182.85
Non-current assets	1,442,190.72	3,294,753,396.16	43,478,216,268.14	2,150,319.05	2,497,358,331.17	41,460,514,577.03
Total assets	9,845,890,219.44	3,497,431,337.04	44,041,414,196.93	13,206,672,708.09	2,872,562,680.82	43,548,429,759.88
Current liabilities	8,379,204,178.44	872,980,569.47	885,056,209.76	11,983,521,550.89	694,617,108.65	712,643,802.02
Non-current liabilities		687,366,388.01	4,434,446,584.47		719,134,066.05	4,554,422,802.46
Total liabilities	8,379,204,178.44	1,560,346,957.48	5,319,502,794.23	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	1,466,686,041.00	1,937,084,379.56	38,721,911,402.70	1,223,151,157.20	1,458,811,506.12	38,281,363,155.40
Net asset calculated by proportion of shareholding	586,674,416.54	561,754,470.07	7,744,382,280.54	489,260,462.88	423,055,336.78	7,656,272,631.08
Book value of equity investment in associates	586,674,416.54	561,754,470.07	7,744,382,280.54	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	334,141,588.16	778,521,460.71	2,885,153,141.38	316,175,452.87	681,069,552.51	2,629,624,045.63
Net profit	243,534,883.80	70,272,873.44	590,548,247.32	137,208,286.24	13,943,016.04	545,069,966.63
Net profits of discontinuing operation						
Other comprehensive income						
Total comprehensive income	243,534,883.80	70,272,873.44	590,548,247.32	137,208,286.24	13,943,016.04	545,069,966.63
Dividends received from associates in the current year			30,000,000.00			100,000,000.00



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. 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*

	Closing balance/ Amount in current period	Opening balance/ Amount in previous period
Joint ventures:		
Total of investment book value	302,926,981.21	292,331,754.49
Total amount calculated by the following proportion of shareholding		
– Net profit	68,444,940.12	36,892,404.25
– Other comprehensive income		
– Total comprehensive income	68,444,940.12	36,892,404.25

##### (5). Explanation on the significant restrictions for joint ventures or associates transferring funds to the Company

Not applicable

##### (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	5,604,357.02	429,401.56	6,033,758.58

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### 3. Equity in joint ventures or associates (Continued)

##### (6). Excess loss generated in joint ventures or associates (Continued)

Other explanations

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 31 December 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

#### 4. Significant joint venture

Not applicable

#### 5. Equity of structuring subject out of the range of combined financial statement

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VIII. 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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VIII. RISK RELATED TO FINANCIAL INSTRUMENT (Continued)

#### (I) Credit risk (Continued)

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 31 December 2019, the book balance and expected credit losses of related assets are as follows:

Items	Book balance	Impairment provision
Notes receivable	25,209,394.48	—
Accounts receivable	1,558,323,217.78	22,339,885.92
Prepayments	664,785,082.10	6,634,617.18
Other receivables	570,226,689.88	10,180,115.69
Total	<u>2,818,544,384.24</u>	<u>39,154,618.79</u>

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VIII. RISK RELATED TO FINANCIAL INSTRUMENT (Continued)

#### (II) Liquidity risk (Continued)

As of 31 December 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	Closing balance					Total
		Within 1 month	1-3 month(s)	3 months-1 year	1-5 year(s)	Over 5 years	
Short-term borrowings	-	-	-	2,550,000,000.00	-	-	2,550,000,000.00
Transactional financial liabilities	-	3,035,060.00	-	-	-	-	3,035,060.00
Notes payable	-	-	-	878,795,526.24	-	-	878,795,526.24
Accounts payable	-	-	-	2,820,890,520.24	-	-	2,820,890,520.24
Other payables	-	-	-	2,053,058,831.46	-	-	2,053,058,831.46
Long-term borrowings	-	136,410,160.03	2,195,000,000.00	3,576,335,160.04	21,192,708,332.62	4,944,679,227.94	32,045,132,880.63
Bonds payable	-	-	-	-	5,872,769,550.23	-	5,872,769,550.23
Lease liabilities	-	208,300.88	3,641,601.76	328,649,707.92	6,915,082.45	-	339,414,693.01
Long-term payables	-	-	-	1,700,000.03	125,000,000.00	396,000,000.00	522,700,000.03
Total	-	139,653,520.91	2,198,641,601.76	12,209,429,745.93	27,197,392,965.30	5,340,679,227.94	47,085,797,061.84

Items	Immediate repayment	Opening balance					Total
		Within 1 month	1-3 month(s)	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	4,091,601.76	84,899,707.92	252,244,386.76	-	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	1,742,543,601.76	14,778,924,610.55	18,779,414,962.79	12,944,250,000.00	48,309,716,417.82



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VIII. 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 31 December 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	160,198,077.39	3,408,333.87	–	163,606,411.26
Sub-total	160,198,077.39	3,408,333.87	–	163,606,411.26
Foreign currency financial liabilities:				
Short-term borrowings	–	–	–	–
Long-term borrowings due within one year	–	–	17,640,701.02	17,640,701.02
Long-term borrowings	–	–	61,742,415.50	61,742,415.50
Sub-total	–	–	79,383,116.52	79,383,116.52

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	155,912,470.92	2,022,385.90	–	157,934,856.82
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	–	–	27,244,975.21	27,244,975.21

(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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### VIII. RISK RELATED TO FINANCIAL INSTRUMENT (Continued)

#### (III) Market risk (Continued)

##### 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.

(1) As of 31 December 2019, the Company's long-term interest-bearing debts are mainly the floating rate contracts denominated in RMB, with a contract value of RMB32,045,132,880.63. See Note VII (43) and (45) for details.

(2) Sensitivity analysis:

As of 31 December 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 RMB160,225,664.4, including a decrease or an increase by approximately RMB150,763,164.4 in total profit for the year, and an increase or a decrease by RMB9,462,500.00 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### IX. DISCLOSURE OF FAIR VALUE

#### 1. Closing 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	
<b>I. Sustained fair value measurement</b>				
(I) Trading financial assets	716,960.00	–	938,546,351.20	939,263,311.20
1. Financial assets at fair value through profit or loss	716,960.00	–	938,546,351.20	939,263,311.20
(1) Investment in debt instruments	–	–	–	–
(2) Investment in equity instruments	–	–	938,546,351.20	938,546,351.20
(3) Derivative financial assets	716,960.00	–	–	716,960.00
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	125,925,939.10	–	7,216,293,524.21	7,342,219,463.31
(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	–	–	–	–
<b>Total assets with sustained fair value measurement</b>	<b>126,642,899.10</b>	<b>–</b>	<b>8,154,839,875.41</b>	<b>8,281,482,774.51</b>
(VI) Trading financial liabilities	3,035,060.00	–	–	3,035,060.00
1. Financial liabilities at fair value through profit or loss	–	–	–	–
Including: Issued trading bonds	–	–	–	–
Derivative financial liabilities	3,035,060.00	–	–	3,035,060.00
Others	–	–	–	–
2. Financial liabilities designated at fair value through profit or loss	–	–	–	–
<b>Total liabilities with sustained fair value measurement</b>	<b>3,035,060.00</b>	<b>–</b>	<b>–</b>	<b>3,035,060.00</b>
<b>II. Non-sustained fair value measurement</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
(I) Assets held for sale	–	–	–	–
<b>Total assets with non-sustained fair value measurement</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total liabilities with non-sustained fair value measurement</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### IX. 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**

Nil

**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 carrying 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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### IX. 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, funds paid in advance, short-term borrowings, accounts payable, funds received in advance, contract liabilities, non-current liabilities due within one year, long-term borrowings and bonds payable.

The carrying value of the above financial assets and liabilities not measured at fair value approximates to their fair value.

### X. 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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### X. 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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. 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
Inner Mongolia Yitai Western Coal Co., Ltd.	Subsidiary of the parent 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.	Subsidiary not controlled by the 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 of a subsidiary
Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	Indirect 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 New Energy Development Co., Ltd.	Indirect subsidiary of the parent company
Inner Mongolia Yitai Information Technology Co., Ltd.	Legal person with associated natural person as director
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
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Indirect subsidiary of the parent company
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Indirect 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
Inner Mongolia Yitai Real Estate Co., Ltd.	A company controlled by the related natural person
Yitai Group (Hongkong) Co., Ltd.	Wholly-owned subsidiary of the parent company

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. 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: yuan	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.	3,864.03	4,197.06
Inner Mongolia Machine Equipments Complete Co., Ltd.	Supervision services	354.42	427.38
Synfuels China Inner Mongolia Co., Ltd.	Catalysts	24,021.04	27,797.23
Synfuels China Engineering Holdings Co., Ltd.	Equipment, technical services and others	6,198.63	5,715.22
Inner Mongolia Yitai Group Co., Ltd.	Coal	289,537.38	265,867.85
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	Coal	22,221.93	7,641.45
Keling Environmental Protection Co., Ltd.	Treatment of hazardous waste	2,091.71	2,478.78
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Agricultural byproducts	5.16	37.08
Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	Agricultural byproducts	122.20	12.85
Inner Mongolia Yitai Western Coal Co., Ltd.	Coal	20,071.57	3,087.01
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity charges	2,814.77	2,883.96
Ordos Yitai Water Co., Ltd.	Industrial water	0	1,166.68
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Agricultural byproducts	0.78	371.80
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Agricultural byproducts	2.53	0.54
Mengji Railway Co., Ltd.	Transportation services	81,542.68	115,993.76
Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Technical services fees	0.79	6.60
Inner Mongolia Yitai Pastoral Technological Innovation Incubator Service Limited	Agricultural byproducts	2.58	0
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Coal	179.96	0
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	6.04	0
Yigudao (Beijing) Food Marketing Co., Ltd.	Agricultural byproducts	43.78	0
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Agricultural byproducts	9.01	0
Inner Mongolia Yitai Real Estate Co., Ltd.	Fixed assets	21,829.34	0
Total		474,920.33	437,685.25

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. 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

Related party	Content of related party transactions	Unit: yuan Currency: RMB	
		Amount for the period	Amount for last period
Inner Mongolia Yitai Western Coal Co., Ltd.	Materials		0.44
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	Materials, equipment, lease services, etc.	<b>11,765.20</b>	17,269.67
Inner Mongolia Jingtai Power Generation Co., Ltd.	Coal	<b>25,042.56</b>	22,382.07
Synfuels China Inner Mongolia Co., Ltd.	Oil products, liquefied gas, etc.	<b>806.82</b>	1,346.68
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Transportation services	<b>13,576.47</b>	9,928.51
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Moving services, lease, materials, etc.	<b>1,474.83</b>	1,327.26
Keling Environmental Protection Co., Ltd.	Sale of assets, electricity, materials, etc.	<b>423.23</b>	631.02
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Electricity and materials	<b>1,450.32</b>	987.65
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Oil products, assets and others	<b>22.21</b>	1,832.53
Inner Mongolia Jinglong Power Generation Co., Ltd.	Coal	<b>6,857.23</b>	7,185.46
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity charges, heating charges and others	<b>21.11</b>	31.17
Synfuels China Inc.	Catering and accommodation services	<b>24.22</b>	5.21
Synfuels China Inner Mongolia Technology Institute Co., Ltd	Electricity charges	<b>0</b>	1.64
Inner Mongolia Yitai Investment Co., Ltd.	Legal services	<b>9.43</b>	0
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Common media and heating charges	<b>26.62</b>	0
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	<b>11,867.11</b>	0
Total		<b>73,367.36</b>	62,929.31

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. 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)**

*Explanations on related party transactions on purchase or sale of goods and provision or acceptance of services*

The related connected transaction agreements signed by the Company and related parties are carried out by the parties on the principle of voluntariness, equality and mutual benefit, and the transaction price is implemented at the market price.

(2). **Related entrusted management/contracting and entrusting management/outsourcing**

Not applicable

(3). **Related party leasing**

The Company acts as a lessor:

Not applicable

The Company acts as a lessee:

Name of lessor	Type of leased assets	Unit: yuan Currency: RMB	
		Rental expenses recognized in the period	Rental expenses recognized in last period
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	Equipment	7,500,000.00	7,500,000.00
Guangbo Huitong Finance Leasing Company Limited	Equipment	9,000,000.00	9,000,000.00
<b>Total</b>		<b>16,500,000.00</b>	<b>16,500,000.00</b>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

#### 5. Information on related party transactions (Continued)

##### (3). Related party leasing (Continued)

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 RMB172,500,000.00 on an interest rate of 5.00% for a term of three years. Amortization on finance costs unrecognized in the period, amounting to RMB7,500,000.00, was included in construction in progress, the closing balance of lease liabilities was RMB153,750,001.00, and unrecognized finance costs amounted to RMB3,750,001.00. The above lease liabilities are due within one year, and the financial statements are presented as "Non-current liabilities due within one year".
- 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 RMB201,490,000.00 on an interest rate of 5.00% for a term of three years. Amortization on finance costs unrecognized in the period, amounting to RMB9,000,000.00, was included in construction in progress, the closing balance of lease liabilities was RMB183,490,000.00, and unrecognized finance costs amounted to RMB3,490,000.00. The above lease liabilities are due within one year, and the financial statements are presented as "Non-current liabilities due within one year".

##### (4). Related party guarantees

The Company acts as the guaranteed party

Unit: yuan Currency: RMB

Name of guarantee	Guaranteed amount	Start date	Due date	Whether the guarantee has been fulfilled
Inner Mongolia Yitai Group Co., Ltd.	500,000,000.00	2019.9.19	2021.09.18	No
Inner Mongolia Yitai Group Co., Ltd.	500,000,000.00	2019.11.28	2021.11.26	No
Total	1,000,000,000.00			

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

#### 5. Information on related party transactions (Continued)

##### (4). Related party guarantees (Continued)

The Company acts as the guaranteed party

Unit: yuan Currency: RMB

Name of guarantee	Guaranteed amount	Start date	Due date	Whether the guarantee has been fulfilled
Inner Mongolia Yitai Group Co., Ltd.	24,000,000.00	2008.3.18	2021.11.12	No
Inner Mongolia Yitai Group Co., Ltd.	56,000,000.00	2007.7.23	2021.7.22	No
Inner Mongolia Yitai Group Co., Ltd.	298,000,000.00	2018.12.19	2020.3.22	No
Inner Mongolia Yitai Group Co., Ltd.	175,000,000.00	2019.3.26	2022.3.26	No
Inner Mongolia Yitai Group Co., Ltd.	58,800,000.00	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.	25,235,000.00	2014.01.09	2029.01.08	No
Inner Mongolia Yitai Group Co., Ltd.	8,330,000.00	2016.9.29	2031.9.28	No
Inner Mongolia Yitai Group Co., Ltd.	200,000,000.00	2019.12.27	2020.11.18	No
Inner Mongolia Yitai Group Co., Ltd.	1,519,800,000.00	2018.12.27	2021.12.25	No
Inner Mongolia Yitai Group Co., Ltd.	700,000,000.00	2019.6.17	2031.6.16	No
Inner Mongolia Yitai Group Co., Ltd.	20,700,000.00	2019.9.29	2024.8.26	No
Inner Mongolia Yitai Group Co., Ltd.	49,000,000.00	2014.1.28	2021.1.27	No
Inner Mongolia Yitai Group Co., Ltd.	529,200,000.00	2017.6.28	2029.6.22	No
Inner Mongolia Yitai Group Co., Ltd.	78,400,000.00	2017.8.15	2028.12.25	No
Inner Mongolia Yitai Group Co., Ltd.	98,000,000.00	2017.9.6	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	8,820,000.00	2017.7.25	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	38,808,000.00	2017.9.30	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	40,572,000.00	2017.10.31	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	38,808,000.00	2018.12.28	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	44,100,000.00	2018.1.16	2028.12.25	No
Inner Mongolia Yitai Group Co., Ltd.	29,400,000.00	2018.2.2	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	19,600,000.00	2018.2.2	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	29,400,000.00	2018.4.28	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	19,600,000.00	2018.4.28	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	46,020,000.00	2019.9.19	2020.9.18	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd	115,036,800.00	2014.3.25	2028.3.25	No
Inner Mongolia Yitai Group Co., Ltd.	8,978,280.00	2014.3.25	2028.3.25	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd	16,932,372.57	2006.05.17	2024.01.15	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd	178,390,400.00	2012.03.23	2030.10.10	No
Inner Mongolia Yitai Group Co., Ltd.	13,922,840.00	2012.03.23	2030.10.10	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd	21,673,600.00	2013.12.27	2029.11.10	No
Inner Mongolia Yitai Group Co., Ltd.	1,691,560.00	2013.12.27	2029.11.10	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd	26,466,800.00	2014.11.19	2025.10.22	No
Inner Mongolia Yitai Group Co., Ltd.	2,065,655.00	2014.11.19	2025.10.22	No
Total	4,633,851,307.57			

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. 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		2,329.92	1,470.9

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

#### 6. Accounts receivable from and accounts payable to related parties (Continued)

##### (1). Accounts receivable

Unit: yuan Currency: RMB

Items	Related party	Closing balance		Opening balance	
		Carrying value	Provision for bad debts	Carrying value	Provision for bad debts
Bills receivable	Inner Mongolia Yitai Group Co., Ltd.	-	-	910,000.00	-
Accounts receivable	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	23,305,980.65	-	-	-
	Inner Mongolia Jingtai Power Generation Co., Ltd.	25,123,364.02	-	43,377,734.59	-
	Synfuels China Inner Mongolia Co., Ltd.	5,106,839.83	-	957,196.64	-
	Inner Mongolia Yuanji Chemical Co., Ltd.	30,962,651.88	-	19,031,678.51	-
	Synfuels China Engineering Holdings Co., Ltd.	-	-	68,609,530.00	-
	Synfuels China Inc.	-	-	4,532.00	-
	Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	-	-	357,437.60	-
	Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	1,454,506.36	-	-	-
	Ordos Gonggouyangta Storage and Transportation Co., Ltd.	2,310,631.23	-	-	-
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	45,263.75	-	-	-
Funds paid in advance	Mengji Railway Co., Ltd.	1,999,806.10	-	63,322,457.95	-
	Inner Mongolia Yitai Information Technology Co., Ltd.	6,000,000.00	-	-	-
	Synfuels China Engineering Holdings Co., Ltd.	17,525,003.00	-	-	-
	Inner Mongolia Machine Equipments Complete Co., Ltd.	34,266,815.31	-	-	-
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.	-	-	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	-
	Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	-	-	9,698,329.82	-
	Ordos Gonggouyangta Storage and Transportation Co., Ltd.	565,739.08	-	-	-
	Synfuels China Inner Mongolia Co., Ltd.	9,192.73	-	-	-
	Synfuels China Engineering Holdings Co., Ltd.	210,328.02	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

#### 6. Accounts receivable from and accounts payable to related parties (Continued)

##### (2). Accounts payable

Items	Related party	Unit: yuan Currency: RMB	
		Closing carrying value	Opening carrying value
Bills payable			
	Synfuels China Inner Mongolia Co., Ltd.	35,150,000.00	35,990,000.00
	Inner Mongolia Machine Equipments Complete Co., Ltd.	–	11,999,877.31
Accounts payable			
	Inner Mongolia Yitai Information Technology Co., Ltd.	1,124,189.30	148,852.67
	Inner Mongolia Machine Equipments Complete Co., Ltd.	97,927.41	6,500.00
	Inner Mongolia Yitai Group Co., Ltd.	115,710,440.00	80,049,586.60
	Ordos Yitai Water Co., Ltd.	13,160,283.84	5,644,661.68
	Inner Mongolia Yitai New Energy Development Co., Ltd.	–	2,661,505.59
	Synfuels China Engineering Holdings Co., Ltd.	58,756,532.40	27,054,914.83
	Synfuels China Inner Mongolia Co., Ltd.	87,610,068.76	44,625,615.83
	Keling Environmental Protection Co., Ltd.	1,161,583.50	–
Other payables			
	Inner Mongolia Yitai Information Technology Co., Ltd.	1,863,279.97	4,878,196.67
	Inner Mongolia Machine Equipments Complete Co., Ltd.	598,803.10	7,997,875.28
	Synfuels China Engineering Holdings Co., Ltd.	73,266,317.53	43,274,594.05
	Synfuels China Inc.	36,000,000.00	36,000,000.00
	Synfuels China Inner Mongolia Co., Ltd.	–	72,021,854.89
	Ordos Yitai Water Co., Ltd.	–	5,402,730.00
	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	23,372,786.33	987.44
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	53.60	–
	Keling Environmental Protection Co., Ltd.	1,020.60	–
	Inner Mongolia Yitai Real Estate Co., Ltd.	229,154,919.60	–
	Yitai Group (Hongkong) Co., Ltd.	15,803,729.38	–
Contract liabilities			
	Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	9,494,526.20	1,468,435.58
	Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	1,266,897.74	1,266,843.74
	Synfuels China Inner Mongolia Co., Ltd.	1,645.00	1,645.00
	Inner Mongolia Yuanji Chemical Co., Ltd.	17,215.03	3,225.08
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	113,438.80	–
	Synfuels China Inner Mongolia Technology Institute Co., Ltd	1,326.10	–
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 FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (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 book value	Increase for the period	Decrease for the period	Closing amount	Interests and fees received or paid
Deposits with the Finance Company	8,692,619,490.81	140,110,697,559.28	141,125,025,862.97	7,678,291,187.12	44,012,301.48
Loans from the Finance Company	3,700,000,000.00	2,150,000,000.00	1,500,000,000.00	4,350,000,000.00	132,966,680.58
Total	12,392,619,490.81	142,260,697,559.28	142,625,025,862.97	12,028,291,187.12	176,978,982.06

### XI. SHARE-BASED PAYMENT

Not applicable

### XII. COMMITMENTS AND CONTINGENT EVENTS

#### 1. Significant commitments

##### Significant external commitments, nature, and amount as at the Balance Sheet Date

Unit: RMB'0,000

Item	2020	2019
Capital expenditures approved by the Board	321,534.72	490,821.00

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XII. 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) (“Dongying Haifeng”)	Sale and purchase contract of petrochemical products	Ordos Intermediate People’s Court	1,542.84	Enforcing

Yitai Petrochemical entered into the “Sale and Purchase Contract of Petrochemical Products” with Dongying Haifeng Dongying, pursuant to which, Haifeng. 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 FINANCIAL STATEMENTS *(Continued)*

*For the twelve months ended 31 December 2019*

### XII. COMMITMENTS AND CONTINGENT EVENTS *(Continued)*

#### 2. Contingent events

**(1). Significant contingent events as at the Balance Sheet Date *(Continued)***

For the above-mentioned pending litigation, if the management of the Company, based on their judgment and taking into account the legal opinions, are 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 believe that it will not result in a capital outflow, the Company will not provide for the estimated liabilities in respect of the pending litigation.

In addition to the above-mentioned pending litigation the Company subject to 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 31 December 2019, in addition to the above litigations, the Company is not subject to any litigation or claim that have 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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIII. POST-BALANCE SHEET DATE EVENT

#### 1. Significant non-adjustment events

Not applicable

#### 2. Profit distribution (dividend)

Item	2019	2018
Ordinary shares dividend	<b>1,138,902,450.00</b>	1,627,003,500.00
Total	<b><u>1,138,902,450.00</u></b>	<b><u>1,627,003,500.00</u></b>

Note: On 20 March 2020, the Company held the 33rd meeting of the seventh session of the board of directors, at which, the Proposal on Profit Distribution Plan of the Company for 2019 was considered and approved. It is proposed to distribute cash dividend of RMB3.50 (tax inclusive) to shareholder every 10 shares based on the total share capital of 3,254,007,000.00 shares of the Company, and the total dividend will be RMB1,138,902,450.00. The proposal shall be submitted to the shareholders' general meeting for consideration.

#### 3. Sales return

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIII. POST-BALANCE SHEET DATE EVENT (Continued)

#### 4. Explanation on other Post-Balance Sheet Date Event

##### (I) Coal Mines Overall Entrusted Management

On 20 January 2020, the Company convened the 32nd meeting of the Seventh Board of Directors, and considered and approved the “Proposal on Entering into the ‘Supplemental Agreements to the Coal Mines Overall Entrusted On 6 December 2019, the National Coal Mine Safety Administration issued the “Administrative Measures for the Safety Management of Coal Mine Overall Entrusted Management (Trial)”. Article 3 of the Measures stipulates that: “Mine entrusted management must adopt the overall entrusted management, and the mining work face or the well lane maintenance operation shall not be contracted externally as an independent project in violation of regulations.” The Company’s original production professional service mode did not meet the requirements of the measures and must be changed to the overall entrusted management.

According to the relevant national policies and the “Administrative Measures for the Safety Management of Coal Mine Overall Entrusted Management (Trial)”, on the premise that the Company’s mining rights, ownership, profit and tax relations and affiliations remain unchanged, the Company entrusted the safety production and technical management business of the six coal mines including 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, “Talahao Mine”), Inner Mongolia Yitai Coal Co., Ltd. Kaida Mine (內蒙古伊泰煤炭股份有限公司凱達煤礦, “Kaida Mine”), Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 1 (內蒙古伊泰煤炭股份有限公司宏景塔一礦, “Hongjingta Mine No. 1”), Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. Suancigou Mine (內蒙古伊泰京粵酸刺溝礦業有限責任公司酸刺溝煤礦, “Suancigou Mine”), Inner Mongolia Yitai Baoshan Coal Co., Ltd. Baoshan Mine (內蒙古伊泰寶山煤炭有限責任公司寶山煤礦, “Baoshan Mine”) and Inner Mongolia Yitai Dadi Coal Co., Ltd. Dadijing Mine (內蒙古伊泰大地煤炭有限責任公司大地精煤礦, “Dadijing Mine”), to Inner Mongolia Zhongtai Energy Co., Ltd. (內蒙古仲泰能源有限公司, “Zhongtai Energy” or the “Trustee”), and the business model and asset ownership have not changed. It does not involve the transfer of ownership or equity or any other assets and will not cause changes in the scope of consolidation of the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIII. POST-BALANCE SHEET DATE EVENT (Continued)

#### 4. Explanation on other Post-Balance Sheet Date Event (Continued)

##### (II) Impact assessment on novel coronavirus pneumonia outbreak

Since the outbreak of the novel coronavirus epidemic (“Novel Coronavirus Epidemic”) in China in January 2020, the Company has actively responded to and strictly implemented the provisions and requirements of the Party and governments at all levels on the prevention and control of the virus epidemic, and donated to Hubei province in the first time during the Spring Festival. In order to ensure epidemic prevention and production, the Company and various molecular institutions resumed work on 10 February to support the national campaign in a multi-pronged manner from supply security, brand channels, social responsibility and internal management.

The Company expects that the Novel Coronavirus Epidemic and prevention and control measures will have a certain temporary impact on the production and operation of the Group, and the extent of the impact will depend on the progress and duration of the epidemic prevention and control and the implementation of local prevention and control policies.

The Company will continue to pay close attention to the development of the Novel Coronavirus Epidemic, and evaluate and actively respond to its impact on the financial situation and operating results of the Group. As of the date of this report, no significant adverse impact has been found.

##### (III) Except for the above matters, the Company has no other post-balance sheet date event.

### XIV. OTHER SIGNIFICANT EVENTS

#### 1. Correction of previous accounting errors

Not applicable

#### 2. Debt restructuring

Not applicable

#### 3. 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 Note V. Notes to Items of the Consolidated Financial Statements.

#### 5. Termination of business

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIV. OTHER SIGNIFICANT EVENTS (Continued)

#### 6. Segment information

##### (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 is available to the Company.

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 profits (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%:

- (1) 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;
- (2) 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 joint by segments and relevant expenses are distributed among segments according to the proportion of income.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIV. OTHER SIGNIFICANT EVENTS (Continued)

#### 6. Segment information (Continued)

##### (1). Determination criterion and accounting policies of the reporting segments (Continued)

Factors considered when determine reportable segments of the Company, types of products and services of reportable segments

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 evaluates 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.**

##### (2). Financial information of the reporting segments

Unit: RMB'0,000 Currency: RMB

Item	Coal segment	Coal-related chemical segment	Transportation segment	Others segment	Intersegment elimination	Total
I. Operating revenue	3,533,062.92	656,677.93	223,339.52	2,636.03	322,812.51	4,092,903.89
Including: revenue from external transactions	3,355,249.56	652,528.64	82,489.66	2,636.03		4,092,903.89
Revenue from intersegment transactions	177,813.36	4,149.29	140,849.86	-	322,812.51	0.00
II. Operating expenses	2,841,038.60	580,762.63	139,665.01	170.82	204,832.95	3,356,804.11
Including: income from investment in associates and joint ventures	24,968.18	-105.13	1,191.66		-42.94	26,097.65
Impairment loss of assets	3,232.82	-	-	-		3,232.82
Depreciation and amortization expenses	72,203.55	90,026.66	51,497.62	221.55	76.66	213,872.72
III. Total profit (loss)	563,458.79	14,690.02	64,109.23	2,471.39	39,347.00	605,382.43
IV. Income tax expenses	109,891.68	1,741.78	12,872.26	5.14	-158.28	124,669.14
V. Net profits (losses)	453,567.11	12,948.24	51,236.97	2,466.25	39,505.28	480,713.29
VI. Total assets	6,741,714.03	3,591,829.27	1,335,500.26	220,255.39	2,447,451.91	9,441,847.04
VII. Total liabilities	3,004,292.99	2,382,678.54	501,756.42	68,772.97	998,454.92	4,959,046.00
VIII. Other significant non-monetary items						
1. Capital expenditure	78,514.68	147,572.23	33,197.85	771.76	-11,769.98	248,286.54

Note: The long-term assets of the coal-related chemical projects under construction include fixed assets, construction in progress and intangible assets. At the end of the period, the total carrying value of long-term assets was RMB13,727,192,300, accounting for 14.50% of the total assets.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIV. OTHER SIGNIFICANT EVENTS (Continued)

#### 7. Directors' and Supervisors' remuneration and five highest paid employees

##### (1) Directors' and Supervisors' remuneration

The remuneration of directors and supervisors of the Group in 2018 are as follows:

Unit: RMB'0,000 Currency: RMB

##### Executive Directors

Members	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Donghai	–	268.00	27.06	5.55	300.61
Liu Chunlin	–	2.40	–	–	2.40
Lv Guiliang	–	93.59	36.76	5.55	135.90
Song Zhanyou	–	142.93	21.65	5.55	170.13
Zhang Dongsheng	–	2.40	–	–	2.40
Ge Yaoyong	–	2.40	–	–	2.40
Wang Sanmin	–	114.79	23.98	5.55	144.32
Sub-total	–	626.51	109.45	22.20	758.16

##### Independent Non-executive Directors

Members	Fees	Salaries and allowances	Bonus	Pension	Total
Yu Youguang	20.00	–	–	–	20.00
Zhang Zhiming	20.00	–	–	–	20.00
Huang Sujian	20.00	–	–	–	20.00
Wong Hin Wing	25.00	–	–	–	25.00
Sub-total	85.00	–	–	–	85.00

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIV. OTHER SIGNIFICANT EVENTS (Continued)

#### 7. Directors' and Supervisors' remuneration and five highest paid employees (Continued)

##### (1) Directors' and Supervisors' remuneration (Continued)

###### Supervisors

Members	Fees	Salaries and allowances	Bonus	Pension	Total
Jia Xiaolan	–	19.00	–	1.52	20.52
Wang Yongliang	–	10.00	–	–	10.00
Wu Qu	–	10.00	–	–	10.00
Yuan Bing	–	1.20	–	–	1.20
Liu Xianghua	–	1.20	–	–	1.20
Li Cailing	–	19.81	14.54	4.24	38.59
He Peixun	–	22.10	3.47	4.88	30.45
Sub-total	–	83.31	18.01	10.63	111.95
Total	85.00	709.82	127.46	32.84	955.12

The remuneration of directors and supervisors of the Group in 2019 are as follows:

###### Executive Directors

Members	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Donghai	–	235.62	178.64	3.20	417.46
Liu Chunlin	–	2.40	–	–	2.40
Lv Guiliang	–	100.42	92.17	3.80	196.39
Zhang Dongsheng	–	2.40	–	–	2.40
Ge Yaoyong	–	2.40	–	–	2.40
Wang Sanmin	–	91.02	97.50	3.20	191.72
Lv Junjie	–	96.71	79.69	3.80	180.20
Liu Jian	–	103.95	78.10	3.80	185.85
Sub-total	–	634.92	526.10	17.80	1,178.82



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIV. OTHER SIGNIFICANT EVENTS (Continued)

#### 7. Directors' and Supervisors' remuneration and five highest paid employees (Continued)

##### (1) Directors' and Supervisors' remuneration (Continued)

###### Independent Non-executive Directors

Members	Fees	Salaries and allowances	Bonus	Pension	Total
Yu Youguang	11.18	—	—	—	11.18
Zhang Zhiming	20.00	—	—	—	20.00
Huang Sujian	20.00	—	—	—	20.00
Wong Hin Wing	25.00	—	—	—	25.00
Du Yingfen	8.82	—	—	—	8.82
Sub-total	85.00	—	—	—	85.00

###### Supervisors

Members	Fees	Salaries and allowances	Bonus	Pension	Total
Jia Xiaolan	—	53.83	13.24	2.80	69.87
Wang Yongliang	—	10.00	—	—	10.00
Wu Qu	—	10.00	—	—	10.00
Liu Xianghua	—	1.20	—	—	1.20
Li Cailing	—	1.20	—	—	1.20
He Peixun	—	25.26	7.70	3.60	36.56
Zhang Zhenjin	—	1.20	—	—	1.20
Sub-total	—	102.69	20.94	6.40	130.03
Total	85.00	737.61	547.04	24.20	1,393.85

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XIV. OTHER SIGNIFICANT EVENTS (Continued)

#### 7. Directors' and Supervisors' remuneration and five highest paid employees (Continued)

##### (2) Five highest paid employees

The remuneration of the five highest paid employees of the Group this year, which included 1 executive directors and 4 individuals (the five highest paid employees of the Group in 2018 included 2 executive directors and 3 individuals) is as follows:

Item	Unit: RMB'0,000 Currency: RMB	
	2019	2018
Salaries and allowances	732.8	389.20
Bonus	764.58	93.30
Pension	14.17	16.70
Total	<u>1,511.55</u>	<u>499.20</u>

#### 8. 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 in 2019. Therefore, the Company shall be still subject to the corporate income tax at 25% in 2019.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

#### 1. Accounts receivable

(1). Disclosure by age

Not applicable

(2). Classified disclosure by method of provision for bad debts

Provisions for bad debts on portfolio basis:

Item of provisions on portfolio basis: in the portfolio, account receivables with expected credit losses provisions based on a portfolio of credit risk characteristics

Unit: yuan Currency: RMB

Name	Account receivables	Closing balance Provisions for bad debts	Percentage of provision (%)
Clients with extremely low credit risk	802,646,386.37	—	—
Total	802,646,386.37	—	—

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. 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 (Continued)

If provisions for bad debts are made based on the general model of expected credit losses, please refer to disclosure of other receivables:

Account receivables classified disclosure

Category	Carrying balance		Closing balance		Carrying value
	Amount	Percentage (%)	Provisions for losses Amount	Percentage (%)	
Account receivables that provided expected credit losses on single basis					
Account receivables that provided expected credit losses on portfolio basis	802,646,386.37	100.00	-	-	802,646,386.37
Of which: customers with very low credit risk	802,646,386.37	100.00	-	-	802,646,386.37
Total	802,646,386.37	100.00	-	-	802,646,386.37

Category	Carrying balance		Opening balance		Carrying value
	Amount	Percentage (%)	Provisions for losses Amount	Percentage (%)	
Account receivables that provided expected credit losses on single basis					
Account receivables that provided expected credit losses on portfolio basis	231,204,081.31	100.00	-	-	231,204,081.31
Of which: customers with very low credit risk	231,204,081.31	100.00	-	-	231,204,081.31
Total	231,204,081.31	100.00	-	-	231,204,081.31

##### (3). Provisions for bad debts

Not applicable

##### (4). Accounts receivable actually written off during the period

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 1. Accounts receivable (Continued)

##### (5). Account receivables from top five debtors by closing balance

Name of the entity	Closing balance	Percentage in the closing balance of accounts receivable (%)	Provision for bad debts
First	314,458,010.52	39.18	—
Second	217,994,007.71	27.16	—
Third	74,759,612.60	9.31	—
Fourth	62,511,549.72	7.79	—
Fifth	42,703,137.63	5.32	—
Total	712,426,318.18	88.76	—

##### (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

#### 2. Other receivables

##### Presentation of items

Unit: yuan Currency: RMB

Items	Closing balance	Opening balance
Interests receivable	—	—
Dividends receivable	315,080,000.00	—
Other receivables	10,832,649,102.84	8,399,470,548.03
Total	11,147,729,102.84	8,399,470,548.03



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 2. Other receivables (Continued)

##### Interests receivable

(1). Classification of interests receivable

Not applicable

(2). Significant overdue interests

Not applicable

(3). Provisions for bad debts

Not applicable

##### Dividends receivable

(1). Dividends receivable

Unit: yuan Currency: RMB

Item (or investee)	Closing balance	Opening balance
Yitai Guanglian Coal Chemical Co., Ltd.	30,000,000.00	—
Inner Mongolia Yitai Huzhun Railway Co., Ltd.	285,080,000.00	—
Total	315,080,000.00	—

(2). Significant dividends receivable overdue for over a year

Not applicable

(3). Provisions for bad debts

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 2. Other receivables (Continued)

##### Other receivables

(1). Disclosure by age

Not applicable

(2). Classification by nature

Unit: yuan Currency: RMB

Nature	Closing balance of carrying value	Opening balance of carrying value
Entrusted loans	<b>3,520,000,000.00</b>	6,861,798,000.00
Current accounts	<b>7,190,515,559.16</b>	1,439,745,548.67
Margins	<b>126,990,756.92</b>	95,812,262.68
Borrowings of employees	<b>5,174,018.45</b>	13,065,968.37
Deposits	<b>7,100.00</b>	2,087,100.00
<b>Total</b>	<b>10,842,687,434.53</b>	8,412,508,879.72

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 2. Other receivables (Continued)

##### Other receivables (Continued)

##### (3). Provision for bad debts

Unit: yuan Currency: RMB

Provisions for bad debts	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	–	3,000,000.00	–	3,000,000.00
Transferral during the period	–	–	–	–
Write-off during the period	–	–	–	–
Other changes	–	–	–	–
Balance as at 31 December 2019	–	1,665,650.20	8,372,681.49	10,038,331.69

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 2. Other receivables (Continued)

##### Other receivables (Continued)

##### (4). Provisions for bad debts

Unit: yuan Currency: RMB

Category	Opening balance	Provisions	Changes in the period			Closing balance
			Recovered or reversed	Write-back or write-off	Other changes	
Other receivables with provisions for expected credit losses made on single item basis	13,038,331.69	-	3,000,000.00	-	-	10,038,331.69
Total	13,038,331.69	-	3,000,000.00	-	-	10,038,331.69

Among them, significant amounts of provisions for bad debts during the period have been reversed or recovered:

Unit: yuan Currency: RMB

Name of entity	Amount recovered or reversed	Recovery mode
Yijin Huoluqi Coal Bureau (伊金霍洛旗煤炭局)	3,000,000.00	Bank deposit
Total	3,000,000.00	/

##### (5). Other receivables actually written off during the period

Not applicable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 2. Other receivables (Continued)

##### Other receivables (Continued)

(6). 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
First	Entrusted loans	2,860,000,000.00	2 to 3 years	26.38	-
	Current accounts	1,750,613,111.27	Within 1 year	16.15	
Second	Entrusted loans	620,000,000.00	2 to 3 years	5.72	
	Current accounts	3,165,284,760.35	Within 1 year	29.19	
Third	Current accounts	793,334,661.67	Within 1 year	7.32	
Fourth	Current accounts	673,282,031.79	Within 1 year	6.21	
Fifth	Entrusted loans	40,000,000.00	2 to 3 years	0.37	
	Current accounts	223,037,672.20	Within 1 year	2.06	
Total		10,125,552,237.28		93.40	

(7). Accounts receivable involved government subsidies

Not applicable

(8). Other receivables subject to derecognition due to the transfer of financial assets

Not applicable

(9). Amount of assets and liabilities arising from transfer of and continued involvement in trade receivables

Not applicable



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. 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	Balance of carrying value	Closing balance		Balance of carrying value	Opening balance	
		Impairment provisions	Carrying value		Impairment provisions	Carrying value
Investments in subsidiaries	14,022,295,317.28	50,000,000.00	13,972,295,317.28	13,172,917,508.79	51,006,699.34	13,121,910,809.45
Investments in associates and joint ventures	9,475,095,702.42	250,288.45	9,474,845,413.97	8,680,243,891.02	250,288.45	8,679,993,602.57
Total	23,497,391,019.70	50,250,288.45	23,447,140,731.25	21,853,161,399.81	51,256,987.79	21,801,904,412.02

#### (1). Investments in subsidiaries

Unit: yuan Currency: RMB

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	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	-	85,576,169.28	215,447,203.47	-
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)	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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. 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	Closing balance of impairment provisions
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	2,903,354,802.53	-	-	2,903,354,802.53	-
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	-
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責任公司)	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責任公司)	315,762,800.00	204,237,200.00	-	520,000,000.00	-
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)煤炭運銷有限責任公司)	-	-	-	-	-
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限責任公司)	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	-

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. 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	Closing balance of impairment provisions
Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信聿投資管理合夥企業(有限合夥))	495,000,000.00	275,000,000.00	-	770,000,000.00	-
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))	100,000,000.00	-	100,000,000.00	-	-
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)	-	261,723,477.11	-	261,723,477.11	-
Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	-	25,000,000.00	-	25,000,000.00	-
Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海臨港伊泰供應鏈有限公司)	-	20,000,000.00	-	20,000,000.00	-
<b>Total</b>	<b>13,172,917,508.79</b>	<b>935,960,677.11</b>	<b>86,582,868.62</b>	<b>14,022,295,317.28</b>	<b>50,000,000.00</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. 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			Impairment provision	Others	Closing balance	Closing balance of impairment provision
					Adjustments to other comprehensive income	Changes in other equity	Declaration of payment of cash dividend or profit				
<b>I. Joint ventures</b>											
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)	-	4,900,000.00	-	-1,854,447.22	-	-	-	-	-	3,045,552.78	-
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰魯圖礦業有限公司)	-	472,300,000.00	-	30,140.71	-	-	-	-	-	472,330,140.71	-
Sub-total	-	477,200,000.00	-	-1,824,306.51	-	-	-	-	-	475,375,834.99	-
<b>II. Associates</b>											
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限公司)	73,736,544.18	-	-	18,293,299.49	-	-	20,350,000.00	-	-	71,679,843.67	-
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	489,260,462.88	-	-	97,413,953.66	-	-	-	-	-	586,674,416.54	-
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)	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	118,320,000.00	-	20,379,133.29	-	-	-	-	-	561,754,470.07	-
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)	14,402,990.00	-	-	13,428.29	-	-	-	-	-	14,416,418.29	-
Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊旗煤田滅火工程有限公司)	20,834,057.44	-	-	-2,273,944.72	-	-	-	-	-	18,560,112.72	-
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限公司)	-	-	-	-	-	-	-	-	-	-	250,288.45
Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限公司)	7,656,272,631.08	-	-	118,109,649.46	-	-	30,000,000.00	-	-	7,744,382,280.54	-
Sub-total	8,679,993,602.57	118,320,000.00	-	251,506,117.91	-	-	50,350,000.00	-	-	8,999,469,720.48	250,288.45
Total	8,679,993,602.57	595,520,000.00	-	249,681,811.40	-	-	50,350,000.00	-	-	9,474,845,413.97	250,288.45

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. 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	31,248,745,890.39	25,621,744,935.86	20,516,200,047.83	15,537,767,737.77
Other operations	982,446,226.26	458,553,766.95	1,119,715,731.07	492,151,562.26
Total	32,231,192,116.65	26,080,298,702.81	21,635,915,778.90	16,029,919,300.03

##### (2). Incomes generated from contracts

Unit: yuan Currency: RMB

Category of contract	Coal segment	Others	Total
Category of commercial goods			
Coal	31,248,745,890.39	—	31,248,745,890.39
Others	982,446,226.26	24,787,183.63	982,446,226.26
Sub-total	32,206,404,933.02	24,787,183.63	32,231,192,116.65
Classification by business region			
Northeast	67,306,380.71	—	67,306,380.71
North China	16,830,985,707.61	24,787,183.63	16,855,772,891.24
East China	10,407,824,308.41	—	10,407,824,308.41
South China	4,421,234,620.80	—	4,421,234,620.80
Central China	4,818,360.09	—	4,818,360.09
Southwest	474,235,555.40	—	474,235,555.40
Sub-total	32,206,404,933.02	24,787,183.63	32,231,192,116.65
Category of market or customer	—	—	—
Category of contract	—	—	—
Classified by time of goods transfer	—	—	—
Classified by contract term	—	—	—
Classified by sales channel	—	—	—
Total	—	—	—



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. 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 incurred during the period	Amount incurred in the previous period
Income from long-term equity investments under cost method	797,550,820.35	940,806,001.39
Income from long-term equity investments under equity method	249,681,811.40	81,892,758.57
Investment income from disposal of long-term equity investments	-5,453,755.87	129,785,000.00
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 during the holding period	—	—
Investment income from disposal of financial assets available-for-sale	—	—
Investment income received during the period of ownership from held-for-trading financial assets	15,939,088.98	—
Dividend income received during the period of ownership from other equity instruments	1,344,147.91	33,235,985.57
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	2,397,424.77	16,453,501.36
Investment income from disposal of other equity instruments	—	—
Investment income from disposal of debt investments	—	—
Investment income from disposal of other debt investments	—	—
Others	-6,083,333.35	-18,738,566.68
Total	<u>1,055,376,204.19</u>	<u>1,183,434,680.21</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XV. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 5. Investment income (Continued)

Other explanation:

Investment income-Others are equity premium repurchase funds accrued in accordance with investment contracts signed with CDB Development Fund in the current period.

### XVI. 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	-17,413,317.28
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)	97,720,587.46
Gains or losses from discretionary investment or asset management	17,040,712.00
Investment incomes from financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, 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	93,359,566.81
Individual impairment tests for receivables and contract asset impairment provision reversed	3,000,000.00
Other non-operating incomes and expenses other than the abovementioned items	-46,320,933.07
Impact of income tax	-189,547,946.18
Impact of minority shareholders' interests	5,295,389.46
Total	-36,865,940.80

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the twelve months ended 31 December 2019

### XVI. 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	10.27%	1.16	–
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	10.37%	1.18	–

#### 3. Differences in accounting data under domestic and foreign accounting standards

Not applicable

#### 4. Miscellaneous

Items	Note	2019	2018
Cost of selling goods	Note 44	27,488,312,086.61	26,518,768,228.46
Cost of providing labor services	Note 44	1,067,926,145.77	755,978,991.79
Depreciation of fixed assets	Note 14	1,912,405,702.42	1,474,968,481.86
Depreciation of investment properties	Note 13	36,462,175.51	31,400,675.51
Amortization of intangible assets	Note 17	109,636,583.58	86,576,546.98
Amortization of long-term deferred expenses	Note 19	423,077,985.28	1,123,854,752.73
Depreciation of right-of-use asset	Note 16	2,582,110.67	
Total depreciation and amortization		<u>2,484,164,557.46</u>	<u>2,716,800,457.08</u>

## APPENDIX I

# INNER MONGOLIA YITAI COAL CO., LTD. 2019 ANNUAL SOCIAL RESPONSIBILITY REPORT

## REPORT INSTRUCTIONS

Inner Mongolia Yitai Coal Co., Ltd. – 2019 Annual Social Responsibility Report is an annual report which described systematically, Inner Mongolia Yitai Coal Co., Ltd.'s practices of corporate social responsibility, and the acts and performance in pursuit of maximal economic, environmental and social and governance values in 2019 in an objective, standardized, good-faith and transparent principle.

- **Report Subjects**

The report subjects are Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries. For the convenience of expression and reading of this report, “Inner Mongolia Yitai Coal Co., Ltd.” is also referred to as “Yitai”, “the Company” or “our Company” or other titles.

- **Time Period**

The time period covered in this report was from 1 January 2019 to 31 December 2019. Taking into account the continuity and comparability of information disclosed, certain content may be beyond the aforesaid period.

- **Scope of Report**

The scope of this report is Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries.

- **Preparation Basis**

This report was prepared according to Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited, with a reference to Notice on Strengthening the Listed Companies' Social Responsibility Work and Issuing Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies, Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies and Guidelines for Compiling Corporate Social Responsibility Report issued by Shanghai Stock Exchange and Sustainable Development Report Standards (GRI Standards) issued by Global Sustainability Standard Board (“GSSB”).



- **Reporting Principles**

**Materiality:** Our ESG materiality is determined by the Board, and stakeholders communication, identification process of substantive issues and the matrix of substantive issues are disclosed in this report.

**Quantitative:** Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and source of conversion factors are all explained in the definitions of the report.

**Balance:** This report shall provide an unbiased picture of the Company's performance during the reporting period and should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment made by the report readers.

**Consistency:** The statistical methodologies applied to the data disclosed in this report shall be consistent.

- **Data Processing Principle**

The financial data in this report were derived from audited annual report of Inner Mongolia Yitai Coal Co., Ltd. (China accounting standards) and other data from the Company's internal and relevant statistical data. If there is any difference from the annual report, the annual report shall prevail.

- **Availability of the Report**

The Report was prepared in Chinese, and you can download it in electronic form from the website of Inner Mongolia Yitai Coal Co., Ltd. or Shanghai Stock Exchange or the Hong Kong Stock Exchange.

URL: <http://www.sse.com.cn/> or <http://www.hkexnews.hk/> or <http://www.yitaicoal.com/>

- **Contact**

Contact Tel: 0477-8565733

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Post Code: 017000

Address: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia





## SPEECH OF SENIOR MANAGEMENT

In 2019, our management at all levels and all employees endeavoured to advance. In active response to the call of the government, the Company proactively made technological innovations and accelerated transformation and upgrade in a firm, advancing, aggressive and exploring manner, so as to develop into an innovative enterprise in the new era; facilitated knowledge enabling management reform and encouraged enterprise development to become an enterprise adopting new philosophies; undertook the mission of green energy and developed environmentally-friendly industries, to be a pioneering enterprise in ecological construction.

### Steady development to develop quality products


By adhering to the operating philosophy of “zero defect in product quality and 100% customer satisfaction” and the sense of responsibility that “quality is essential to an enterprise”, the Company maintained strict quality assurance for products to advance the steady development of all businesses. In 2019, the Company recorded an operating revenue of RMB40.929 billion, representing an increase of 4.45%, and a net profit of RMB3.789 billion, representing a decrease of 8.39%; and the Company produced, sold and transported by railway of coal of 56,406,000 tonnes, 87,252,500 tonnes and 104,070,000 tonnes, respectively, representing a year-on-year increase of 18.29%, 1.47% and a decrease of 2.14%, respectively; and coal-related chemical products reached a production volume of 1,370,500 tonnes, representing an increase of 197.83%.

### Technological innovation for leadership in the industrial reform

The Company proactively conducted and proceeded with technological innovation, and leveraged on our expertise to participate in industry, academia and research cooperation projects to promote the industry development. In 2019, Yitai Group, with the Company at the core, was the only one accredited as “national-level technological innovation model enterprise” and “national-level enterprise technology centre” in the Inner Mongolia Autonomous Region. In addition, a number of technology management elites and teams were awarded the honorary titles of “Expert with Outstanding Contributions in the Autonomous Region”, “Prairie Talent in Ordos”, “321 Talent Project for the New Century”, “Innovative Talent Team in Ordos”, etc. Throughout the year, the Company applied for 138 patents, and obtained 64 authorized patents.

### Safety production to bear the mission of responsibility

In 2019, as guided by General Secretary Xi Jinping’s important idea of safety production for the new era, and Yitai safety culture concept of “two would rather”, “two three-no”, “two authorizations”, “three earnestness”, etc. and by following the national safety production guidelines of “safety and prevention as priorities with comprehensive governance”, the Company built solid safety development concept and red-line awareness and regarded safety as uppermost in enterprise politics and benefits, primary responsibility of leaders at all levels, and biggest welfare for employees. Meanwhile, the Company has put a well-established safety production responsibility system in place to promote the construction of dual prevention mechanism, guarantee investment in safety production, advance the standardized level of safety production, and improve safety awareness of all employees and management of safety production, thereby safeguarding the employees’ life and safety rights, and achieving safety development of the enterprise.



Remain concerned in times of prosperity, and be prepared for danger even in times of peace. Centenary Yitai shall first be a safe Yitai, ensuring the safety of every employee. In this regard, we will operate in strict compliance with the national laws and regulations, focus on safety production with stronger political awareness and responsibility awareness, implement our safety production responsibility, and strive to build a long-term safety management system, with a view to laying a solid foundation for the sustainable development of Yitai.

### **Green development for a harmonious nature**

The Company has laid down our environmental guideline of “Centenary Yitai, Green Energy, Energy Efficiency and Sustainable Development” under the national environmental policies. We took actions to practice our social commitment of ecological construction by way of clean production, green coal mines and plantation for carbon emission reduction with the direction of developing “energy-saving and environmentally-friendly enterprise”. Meanwhile, the Company continued to enhance internal management, energy-saving and emission reduction, reasonably used resources, and implemented environmental responsibilities at each level to achieve planning, implementation, inspection and review of environmental protection efforts and enterprise production at the same time. In addition, the Company attached importance to improvement in ecological environment of mining area to build green ecological defence by combining the local climates. With joint efforts from the management and employees of the Company, we invested RMB11.91 million in 9 energy-saving technology renovation projects in 2019, saving 4,648.3 tonnes of standard coal.

In the future, the Company will uphold the core value of “operating with integrity to create a great future”, and the mission of “contributing green energy for a better future” to explore own potentials, carry forward the spirit of forging ahead and working hard, and create a sustainable, environmentally-friendly quality enterprise ensuring employee well-being, in an effort to achieve our vision of “developing an internationally-competitive clean energy and chemical industrial group”.



## ABOUT US

Inner Mongolia Yitai Coal Co., Ltd. is a listed company in “B+H” shares markets funded and established exclusively by Inner Mongolia Yitai Group Co., Ltd. The Company was founded in August 1997, and in the same year listed on Shanghai Stock Exchange where its stock is referred to as “Yitai B Shares” (stock code 900948). In July 2012, the Company was listed on Hong Kong Stock Exchange where its stock is referred to as “Yitai Coal” (stock code 03948). At present, the Company has a total share capital divided into 3.254007 billion shares, of which, Inner Mongolia Yitai Group Co., Ltd. holds domestic enterprise legal person shares totaling 1.6 billion shares, representing 49.17% of the Company’s total share capital; circulation B shares total 1.328 billion shares, representing 40.81% of the Company’s total share capital. The Company issued H shares totalling 326.007 million shares, representing 10.02% of the total share capital.

The Company is a large clean energy enterprise based on coal production, transportation and sale and integrating railway and coal chemical business, and is the largest coal enterprise in the Inner Mongolia Autonomous Region. The Company has abundant coal resource reserve with high quality, and its coal mining is modernized at a very high level. As of the end of December 2019, it has 2.544 billion tonnes of domestic remaining available reserves and 1.550 billion tonnes of recoverable reserves. There are a total of 9 mechanized coal mines under operation which are owned by the Company or controlled by the Company by shareholding. The coal recovery rate of the coal mining areas reaches more than 80% on an average. The mechanization of mining reaches 100%.

The Company owns comprehensive road, railway network and basic supporting facilities for coal transportation. Currently, the Company controls 3 main railways which are put into operation by shareholding. Such railways are respectively Zhundong Railway, Huzhun Railway and a special railway line for Suancigou Mine. At the same time, the Company also holds shares in Xin Baoshen Railway (15% shares), Zhunshuo Railway (12.36% shares), Mengji Railway (9% shares), South Ordos Railway (3.9226% shares), and Haoji Railway (previously known as Mengxi-Huazhong Railway, 2% shares). In addition, the Company has also built highways in high-quality coal enrichment area – Nalinmiao Area, with Caoyang Highway as the main line, and a radiated extension to surrounding 150km mining areas. Over the years, the Company has continuously increased technology and equipment investment in railway management, and its coal collection and transportation capacity has been continuously improved. The transportation network covering the Company’s main mining areas has been continuously enhanced, which has created good conditions for the Company and its surrounding coal transportation.

The Company has the world’s leading indirect coal liquefaction technology. Based on this, the Company launches a large-scale coal chemical project in Inner Mongolia and Xinjiang. Meanwhile, the Company actively expanded the coal chemical operations, which could also extend the Company’s coal industrial chain, realize industrial transformation and upgrading, and enhance its core competitiveness and consolidate its position in the industry. At present, the Company’s coal-related chemical production units include Inner Mongolia Yitai Coal-to-oil Co., Ltd. and Inner Mongolia Yitai Chemical Co., Ltd. Among them, Inner Mongolia Yitai Coal-to-oil Co., Ltd. produced 215,100 tonnes of various oil and chemical products in 2019; Inner Mongolia Yitai Chemical Co., Ltd. produced 1,155,400 tonnes of various chemical products in 2019. In addition, Yitai Yili Energy Co., Ltd. completed the protection of arrival equipment and engineering facilities in 2019, and has completed feasibility reports for some downstream projects and obtained approval and filling from the local Development and Reform Commission.

### 1. COMPLIANT OPERATION

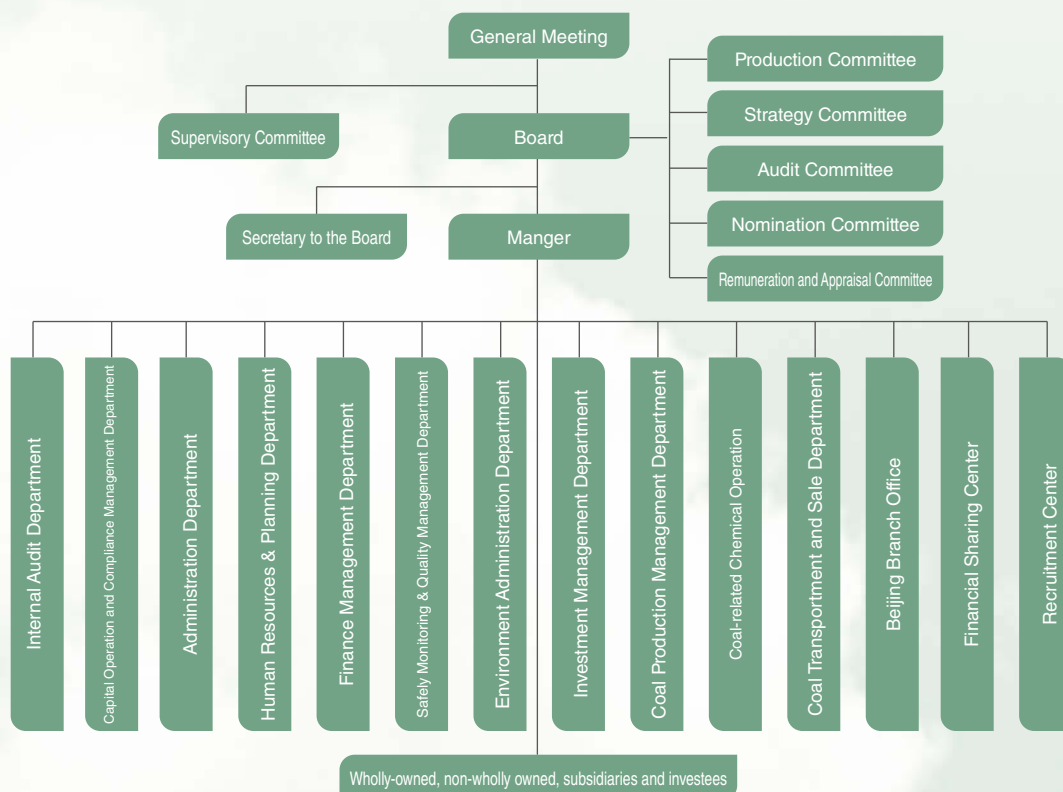
The Company strictly abided by the requirements of the Company Law, Securities Law, and other relevant national laws and regulations, developed and improved its rules and systems to standardize the operation of the Company and ensure its legal and compliant operation, while actively fulfilling its social responsibilities and continuously improving the social responsibility management system.

## 1.1 Governance and Structure

The Company has continuously improved the Articles of Association and Information Disclosure Management System, and the relevant rules and regulations on corporate governance, etc., and further clarified the duties and boundaries of the governing bodies including the general meetings, the Board, the Supervisory Committee and senior management, to establish a corporate governance mechanism featuring clearing division of rights and responsibilities, each performing its own functions, mutual coordination and effective checks and balances. During the reporting period, the Company disclosed all major information in a timely, accurate, true and complete manner to ensure that all shareholders have equal rights to know. The Company communicated with investors in various forms to effectively deepen communication with investors and enhance the Company's reputation and influence in the capital market.

The Company actively performed its corporate social responsibility through establishing a social responsibility management system with the Board at the core, continual and proactive response and fulfilling the appeals of stakeholders, to promote integrating social responsibility into corporate operation in each aspect.

The Board of Directors of the Company is responsible for the environmental, social and governance strategies and reporting, including assessing and determining the Company's environmental, social and governance risks, ensuring that the Company has an effective environmental, social and governance risk management and internal control system, and regularly reviewing the Company's performance and approval of disclosures in the Company's environmental, social and governance reports. This report has also been released after review by the Board of Directors.





## 1.2 Communication with Stakeholders

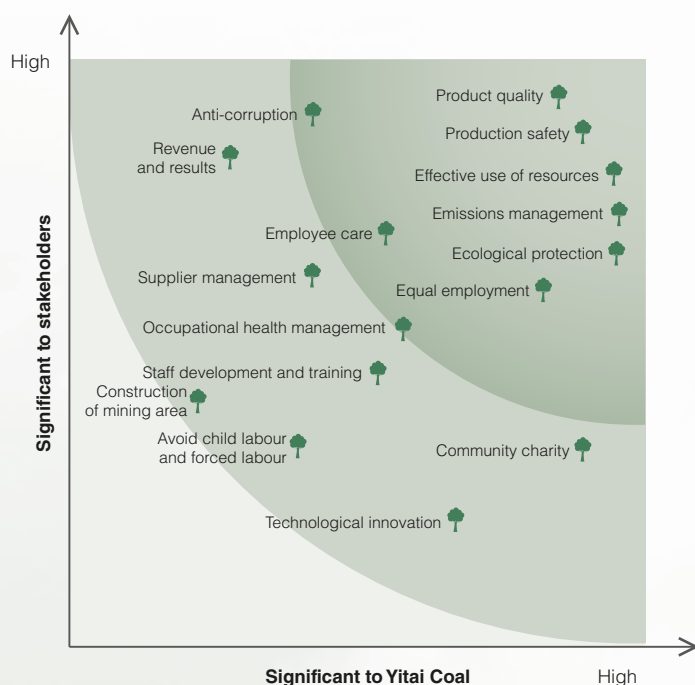
The Company continued to maintain communication and exchanges with stakeholders during the operation process, actively established communication channels with stakeholders, took initiative to listen to the expectations and demands of stakeholders, and responded promptly to their comments. From the perspective of sustainable development, the Company organized and formed a stakeholder communication schedule to provide a basis for the Company's substantive issue identification.

Stakeholders	Expectations and Demands	Communication Method	Response
Shareholders	<ul style="list-style-type: none"> <li>- Sustained and stable performance growth</li> <li>- Standard and clean operation</li> <li>- Timely and accurate information disclosure</li> <li>- Responsible investment</li> </ul>	<ul style="list-style-type: none"> <li>- Periodic disclosure</li> <li>- General meeting</li> <li>- Investor investigation</li> <li>- Results presentation</li> <li>- Results roadshow</li> <li>- Telephone meeting</li> </ul>	<ul style="list-style-type: none"> <li>- Stable operation</li> <li>- Timely and effective information disclosure</li> <li>- Investment management</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>- Operation safety</li> <li>- Lawful and compliant</li> <li>- Stable tax revenue growth</li> <li>- Serve the local economy</li> <li>- Promote the development of the industry</li> </ul>	<ul style="list-style-type: none"> <li>- Special report</li> <li>- Policy interpretation</li> <li>- Information announcement</li> </ul>	<ul style="list-style-type: none"> <li>- Compliance management</li> <li>- Law-abiding</li> <li>- Pay tax according to laws</li> <li>- Construction of mining area</li> <li>- Railway operation</li> <li>- Technological innovation</li> </ul>
Environment	<ul style="list-style-type: none"> <li>- Compliant pollutant emissions</li> <li>- Save energy and resources</li> <li>- Improve the efficiency in the use of energy</li> <li>- Ecological protection</li> </ul>	<ul style="list-style-type: none"> <li>- Environmental information disclosure</li> <li>- Insight into trend</li> <li>- Technological innovation</li> <li>- Awareness improvement</li> </ul>	<ul style="list-style-type: none"> <li>- Establishment of environmental management system</li> <li>- Emissions management</li> <li>- Effective use of resources</li> <li>- Minimize environmental impact</li> </ul>



Stakeholders	Expectations and Demands	Communication Method	Response
Employees	<ul style="list-style-type: none"> <li>- Equal employment opportunities</li> <li>- Reasonable salary and welfare</li> <li>- Smooth development channel</li> <li>- Safe and healthy working environment</li> <li>- Employee care</li> </ul>	<ul style="list-style-type: none"> <li>- Daily communication</li> <li>- E-mail, website, etc.</li> <li>- Staff congress</li> <li>- Employee activities</li> </ul>	<ul style="list-style-type: none"> <li>- Equal employment</li> <li>- Diversified recruitment</li> <li>- Occupational promotion channel</li> <li>- Training system</li> <li>- Occupational health management</li> <li>- Employee care activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>- Provide quality-compliance coal and coal chemical products</li> <li>- Stable and efficient railway operation</li> </ul>	<ul style="list-style-type: none"> <li>- Customer visits</li> <li>- Customer service call, E-mail</li> <li>- Mobile platform</li> <li>- Satisfaction questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>- Quality management</li> <li>- Technological innovation</li> </ul>
Suppliers and partners	<ul style="list-style-type: none"> <li>- Transparent procurement</li> <li>- Win-win cooperation</li> <li>- Keep commitment</li> </ul>	<ul style="list-style-type: none"> <li>- Partner meeting</li> <li>- Supplier visits</li> <li>- Online service platform</li> </ul>	<ul style="list-style-type: none"> <li>- Supply chain responsibility management</li> <li>- Sunshine procurement</li> <li>- Green procurement</li> </ul>
Community	<ul style="list-style-type: none"> <li>- Environmental protection</li> <li>- Response to national policies</li> <li>- Community assistance</li> </ul>	<ul style="list-style-type: none"> <li>- Understand community demands and national key projects</li> </ul>	<ul style="list-style-type: none"> <li>- Environmental welfare</li> <li>- Targeted poverty alleviation</li> <li>- Charity activities</li> <li>- Volunteer activities</li> </ul>

The Company forms environment, social and governance issues based on the actual situation and industry features, and communicates with the stakeholders to evaluate the materiality of issues in terms of the significance of the issues to stakeholders and the significance of the issues to the environment and society, to further screen and form a matrix of substantive issues, and determine the following social responsibility issues that are considered to be significant to both the Company and stakeholders and will be disclosed in the report as key focus to enhance operation management.



### 1.3 Anti-Corruption

The Company strictly complied with the Company Law and laws and regulations relating to anti-corruption and anti-bribery. In addition, the Company formulated regulations such as the Regulation on Strengthening Honesty and Dedication Building and Improving Cadres' Workstyle and the Measures on Strengthening the Assessment of Honesty and Dedication Building and Improving Cadres' Workstyle, in an effort to comprehensively promote the effective display of various discipline, inspection and monitoring functions and enhance the supervision on the Company's activities such as production, operation and management.

During the reporting period, the Company was not aware of any enquiry, notification, or penalty caused by any contravention of laws and regulations on anti-corruption, anti-blackmail, anti-fraud, and anti-money laundering in the place of operation.

- ***Improve Supervision System***

The Company continued to improve the supervision system, democratically evaluated the performance of managers at all levels in daily work such as democratic decision-making and acceptance of supervision, and evaluated managers based on the results of the disciplinary inspection committee. Focusing on the Responsibility Letter of Probity and Honesty Construction, the Company promoted top leaders at all levels to effectively implement the philosophy of “two roles in one post”, to efficiently and effectively perform the deployment of production management and ideological style.

- ***Integrity Culture Promotion and Training***

The Company actively conducted laws, regulations and warning education, and publicity activities on relevant disciplinary system of the Company, and conducted face-to-face warning education to management personnel at all levels and employees of foreign offices of functional departments of its subsidiaries. During the reporting period, the Company organized a study session on “strengthening the construction of integrity and improving the work style of cadres” for 61 units and departments, in which approximately 1,350 participants participated, to resolutely prevent and suppress wrong ideas and behaviors.

## 2. INDUSTRY CHAIN VALUE

In strict compliance with the Product Quality Law of the People’s Republic of China, the Standardization Law of the People’s Republic of China, the Measures for the Implementation of Regulations of the PRC for the Administration of Production Licences for Industrial Products, Law on Protection of the Rights and Interests of Consumers of the PRC, and Interim Measures on the Quality Control of Commercial Coal and other laws and regulations and industry standards to comprehensively control product quality, improve customer service, and continue to enhance the value of the industry chain by focusing on research and development, innovation, and optimization of supply chain management.

### 2.1 Product Quality Management

Adhering to the principle of “returning to the origin of quality, focusing on quality improvement, and promoting high-quality development” and focusing on quality and efficiency improvement, the Company has established a strong awareness that “quality is the life of an enterprise”, and has created a good atmosphere that “everyone values high quality, everyone creates high quality, and everyone enjoys high quality”. It also revised the Quality Control Manual as the management standard of the quality control system of the Company to ensure the quality of products and services.

In 2019, the Company continuously optimized the quality system standards from the top-level design, and always followed the PDCA dynamic loop model of “planning-implementation-inspection-disposal”, controlled various management tasks in accordance with the requirements of the system standards, and successfully achieved the Company’s annual quality goals. During the reporting period, the Company passed the re-certification of GB/T19001-2016 (ISO9001: 2015) quality control system.

- **Coal product quality control**

The Company has formulated related systems including the Measures for Coal Quality Management (《煤質管理辦法》) and Rules for Quality Control Assessment (《質量管制考核細則》), and focused on source control and process supervision, to ensure that the quality control system is continuously integrated into the entire process of quality control of coal products, and continuously improve the overall performance of quality management, which laid a foundation for our sustainable development.

Based on arrangement and deployment of quality control at the beginning of each year, and in combination with the requirements of the quality control system, the Company strictly managed the quality control process in the entire process from production, transshipment and sales.

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| Coal Quality Assessment Management      | – The Company has established a management system of “pricing based on quality”, and regarded coal quality an indicator of performance assessment, to improve the quality awareness of managers at all levels, verify the true level of coal quality control and the final result of control, and fully mobilize the enthusiasm of all segments of coal production in actively managing coal quality;   |
| Coal quality supervision and inspection | – The Company has formulated and implemented the Coal Quality Control Assessment Checklist to conduct daily supervision and inspection of the coal quality control process in various production and marketing links by way of regular or irregular inspections, and set up “quality special awards (penalties)” initiative to urge all departments to strengthen coal quality control, so as to raise quality awareness, and prevent hidden dangers and accidents.   |
| Quality inspection                      | <p>– The Company has formulated relevant systems such as Central Laboratories Randomized Supervision and Management Measures for Grassroots Laboratories, to continuously improve product quality verification procedures;</p> <p>– The Company constantly strengthened the supervision and quality control of the accuracy of coal test results by supervising and inspecting the grass-roots laboratories, and randomly checking the retained coal samples of each laboratory on a monthly basis to ensure the accuracy of the test data.</p> |



- **Quality Management of Coal Chemical Products**

The Company has formulated the Management Measures for Quality of Coal Chemical Segment and Annual Key Quality Work Plan of the Coal Chemical Segment as the basis and guidelines for the quality management of coal chemical segment to regulate the management process of coal chemical products. Adhering to the service concept, the Company has established a smooth production and sales coordination mechanism, and timely handled and early-warned product quality problems and potential risks found during the production and sales. The Company comprehensively promotes standardized management for raw materials, process products and finished products, and improves the soft power of coal chemical products quality management.

During the reporting period, the Company did not have any recalls of sold or shipped products.

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| Quality System Certification           | <ul style="list-style-type: none"><li>– Yitai Coal-to-oil Company passed the quality management system recertification in November 2019, and continued to maintain the effective operation of the quality management system;</li><li>– Upon establishment and trial operation of the quality management system, occupational health and safety management system, environmental management system and energy management system, Yitai Chemical Company passed the third-party initial audit of the four systems in November 2019 for the first time.</li><li>– Upon establishment and trial operation of the quality management system, Yitai Petrochemical Company successfully passed the third-party initial audit and certification recommendation in December 2019 for the first time.</li></ul> |
| Quality technical improvement measures | <ul style="list-style-type: none"><li>– The Company improved the synthetic water-alcohol separation process to improve the quality of alcohol-mixed products;</li><li>– The Company researched the optimization technology of liquid wax cutting system with stable light hydrocarbon deep processing equipment to realize diversified production of products and greatly improve the Company's economic benefits;</li><li>– The Company launched a 500,000 tonnes per year Fischer-Tropsch fine separation project, relying on the products and utilities of Yitai Chemical to produce high value-added, high-quality n- and iso-paraffin products with Fischer-Tropsch alkanes, which will reverse the dependence of domestic isoparaffin products on imports.</li></ul>                            |



## 2.2 Improvement of Customer Service

The Company has formulated regulations like the Credit Sales Management System, Management System of Customer, Supplier and Other Related Parties and Gas Station Management System to provide customers with quality services and continuously improve customer satisfaction.

- ***Customer privacy protection***

The Company values the safety and protection of customer privacy, and strictly abides by laws and regulations such as the Consumer Rights Protection Law of the PRC. Employees are strictly prohibited from divulging customer profiles, feedbacks, complaints, and other information, and violators will be imposed on fines depending on severity of the relevant case, and suspends those committing severe offense from their duties. During the reporting period, the Company did not have any case that entered the lawsuit due to violation of customer privacy.

- ***Customer communication channels***

The Company has established a variety of customer communication feedback and complaint channels, such as customer symposium, customer visits, customer satisfaction survey, network communications, telephone interviews, and online communication channels such as the official website message platform and WeChat public account, to collect customer feedback on product and service quality in a timely manner.

### **[Case] 2019 Key Customer Symposium of Inner Mongolia Yitai Petrochemical Co., Ltd.**

In November 2019, a three-day meeting of key customers of Yitai Petrochemical was held in Xiamen. The Deputy CEO and the chief engineer of the group company and the Chairman of Yitai Chemical, the Chairman of Yitai Petrochemical, the deputy general manager, the heads of each unit/department, and representatives of 34 client companies attended the meeting.

With the purpose of “frank communication, improving service and deepening cooperation”, the symposium reviewed the cooperation over the past year. Customers highly praised the business philosophy of “integrity management, mutual benefit and win-win” of coal-related chemical products and the work efficiency and service capability of the sales team. During the exchange process, leaders attending the meeting listened carefully to questions involved in the process of supply and demand cooperation and have given reasonable suggestions. Yitai Petrochemical Company, Yitai Chemical Company and Yitai Coal-to-oil Company provided on-site answers to some of the customers’ questions and promised rectification. After the meeting, common problems reflected by customers will be researched and improved as a special task to give customers a satisfactory answer.

The customer symposium is one of the important communication channels between the Company and customers. Taking customer demands as the starting point and ending point of work, the Company constantly improved product quality, management level and service capabilities. It strengthened cooperation with our customers to work together to establish a deeper and stronger strategic partnership.



### 2.3 Encouragement of Scientific and Technological Innovation

In strict compliance with the requirements of documents including the Guiding Opinion on Scientific and Technological Work and the “13th Five-Year Plan” for Technical Work (2016-2020), the Company has formulated such systems as the Management and Incentive System of Technological Achievements, Management Measures on Scientific Research Project, Evaluation Rules of Technical Management Organization Award and the Management Measures on Technology and Intellectual Property Evaluation Experts Database and the Privacy Management System, regulated technological business and intellectual property management, and established an innovation incentive mechanism to stimulate innovation potentials of employees and promote sustainable technological innovation.

- **Technological Innovation Results**

The Company is committed to promoting scientific and technological innovation, continuously adjusting and optimizing technical work goals, actively exerting its professional advantages and participating in industry-university-research cooperation projects, to promote the development of the industry while accelerating the transformation and implementation of scientific and technological achievements. In the year, the Company implemented the Research and Engineering Demonstration on Key Technologies of Large-scale Industrialization of Coal Indirect Liquefaction Process 《煤間接液化工藝大型工業化關鍵技術研究與工程示範》, and achieved a variety of technological innovation results:

- the “110” method introduced by the Company was fully implemented in Hongjingtai No. 1 Mine, realized automatic tunnel formation and coal pillar-free mining, reduced the possibility of tunneling accidents and excavation of 1,710 meters of roadway, and increased recycle of 42,000 tonnes of coal pillar resources;
- The “Research and Application of Intelligent Mining Technology for Fully Mechanized Mining Faces of Thin Coal Seams (薄煤層綜采工作面智慧化開採技術的研究與應用)” and “Industrialization Demonstration Project of Producing High-quality Normal Paraffin and Isoparaffin with Fischer-Tropsch Alkane Series (費托烷烴制系列高品質正-異構烷烴產業化示範項目)” won the registration of scientific and technological achievements in Inner Mongolia Autonomous Region;
- The Company cooperated with Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd. to complete the project acceptance for the achievement transformation and industrialization research project of special wax technology for Fischer-Tropsch synthetic wax production;
- The Company cooperated with catalyst manufacturers to carry out special research and application, carried out technical research with technical backbones, to improve product yield by replacing cracking reaction catalysts, and break through production efficiency bottlenecks;
- The “Industrialization Demonstration Project of Producing High-quality Normal Paraffin and Isoparaffin with Fischer-Tropsch Alkane Series (費托烷烴制系列高品質正-異構烷烴產業化示範項目)” of the Company was successfully put into production in October 2019, and the key indicators reached the international advanced level of those of comparable products.

- **Participate in standard setting**

In 2019, the Company extensively participated in the review and consultation of national standards, local standards and group standards:

- participated in the revision of GB/T32066-2015 “Coal-based Fischer-Tropsch synthetic liquid wax”, DB15/T959-2016 “Direct liquefaction of diesel with automotive coal” and “National Hazardous Waste List”, etc.
- guided the development of industry standards for “Coal-based Fischer-Tropsch synthesis of mixed olefins (《煤基費托合成混合烯烴》)” and participated in the development of five industry standards including “Coal-based Fischer-Tropsch synthesis of solid waxes (《煤基費托合成 固體蠟》)” and “Coal liquefaction and blending of automotive diesel (《煤液化調和車用柴油》)”. In particular, the Company as the first contractor in the field of coal indirect liquefaction production, led the standard development project of “Coal-based Fischer-Tropsch synthesis of mixed olefins (《煤基費托合成混合烯烴》)” for the first times.
- The Company participated in the formulation of group standards for T/CCT001-2019 “Sodium Sulfate By-Product of Coal Chemical Sector” and T/CCT002-2019 “Sodium Chloride By-Product of Coal Chemical Sector” and “Sodium Sulfate By-Product of Coal Chemical Sector”, which were approved and released.



- **Intellectual Property and Patent Protection**

The Company has continuously improved the construction of its intellectual property rights management system, strictly followed laws and regulations such as the Copyright Law of the PRC and the Patent Law of the PRC, and formulated such systems and measures as the Intellectual Property Management Measures, Intellectual Property Risk Management Measures, and Science and Technology Management System. It also launched a series of system revisions and intellectual property rights protection measures in 2019.

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| System revision              | <ul style="list-style-type: none"><li>– issued the Technology and Intellectual Property Rights Management Plan (2019-2021), which clarified the direction of technological development and major key technical issues in the Company’s various industry sectors, to enable its innovation-driven strategy go hand in hand with industrial planning;</li><li>– revised the Evaluation Rules for Science and Technology Management Organization Awards to refine and enhance the work requirements of science and technology management and intellectual property rights management of functional departments and branches and affiliates;</li><li>– revised the Administrative Measures for Trademarks to regulate the use of trademarks of the Company.</li></ul> |
| Property protection measures | <ul style="list-style-type: none"><li>– strengthened the excavation and protection of its own core technology, and stimulated the patent protection and technological innovation awareness of frontline technicians;</li><li>– carried out technical review and patent layout, and initially formed its own patent pool and database, laying a foundation for reaching leading position of industrial technology and forming competition barriers for intellectual property rights;</li><li>– strengthened training on intellectual property rights. The Company organized experts to conduct company-wide intellectual property rights strategy training, intellectual property rights analysis and evaluation, and tort risk response training.</li></ul>       |

## 2.4 Optimize Supply Chain Management

The Company strictly abided by the relevant national laws and regulations such as the Bidding Law of the People's Republic of China, continuously optimized supply chain management, and established a scientific and strict supplier selection and evaluation system. It focused on supply chain environmental and social risks so as to build a sunshine, green and sustainable supply chain ecosystem.

- ***Supplier management mechanism***

The Company has formulated the Procurement Management Measures of Inner Mongolia Yitai Coal Co., Ltd., the Supplier Management Measures of Inner Mongolia Yitai Coal Co., Ltd. and other management systems, and established a Material Management Integrated Platform, which is embedded with general standards for supplier access and standards for different materials, and scientifically regulates supplier access management.

The Company has established a complete supplier auditing and evaluation program. Adhering to the principles of fairness, impartiality and objectiveness, the Company conducted inspections and investigations on suppliers, and implemented annual assessment management on suppliers. Designated personnel were organised to conduct annual performance assessment based on compliance, performance process, safety, environment, quality, etc., and fill in the Supplier Annual Review Form. The Company reports the compliance of suppliers every month, reminds and warns of general breaches, and blacklists malicious breaches, to strengthen management of the compliance process.

- ***Supply chain environmental and social risk management***

The Company has always attached importance to the management of environmental and social risks in the supply chain, and formulated and implemented relatively comprehensive management measures to ensure the smooth and compliant operation of supply chain management:

- strictly review the qualifications of suppliers, require environmental protection and occupational health management system certification for production enterprises and corresponding operating licenses for hazardous chemical business enterprises;
- It is clearly stipulated in the bidding documents that no nationally eliminated mechanical and electrical products shall be used, and energy-saving products are preferred;
- focus on the relevant information of environmental impact of the suppliers, and implement a one-vote veto for violations of environmental, labor, and other relevant national laws;
- The pharmaceutical suppliers shall be audited strictly in accordance with the scope of the business license, and the relevant agreements must be signed with the transport companies to control such companies it cooperates with;
- supervise and manage suppliers in the manufacturing and other processes through third-party supervision agencies, produce in strict accordance with the contract and agreement, and resolutely put an end to acts that pollute the environment and destroy ecology.



### [Case] “Deepening Strategic Cooperation • Creating a Better Future” Supplier Conference

On 11 July 2019, the Company held a supplier conference with the theme of “deepening strategic cooperation • creating a better future”. A total of 60 core supplier representatives from across the country participated in the conference to discuss new strategic cooperation models, hand in hand to achieve mutual benefit and win-win.

The Company shared the ideas and models which adhered to and publicized in the bidding and procurement, and carried out a special report on “Deepening Strategic Cooperation and Promoting Value Creation”, explaining in detail the changes in the Company’s procurement management direction and the expansion of cooperation models. Supplier representatives put forward new insights and ideas on cooperation with the Company at the conference to promote the optimization of long-term cooperation between the two parties. Driven by this conference, the Company signed strategic cooperation intents with 12 suppliers.

The supplier conference promoted equal communication and sharing between the Company and the supplier, promoted the establishment of the high-quality business supply chain of the Company, and enabled the two parties to seek development through cooperation and achieve a win-win situation with resources platform.



### 3. SAFETY DEVELOPMENT

Adhering to the safety concepts of “two rather than” and “two three no” and the management ideas of “two authorizations” and “three policies”, the Company firmly established the concept of safe development and red line awareness, strictly abided by laws and regulations related to production safety and occupational health, and improved safety production and occupational health management system to consolidate the standardization of production safety, and created a stable and safe production environment.

#### 3.1 Safety Operation

The Company strictly abided by the relevant laws and regulations on safety production such as the Safety Production Law of the People’s Republic of China, Special Equipment Safety Law of the People’s Republic of China, the Fire Protection Law of the People’s Republic of China, the Opinions on the Construction of Dual Prevention Mechanism for the Implementation of the Guidelines for Curbing Serious Accidents of the Safety Committee Office of the State Council and the Notice on Comprehensively Strengthening the Work Safety Responsibility System for All Employees of the Safety Committee Office of the State Council, to fully implement the safety production responsibility system at all levels and prepare for safety risk prevention and control. The Company successfully passed GB/T28001-2011 (OHSAS18001: 2007) occupational health and safety management system re-certification, continuously strengthened the safety awareness of all employees, and improved safety operation level.

During the reporting period, there was no occurrence of general or above level accidents within the Company.

- **Safety management system**

The Company formulated the Management Measures on Classified Control on Safety Risk, the System of Identifying and Eliminating the Potential Risks in Production, Reward and Punishment Measures for Safety Supervision Leaders, Measures for Graded Rating of Safety Management Level of Production and Business Units, the Safety Responsibility System for All Employees, Safety Operation Technical Regulations, Standardized Management System of Safety Production in Coal Mines, the Management System of the Entrance in Mines, “Three simultaneous” Safety Management System for Construction Project Safety Facilities and Standardized Management System of Safety Production in Coal Mines, and established a safety production management organization system under the safety production management organization led by the Security Committee to ensure the effective implementation of the management systems and specifications of the Company.

In 2019, based on the general program of the Safety Work Arrangement 2019, the Company implemented a goal, made a summary, promoted three innovations, and further strengthened safety production management:

- The Company constructed a safety management level classification and rating method for production and operation units, which includes eight indicators as main line of safety management level grading and assessment work, including safety indicators, dual prevention mechanisms, safety production standardization, safety responsibility implementation, team building, technology foundation management, safety management innovation, safety technology innovation, and safety culture innovation. The Company also implemented corresponding rewards and punishments for different levels of production and operation units, to give full play to the warning and promotion role of safety supervision;
- The Company established a reward and punishment system on safety management, set safety goals and annual safety goals for personnel engaged in safety production management and field operations in various departments, and cancelled the corresponding safety monthly award and safety risk mortgage award for departments or individuals who have not completed the safety goals according to assessment standards, so as to strengthen on-site management, strengthen program control, and fully reflect the principle of unity of responsibility, power and interest in production safety.


- **Security risk control**

The Company promoted the dual prevention work of safety risk classification management and accident hidden trouble detection and management, implemented safety classification management of production and operation units, and safety management grading evaluation, conducted evaluation-type, physical examination-type safety supervision, and regulated the entire process of hidden hazard investigation and rectification to ensure the investigation and management of hidden dangers were put in place. Meanwhile, we constantly identify and sort out new risks, implement dynamic management, and strive to prevent hidden dangers of safety risks, investigate hidden dangers of accidents, so as to realize safe production and ensure risk control.

The Company adhered to the red line consciousness and bottom line thinking, and based on the principles of “strengthening combat readiness, strict training, proactive prevention, and active rescue”, it focused on strengthening the construction of emergency plans in the areas of mine safety, major hazards, and fire safety:

- Mine safety
- strengthen ideological preparation, organizational preparation, plan preparation, mechanism preparation, and work preparation for responding to production safety accidents, strengthen establishment of emergency rescue teams, material and equipment, strengthen daily training, drill and practical exercises, and continuously deepen the implementation of responsibilities and improve the emergency management system;
  - strengthen the construction of mine safety information, implement emergency linkage of alarm function with personnel positioning, emergency broadcasting, 4G communication and other systems, and improve mine accident warning and emergency handling capabilities.





Major dangerous sources – formulate the Major Danger Source Identification, Evaluation, Monitoring and Safety Management System, Accident Emergency Plan Management System and other systems to strengthen the monitoring and management of major dangerous sources;

– formulate emergency plans for major dangerous source accidents, establish emergency rescue organizations and arrange emergency rescue personnel, equipped with professional protective equipment and emergency rescue equipment, and improve the Company's emergency handling and self-rescue capabilities.

Fire safety – formulate the Fire Safety Management System to strengthen the fire safety management of the Company;

– clarify the fire safety responsibilities of the safety responsible persons of all parts, organize daily fire safety inspections, supervise the implementation of relevant safety hazards rectification, and prevent fires;

– formulate fire-fighting and emergency evacuation plans for various units and departments, organize emergency fire drills, and improve the response capacity and skills of emergency teams and related departments in handling fire safety emergencies.

- ***Enhanced safety monitoring***

The Company actively put into practice safety inspection actions, comprehensively enhanced safety inspection work of the company and all production and business units, and regularly carried out the monthly safety meeting, special inspection and major festival inspection, etc. to promote the effective implementation of the safety management system and safety responsibilities. In addition, the Company implemented the requirements of Notice of the Office of the Security Commission of the State Council Regarding of Launching the 2019 National "Safety Production Month" and "Safety Production Travel" Activities, and actively carried out monthly safety production activities, targeting to prevent and defuse major risks, timely eliminate safety hazards and effectively curb safety production accidents. The Company severely embraced the concept of safety development and enhanced the awareness of safety production to improve safety quality, strictly implement safety management and fall into place the responsibility of safety production.

- ***Safety Culture Cultivation***

The Company formulated the Safety Education and Training Management System and an Annual Safety Training Plan in strict accordance with the national requirements such as the Safety Training Regulations for Production and Management Units, the Safety Training Regulations for Coal Mines, the Notice on Conducting Coal Mine Safety Training and Renovating and Promoting the Quality. The Company set up a safety training center to carry out diversified training and publicity campaigns, and disseminate to employees knowledge and experiences related to safety risks and safety protection so as to encourage employees to establish awareness of production safety in daily work and improve the level of production safety management and prevention and control.

### [Case] 2019 Security Promotion Series Activities of “Consultation Day”

On 14 June 2019, the Company launched a series of activities for safety promotion “Consultation Day”. The Company established an information desk aiming to publicize the policies and regulations on safety production and common knowledge on safety to the staff, and simulated how to conduct cardiopulmonary resuscitation at the scene, making the staff practice in person. In addition, at the invitation of the Safety Committee of Dongsheng District in Ordos city, the Company organized employees to hold an “Consultation Day” event at the Bronze Plaza, which was designed to widely publicize the policies, laws and regulations relating to emergency management, production safety, disaster prevention, mitigation and relief to the public, and popularize emergency knowledge, safety knowledge and self-rescue and mutual-rescue skills, as well as to accept on-site consultations from the masses and answer the issues regarding safety production and life that the masses concerned at zero distance.

The publicity activities for safety promotion of “Consultation Day” permitted the Company to educate employees on safety while improving the safety awareness and self-rescue ability of the masses.





### 3.2 Occupational Health

The Company formulated system documents such as Occupational Health Management System, Administrative Measures for Prevention and Control of Occupational Disease Hazards in Coal Mine Workplaces, Responsibility System for Occupational Disease Prevention and Control, Occupational Health Operating Procedures for the Post, Annual Occupational Health and Safety Targets, Annual Plan and Implementation Scheme of Occupational Disease Prevention and Control and Emergency Rescue Plan for Occupational Disease Hazards Accidents in strict accordance with relevant laws and regulations on occupational health, like the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, established and improved Organization Component of Occupational Health Management of All Units, Occupational Health Archives of All Units and Archives of Occupational Health Surveillance for Workers, and explicitly stipulated Standard of Labor Protection Equipment for Employees. In light of the relevant requirements, the Company regularly organized the declaration of occupational hazards and monitored the occupational hazard factors in the workplace. From April 25th to May 1st of each year, the Company organized all of its employees to carry out the publicity of the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, striving to improve or maintain the level of occupational hazard prevention and control management, and raising the awareness of occupational hazard prevention and control and the rule of law among all employees.

During the reporting period, the Company had no new cases of occupational diseases.

## 4. ENVIRONMENTAL PROTECTION

The Company thoroughly implemented the country's decision-making and deployment of advancing the construction of ecological civilization, placed the ecological environment protection work at the strategic height of enterprise development, and insisted upon the environmental energy policy of "hundred-year Yitai, green energy, energy saving, efficiency increasing and sustainable development", with the direction of building "resource-saving and environment-friendly" enterprises, the path of planting trees and reducing carbon in clean production and green mines, the commitment of constructing ecological civilization through practical actions.

### 4.1 Emissions Management

The Company strictly complied with the laws and regulations relating to environmental protection such as the Law on Environmental Protection, the Law on Air Pollution Prevention and Control, the Law on the Prevention and Treatment of Water Pollution, the Law on Prevention and Control of Environmental Pollution by Solid Waste and Soil Pollution Control Law, formulating the Environmental Management Measures and Measures for Reward and Punishment of Environmental Protection Inspection and Assessment, to improve the emission management system, reinforce monitor and supervision, standardize the emission management of all units of the Company, and practice the social responsibility of emission reduction.

In order to actively respond to national emission reduction requirements, the Company issued the 2019 Environmental/Energy Target Indicators, setting limits for pollutant discharge per unit of product for all units in 2019, and strictly managed and controlled pollutant emissions. In 2019, the environmental protection facilities of all units of the Company operated on a stable and effective manner, and all kinds of pollutants were discharged in compliance with standards. During the reporting period, the Company did not have any environmental lawsuits due to violation of emissions regulations.

## Greenhouse Gas

The greenhouse gases emitted by the Company are mainly carbon dioxide, methane and nitrous oxide produced in coal production, coal chemical production and fuel use. The Company has taken various measures to reduce greenhouse gas emissions:

- Upgraded the boiler flue gas desulfurization and dust removal system. After the renovation, the emission concentration of the boiler flue gas pollutants is less than the limits in the Emission Standards of Air Pollutants for Boilers, greatly reducing the emissions of boiler smoke, sulfur dioxide and nitrogen oxides;
- Actively involved in the greening of mining areas to increase carbon sequestration as a path to reduce greenhouse gas emissions.

## Exhaust Gas

The exhaust gas of the Company mainly generated from boiler flue gas, loading system exhaust gas, coal dust generated from coal transportation and storage, and dust-containing exhaust gas derived from solid material storage and transportation. According to different types of exhaust gas, the Company formulated corresponding measures to prevent exhaust gas pollution:

- Boiler flue gas: Adopting bag dust removal, desulfurization, and denitration process technologies to remove dust, sulfur dioxide and nitrogen oxides from flue gas, effectively ensuring that all emission indicators of flue gas met the air pollution emission standards for newly-built coal-fired boilers set forth in the Emission Standards of Air Pollutants for Boilers and Emission Standards of Air Pollutants for Thermal Power Plant.
- Loading system exhaust: Adopting oil and gas recovery facilities for tail gas recovery to reduce emissions of volatile organic compounds; carrying out oil and gas recovery on the stabilizing light hydrocarbon system of the loading bridge with oil and gas recovery efficiency reaching more than 98%.
- Coal dust generated from coal transportation and storage, and dust-containing exhaust gas derived from solid material storage and transportation: All the coal transportation systems on the coal mine surface adopted closed trestle, the roads into the factory were all hardened, and the motor vehicles were covered with tarps. Meantime, the Company adopted the method of cyclone dust removal and bag dust removal, equipped with spraying facilities, to achieve “coal production without coal” and effectively control the fugitive emission of coal dust.

#### Hazardous Wastes

The hazardous waste generated by the Company was mainly waste oil generated during equipment maintenance, waste oil generated during coal chemical production, and waste catalyst.

The Company controlled from the source, continuously optimized the technology, and strengthened the control of the production process to minimize the generation of hazardous waste and achieve the entire process control of hazardous waste. In accordance with the Standards for Pollution Control of Hazardous Waste Storage, the Company established a compliant temporary storage warehouse for hazardous waste, and transferred the hazardous waste to a qualified unit for disposal.

#### Harmless Waste

The harmless waste produced by the Company was mainly coal gangue generated during the mining and washing process.

- Strongly implemented the green development of coal, and promoted green mining technologies such as small coal pillar mining according to local conditions, minimizing coal gangue production from the source;
- Multi-channel comprehensive utilization of coal gangue, such as power generation, road construction and backfilling, land reclamation, etc., to improve resource utilization efficiency.

#### **[Case] Increasing the utilization rate of coal slime by using coal-based concrete hollow roadway filling and supporting technology**

In 2019, the Company applied coal-based concrete hollow roadway filling and supporting technology to achieve effective utilization of coal slime. This technology used coal-based concrete filling material to fill and support the hollow roadway of the coalface. The coal-based material used for the filling was taken from the coal slime abandoned in the mine and the coal preparation plants.

At present, the project has been applied to well No. 2 of Nalinmiao Coal Mine since January 2019, with 17 connecting alleys, 2 subinclined shafts, and some chambers filled with coal-based concrete. This technology realized the reuse of waste and cut down the coal slime discharge, thereby avoiding the occurrence of solid waste pollution and atmospheric dust pollution.



### **[Case] Harmless disposal of hazardous waste**

The Company and its partners built hazardous waste treatment projects in Duguitra Industrial Park of Ordos city, using the core technology of “incineration + solidification + landfill” to treat and dispose of 190 types of hazardous waste in 18 categories.

At present, the treatment scale of the Phase I incineration plant in operation is 12,000 tonnes/year, and the landfill treatment scale is 47,000 tonnes/year. The project realized the harmless disposal of hazardous waste, provided a platform for the regional hazardous waste disposal, and fulfilled the commitment of the Company about green development.

### **[Case] Gas Station Double-layer Tank Reconstruction Project**

The Company launched a gas station double-layer tank reconstruction project, completing the transformation of a single-layer steel oil tank added with a layer of glass fiber reinforced plastic anti-seepage coat on all 30 gas tanks at 6 gas stations to achieve 24-hour full-range monitoring and alarm. The project effectively avoided soil and groundwater pollution resulting from leakage of storage tanks in gas stations, thus shunning environmental pollution.


## **4.2 Resource Utilization**

The Company actively implements relevant energy-saving policies and guidelines such as the Energy Conservation Law of the People’s Republic of China and the “13th Five-Year Plan” for Comprehensive Energy Saving and Emission Reduction, formulates related systems such as Environmental Management Measures, fulfills its responsibility for energy conservation and environmental protection, and comprehensively promotes energy consumption reduction and effective utilization of resources while providing quality products.

- ***Energy Conservation Management***

The Company actively promotes energy-saving management with rational utilization of energy and resources, continues to strengthen refined energy consumption management, and actively implements energy conservation by highly integrating energy-saving and environmental protection concepts with daily work.

- Whole-process control
- Strictly control the procurement and prevent the purchase of equipment and processes with high energy consumption and backwardness;
  - Strengthen process supervision during utilization, urge all units to identify the main energy-consuming units, and take effective control measures to improve energy efficiency;
  - Conduct comprehensive inspections of the electromechanical equipment in use and in reserve of all units, screen for outdated electromechanical equipment with high energy consumption, and formulate a phase-out plan.



Cost decreasing and benefit increasing

- Carry out special inspections on energy management in accordance with the national and local requirements of the Ordos Development and Reform Commission, Industrial and Technology Bureau, etc.;
- Strengthen daily energy conservation monitoring, tap the potential of energy conservation and promote refined management within the enterprise, to continuously improve the Company's energy management level and energy utilization efficiency;
- Successfully completed the total energy consumption and intensity control decomposition targets for key energy-using enterprises in the "Hundreds to Thousands" energy conservation campaign in the autonomous region.

Innovation Optimization

- Optimize boiler parameters to improve thermoelectric efficiency, develop steam-electricity balance, enhance the overall operating capacity of devices and the overall energy efficiency of the boiler, and reduce energy consumption. The coal consumption per thousand tonnes of steam of the thermal boiler was reduced from an average of 101 tonnes of standard coal in 2018 to 98 tonnes of standard coal.

Intensified publicity

- Hold publicity activities such as "June · fifth" environment day and energy conservation publicity week, focusing on the publicity of national energy conservation and emission reduction policies and regulations, enhance the consciousness and initiative of employees in energy conservation and emission reduction, establish awareness of energy conservation, and create a good energy conservation atmosphere, so as to further promote the Company's energy conservation and emission reduction work.

#### **[Case] Energy-saving retrofit of stripping steam in hydro-fractionation system**

The Company launched an energy-saving retrofit project of stripping steam in hydro-fractionation system to ensure product quality while reducing steam consumption in winter. The Company optimized and innovated the oil equipment in the oil center, so that under stable and continuous hydrophobicity, the steam entering the heating furnace of the fractionation system no longer contains water, and the steam temperature at the exit of the heating furnace is guaranteed to ensure the quality of the fractionated products. After the retrofitting, the hydrogenation unit can normally use 0.5 MPa steam all year round, and the saved 1.5 Mpa steam is used for power generation, which not only saves the amount of steam, but also achieves the purpose of efficient use of resources.



- **Water resource management**


The Company actively promotes water resources management and adopts various technical means and measures to save water resources and improve water resource utilization efficiency:

- The Company recycles rainwater to the accident pool, and sends it to the gasification section after preliminary sedimentation treatment as supplement water in the gasification system to reduce the amount of water produced by the gasification system and save 20,000 m<sup>3</sup> of production water annually;
- Continue to carry out the Company's steam condensate water recovery and utilization project, and take measures such as steam condensation recovery and condensate water return to the pipe network, which can save 10,000 m<sup>3</sup> of water annually;
- The Company continues to strengthen the operation management of wading devices, carry out scheduled production, preventive inspection and maintenance measures, and regularly carry out wading devices and equipment maintenance to improve the operation efficiency of devices and reduce abnormal situations;
- The Company's energy management and control center use electronic screens and building televisions to carry out water-saving publicity activities, calling on all employees to save water in daily production and life.

The Company has adopted various measures to prevent and control wastewater pollution, and has achieved near "Zero" discharge of project sewage, which has greatly saved water resources:

Drainage system	The Company designs the drainage system in accordance with the principles of clearing and sewage separation and sewages separation to the imported wastewater quality of each sewage treatment plant is qualified. At present, temporary storage outside the factory can accommodate 270,000 m <sup>3</sup> of drainage, of which 30,000 m <sup>3</sup> is a fire accident pool; 240,000 m <sup>3</sup> is an emergency storage pool, and 11 pools are used for storage sewage when there are production systems problems to avoid environmental pollution from wastewater.
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Wastewater treatment and reuse	The process wastewater, domestic sewage and initial rainwater of the Company are all treated in a sewage treatment plant. AO + MBR process is used to treat domestic sewage. Industrial wastewater is treated by coagulation sedimentation, filtration and disinfection processes. After the sewage treatment reaches the first level requirement of the Integrated Sewage Discharge Standards and Pollutant Discharge Standard for Coal Industry, all of them will be reused for production, sprinkler dust reduction and greening, saving about 3 million tonnes of fresh water each year, and achieving a win-win situation of economic and environmental benefits.
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Evaporation crystallization For the concentrated brine discharged from the wastewater reuse system, the Company adopts deep energy “multi-effect countercurrent evaporation + segmentation crystallization process” to realize the resource utilization of the crystalline salt.

#### **[Case] Coal-related chemical projects to increase the recycling of water**

The Company’s public infrastructures, gasification and other devices used by use demineralized water as process water in daily production. In order to reduce the loss of wastewater from desalinated water production, the Company adopted technical reforms to use the reverse osmosis water from the water reuse plant as the process water for the above equipment, replacing the original desalinated water as process water, reducing the amount of desalinated water annually 174,000 m<sup>3</sup>, the annual reduction of wastewater is about 26,000 m<sup>3</sup>.

### **4.3 Ecological Protection**

The Company formulated internal systems such as the Environmental Management Measures in strict accordance with the laws and regulations such as the Law of the People’s Republic of China on Soil and Water Conservation and the Regulations on Environmental Protection of Mine Geology. The Company also formulated rules for the assessment of 60 work items such as environmental protection and soil and water conservation, ecological construction, energy conservation and emission reduction to protect ecological and natural environment with responsible attitudes and behaviors.

- ***Environmental management system improvement***

The Company always adheres to the basic national policy of saving resources and protecting the environment, and constantly strengthens internal management. the Company set up an environmental management committee, built an environmental management leading group with the Company’s chairman as the chief person in charge, to strengthen environmental management from top to bottom and implement environmental protection responsibilities at every level.

At present, the Company’s various industry sectors have passed the ISO14001 environmental management system and ISO50001 energy management system certifications. The two management systems have been combined and operated, which has strengthened the management effects of the two systems and improved the Company’s environmental protection and energy consumption management.

The Company has set up a special bonus for environmental protection, which will positively stimulate excellent units in environmental protection, further activate the efficiency of environmental protection management at the grassroots level, firmly establish the awareness of the main responsibility of environmental protection, and incorporate environmental protection into normal management.

The Company’s various new, renovation and expansion projects strictly implement the environmental impact assessment system, the environmental protection of construction projects and the “Three-Simultaneity” system of soil and water conservation, and the implementation rates have reached 100%.



- ***Practice ecological protection***

In the production process, the Company earnestly fulfills the environmental protection responsibility, protects and improves the ecological environment. The Company adopts various measures to protect the ecological environment:

- The Management Measures for Subsidence Areas was formulated to strengthen the management of subsidies and cracks on the ground, standardize the acceptance of the mining and subsidence areas, prevent the leakage and fire of the coal mining subsidence areas and cracks, and protect the ecological environment of the mining area;
- Carry out ecological environment management, organically combine green mines construction with production construction, land reclamation, and soil and water conservation, improve the ecological environment of the mining area to achieve coordinated environmental, economic, and social benefits;
- Deepen the implementation of ecological protection construction projects, afforestation of more than 340,000 Mu, sealing sand cultivation area of about 109,700 Mu, wetland protection area of about 7,100 Mu, sandy governance area of about 47,400 Mu, and windbreak and sand-fixation reached 860,000 Mu, building a green ecological barrier for Ordos.



## 5. EMPLOYEE'S HAPPINESS

The Company fully complied with the Labor Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Law of the People's Republic of China on Protection of Minors, Implementation Measures for Paid Annual Leave for Employees of Enterprises and other national laws and regulations to safeguard the legitimate rights and interests of employees. Through regulating employment, training, promotion and other management tasks and caring for employees, the Company strives to improve employees' happiness.

### 5.1 Interests of Employees

The Company developed a series of rules and regulations including Human Resource Management System, Broad Band Salary Plan, Employee Performance Management Measures and Employee Attendance Management Measures to safeguard the legitimate rights and interests of employees.

- ***Working hours and holiday***

The Company implemented a working hour system that combines standard working hours, comprehensive working hours and irregular working hours to guarantee reasonable working hours. The Company respects employees' right to leave, clearly stipulates the national statutory holidays, paid annual leave, sick leave, marriage leave, maternity leave, paternity leave, funeral leave and other employees' rights and interests, and advocates that employees should take full vacations.

- ***Remuneration management***

Based on same position equal pay, a broad band salary plan was developed based on post value as the main body and dynamic performance appraisal. In order to effectively attract, retain and motivate talents, the Company moderately widen the compensation gap among middle managers, between managers and employees, and between management and non-management personnel to give full play to the incentives of the compensation management mechanism. In addition, remuneration distribution rights were granted to implement total control and improve the enthusiasm of the production and operation units.



- **Staff communication**

The Company is committed to building a smooth communication channel with employees, real-time feedback of employee suggestions, and protecting the vital interests of employees. The Company understands the expectations and appeals of employees through channels such as rationalization proposals, employee representative meetings and performance appeal channels to solve problems related to employees' practical interests and achieve efficient democratic management.

## 5.2 Equal Employment

The Company adheres to the principle of equal employment, evaluates the professional qualifications from the aspects of compliance, ability and job matching, so as to ensure that all employees enjoy equal employment opportunities and prevent any discrimination based on gender, age and other factors. The Company has built diversified recruitment channels, formed a regular selection mechanism and an appointment system selection mechanism under other necessary situations for all employees to compete for positions, to build a sound and diversified echelon of talents.

The Company resolutely puts an end to illegal employment such as child labor and forced labor. The Company's Recruitment Management System clearly states that it is forbidden to recruit minors under the age of sixteen, and the identity of applicants is strictly examined during recruitment. Meanwhile, the Company conducts personnel audits from time to time, and attaches importance to the monitoring of employment risks. If violations are found, it will actively take action to correct the problems to ensure the smooth operation of the Company's talent system.

During this year, the Company did not experience violations such as the use of child labor and forced labor, nor did it have any lawsuits caused by employment issues.

## 5.3 Growth and Development

The Company developed and implemented the Management Measures of Management Personnel's Selection and Appointment, the Professional and Technical Talent Occupation Development Management Measures, the Functional Business Talent Occupation Development Management Measures, the Skill Operation Talent Occupation Development Management Measures and other internal systems, to help employees grow and strengthen the Company's core competitiveness to achieve common development of the Company and employees.





- **Employee training**

Combined with the Company's business needs, the Company has built a relatively improved staff training system to set up personalized training for employees of different levels and positions. For grass-roots employees, the main contents of professional skills theory, practical training, safety awareness and ability training are to improve their professional ability; for management training, according to the principle of "classified development and hierarchical empowerment" and based on the organizational needs analysis and employee development needs, the Company established "Operating Manager Learning Map" and "Grass-roots Manager Learning Map", and organized and implemented relevant offline training projects to improve management ability. For new employees, the Company carried out training courses on corporate culture, safety and quality and so on, with teachers and apprentices, case discussions and other ways to speed up the integration and growth of new employees. In addition, the Company has also carried out certification training and special training to help employees improve their work skills in all aspects.

- **Occupation Development**

To broaden the employee career development channels, effectively motivate employees to enhance their capabilities, and promote the professional talent team construction, the Company developed the Professional and Technical Talent Occupation Development Management Measures, the Functional Business Talent Occupation Development Management Measures, the Skill Operation Talent Occupation Development Management Measures and other management measures, and formulated different talent development strategies based on hierarchy.

Through the human resources management reform, the Company introduced a standardized job management system and career development channels. The Company has formed a position management system with job management as the core, covering all employees and four career development channels including "management channel, professional technology channel, skill operation channel and functional business channel". The job requirements, promotion standards, management authority and other contents of talents at all levels in the four channels are clearly defined in a system, which not only strengthens the foundation of human resources management, but also plays an incentive role in the growth of the whole staff and effectively ensures the achievements of reform.

#### 5.4 Employee Care

The Company attaches great importance to communication with employees and cares for employees in need. The Company puts emphasis on work-life balance of employees, organizes a variety of cultural and sports activities, enriches the spiritual and cultural life of employees, and improves their happiness and belonging.

- |                        |   |
|------------------------|---|
| Employee Care          | <ul style="list-style-type: none"><li>– The Company organized physical examination for all staff on a regular basis. In 2019, employee physical examination rate reached 100%;</li><li>– The Company established a special relief fund to help employees who have difficulties in living due to illness or accident;</li><li>– The Company proactively carried out “heart-warming” activities for caring employees in need, including timely visiting workers who are hospitalized due to illness and injury, and actively assisting in solving difficulties;</li><li>– Condolences to the model, labor model, and employees in need during the holiday, etc.</li></ul> |
| Diversified Activities | <ul style="list-style-type: none"><li>– The Company carried out cultural and art training, pen pal exchange activities and “National Coal Mine Workers Art Exhibition” activities to enrich the amateur life of employees;</li><li>– The Company held employee sports games, chorus competitions, knowledge contests and other activities to deepen employee communication and create a good team atmosphere;</li><li>– In combination with traditional Chinese festivals, the Company organized activities such as Women’s Day and New Year Celebration to create a strong festive atmosphere.</li></ul>   |
| Staff communication    | <ul style="list-style-type: none"><li>– The Company regularly holds employee congresses, carefully listens to employees’ opinions, ideas and suggestions, and effectively achieves two-way communication.</li></ul>   |

### [Case] International Women's Day Celebration

On 7 March 2019, the Company's March Eighth Women's Day series of activities officially kicked off. The Company's deputy general manager and chairman of the union attended the opening ceremony and delivered speeches. The activity is divided into two parts: fun games and lucky draw. There are nine fun games including bunny dance, shuttlecock competition and happy hula-hoop in the game segment where female employees actively participated in. In the lucky draw, a total of 26 employees finally won prizes including first, second and third prizes and lucky prizes.

This activity fully demonstrated the healthy, cheerful and positive attitude towards life and spirit of women compatriots in the new era, which not only cultivated a teamwork spirit of cooperation and collaboration among female employees, but also promoted exchanges and communication among colleagues.





### [Case] “Youth Yitai·Fighting Yitai” Reader Competition

On 24 May 2019, the final of the “Youth Yitai·Fighting Yitai” Reader Competition was successfully held. After intense and serious preparation, 14 groups of contestants brought us a wonderful presentation divided into four chapters: “Ingenuity · Perfection”, “Time · Youth”, “Home Letter · Gratitude” and “Fighting · Present”. With sincere and infectious performance, they read aloud attentively and spoke for love. The audience at the scene accompanied the reading rhythm of the players, sometimes weeping, and sometimes laughing, presenting the warm scene with emotional blending and resonance of Yitai family on and off the stage.

This activity enriches the amateur cultural life of the staff, shows the spirit of youth, struggle and hard-working of the Yitai people, and further conveys the cultural core of the Company.



## 6. SOCIAL CHARITY

Adhering to a principle of “taken from the community and used for the community” as the starting point and foothold, the Company served the community with enthusiasm, carrying out public welfare activities in many aspects such as charity, targeted poverty alleviation, etc., proactively organising employees to participate in voluntary activities as well as charity activities, fulfilling its corporate social responsibilities, and building a harmonious society with more solid support.

### 6.1 Charity

The Company has formulated the “Volunteers Service Management Measures”, established a standardised volunteer team, and actively conducted and participated in many activities, for instance, poverty alleviation and providing orphans and the disabled with goods as well as voluntary education. At the same time, the grassroots units took the initiative to contact and participate in various public welfare activities in the local community, sparing no effort to build a decent environment for the community.

During the reporting period, the Company carried out several public welfare activities including:

- Paying a caring visit to the sanitation workers with supplies, as well as going deep into the back streets and housing community to carry out the voluntary sanitation activity;
- Organising the majority of employees to provide caring services for the community, and conducting a theme activity of “caring for and respecting the elderly, integrating family and business with filial piety” in the employees’ community;
- Volunteers paying visits to the disabled in the community, and rendering them with supplies such as flour and milk;
- Extending festival blessings to the needy families and giving them gifts in Tianjiao Community during the Mid-Autumn Festival.



### [Case] The Lei Feng Welfare Activity Launched by the Company

On 5 March 2019, the Company carried out a welfare activity with the theme of “Civilisation of Youth Sending Warmth – Showing the Spirit of Lei Feng and Striving for being a Pioneer of Civilisation”. 46 volunteers carried maintenance tools such as wrenches, electric irons and glue guns to set up workbenches in Limei Community, Dalu New District, to replace spare parts for the residents free of charge, and to popularise electrical maintenance knowledge on the spot. Volunteers’ enthusiastic and quality services have been well received by the residents. Residents have said that the voluntary maintenance activities disseminated the positive energy of Yitai and helped the residents of the community to tackle practical problems in life.



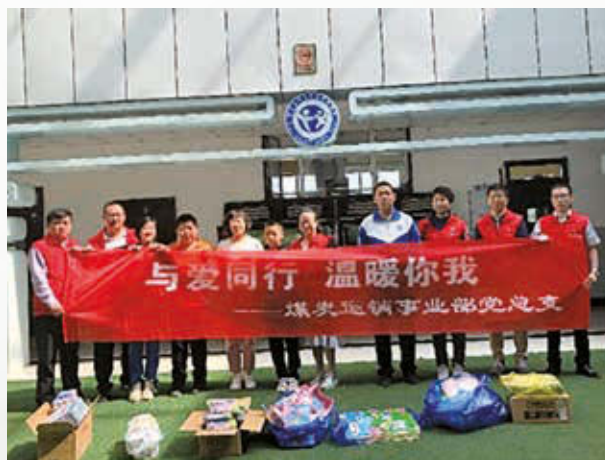
## 6.2 Poverty Alleviation

The Company actively responded to national calls, participated in targeted poverty alleviation, helped the local to deal with it, and actively assumed social responsibilities. During the reporting period, the Company carried out several activities including:

- Actively taking part in the battle against poverty of “hundred enterprises to help hundred villages”, assisted a total of 23 villages and towns, and the total amount of assistance funds reached RMB13,779,000, and won the title of outstanding assistance enterprise of “hundred enterprises to help hundred villages”;
- Participating in the campus trip activities of the Yiqi Red Cross and donating RMB30,000 of book bags;
- Joining the public welfare fundraising of “Poverty Alleviation Day” in 2019, with a donation of RMB20,000;
- Carrying out the targeted book donation activity for students from three middle schools in Dongsheng District;
- In conjunction with the Beijing Baikang Public Welfare, the Nanshan Division Central Elementary School, a poverty-stricken mountain school, carried out a “heart-warming charity activity” to send calligraphy textbooks and sports equipment to the children in mountainous areas.



“Devotion with Love, Yitai in Action”-  
The Clothing Donation Activity



“Going along with Love, Enfolding Others in Warmth”-  
The Caring Activity and Supportive Teaching for the  
Disabled from Ordos Special Education School

## 6.3 Employment Provision

While developing business, The Company actively responds to the call and provides quality jobs to the community to promote local employment. During the reporting period, the Company’s 500,000 tonnes per year Fischer-Tropsch fine separation project was completed and put into operation, providing more than 150 high-quality jobs for the local community, solving the employment problems of some local fresh graduates, laid-off reemployed personnel and herdsmen, and contributing to the local economic development and fiscal revenue.



## KEY PERFORMANCE TABLE

Name of indicator	Unit	2019	2018	2017
SO <sub>2</sub> emission	(tonne)	363.19	370.80	80.64
NO <sub>x</sub> emission	(tonne)	939.83	869.93	251.59
Flue gas emission	(tonne)	119.01	127.32	20.27
Total wastewater discharge*1	(m <sup>3</sup> )	0	0	388,406.00
Scope I. Direct greenhouse gas emission	(ten thousand tonnes CO <sub>2</sub> e)	1,519.98	1,242.86	739.37
Scope II. Indirect greenhouse gas emission	(ten thousand tonnes CO <sub>2</sub> e)	91.39	95.20	51.50
Total greenhouse gas emission – Coal sector	(ten thousand tonnes CO <sub>2</sub> e)	633.31	587.78	599.83
Total greenhouse gas emission – Coal-to-chemicals sector	(ten thousand tonnes CO <sub>2</sub> e)	957.62	732.05	172.25
Total greenhouse gas emission – Coal transportation and sales sector	(ten thousand tonnes CO <sub>2</sub> e)	20.44	18.24	18.79
Total greenhouse gas emission	(ten thousand tonnes CO <sub>2</sub> e)	1,611.37	1,338.07	790.87
Greenhouse gas emissions per RMB10,000 operating income	(tCO <sub>2</sub> e/RMB'0,000)	3.94	3.41	2.14
Hazardous waste produced- Waste machinery oil	(tonne)	164.79	136.56	11.13
Hazardous waste produced – Waste catalysts	(tonne)	163.16	146.00	–
Hazardous waste produced – Carnallite	(tonne)	247.62	5,828.10	0.00
Hazardous waste produced – Total	(tonne)	575.57	6,110.66	11.13
Total gasification ash/fly ash produced	(ten thousand tonnes)	152.08	1,32.92	7.96
Boiler slag produced	(ten thousand tonnes)	29.68	31.18	7.57
Coal gangue produced	(ten thousand tonnes)	690.97	636.25	506.15
Total electricity consumption	(GWh)	1,281.97	1,318.09	677.75
Total gasoline consumption	(ten thousand litre)	29.90	28.33	24.47
Total diesel oil consumption	(ten thousand litre)	201.70	177.85	220.60

Name of indicator	Unit	2019	2018	2017
Natural gas consumption	(m <sup>3</sup> )	0	0	0
Coal consumption	(ten thousand tonnes)	157.23	157.07	28.13
Purchased heat consumption <sup>2</sup>	(MKJ)	0	112,487.56	187,344.41
Raw coal consumption	(ten thousand tonnes)	540.67	419.52	82.48
Comprehensive energy consumption	(ten thousand tonnes of standard coal)	547.40	466.96	86.02
Energy consumption per RMB10,000 operating income	(tonne standard coal/RMB'0,000)	1.34	1.19	0.23
Total water consumption	(ten thousand tonnes)	1,079.14	1,023.16	480.32
Water consumption per RMB10,000 operating income	(tonne/RMB'0,000)	2.64	2.61	1.30
Wastewater utilization rate in coal mining	(%)	100	100	100
Wastewater reutilization rate in coal mining	(%)	100	91.30	99.57
Average coal recovery rate of mining areas	(%)	87	83	–
Special investment in environmental protection	RMB'00 million	8.63	7.41	–
Total number of employee		6,169	6,280	6,235
Total number of employees by gender	Male	5,148	5,228	5,206
	Female	1,021	1,052	1,029
Number and percentage of employees by employment type	Full-time	6,169	6,280	–
	Part-time	0	0	–
Number and percentage of employees by age	Below 30	1,598	1,941	1,432
	31-40	2,579	2,362	2,790
	41-50	1,394	1,451	1,442
	Above 50	598	526	571
Number and percentage of employees by region	Within Inner Mongolia Autonomous Region	4,552	4,483	3,672
	Outside Inner Mongolia Autonomous Region	1,617	1,797	2,563
Annual turnover rate	(%)	3	6	5
Number of work-related injury accidents		0	0	0
Number of work-related injuries(fatalities)		0	0	0
Number of working days absented due to work-related injuries	(loss of working days counted on the basis of every 200,000 working hours)	0	0	0

Name of indicator	Unit	2019	2018	2017
Number of safety education training		213	196	179
Participants of safety education training		9,131	9,579	9,360
Number of safety emergency drills		25	24	–
Participants of safety emergency drills		1,539	1,686	–
Number of management staff with safety production and management ability assessment certificates		322	360	545
Number of technical staff with certified safety engineer certificate		143	127	181
Occupational disease physical examination coverage rate	(%)	100	100	100
Number of additional employees with occupational diseases		0	0	0
Employee physical examination rate	(%)	100	100	100
Special physical examination rate of female employees	(%)	100	100	100
Total number of employee training		515	489	588
Total participants of employee training	(ten thousand personnel)	1.42	1.22	1.56
Percentage of employees trained	(%)	100		
Average employee training hours	(hour/employee)	80		
Training expenditures	(RMB'0,000)	800	800	700
Total number of suppliers		901	994	1,012
Number of suppliers within Inner Mongolia Autonomous Region		190	211	205
Number of suppliers outside Inner Mongolia Autonomous Region		711	783	807
Number of manufacturers who passed environmental social investigation		657	724	136
Manufacturer audit coverage rate	(%)	100	100	85.38
Recalls in products sold or shipped		0	0	0
Total customer complaints during the reporting period		0	0	0



Name of indicator	Unit	2019	2018	2017
Investment in research and development	RMB'00 million	6.29	8.63	7.12
Ratio of research and development expenses to revenue	(%)	1.54	2.2	1.92
Total number of R&D team		897	1,632	780
Number of utility patents applied		73	77	3
Number of invention patents applied		65	34	0
Number of utility patents obtained		57	72	5
Number of invention patents obtained		7	3	0
Session of voluntary activities conducted		25	25	59
Participants of voluntary activities		558	600	885
Hour of voluntary activities	(hour)	4,018	4,320	3,540
Number of people benefiting from voluntary activities		1,000	1,000	590
Donations to external parties made by the Company	(RMB'0,000)	8,160.02	2,918.41	2,200.20

- \* 1. The wastewater generated in the production process of the Company is concentrated brine, which is discharged into the park of Tianhe Water Company through the concentrated brine pipe network of the park and is uniformly treated.
2. The Company improved technology to produce salt with different components as products, which greatly reduced miscellaneous salts.
3. The Company used boilers instead of purchased heat for heating this year.



## APPENDIX II

### 2019 ANNUAL INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

#### To All Shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and corresponding with guidance and other regulatory requirements concerning the internal control (“Enterprise Internal Control Regulatory Systems”), and considering internal control system and evaluation methods of the Company and based on day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2019 (the reference date of the Internal Control Assessment Report).

#### I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulatory Systems, it is the responsibility of the Board of the Company to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Assessment Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control mechanism by the Board. The management shall be responsible leading for the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company's operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial report and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.



## II. RESULTS OF INTERNAL CONTROL ASSESSMENT

### 1. Whether there is any material Deficiencies in The Internal Control over Financial Reporting of the Company, as at the reference date of the Internal Control Assessment Report

Yes No

### 2. Results of Internal Control Assessment over Financial Reporting

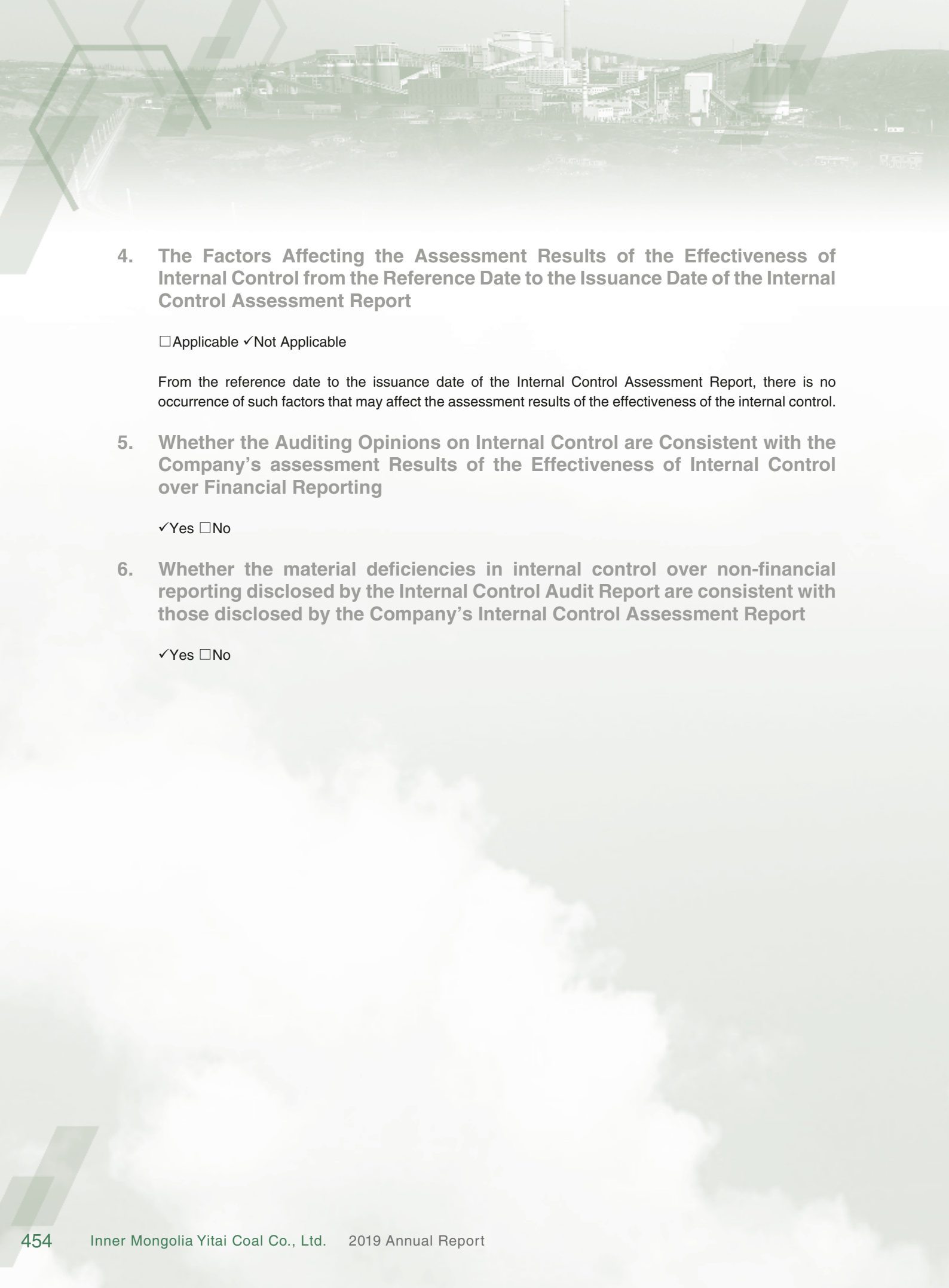
Effect No Effect

According to the identification of material deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no material deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulatory Systems and relevant requirements.

### 3. Whether material deficiencies in Internal Control over Non-Financial Reporting Had Been Discovered

Yes No

According to the Company's identification of material deficiencies in the internal control over non-financial reporting, as at the reference date of the Internal Control Assessment Report, the Company had discovered no material deficiencies in the internal control over non-financial reporting.



**4. The Factors Affecting the Assessment Results of the Effectiveness of Internal Control from the Reference Date to the Issuance Date of the Internal Control Assessment Report**

Applicable Not Applicable

From the reference date to the issuance date of the Internal Control Assessment Report, there is no occurrence of such factors that may affect the assessment results of the effectiveness of the internal control.

**5. Whether the Auditing Opinions on Internal Control are Consistent with the Company's assessment Results of the Effectiveness of Internal Control over Financial Reporting**

Yes No

**6. Whether the material deficiencies in internal control over non-financial reporting disclosed by the Internal Control Audit Report are consistent with those disclosed by the Company's Internal Control Assessment Report**

Yes No

### III. DETAILS OF INTERNAL CONTROL ASSESSMENT

#### (I). Scope of Internal Control Assessment

The Company determined the main enterprises, business and matters and high-risk fields covered in the assessment scope based on the risk-oriented principle.

**1. Main Enterprises Covered in the Assessment Scope:**

Headquarters of the Company, 8 subsidiaries and 2 branches

**2. Percentage of the Enterprises Covered in the Assessment Scope:**

Index	Percentage (%)
The percentage of the total assets of the enterprises covered in the assessment scope accounting for the total assets shown in the Company's consolidated financial statements	75.77%
The percentage of the total revenues of the enterprises covered in the assessment scope accounting for the total revenues shown in the Company's consolidated financial statements	73.32%

**3. Main Business and Matters Covered in the assessment Scope Include:**

Organization structure, development strategy, human resources, fund management, procurement business, asset management, production management, sale business, engineering project, budget management, tax administration, cost and expense management and information management, etc.

**4. High-risk Fields focused on include:**

Risk of capital activities, risk of asset management, procurement risk, risk of sales and collection management, risk of contract management, risk of accounting information.

**5. The Above Enterprises, Business, Matters and High-Risk Fields Covered in the Assessment Scope Cover the Main Aspects of the Company's Operation and Management, is there Any Major Omission**

Yes  No



**6. Is there Any Statutory Exemption**

Yes No

**7. Statement on Other Matters**

Nil

**(II). Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies**

The Company organized and carried out the internal control assessment on the basis of Enterprise Internal Control Regulatory Systems and related management system of the Company.

**1. Is there any adjustment of the specific identification criteria of deficiency in internal control compared to the criteria last year**

Yes No

According to the identification requirements of the Enterprise Internal Control Regulatory Systems on material deficiency, important deficiency and ordinary deficiency, considering factors including company's size, industrial characteristics, risks and preference and risk tolerance, etc., the Board of the Company distinguished between the internal control over financial reporting and the internal control over non-financial reporting, and researched and determined specific identification criteria applicable for the deficiencies of the Company's internal control, which was consistent with the previous years.

## 2. Identification criteria for deficiencies in internal control over financial reporting

Quantitative criteria for identifying deficiencies in internal control over financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for Important Deficiency	Quantitative Criteria for Ordinary Deficiency
Quantitative criteria (confirming the criteria applicable to the internal control over financial reporting involves the exercise of professional judgment)	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 1% (including 1%) of the total assets, or more than 5% (including 5%) of pre-tax profits, the deficiency will be identified as a material deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 0.5% (including 0.5%) but less than 1% of the total assets, or more than 3% (including 3%) but less than 5% of pre-tax profits, the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be less than 0.5% of the total assets or less than 3% of pre-tax profits, the deficiency will be identified as an ordinary deficiency.

Qualitative criteria for identifying deficiencies in internal control over financial reporting:

Magnitude of Deficiency	Qualitative Criteria
Material Deficiency	Re-report of previously published financial statements to reflect the correction of misstatement caused by error or fraud; the failure of audit committee to supervise the Company's external financial reporting and internal control over financial reporting; detection of any degree of fraud involving senior management; the failure of the management to correct the important deficiencies reported to it after a reasonable period of time.
Important Deficiency	Internal control deficiency in unconventional or nonsystematic transaction; internal control deficiency in the selection of generally accepted accounting principles and the application of accounting policy; internal control deficiency in related party transactions and major restructuring.
Ordinary Deficiency	Pursuant to the relevant regulations of the Company, the internal control which does not constitute material deficiency or important deficiency will be identified as an ordinary deficiency.

### 3. Identification criteria for deficiencies in internal control over non-financial reporting

Quantitative criteria for identifying deficiencies in internal control over non-financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for Important Deficiency	Quantitative Criteria for Ordinary Deficiency
Quantitative criteria (involving amount, formed based on the absolute amount of direct property loss)	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB10 million, the deficiency will be identified as material deficiencies.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB1 million but less than RMB10 million (including RMB10 million), the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to less than RMB1 million (including RMB1 million), the deficiency will be identified as an ordinary deficiency.

Qualitative criteria for identifying deficiencies in internal control over non-financial reporting:

Magnitude of Deficiency	Magnitude of Deficiency
Material Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company's official external disclosure and also negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as a material deficiency.
Important Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by state departments but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an important deficiency.
Ordinary Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by the governmental departments under provincial level (including provincial level) but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an ordinary deficiency.



### (III). Identification and Rectification of Internal Control Deficiencies

#### 1. Identification and rectification of deficiencies in internal control over financial reporting

##### 1.1. *material deficiency*

Whether the Company had material deficiencies in internal control over financial reporting during the reporting period

Yes ✓No

##### 1.2. *important deficiency*

Whether the Company had important deficiency in internal control over financial reporting during the reporting period

Yes ✓No

##### 1.3. *ordinary deficiency*

For ordinary deficiencies in the internal control over financial reporting that were found during the reporting period, the Company had taken corresponding rectification measures or formulated corresponding rectification plans.

##### 1.4. *After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓No

##### 1.5. *After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓No

#### 2. Identification and rectification of deficiencies in internal control over non-financial reporting

##### 2.1. *material deficiencies*

Whether the Company had discovered any material deficiency in the internal control over non-financial reporting during the reporting period

Yes ✓No



## 2.2. **important deficiency**

Whether the Company had discovered any important deficiency in the internal control over non-financial reporting during the reporting period

Yes  No

## 2.3. **ordinary deficiency**

For ordinary deficiencies in the internal control over non-financial reporting that were found during the reporting period, the Company has taken corresponding rectification measures or formulated corresponding rectification plans.

## 2.4. **After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report**

Yes  No

## 2.5. **After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report**

Yes  No

# IV. STATEMENT ON OTHER IMPORTANT ISSUES ON INTERNAL CONTROL

## 1. **Rectification of Deficiency in Internal Control Last Year**

Applicable  Not applicable

## 2. **Operation of Internal Control during the Year and Improvement Direction Next Year**

Applicable  Not applicable

During the reporting period, the company did not have other internal control information that may have a significant impact on investors' understanding of internal control self-evaluation reports, evaluation of internal control or investment decisions. In the future, the company will continue to improve the internal control system, standardize the implementation of internal control systems, strengthen internal control supervision and inspection, and promote the healthy and sustainable development of the company.

## 3. **Statement on Other Important Issues**

Applicable  Not applicable





**内蒙古伊泰煤炭股份有限公司**  
INNER MONGOLIA YITAI COAL CO., LTD.\*