



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



Interim Report 2020



*For identification purposes only



IMPORTANT NOTICE

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

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

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

The major risks faced by the Company include policy risks, risks of fluctuation in macroeconomy and risks of industry competition, risks of increasing capital demands, safety risks, risks of rising of cost and risks of coal mine overall entrusted management. Relevant risks and countermeasures have been described in details in Item III "Other Disclosures" under the Section IV "REPORT OF THE BOARD OF DIRECTORS" in this report for your review.

- IX. Unless otherwise stated, the data is presented in Renminbi in this report.



CONTENT

Section I	Definitions	3
Section II	Corporate Profile and Major Financial Indicators	4
Section III	Company Business Profile	12
Section IV	Report of the Board of Directors	14
Section V	Significant Events and Corporate Governance	41
Section VI	Changes in Ordinary Shares and Information on Shareholders	56
Section VII	Directors, Supervisors and Senior Management	60
Section VIII	Relevant Information on Corporate Bonds	62
Section IX	Financial Report	69



SECTION 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)
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)
Xinjiang Energy	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)



SECTION II 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

* For identification purposes only



SECTION II 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 Liu Jian Huang Sujian Wong Hin Wing Du Yingfen
Members of the Remuneration and Appraisal Committee	Huang Sujian <i>(Chairman)</i> Zhang Jingquan Liu Chunlin Liu Jian Zhang Zhiming Wong Hin Wing Du Yingfen
Members of the Production Committee	Zhang Jingquan <i>(Chairman)</i> Ge Yaoyong Liu Jian Huang Sujian Du Yingfen
Members of the Supervisory Committee	Zhang Zhenjin <i>(Chairman)</i> Liu Xianghua Zhang Wei Li Cailing He Peixun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternative Authorized Representative	Wong Wai Ling
Company Secretary	Zhao Xin



SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS *(Continued)*

II. CONTACT PERSON AND CONTACT METHOD

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

III. BASIC INFORMATION OF THE COMPANY

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

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BASIC INFORMATION ON THE COMPANY’S SHARES

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

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VI. OTHER RELEVANT INFORMATION

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

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Business Data

Unit: million tonnes

Major Business Data	From January to June 2020	From January to June 2019	Increase/decrease(%)
Coal production	22.63	23.99	-5.67
Coal sales volume	34.70	42.09	-17.56
Of which: Local sales at mines	8.63	10.61	-18.66
Local sales at loading facilities	4.52	5.02	-9.96
Sales via direct rail access	1.67	2.87	-41.81
Sales at ports	19.88	23.59	-15.73
Railway transport volume	39.09	53.32	-26.69
Coal-related chemical production	0.59	0.65	-10.15

(II) Major Accounting Data

Unit: yuan Currency: RMB

Major Accounting Data	During the reporting period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Revenue	15,396,345,301.75	20,075,333,259.04	-23.31
Net profit attributable to shareholders of the listed Company	733,187,389.47	1,916,051,309.96	-61.73
Net profit after non-recurring profit or loss attributable to shareholders of the listed company	556,259,984.12	1,834,184,983.38	-69.67
Net cash flow from operating activities	2,947,904,154.97	2,780,190,478.00	6.03

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

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

(II) Major Accounting Data (Continued)

	End of the reporting period	End of last year	Increase or decrease as compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	34,451,072,363.84	34,926,974,420.67	-1.36
Total assets	91,095,088,044.18	94,418,470,440.94	-3.52

(III) Major Financial Indicators

Unit: yuan Currency: RMB

Major Financial Indicators	During the reporting period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Basic earnings per share (RMB/share)	0.23	0.59	-61.02
Basic earnings per share after deduction of non-recurring gain and loss (RMB/share)	0.17	0.56	-69.64
Weighted average return on net assets (%)	2.05	5.48	decreased by 3.43 percentage points
Weighted average return on net assets after deduction of non-recurring gain and loss (%)	1.55	5.24	decreased by 3.69 percentage points

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VIII. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Unit: yuan Currency: RMB

Non-recurring profit and loss items	Amount
Gains/(losses) from disposal of non-current assets	-5,358,470.42
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)	58,154,257.71
Profit or loss from investment or management of assets by the others	2,063,658.10
Investment incomes from financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, gain/(loss) on changes in the fair value from derivative financial liabilities, disposals of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities and other equity investments, except for effective hedging business related to normal operating of the Company	169,357,476.56
Reversal of the provisions for impairment of receivables and contract assets subject to impairment test separately	366,003.00
Other non-operating income and expenses other than the abovementioned items	-44,727,721.51
Impact of minority shareholders' interests	-2,593,613.30
Impact of income tax	-334,184.79
Total	176,927,405.35



SECTION III 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 Suancigou 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, forming a coal transport networks consisting of railway, highway and collection and transportation stations. 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 and formed a relatively strong ability to ensure transportation capacity, which created good conditions for coal transport of the Company and 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 by relying on world-leading indirect coal liquefaction technology.

In early 2020, due to the impact of the COVID-19 epidemic ("COVID-19 Epidemic"), the resumption of work and production in coal enterprises, restriction of transportation capacity and the decline in the downstream coal demand had greater adverse impacts on the profitability of coal enterprises. Subsequently, as the epidemic situation in China was gradually brought under control and various national economic activities gradually returned to normal, the supply and demand in the coal market pick up gradually. It is anticipated that the market prices of coal will maintain at a reasonable level, but market uncertainty and downward economy pressure remain existent.

II. EXPLANATION ON SIGNIFICANT CHANGE IN THE MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

For details, please refer to "(III) Analysis on Assets and Liabilities" under "(II) PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD" of "Section IV REPORT OF THE BOARD OF DIRECTORS" to this report.



SECTION III 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 23 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 coal production and operation as its principal business, 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.



SECTION IV REPORT OF THE BOARD OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON OPERATION

(I) Discussion and Analysis on Operation

In the first half of 2020, due to the impact of the COVID-19 epidemic, the decline in downstream demand for coal has led to a sharp drop in coal prices. Meanwhile, in order to ensure coal supply, coal production costs have increased under the condition of resumption of work and transportation restrictions, and there was greater downward pressure on the profitability of coal enterprises. During the reporting period, the Company focused on maintaining the smooth flow of sales channels, keeping up with the market, stabilizing the relationship between supply and demand, promoting the smooth connection of coal production, transportation and sales, and striving to overcome the adverse effects of the COVID-19 epidemic.

As of the end of the reporting period, the Company recorded a total asset of RMB91.095 billion, a revenue of RMB15.396 billion in the first half of 2020 and a net profit attributable to owners of the parent company of RMB0.733 billion. In the first half of 2020, the Company realized production of commodity coal of 22.6338 million tonnes and sales of coal of 34.695 million tonnes. In terms of railway sector, the Company cumulatively dispatched 39.0857 million tonnes of coal. In terms of coal chemical sector, the Company realized production of oil products and chemicals of 0.5858 million tonnes.

As to coal production, in the first half of 2020, 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. For the Entrusted Management of the underground coal mines, the Company has formulated the Administrative Measures for Tunneling Works, the Administrative Measures for Coal Production Quality, the Administrative Measures for Underground Engineering Quality and other systems to strengthen the supervision, inspection and assessment of the production of the entrusted coal mines to reduce costs and increase efficiency; strengthen washing, scheduling and transportation management, to optimize sales plans, and maximize the Company's production and sales benefits.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

I. DISCUSSION AND ANALYSIS ON OPERATION *(CONTINUED)*

(I) Discussion and Analysis on Operation *(Continued)*

As to coal transportation and sales, during the reporting period, the Company developed stable procurement channels to replenish high-quality coal sources and expand profit margins in the trade link; optimized customer structure to resist market risks; stabilized the price system to promote the combination of futures and spot, and improve efficiency.

As to railway transportation, during the reporting period, the Company flexibly adjusted the coal blending ratio and rationally allocated coal types according to market conditions, while strengthening source control and timely adjusting the loading plan, to strengthen the connection of traffic flows, optimize transportation organization, and improve transportation efficiency, so as to reduce the impact of the epidemic.

As to coal chemical sector, during the reporting period, the Company insisted on exploring new technologies and process routes, building a solid foundation for stable operation, accumulating follow-up development strength, focusing on ensuring the safety, stability, long-term, full-load, and high-quality operation of project units, improving the integrated operation mechanism of research, production and marketing, and making every effort to minimize the loss caused by the epidemic to the coal chemical sector and complete the annual goals for economic development of the coal chemical sector.

As to safety and environmental protection, during the reporting period, the Company continuously strengthened safety management and performed safety responsibilities, to improve the awareness of safety responsibility of all employees, and in light of the sudden epidemic, it strictly abided by and implemented national and local epidemic prevention and control requirements, and strived to minimize the risk of epidemic and ensure the safety of employees; meanwhile, it continued to increase supervision, effectively prevent and control environmental risks, and further promote ecological construction and energy conservation and emission reduction. The discharge of various pollutants has reached the corresponding national emission standards, and no environmental pollution incidents.

Since the outbreak of the COVID-19 epidemic in China in January 2020, the Company and its branches resumed work on February to support the national campaign in a multi-pronged manner from supply security, social responsibility and internal management, which achieved a remarkable effect.

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(II) Business Outlook*

In the second half of 2020, the macro-economy will operate stably with slight changes, while the PRC economy will continue to encounter some new issues and new challenges. In line with the normalization of mining production and effective improvement in railway transportation capacity, the coal supply ability will get further enhanced. Meanwhile, thermal power demands may improve, and cement and chemical demands will maintain a slight increase. As supported by safety checks, decrease in water and electricity charges, and coal reserve for heat supply in the North China, the coal price is expected to fluctuate within a reasonable range.

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

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

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis on the Principal Business

1. Analysis on changes in items of the financial statements

Unit: 0'000 yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period of last year	Change(%)
Operating revenue	1,539,634.53	2,007,533.33	-23.31
Operating cost	1,147,951.11	1,439,705.08	-20.26
Cost of sales	54,948.43	64,227.12	-14.45
Administrative expenses	46,476.14	55,528.25	-16.30
Finance costs	84,316.05	78,106.61	7.95
Research and development costs	17,208.99	28,001.78	-38.54
Net cash flow from operating activities	294,790.42	278,019.05	6.03
Net cash flow from investing activities	-89,900.23	-204,019.35	-55.94
Net cash flow from financing activities	-455,409.34	-438,899.79	3.76

Explanation on reasons for change in net cash flow from investing activities: mainly due to the decrease in payment for the acquisition of long-term assets.

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the Principal Business (Continued)

2. Others

Explanations on material change in profit composition and profit source of the Company

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

(II) Analysis on the Operations by Segments, Products or Regions

1. Principal business by segments

Unit: 0'000 yuan Currency: RMB

Item	Closing balance/amount in the current period					Total
	Coal segment	Coal-related chemical segment	Transportation segment	Others	Elimination	
I. Operating revenue	1,299,494.51	240,725.94	81,451.54	1,069.02	-83,106.48	1,539,634.53
Including: Revenue from external transactions	1,275,495.96	238,348.43	24,721.12	1,069.02		1,539,634.53
Revenue from inter-segment transactions	23,998.55	2,377.51	56,730.42		-83,106.48	
II. Operating expenses	1,101,846.33	248,926.05	60,417.09	2,875.54	-76,017.28	1,338,047.73
Including: Income from investment in associates and joint ventures	8,649.81	-120.64	54.81			8,583.98
Impairment loss of assets	2,907.86	-36.6				2,871.26
Depreciation and amortization expenses	53,107.60	47,251.59	24,492.47	228.17	-645.45	124,434.38
III. Total profit (loss)	163,494.78	-47,786.05	12,765.39	15,430.78	-2,972.51	140,932.39
IV. Income tax expenses	33,710.94	-3,123.96	223.88	0.56	6,542.66	37,354.08
V. Net profit (loss)	129,783.84	-44,662.08	12,541.51	15,430.23	-9,515.20	103,578.30
VI. Total assets	6,504,017.29	3,433,448.91	1,266,570.69	257,653.94	-2,352,182.03	9,109,508.80
VII. Total liabilities	2,950,231.41	2,269,556.63	419,665.59	81,399.91	-1,080,900.86	4,639,952.68
VIII. Other significant non-monetary items						
1. Capital expenditure	49,900.17	28,737.15	6,793.66		-1,912.29	83,518.69

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on the Operations by Segments, Products or Regions (Continued)

2. Principal business by regions

Unit: 0'000 yuan Currency: RMB

Region	Operating revenue	Increase/decrease of operating revenue compared to last year (%)
Northeast China	2,286.09	64.18
North China	667,230.99	-25.04
East China	511,413.20	-26.41
South China	224,777.45	-24.59
Central China	4,665.84	-79.65
Northwest China	67,125.50	24.73
Southwest China	1,725.97	-11.57
Total	<u>1,479,225.04</u>	<u>-24.65</u>

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on Assets and Liabilities

1. Information on assets and liabilities

Unit: yuan Currency: RMB

Item	Closing balance for the period	Closing balance for the period over the total assets (%)	Closing balance for the last year	Closing balance for the last year over the total assets (%)	Percentage of change of closing balance for the period compared to the last period (%)	Explanation
Trading financial assets	701,840,033.04	0.77	716,960.00	0	97,791.10	Mainly due to the increase in the purchase of wealth management products in the current period;
Notes receivables	-	-	25,209,394.48	0.03	-100.00	Mainly due to the decrease in notes in the current period and the endorsement;
Financing receivables	2,294,402.89	0	-	-	100.00	Mainly due to the increase in the notes receivables with higher credit risk in the current period;
Inventories	1,296,241,179.53	1.42	2,084,901,592.16	2.21	-37.83	Mainly due to the decrease in the coal inventories in the current period;
Other non-current financial assets	1,245,837,245.51	1.37	938,546,351.20	0.99	32.74	Mainly due to the increase in investment and fair value of the newly increased trading equity instruments in the current period;
Investment property	710,723,496.56	0.78	509,672,558.86	0.54	39.45	Mainly due to the conversion of housing buildings from self-use to lease and from fixed assets to investment property in the current period;
Trading financial liabilities	4,350,440.00	0	3,035,060.00	0	43.34	Mainly due to the increase in the unrealized loss on futures at the end of the current period;
Notes payable	1,229,923,114.09	1.35	878,795,526.24	0.93	39.96	Mainly due to the increase in Bank acceptance bills and Commercial acceptance bills payable at the end of the current period;
Payroll payable	182,536,989.00	0.20	430,128,007.84	0.46	-57.56	Mainly due to the payment of year-end bonus at the beginning of the year in the current period;
Other current liabilities	2,614,680.84	0	9,411,068.49	0.01	-72.22	Mainly due to the decrease of taxation to be written off in the current period.

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

II. PRINCIPAL OPERATIONS 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

Item	Balance	Reasons for restriction
Cash at bank and on hand	840,252,684.24	Bank acceptance bill guarantee, guarantee deposit and environment protection guarantee deposited at banks
Total	<u>840,252,684.24</u>	

(IV) Analysis on Investment

1. Material non-equity investment

(1) Securities investment

Currency: RMB

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (in ten thousand yuan)	Shareholdings	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	2,049.18	100	/
Total				<u>7,923.79</u>	<u>19,013,000.00</u>	<u>2,049.18</u>	<u>100</u>	<u>/</u>

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on Investment (Continued)

1. Material non-equity investment (Continued)

(2) Shareholding in non-listed financial entities

Currency: RMB

Name of the investee	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 LP (綿陽科技城產業投資基金(有限合夥))	1,445.89	1,445.89	151.07	Other non-current financial assets	Capital contribution
Panmao (Shanghai) Investment Center LP (磐茂(上海)投資中心(有限合夥))	40,000.00	52,933.86	9,523.75	Other non-current financial assets	Capital contribution
Zhuhai Rongyu Investment Center LP (珠海錦華投資中心(有限合夥))	11,416.14	14,021.65	-114.43	Other non-current financial assets	Capital contribution
Panfeng Value Fund C (磐豐價值C期)	30,155.00	40,183.21	6,780.06	Other non-current financial assets	Capital contribution
HuaXia Monetary Fund B (華夏貨幣B基金)	2,239.75	2,239.75	55.29	Other non-current financial assets	Capital contribution
Shenzhen Jiangu Equity Investment Fund Enterprise (LP) (深圳兼固股權投資基金企業(有限合夥))	5,328.66	5,328.66	-	Other non-current financial assets	Capital contribution
Other trading equity instrument investments	<u>7,442.70</u>	<u>8,430.70</u>	<u>988.00</u>	Other non-current financial assets	Capital contribution
Total	<u>98,028.14</u>	<u>124,583.72</u>	<u>17,383.74</u>		

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on Investment (Continued)

1. Material non-equity investment (Continued)

(3) Financial assets measured at fair value

1) Other equity instruments investment

Currency: RMB

Item	Carrying amount at the end of the period (yuan)	Amounts that affect the profit for the period
Other equity instruments investment	6,995,390,512.18	0

2) Financial assets at fair value through profit or loss

Item	Carrying amount at the end of the period (yuan)	Amounts that affect the profit for the period
Wealth Management	701,840,033.04	1,840,033.04
Futures	4,350,440.00	-2,032,340.00
Total	<u>706,190,473.04</u>	<u>-192,306.96</u>

3) Other non-current financial assets

Please see "Section IV- II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (IV) Analysis on Investment" in this report for details.

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) Analysis on Major Subsidiaries and Investees

Currency: RMB

Company name	Business nature	Principal products or services	Registered capital (yuan)	Total assets (yuan)	Net profit (yuan)
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	Coal trading	Mining and sales of coal	1,080,000,000.00	8,069,297,913.95	825,113,070.45
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	12,665,706,919.97	125,415,076.68
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	3,575,839,607.67	-64,930,450.06
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	16,710,187,258.02	-246,061,638.29

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

During the reporting period, Suancigou Mining strengthened safety management, performed safety responsibilities, vigorously promoted the standardization for safety production, eliminated minor injuries or more serious accidents, and optimized coal washing, coal blending and sales plans, so as to overcome the impact of the epidemic. In the first half of 2020, the total operating revenue and net profit amounted to RMB1.995 billion and RMB0.825 billion, respectively.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

(V) Analysis on Major Subsidiaries and Investees *(Continued)*

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 disclosure of this report, the aforesaid merger has completed the changes of registration in Industrial and Commercial Bureau.

During the reporting period, Huzhun Railway Company implemented in-depth the special safety inspection activities to improve safety management. As at 30 June 2020, Zhundong Railway and Huzhun Railway maintained a safety production record of 7,137 days and 4,973 days in a row, respectively. Meanwhile, Huzhun Railway confronted with the two arduous tasks of preventing and controlling the epidemic and ensuring transportation. It improved the quality of equipment, strengthened transportation organization and stimulated endogenous motivation, to further reduce costs and improve efficiency. In the first half of 2020, it dispatched an aggregate of 39.09 million tonnes of coal, and recorded an operating revenue and net profit of RMB815 million and RMB125 million, respectively.

As to project construction, as at 30 June 2020, the environmental protection renovation project of the Xiyingsi Dispatch and Transportation Station basically completed subgrade, bridge and culvert works, ancillary works, power grid for the railway, and the construction of the post-station engineering, and completed over 50% of the storage, loading and transportation system. The Second Track of Huzhun Railway Project has been smoothly put into operation, and the work of overcoming and eliminating shortcomings of related equipment and facilities has been fully carried out.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

(V) Analysis on Major Subsidiaries and Investees (Continued)

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

During the reporting period, Coal-to-oil Company actively responded to market pressure and operational challenges, strictly controlled production, and promoted cost reduction and efficiency enhancement, so as to improve performance. In the first half of 2020, the Company's production equipment operated safely and stably. It smoothly implemented the annual planned maintenance of the device, realized an effective operation of 161 days, and a production of a total of 0.0921 million tonnes of various types of oil products and chemicals, with an operating revenue of RMB368 million. Due to the impact of the COVID-19 epidemic, the production, sales and sales price of the products decreased on a year-on-year basis. In addition, the implementation devices stopped production for maintenance. As a result, the Company recorded a loss of RMB64.9305 million.

In the first half of 2020, Coal-to-oil Company carried out overall design optimization and long-term equipment procurement for 2.0 Mtpa indirect coal-to-liquids conversion pilot project, phase II, and the detailed site survey, foundation replacement, tank civil construction and core equipment manufacturing of the project installation area and finished tank area were proceeding as scheduled.

4. Inner Mongolia Yitai Chemical Co., Ltd.

In the first half of 2020, Yitai Chemical strictly conducted process and quality control, and promoted cost reduction and efficiency enhancement. Meanwhile, it carefully organized planning and completed annual maintenance, laying a solid foundation for stable and high output in the second half of 2020. During the reporting period, Yitai Chemical achieved a stable operation of 151 days, and recorded a production volume of 0.4937 million tonnes of various chemicals, and a sales volume of 0.4573 million tonnes with an operating revenue of RMB1.943 billion. Due to the impact of the COVID-19 epidemic, the production, sales and sales price of the products decreased on a year-on-year basis, resulting in a loss of RMB0.246 billion.

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, completed annual maintenance for its 0.50 Mtpa Fischer-Tropsch alkane fine separation project. The equipment operated for 91 days actually. It has obtained the reply to the water resource demonstration report form, applied for the water extraction permit application, and completed environmental protection inspection and acceptance as well as environmental protection inspection and fire inspection for the solid pollutant prevention and control facilities. As at 30 June 2020, an aggregate of 59,700 tonnes of standard products were produced, recording an operating revenue of RMB295 million. Due to the impact of the epidemic, the Company recorded a loss of RMB52.919 million.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

(V) Analysis on Major Subsidiaries and Investees (Continued)

5. Yitai Yili Energy Co., Ltd.

In the first half of 2020, Yitai Yili Energy Co., Ltd. has registered with local NDRC for the four downstream projects of alkylbenzene, high-carbon alcohol, Fischer-Tropsch wax, stable light hydrocarbon and liquefied gas upgrading. In addition, matters such as revising and improving the environmental impact assessment report and implementing total pollutant emission indicators were also in orderly advancement. Besides, Yitai Yili Energy Co., Ltd. actively cooperated with the promotion of project financing to ensure that the project construction start-up funds are in place in time.

6. Yitai Xinjiang Energy Co., Ltd.

During the reporting period, Yitai Xinjiang Energy Co., Ltd. has obtained the final approval of Social Stability Risk Assessment, Report of Water and Soil Conservation Plan, Verification Report of Water Resources and Energy Conservation Assessment Report from relevant departments, revised and completed the Environmental Impact Assessment Report in accordance with the opinions of experts of the internal assessment committee, prepared and completed the Application Approval Report and conducted internal assessment by experts for reporting and approval. Besides, Yitai Xinjiang Energy Co., Ltd. continued to promote finished product protection, warehouse management, safety management, financing and tax saving, etc.

III. OTHER DISCLOSURES

(I) Alert and Explanation on a Possible Accumulative Net Loss for the Period Starting from the Beginning of the Year to the End of the Next Reporting Period or A Significant Change Compared to the Same Period of Last Year

In the first half of 2020, affected by COVID-19 Epidemic and economic slowdown, the demand in downstream declined, which led to a sharp decline in the Company's benefits as compared with the same period last year and the full-year results were also expected to be significantly affected. The Company will continue to pay close attention to the development of the COVID-19 Epidemic, and evaluate and actively respond to its significant adverse impact on the financial situation and operating results of the Group.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(II) Potential Risks of the Company

1. Policy risks

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

2. Risks of fluctuation in macroeconomy

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. Optimization in the structure of the domestic macro economy, changes in the development pattern and the system in the domestic macro economy, change in the energy structure, switch in growth power and outbreak of material unexpected emergency 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 the supply-demand relationship and strengthen the ability in analyzing the coal market. The Company will lay a solid basis in the major businesses, 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.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

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

3. Risks of industry competition

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

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

4. Risks of increasing capital demands

Coal chemical industry is a capital-intensive industry. The Company is currently conducting a layout of three large-scale coal-to-oil projects in Inner Mongolia and Xinjiang. The funds previously invested into these three projects were mainly used for the preliminary work such as feasibility study, design and land requisition. After formally comprehensive 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.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

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

5. Safety risks

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

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

6. Risks of rising of costs

As the State scales up measures for energy conservation, emission reduction, environmental management and production safety, the mining supplies prices and wages rise, and compensation for land requisition for mining, relocation increases, 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, reduce consumption, further implement the innovation in technology and craftsmanship, and optimize allocation, to realize reduction in cost and improvement in efficiency.

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(II) Potential Risks of the Company (Continued)

7. Risks of coal mine overall entrusted management

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.

(III) Other Disclosures

1. Mining Exploration, Development and Mining Production Activities

(1) Reserves of the mines

Main mines	Resource reserve (tonnes)	Mineable reserve (tonnes)
Suancigou Mine	1,196,435,000	807,385,500
Nalinmiao Mine No. 2	97,880,000	32,130,000
Hongjingta Mine No. 1	87,834,000	20,270,000
Nalinmiao Mine No. 1	17,450,000	15,605,000
Kaida Mine	183,154,500	105,474,500
Dadijing Mine	63,994,729	33,334,729
Baoshan Mine	32,560,100	12,600,100
Baijialiang Mine	4,500,000	4,050,000
Talahao Mine	834,670,000	504,240,000
Total	<u>2,518,478,329</u>	<u>1,535,089,829</u>



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures *(Continued)*

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

(1) Reserves of the mines *(Continued)*

Explanation:

Calculation criteria: Quantity of resources and reserves of the Company estimated as at 30 June 2020 is arrived from the resources latest recorded by the Ministry of Land and Resources less the used resources year by year. There have been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in this annual report are pursuant to the currently prevailing code standard of China: reserves of corresponding grade are calculated according to the Management Rule of Reserves of Operating Mines (《生產礦井儲量管理辦法》), and Coal and Peat Geology Exploration Regulation (《煤、泥炭地質勘查規範》). The reserves sheet shall be examined and verified by the internal geological experts of the Company.

(2) Mining exploration by the Company during the reporting period

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

(3) Coal mine construction

The Company currently has no mines under construction.

(4) Coal mining status

During the reporting period, the Company has realized production of commodity coal of 22.63 million tonnes, representing a year-on-year decrease of 5.67%; completed the total drivage of 37,200 meters, representing a year-on-year decrease of 39%. During the reporting period, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB105.56 million which was mainly related to construction of long-term assets.

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

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

(5) Cost of coal

Unit: yuan Currency: RMB

Item	January to June	January to June
	2020	2019
	Cost per unit	Cost per unit
Raw material, fuel and power	8.79	11.28
Labor cost	9.58	19.06
Depreciation and amortization	11.08	8.31
Other production costs	53.37	77.68
Entrustment cost	25.83	—
Total of production cost per unit of coal	<u>108.65</u>	<u>116.33</u>
Cost per unit of coal purchased domestically	256	287

Explanation:

1. The entrustment cost in the production cost per unit of coal in the above table is calculated based on the total coal production during the reporting period;
2. Since some coal mines started entrustment in April 2020, the entrustment cost per tonnes of coal was RMB59.80 calculated based on the production matching the entrustment cost from April to June 2020.

2. Other Disclosures

(1) 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 of RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group.



SECTION IV REPORT OF THE BOARD OF DIRECTORS (*Continued*)

III. OTHER DISCLOSURES (*CONTINUED*)

(III) Other Disclosures (*Continued*)

2. Other Disclosures (*Continued*)

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

1. (*Continued*)

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.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures *(Continued)*

2. Other Disclosures *(Continued)*

(1) 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.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures *(Continued)*

2. Other Disclosures *(Continued)*

- (1) 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.

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.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures *(Continued)*

2. Other Disclosures *(Continued)*

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

3. Fulfillment of undertakings: *(Continued)*

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.

- (2) Liquidity and Capital Resources

As at 30 June 2020, the Company's capital mainly came from capital generated from business operation, medium term note, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company was mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt, as well as the working capitals and normal recurring expenses.

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

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

2. Other Disclosures (Continued)

(2) Liquidity and Capital Resources (Continued)

The capital structure of the Company is as follows:

	Unit: yuan Currency: RMB	
	30 June 2020	30 June 2019
Interest-bearing borrowings	32,471,255,477.85	34,595,132,880.63
Long-term bonds	5,891,607,494.53	5,872,769,550.23
Trade and notes payable	3,464,430,062.90	3,699,686,046.48
Financial liabilities at fair value through profit or loss	4,350,440.00	3,035,060.00
Financial liabilities included in other payables and accruals	1,910,836,275.69	2,053,058,831.46
Other borrowings	534,094,414.67	862,114,693.04
Less: Cash and cash equivalents	13,448,854,417.37	15,954,045,957.75
Net debt	30,827,719,748.27	31,131,751,104.09
Equity attributable to equity holders of parent company	34,451,072,363.84	34,926,974,420.67
Gearing ratio*	47.22%	47.13%

* 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 notes 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.

(3) Major capital expenditure plans and financing plans of the Group in 2020

Please refer to the section “Discussion and Analysis on the Company’s Future Development” in the Report of the Board of Directors in the 2019 Annual Report of the Company.

(4) Exchange rate movement risk and relevant hedging

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.



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures *(Continued)*

3. Employees

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

Decision-making procedure for the remuneration of the Directors, Supervisors and senior management	The remuneration for the Directors, Supervisors and senior management is proposed to the Board by the remuneration committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and Supervisors will be proposed to the general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.
Basis for determination on the remuneration of the Directors, Supervisors and senior management	The remuneration of Directors and senior management of the Company is on an annual basis. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is comprehensively determined according to the operational scale, profitability and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. Basic annual salary of Directors and senior management is paid on a monthly basis and annual performance salary is paid upon year end assessment. The non-independent Supervisors of the Company receive remuneration according to their actual positions held in the Company, and receive the allowance of supervisors; the independent Supervisors only receive the allowance.
Particulars about remuneration actually paid to Directors, Supervisors and senior management	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 and a variety of insurance.
Total remuneration actually obtained by the Directors, Supervisors and senior management as a whole at the end of the reporting period	RMB5.1055 million

SECTION IV REPORT OF THE BOARD OF DIRECTORS (Continued)

III. OTHER DISCLOSURES (CONTINUED)

(III) Other Disclosures (Continued)

3. Employees (Continued)

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

Number of in-service employees in the parent company	1,780
Number of in-service employees in major subsidiaries	3,644
Total number of in-service employees	5,424
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	419

Specialty composition

Category of specialty composition	Headcount
Production	2,167
Sales	1,942
Technician	509
Finance	187
Administration	619
Total	5,424

Education level

Category of education level	Headcount
Postgraduate	218
Undergraduate	2,474
College graduate and secondary technical school	1,948
Below secondary technical school	784
Total	5,424



SECTION IV REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. OTHER DISCLOSURES *(CONTINUED)*

(III) Other Disclosures *(Continued)*

3. Employees *(Continued)*

(3) Remuneration policy

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

(4) Training program

In 2020, the Company has further improved and optimized 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 standardizing the training management and project implementation processes to achieve the classified development and hierarchical empowerment of talent training.

(5) Employee motivation

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

(6) Pension scheme

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

SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE

I. PARTICULARS OF GENERAL MEETINGS

Session of the meeting	Convening date	Enquiry index of the designated website for the publication of the proposals	Dates of disclosure of the publication of the proposals
The first extraordinary general meeting for 2020	6 March 2020	http://www.sse.com.cn http://www.hkexnews.hk	7 March 2020 6 March 2020
Annual general meeting for 2019	8 May 2020	http://www.sse.com.cn http://www.hkexnews.hk	9 May 2020 8 May 2020

Information on the general meeting

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

II. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

The Board did not recommend to distribute the interim dividend for the six months ended 30 June 2020.

III. APPOINTMENT OR DISMISSAL OF AUDITORS

The 33rd meeting of the seventh session of the Board of Directors of the Company was held on 20 March 2020, at which the following resolutions were considered and approved: the Resolution on Re-appointment of Auditors of the Company for the Year 2020 and the Resolution on Re-appointment of Internal Control Auditor of the Company for the Year 2020, approving the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year 2020 and internal control auditor of the Company for the year 2020. The aforesaid Resolutions on Appointment of Auditors for the Year 2020 has been considered and approved at the annual general meeting of the Company dated 8 May 2020.



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

IV. CONDITION ON GROUP ASSETS

As at end of the reporting period, no assets had been mortgaged, pledged, closed down or frozen, etc. and there was no situation or arrangement that the assets were realizable under certain conditions, unrealizable, unable to use for debt payment and restricted by other rights. There had also been no debts needing preferential payments against the third-party.

V. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

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

VI. CONTINGENT LIABILITIES

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

VII. MATERIAL LITIGATION AND ARBITRATION

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

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

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

IX. 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 of the Company.

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

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

SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XI. MAJOR RELATED PARTIES TRANSACTIONS

(I) Related Parties Transactions in Relation to Daily Operation

Category of transaction	Nature of transaction	Transaction amount for the six month ended 30 June 2020 RMB'000	Transaction amount for the six month ended 30 June 2019 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	23,917	66,741
	Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiaries	108,667	98,858
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	344,518	439,576
	Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	0	220,892
	Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0	0
Products provided to the Company	Purchases of chemical materials, coal, information products and other products by the Company from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	1,313,678	1,856,800
	Purchases of electricity, agricultural and sideline products and other products by the Company from Inner Mongolia Yitai Beimu Pastoral Resources Development Group, a subsidiary of Inner Mongolia Yitai Investment Co., Ltd.	15,969	14,437
	Purchases of coal by the Company from Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	164,478	97,306
	Supply of coal by Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd. to the Company	0	0

SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XI. MAJOR RELATED PARTIES TRANSACTIONS (CONTINUED)

(I) Related Parties Transactions in Relation to Daily Operation (Continued)

Category of transaction	Nature of transaction	Transaction amount for	Transaction amount for
		the six month ended 30 June 2020 RMB'000	the six month ended 30 June 2019 RMB'000
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.	69,145	59,593
	Supply of working face relocation and leasing services by the Company to Yitai Group and its subsidiaries	4,334	5,335
	Supply of rail transportation, maintenance and management and logistics services by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0	0
	Supply of rail transportation, maintenance and management and logistics services by the Company to Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	0	0
Services provided to the Company	Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	14,502	1,940
	Supply of properties, information, rental equipment and hazardous waste treatment services from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries to the Company	17,336	9,933
	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	0
	Supply of operation and maintenance services from Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司) to the Company	16,885	8,694
Financial services	Interest on deposit services provided by Yitai Finance Co., Ltd. to the Company	14,857	23,218
	Fees on financial services provided by Yitai Finance Co., Ltd. to the Company	0	0

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

SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XI. MAJOR RELATED PARTIES TRANSACTIONS (CONTINUED)

(II) 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 Haoji Railway (formerly known as Mengxi Huazhong Railway) was considered and approved. During the reporting period, the Company has completed the capital contribution, with a shareholding ratio of 2%, and the industrial and commercial registration of changes has completed.

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Entrustment

Unit: yuan Currency: RMB

Name of entrusting party	Name of entrusted party	Entrusted assets	Amount of entrusted assets	Commencement date of entrustment	Termination date of entrustment	Earnings from entrustment	Basis for determination of earnings from entrustment	Effect of earnings from entrustment on the Company	Whether a related party transaction	Related relationship
Inner Mongolia Yitai Coal Co., Ltd.	Inner Mongolia Zhongtai Energy Co., Ltd. (内蒙古仲泰能源有限公司)	All assets and safety production systems within relevant scope and area of safety production in both surface and underground mines of the six coal mines owned by the entrusting party, and the office and living areas of the entrusted party	3,065,469,552.03	1 April 2020	Nil	223,684,076.32	See explanation	30.42%	No	Nil

SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE (Continued)

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (CONTINUED)

Explanation on the entrustment

From 1 April 2020, the Company entrusted the safe production and technical management business of the six coal mines owned by it to Inner Mongolia Zhongtai Energy Co., Ltd. (內蒙古仲泰能源有限公司), which excludes sales business. Earnings from the entrustment are determined and calculated by all of the revenues generated from the entrusted coal mines from April to June less the costs of entrustment and the costs and expenses incurred by the coal mines themselves, and deduction of net profit attributable to the parent company net of the income tax expenses. The effect of the earnings from entrustment on the Company is the percentage of the earnings from entrustment over the net profit attributable to the parent company of the Company during the reporting period.

2. Guarantee

Unit: yuan Currency: RMB

External Guarantees of the Company (excluding those for subsidiaries)	
Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)	0
Total balance of guarantees at the end of the reporting period (A) (excluding those for subsidiaries)	0
Guarantees of the Company for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the reporting period	0
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	13,637,775,820.02
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	13,637,775,820.02
Percentage of total guarantee in the Company's net assets (%)	49.76%
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)	856,900,000.00
Amount of total guarantees in excess of 50% of net assets (E)	0
Total amount of the three guarantees above (C+D+E)	1,856,900,000.00
Statement on the contingent joint liability in connection with unexpired guarantees	N/A
Statement on guarantee	N/A

3. Material Acquisition and Disposal

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

4. Other Material Contracts

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



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. ENVIRONMENTAL INFORMATION

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

1. Sewage

The Company's subsidiaries and branches, including Inner Mongolia Yitai Coal-to-oil Co., Ltd. ("Coal-to-oil Company") and Inner Mongolia Yitai Chemical Co., Ltd. ("Yitai Chemical"), 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 emissions of flue gas, sulfur dioxide and nitrogen oxides from January to June 2020 are 11.95 tonnes, 20.83 tonnes and 66.95 tonnes, respectively.

Yitai Chemical has a total of 66 exhaust gas discharge ports, with no 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 emissions of sulfur dioxide and nitrogen oxides from January to June 2020 are 142.91 tonnes and 276.83 tonnes, respectively.

2. Construction and operation of pollution prevention facilities

2.1 Waste gas pollution prevention and control

2.1.1 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 storage warehouse, 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 boiler, the coal storage warehouse and the gasifier 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).



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. ENVIRONMENTAL INFORMATION *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and its 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)*

2.1.2 Boiler flue gas

Coal-to-oil Company newly built a set of semi-dry 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).

2.1.3 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 SO₂ emission concentration meets the requirements of Table 3 under the “Emission Standard of Pollutants for Petroleum Refining Industry” (GB31570-2015).



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. ENVIRONMENTAL INFORMATION *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and its 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)*

2.1.4 Exhaust oil & gas recovery 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.

2.2 Wastewater pollution prevention and control

2.2.1 Coal-to-oil Company

The process wastewater and domestic sewage of about 80m³/h and 5m³/h in Coal-to-oil Company are sent to the sewage treatment system. The designed treatment capacity is 100m³/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 300m³/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 34m³/h is sent to Inner Mongolia Tianhe Water Co., Ltd.(內蒙古天河水務有限公司) for treatment.



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. ENVIRONMENTAL INFORMATION *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and its 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)*

2.2.2 Yitai Chemical

- A. Drainage system: The wastewater discharge system of Yitai Chemical 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 270,000m³ of drainage, of which 30,000m³ is a fire accident pool; 240,000m³ 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 Yitai Chemical are all treated in a sewage treatment plant with designed scale of 1,200m³/h. The effluent quality of the sewage treatment plant meets the first level requirement (GB8978-2002) of the “Integrated Sewage Discharge Standards”.



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. ENVIRONMENTAL INFORMATION *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and its 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)*

2.2.2 Yitai Chemical *(Continued)*

- C. Wastewater treatment and reuse: The qualified effluent from the sewage treatment plant enters the reused water treatment process: The clean wastewater such as discharge sewage of chemical water and circulating water enters the reuse water treatment process; 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.



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. ENVIRONMENTAL INFORMATION *(CONTINUED)*

(I) Explanation on Environmental Protection Work of the Company and its 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)*

2.3 Solid waste pollution prevention and control

Gasified crude slag, fine slag and boiler ash of about 88,700 tonnes generated by Coal-to-oil Company from January to June 2020 are all sent to the slag yard of Dalu Park, and hazardous wastes such as waste catalysts, slag wax, and waste lubricating oil are sent to Keling Environmental Protection Co., Ltd. (科領環保股份有限公司) and Inner Mongolia Chongfeng Waste Material Recycling Co., Ltd. (內蒙古崇豐廢舊物資回收有限公司) for disposal.

About 669,000 tonnes of gasification slag, boiler ash, boiler slag, and inorganic sludge generated by Yitai Chemical from January to June 2020 are sent to the Xinnuo slag field in the park for landfill. Waste catalysts and used lubricating oils generated by Yitai Chemical are recycled by qualified manufacturers. For wastes of no use, they are 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.

2.4 Noise pollution prevention and control

Coal-to-oil Company and Yitai Chemical give priority 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.



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

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

3.1 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 Nei Huan Yan [2010] No. 102 on 21 December 2010;

3.2 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 Nei Huan Shen [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.

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.



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XIII. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

The coal mines and dispatching stations affiliated to the Company are not key pollution emitted units. The annual total sulfur dioxide, nitrogen oxides and smoke discharge of coal mines and dispatching 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 June 2020 is 34.72 tonnes, 106.92 tonnes and 17.84 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 domestic wastewater is used for sprinkling and greening of industrial squares and roads after meeting the Integrated Wastewater Discharge Standard (GB8978-1996) after the A/O, MBR and disinfection processing treatment; coal mining wastewater is all reused for underground production after coagulation and labyrinth sloping plate precipitation and meeting the “Pollutant Discharge Standard for Coal Industry” (GB20426-2006); the coal preparation plant is closed-loop designed, and the coal preparation wastewater is not discharged. In order to ensure the stable operation of pollution prevention facilities and equipment, and to achieve standard discharge, the Company entrusts a third-party specialized operation team to operate and manage. At the same time, each unit sets up a laboratory to conduct daily inspection of conventional factors in wastewater, and timely understand the operation and entrust Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司), Inner Mongolia Rundi Environmental Technology Co., Ltd. (內蒙古潤地環境技術有限公司) and Inner Mongolia Kangcheng Environmental Protection Co., Ltd. (內蒙古康城環保有限責任公司) to manually monitor the pollution factors in wastewater and waste gas on a quarterly basis.

XIV. DESCRIPTION OF OTHER MAJOR EVENTS

(I) Changes in accounting policies, accounting estimates and accounting methods compared with the previous accounting period, and their causes and impacts

Not applicable

(II) Correction of significant accounting errors requiring retrospective restatement during the reporting period, correction amount, and their causes and impacts

Not applicable



SECTION V SIGNIFICANT EVENTS AND CORPORATE GOVERNANCE *(Continued)*

XV. CORPORATE GOVERNANCE

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

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

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

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

2. Audit committee

The Company has established the audit committee in accordance with the requirements of the Hong Kong Listing Rules, which consists of four independent non-executive Directors and is chaired by Ms. Du Yingfen. On 27 August 2020, the audit committee has reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2020, the interim report for 2020, and the unaudited interim financial statements for the six months ended 30 June 2020.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct regarding securities transactions by all the Directors, Supervisors and relevant employees (as defined in the CG Code) of the Company. Having made specific enquiries, the Company confirmed that all the Directors and Supervisors had fully complied with the Model Code during the reporting period. Except for their own service contracts, none of the Directors and Supervisors had any direct or indirect individual beneficial interest in any material contracts to which the Company or any of its subsidiaries is a party as at 30 June 2020.

SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

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

II. INFORMATION ON SHAREHOLDERS

(I) Total Number of Shareholders:

Total number of ordinary shareholders as at the end of the reporting period (in the number of accounts)	72,495
Total number of holders of preference shares with voting rights restored as at the end of the reporting period (in the number of accounts)	N/A

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

Unit: Share

Name of shareholder (in full name)	Increase/ decrease during the reporting period	Shareholdings of the Top Ten Shareholders			Pledged or frozen		Class of Shareholder
		Number of shares held as at the end of the reporting period	Proportion (%)	Number of shares held subject to selling restrictions	Status of shares	Number 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	0	325,957,900	10.02		Unknown		Foreign legal person
Yitai Group (Hongkong) Co., Ltd.	0	312,000,000	9.59		Nil		Foreign legal person
China Merchants Securities (HK) Co., Limited	108,600	21,986,800	0.68		Unknown		Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	0	18,632,366	0.57		Unknown		Foreign legal person
VANGUARD EMERGING MARKETS STOCK INDEX FUND	-2,840,502	13,995,696	0.43		Unknown		Foreign legal person
Hu Jiaying	0	11,961,114	0.37		Unknown		Domestic natural person
ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF	-2,916,400	10,288,127	0.32		Unknown		Foreign legal person
GIC PRIVATE LIMITED	912,849	9,528,168	0.29		Unknown		Foreign legal person
ISHARES CORE MSCI EMERGING MARKETS ETF	-1,640,700	8,472,795	0.26		Unknown		Foreign legal person

SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

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

Unit: Share

Shareholdings of the Top Ten Holders of Shares not Subject to Selling Restrictions			
Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	325,957,900	Overseas listed foreign shares	325,957,900
Yitai Group (Hongkong) Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
China Merchants Securities (HK) Co., Limited	21,986,800	Domestic listed foreign shares	21,986,800
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	18,632,366	Domestic listed foreign shares	18,632,366
VANGUARD EMERGING MARKETS STOCK INDEX FUND	13,995,696	Domestic listed foreign shares	13,995,696
Hu Jiaying	11,961,114	Domestic listed foreign shares	11,961,114
ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF	10,288,127	Domestic listed foreign shares	10,288,127
GIC PRIVATE LIMITED	9,528,168	Domestic listed foreign shares	9,528,168
ISHARES CORE MSCI EMERGING MARKETS ETF	8,472,795	Domestic listed foreign shares	8,472,795
Liu Jingyuan	8,277,050	Domestic listed foreign shares	8,277,050
Explanation on the above shareholders who are connected to each other or acting in concert	Among the top ten shareholders of the Company, Yitai Group (Hongkong) Co., Ltd. is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares. The Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.		
Explanation on holders of preference shares with voting rights restored and number of preference shares held	N/A		

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

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

Unit: Share

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Conditions for selling Restrictions
1	Inner Mongolia Yitai Group Co., Ltd.	1,600,000,000	Domestic non-state owned legal person shares

Explanation on 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

SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

(III) Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2020, 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 (%) ^{5,6}	Percentage of the total issued shares (%) ^{5,6}
Inner Mongolia Yitai Group Co., Ltd. ¹	Non-overseas-listed foreign shares	Beneficial owner/ Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Inner Mongolia Yitai Investment Co., Ltd. ²	Non-overseas-listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Yitai Group (Hongkong) Co., Ltd. ¹	Non-overseas-listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58
Inner Mongolia Ordos Investment Holding Group Co., Ltd.	H shares	Beneficial owner	Long	55,443,600	17.00	1.70
Ordos Hongrui Trade Company Limited	H shares	Trust beneficiary	Long	44,711,200	13.71	1.37
Inner Mongolia Manshi Investment Group Limited	H shares	Beneficial owner	Long	28,321,000	8.68	0.87
Great Huazhong Energy Co. Ltd.	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Chen Yihong ³	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Harvest Luck Development Limited ³	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Poseidon Sports Limited ³	H shares	Beneficial owner	Long	20,017,000	6.14	0.61
China Datang Corporation ⁴	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55
Datang International (Hong Kong) Limited ⁴	H shares	Beneficial owner	Long	18,031,100	5.53	0.55
Datang International Power Generation Co., Ltd. ⁴	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55



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

II. INFORMATION ON SHAREHOLDERS *(CONTINUED)*

(III) 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. As at 30 June 2020, the above 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 30 June 2020, no person, other than the Directors and Supervisors of the Company whose interests are set out in the section headed "DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" below, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.



SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDINGS

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

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

Name	Positions	Changes
Jia Xiaolan	Supervisor	Resigned
Zhang Wei	Supervisor	Elected

Pursuant to the announcement of the Company dated 14 January 2020, Ms. Jia Xiaolan ceased to act as the employee supervisor (the "Employee Supervisor") of the Company due to work commitment. Ms. Zhang Wei was appointed as the Employee Supervisor upon election at the employee representative meeting of the Company by the Supervisory Committee from 14 January 2020.

SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

As at 30 June 2020, 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:

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	<i>Unit: Share</i>
				Percentage of the associated corporation's issued share capital (%)
Directors:				
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
Supervisors:				
Mr. Zhang Zhenjin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	3,841,149	0.53
		Interest of spouse	219,093	0.03
Mr. Liu Xianghua	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	358,993	0.05
Ms. Jia Xiaolan	Inner Mongolia Yitai Investment Co., Ltd.	Interest of spouse	257,551	0.04
Ms. Li Cailing	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	257,551	0.04

Save as disclosed above, as at 30 June 2020, 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.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

I. OVERVIEW OF CORPORATE BONDS

Unit: yuan Currency: RMB

Name of bonds	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	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	2 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

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS (Continued)

I. OVERVIEW OF CORPORATE BONDS (CONTINUED)

Unit: yuan Currency: RMB

Name of bonds	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

Interest payment in respect of corporate bonds

As at the date of disclosure of this report, the Company has completed interest payment for “18 Yitai 01”, “19 Yitai 01”, “19 Yitai 02” and “19 Yitai 03” for 2020.



SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS *(Continued)*

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

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

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

19 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

19 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

19 Yitai 03

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



SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS *(Continued)*

II. CONTACT PERSONS AND METHODS OF CORPORATE BONDS TRUSTEE MANAGER, CONTACT METHODS OF CREDIT RATING AGENCY *(CONTINUED)*

18 Yitai 01

Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Address	Floor A29, Pengrun Mansion, No. 26, Xiaoyun Road, Chaoyang District, Beijing

18 Yitai 02

Credit rating agency	Name	Golden Credit Rating International Co., Ltd.
	Address	12/F, Building C, Zhaotai International Center, No. 3, Chao Wai Xi Street, Chaoyang District, Beijing

19 Yitai 01

Credit rating agency	Name	Golden Credit Rating International Co., Ltd.
	Address	12/F, Building C, Zhaotai International Center, No. 3, Chao Wai Xi Street, Chaoyang District, Beijing

19 Yitai 02

Credit rating agency	Name	Golden Credit Rating International Co., Ltd.
	Address	12/F, Building C, Zhaotai International Center, No. 3, Chao Wai Xi Street, Chaoyang District, Beijing

19 Yitai 03

Credit rating agency	Name	Golden Credit Rating International Co., Ltd.
	Address	12/F, Building C, Zhaotai International Center, No. 3, Chao Wai Xi Street, Chaoyang District, Beijing



SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS *(Continued)*

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

The proceeds raised from public issuance of 18 Yitai 01, 18 Yitai 02, 19 Yitai 01, 19 Yitai 02 and 19 Yitai 03 were used for the designated purposes as disclosed in the bonds prospectus. As at 30 June 2020, proceeds raised from 18 Yitai 01, 18 Yitai 02, 19 Yitai 01, 19 Yitai 02 and 19 Yitai 03 were utilized in full.

IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a 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. Dagong Global Credit Rating Co., Ltd. has presented the follow-up rating result on 27 April 2020.

Golden Credit Rating International Co., Ltd. conducted credit ratings on bonds “18 Yitai 02”, “19 Yitai 01”, “19 Yitai 02” and “19 Yitai 03” of the Company, and the credit ratings of these bonds were adjusted to AAA; the credit rating of the Company was AAA with stable outlook. Golden Credit Rating International Co., Ltd. has presented the credit rating results on 20 May 2020.

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 ratings according to the relevant situations within the period of existence of the bonds of this tranche. Golden Credit Rating International Co., Ltd. will carry out periodical follow-up ratings 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 these bonds and further conduct unscheduled follow-up ratings according to the relevant situations within the period of existence of the bonds of this tranche.

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

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

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS (Continued)

VI. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGERS

Within the period of existence of the corporate bonds 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 protected legal rights of the bondholders. The Trustee Management Business Report on corporate bonds of the Company in 2019 has been disclosed by the trustee manager on 29 June 2020. For specific details of the report, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

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

Major indicator	As at the end of the reporting period	As at the end of last year	Increase or decrease as compared with the end of last year (%)
Liquidity ratio	1.31	1.43	-0.12
Quick ratio	1.22	1.30	-0.08
Debt to assets ratio (%)	50.94	52.52	-1.58
Loan repayment ratio (%)	100	100	0

	As at the reporting period (January to June)	As at the same period of last year	Increase or decrease as compared with the same period of last year (%)
EBITDA times interest earned	4.04	5.35	-1.31
Interest payment ratio (%)	100	100	0



SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS *(Continued)*

VIII. 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.

IX. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totaled RMB51,216.95 million and the credit limit was RMB31,971.2555 million. The credit available was RMB19,245.6945 million.

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

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



REVIEW REPORT

Da Hua He Zi [2020] No 006946

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

I. REVIEW OPINION

We have reviewed the financial statements of Inner Mongolia Yitai Coal Co., Ltd. (hereinafter referred to as the “Yitai Coal Company”), which comprise the consolidated balance sheet and balance sheet of the parent company on 30 June 2020, the consolidated income statement and income statement of the parent company, the consolidated cash flow statement and cash flow statement of the parent company, the consolidated statement of changes in owners’ equity and statement of changes in owners’ equity of the parent company from January to June 2020 and relevant notes to the financial statements. The management of Yitai Coal Company is responsible for the preparation of these financial statements, and our responsibility is to issue a review report on these financial statements based on our review.

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

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

Da Hua Certified Public Accountants (Special General Partnership)

Beijing, China

27 August 2020

CONSOLIDATED BALANCE SHEET

At 30 June 2020

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

(All amounts in RMB Yuan unless otherwise stated)

Assets	Note VI	Closing balance	Opening balance
Current assets:			
Cash and bank balance	Note 1	13,589,107,101.61	16,463,635,973.62
Trading financial assets	Note 2	701,840,033.04	716,960.00
Derivative financial asset			
Notes receivable	Note 3		25,209,394.48
Accounts receivable	Note 4	1,676,602,397.97	1,535,983,331.86
Financing receivable	Note 5	2,294,402.89	
Prepayments	Note 6	835,908,269.87	658,150,464.92
Other receivables	Note 7	504,681,809.20	591,148,197.21
Inventories	Note 8	1,296,241,179.53	2,084,901,592.16
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	Note 9	1,345,929,239.83	1,390,137,429.52
Total current assets		19,952,604,433.94	22,749,883,343.77
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investment	Note 10	9,796,994,392.71	9,720,274,594.36
Investments in other equity instruments	Note 11	6,995,390,512.18	7,342,219,463.31
Other non-current financial assets	Note 12	1,245,837,245.51	938,546,351.20
Investment property	Note 13	710,723,496.56	509,672,558.86
Fixed assets	Note 14	32,099,354,426.09	33,117,715,931.75
Construction in progress	Note 15	14,567,916,644.54	14,313,979,729.73
Productive biological assets			
Oil and gas assets			
Right-of-use assets	Note 16	37,698,321.82	39,290,050.66
Intangible assets	Note 17	2,972,994,747.70	2,954,647,981.17
Development expenditure	Note 18	1,424,043.26	1,424,043.26
Goodwill			
Long-term deferred expenses	Note 19	2,174,760,006.60	2,272,013,184.03
Deferred income tax assets	Note 20	488,717,369.27	406,130,804.84
Other non-current assets	Note 21	50,672,404.00	52,672,404.00
Total non-current assets		71,142,483,610.24	71,668,587,097.17
Total assets		91,095,088,044.18	94,418,470,440.94

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2020

Liabilities and shareholders' equity	Note VI	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	Note 22	3,050,000,000.00	2,550,000,000.00
Trading financial liabilities	Note 23	4,350,440.00	3,035,060.00
Derivative financial liabilities			
Notes payable	Note 24	1,229,923,114.09	878,795,526.24
Accounts payable	Note 25	2,234,506,948.81	2,820,890,520.24
Prepayments			
Contract liabilities	Note 26	335,475,630.78	434,754,040.95
Staff remuneration payable	Note 27	182,536,989.00	430,128,007.84
Taxes payable	Note 28	479,256,358.51	498,186,869.47
Other payables	Note 29	1,910,836,275.69	2,053,058,831.46
Liabilities held for sale			
Non-current liabilities due within one year	Note 30	5,839,285,634.88	6,240,244,930.63
Other current liabilities	Note 31	2,614,680.84	9,411,068.49
Total current liabilities		15,268,786,072.60	15,918,504,855.32
Non-current liabilities:			
Long-term borrowings	Note 32	25,086,147,858.39	26,137,387,560.56
Bonds payable	Note 33	4,394,662,423.04	5,872,769,550.23
Including: Preference shares			
Including: Perpetual bonds			
Lease liabilities	Note 34	5,861,470.74	6,915,082.45
Long-term payables	Note 35	521,000,000.00	522,700,000.03
Long-term staff remuneration payable			
Projected liabilities	Note 36	531,533,679.31	526,848,461.52
Deferred income	Note 37	72,236,854.93	72,909,354.93
Deferred income tax liabilities	Note 20	519,298,433.30	532,425,167.19
Other non-current liabilities			
Total non-current liabilities		31,130,740,719.71	33,671,955,176.91
Total liabilities		46,399,526,792.31	49,590,460,032.23

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative
of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2020

Liabilities and shareholders' equity	Note VI	Closing balance	Opening balance
Shareholders' equity			
Share capital	Note 38	3,254,007,000.00	3,254,007,000.00
Other equity instruments			
Including: Preference shares			
Including: Perpetual bonds			
Capital reserves	Note 39	4,577,897,866.65	4,577,897,866.65
Less: Treasury shares			
Other comprehensive income	Note 40	902,877,098.68	1,138,559,569.59
Special reserve	Note 41	378,211,221.67	212,715,747.06
Surplus reserve	Note 42	1,634,024,476.72	1,634,024,476.72
Undistributed profit	Note 43	23,704,054,700.12	24,109,769,760.65
Total equity attributable to shareholders of the parent company		34,451,072,363.84	34,926,974,420.67
Minority interests		10,244,488,888.03	9,901,035,988.04
Total shareholders' equity		44,695,561,251.87	44,828,010,408.71
Total liabilities and shareholders' equity		91,095,088,044.18	94,418,470,440.94

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative
of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

BALANCE SHEET OF THE PARENT COMPANY

At 30 June 2020

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

(All amounts in RMB Yuan unless otherwise stated)

Assets	Note XVI	Closing balance	Opening balance
Current assets:			
Cash and bank balance		5,049,376,683.02	7,707,006,501.16
Trading financial assets		701,840,033.04	716,960.00
Derivative financial assets			
Notes receivable	Note 1		10,000,000.00
Accounts receivable	Note 2	1,308,702,404.26	802,646,386.37
Financing receivable			
Prepayments		393,827,552.00	257,928,245.57
Other receivables	Note 3	12,178,344,190.70	11,147,729,102.84
Inventories		455,894,216.73	1,390,895,873.10
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		39,005,345.15	29,920,365.79
Total current assets		20,126,990,424.90	21,346,843,434.83
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	Note 4	23,619,358,909.52	23,447,140,731.25
Investments in other equity instruments		5,599,296,101.96	5,910,390,074.12
Other non-current financial assets		14,458,889.43	15,152,594.04
Investment property		688,593,656.12	486,950,309.32
Fixed assets		3,735,342,656.42	4,093,281,120.77
Construction in progress		36,552,636.97	42,805,682.01
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		797,865,902.32	738,178,042.33
Development expenditure			
Goodwill			
Long-term deferred expenses		998,311,841.39	1,057,503,027.15
Deferred income tax assets		205,516,861.49	193,550,752.04
Other non-current assets			2,000,000.00
Total non-current assets		35,695,297,455.62	35,986,952,333.03
Total assets		55,822,287,880.52	57,333,795,767.86

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 30 June 2020

Liabilities and shareholders' equity	Note XVI	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		2,850,000,000.00	2,350,000,000.00
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		241,466,873.04	180,665,148.84
Accounts payable		2,250,662,859.19	1,870,523,531.61
Prepayments			
Contract liabilities		146,665,313.89	414,758,099.15
Staff remuneration payable		76,302,618.29	140,583,452.97
Taxes payable		204,028,500.34	232,347,636.99
Other payables		793,426,961.88	902,587,149.07
Liabilities held for sale			
Non-current liabilities due within one year		4,277,653,404.86	3,353,925,000.00
Other current liabilities		2,614,680.84	9,411,068.49
Total current liabilities		<u>10,842,821,212.33</u>	<u>9,454,801,087.12</u>
Non-current liabilities:			
Long-term borrowings		12,288,500,000.00	12,497,575,000.00
Bonds payable		4,394,662,423.04	5,872,769,550.23
Including: Preference shares			
Including: Perpetual bonds			
Lease liabilities			
Long-term payables			1,700,000.03
Long-term staff remuneration payable			
Projected liabilities		460,788,952.15	456,129,770.22
Deferred income		1,350,000.00	1,440,000.00
Deferred income tax liabilities		425,689,199.65	503,418,894.57
Other non-current liabilities			
Total non-current liabilities		<u>17,570,990,574.84</u>	<u>19,333,033,215.05</u>
Total liabilities		<u>28,413,811,787.17</u>	<u>28,787,834,302.17</u>

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 30 June 2020

Liabilities and shareholders' equity	Note XVI	Closing balance	Opening balance
Shareholders' equity:			
Share capital		3,254,007,000.00	3,254,007,000.00
Other equity instruments			
Including: Preference shares			
Including: Perpetual bonds			
Capital reserve		1,475,066,906.63	1,475,066,906.63
Less: Treasury shares			
Other comprehensive income		853,777,866.78	1,087,142,143.99
Special reserve		243,094,813.67	159,878,281.51
Surplus reserve		1,634,024,476.72	1,634,024,476.72
Undistributed profit		19,948,505,029.55	20,935,842,656.84
Total shareholders' equity		27,408,476,093.35	28,545,961,465.69
Total liabilities and shareholders' equity		55,822,287,880.52	57,333,795,767.86

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative
of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CONSOLIDATED INCOME STATEMENT

January to June 2020

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Note VI	Amount for the current period	Amount for the previous period
I. Total operating revenue	Note 44	15,396,345,301.75	20,075,333,259.04
Less: Operating cost	Note 44	11,479,511,087.73	14,397,050,792.16
Tax and surcharges	Note 45	714,630,574.53	727,393,361.97
Selling expenses	Note 46	549,484,273.67	642,271,237.84
Administrative expenses	Note 47	464,761,425.34	555,282,506.09
Research and development costs	Note 48	172,089,895.61	280,017,757.39
Finance costs	Note 49	843,160,535.17	781,066,097.63
Of which: Interest expenses		899,420,832.83	842,096,505.35
Interest income		57,365,806.62	68,137,420.53
Add: Other income	Note 50	58,232,419.87	85,100,459.03
Investment income	Note 51	85,679,427.32	178,413,036.51
Of which: Gains from investment in associates and joint ventures		85,839,798.35	162,371,718.92
Including: Gains from de-recognition of financial assets measured at amortised costs			
Gain on net exposure hedging			
Gains from changes in fair value	Note 52	171,581,505.69	44,048,449.82
Asset impairments loss	Note 53	-29,078,643.45	
Loss on credit impairment	Note 54	366,003.00	
Gains from disposal of assets	Note 55	-3,514,638.57	5,565,091.95
II. Profit from operations		1,455,973,583.56	3,005,378,543.27
Add: Non-operating income	Note 57	1,595,303.45	6,453,202.83
Less: Non-operating expense	Note 58	48,245,018.97	58,950,574.00
III. Total profit		1,409,323,868.04	2,952,881,172.10
Less: Income tax expenses	Note 59	373,540,823.68	632,317,981.85
IV. Net profit		1,035,783,044.36	2,320,563,190.25
Including: net profit recorded by the acquiree before the combination under business combination under common control			
(I) Classified on a going concern basis			
Net profit from continuing operations		1,035,783,044.36	2,320,563,190.25
Net profit from discontinued operations			
(II) Classified according to the ownership			
Net profit attributable to the owners of the parent company		733,187,389.47	1,916,051,309.96
Minority interests		302,595,654.89	404,511,880.29
V. Net other comprehensive income after taxes		-236,714,736.86	-54,192,699.51

CONSOLIDATED INCOME STATEMENT (Continued)

January to June 2020

Items	Note VI	Amount for the current period	Amount for the previous period
Net other comprehensive income attributable to owners of the parent company after taxes		-235,682,470.91	-52,803,806.44
(I) Other comprehensive income that cannot be reclassified to profit and loss		-236,107,247.81	-52,848,016.62
1. Re-measuring changes of defined benefit plan			
2. Other comprehensive income that cannot be converted into profit or loss under the equity method			
3. Changes in fair value of other equity instruments investments		-236,107,247.81	-52,848,016.62
4. Changes in fair value of enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that may be reclassified to profit or loss		424,776.90	44,210.18
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. The amount of financial assets reclassified into other comprehensive income			
4. Provisions for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from retranslation of financial statements		424,776.90	44,210.18
7. Investment income from a package disposal of subsidiaries before the loss of control			
8. Conversion of other assets to investment property measured by fair value model			
9. Others			
Net other comprehensive income attributable to minority interests after taxes		-1,032,265.95	-1,388,893.07
VI. Total comprehensive income		799,068,307.50	2,266,370,490.74
Total comprehensive income attributable to the owners of the parent company		497,504,918.56	1,863,247,503.52
Total comprehensive income attributable to minority shareholders		301,563,388.94	403,122,987.22
VII. Earnings per share:			
(I) Basic earnings per share		0.23	0.59
(II) Diluted earnings per share		/	/

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative
of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

INCOME STATEMENT OF THE PARENT COMPANY

January to June 2020

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Note XVI	Amount for the current period	Amount for the previous period
I. Revenue from operations	Note 5	11,669,295,204.20	15,976,874,327.56
Less: Operating cost	Note 5	10,268,683,386.51	13,034,576,715.64
Tax and surcharges		415,719,012.99	507,864,888.50
Selling expenses		58,437,658.68	30,690,004.01
Administrative expenses		278,632,994.29	293,302,426.04
Research and development expense		35,518,417.72	145,418,987.53
Finance costs		457,854,609.86	526,141,895.03
Including: Interest expenses		493,113,043.07	552,132,748.33
Interest income		35,876,824.69	32,119,121.45
Add: Other income		881,829.07	154,755.41
Investment income	Note 6	111,399,348.79	582,148,245.26
Including: Investment income from associates and joint ventures		86,498,178.27	166,372,015.72
Including: Gains from de-recognition of financial assets measured at amortised costs			
Gain on net exposure hedging			
Gains from changes in fair value		1,123,073.04	
Asset impairments loss		-29,078,643.45	
Loss on credit impairment			
Gains from disposal of assets		-1,046,653.29	5,737,320.92
II. Profit from operations		237,728,078.31	2,026,919,732.40
Add: Non-operating income		1,068,864.10	2,989,460.69
Less: Non-operating expense		42,347,173.70	57,223,750.76
III. Total profit		196,449,768.71	1,972,685,442.33
Less: Income tax expenses		44,884,946.00	350,049,828.03
IV. Net profit		151,564,822.71	1,622,635,614.30
(I) Net profit from continuing operations		151,564,822.71	1,622,635,614.30
(II) Net profit from discontinued operations			
V. Net other comprehensive income after taxes		-233,364,277.21	-49,403,001.27

INCOME STATEMENT OF THE PARENT COMPANY (Continued)

January to June 2020

Items	Note XVI	Amount for the current period	Amount for the previous period
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1.Re-measuring net changes of defined benefit plan		-233,364,277.21	-49,403,001.27
2.Other comprehensive income that cannot be converted into profit or loss under the equity method			
3.Changes in fair value of other equity instruments investments		-233,364,277.21	-49,403,001.27
4.Changes in fair value of the enterprise's own credit risk			
5.Others			
(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. The amount of financial assets reclassified into other comprehensive income			
4. Provisions for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from retranslation of financial statements			
7. Investment income from a package disposal of subsidiaries before the loss of control			
8. Conversion of other assets to investment property measured by fair value model			
9. Others			
VI. Total comprehensive income		<u>-81,799,454.50</u>	<u>1,573,232,613.03</u>
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative
of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CONSOLIDATED CASH FLOW STATEMENT

January to June 2020

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Note VI	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		17,256,802,839.79	22,981,813,898.65
Refunds of taxes		23,617,615.18	
Other cash received from activities relating to operation	Note 60.1	155,089,412.50	281,097,471.02
Sub-total of cash inflows from operating activities		17,435,509,867.47	23,262,911,369.67
Cash paid for goods purchased and service rendered		11,120,506,114.43	15,418,773,832.31
Cash paid to and on behalf of employees		858,361,891.89	878,103,838.77
Taxes paid		2,052,057,137.91	3,711,847,935.54
Other cash paid for activities relating to operation	Note 60.2	456,680,568.27	473,995,285.05
Sub-total of cash outflow from operating activities		14,487,605,712.50	20,482,720,891.67
Net cash flows from operating activities		2,947,904,154.97	2,780,190,478.00
II. Cash flow from investment activities:			
Cash received from disposal of investments		543,851,036.55	29,329,222.23
Cash received from gains in investments		13,435,534.36	9,630,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,663,287.35	19,972,183.29
Net cash received from disposal of subsidiaries and other operating entities			1,197.37
Other cash received relating to investment activities	Note 60.3	245,960,460.00	
Sub-total of cash inflows from investment activities		806,910,318.26	58,932,602.89
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		845,452,544.69	1,576,293,879.22
Cash paid for investment		646,420,052.72	435,832,200.00
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities	Note 60.4	214,040,000.00	87,000,000.00
Sub-total of cash outflow from investment activities		1,705,912,597.41	2,099,126,079.22
Net cash flow from investment activities		-899,002,279.15	-2,040,193,476.33

CONSOLIDATED CASH FLOW STATEMENT (Continued)

January to June 2020

Items	Note VI	Amount for the current period	Amount for the previous period
III. Cash flow from financing activities			
Cash received from investments		3,000,000.00	500,000.00
Of which: Proceeds received by subsidiaries from minority shareholder's investment		3,000,000.00	500,000.00
Cash received from borrowings		4,100,000,000.00	3,375,000,000.00
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities		<u>4,103,000,000.00</u>	<u>3,375,500,000.00</u>
Cash repayments of debts		6,223,729,427.57	5,181,380,453.60
Cash payments for dividend and profit distribution or interest repayment		2,098,971,507.59	2,550,118,629.25
Of which: Dividend and profit paid by subsidiary to minority shareholders		9,800,000.00	710,430.00
Other cash paid relating to financing activities	Note 60.5	<u>334,392,481.04</u>	<u>32,998,768.00</u>
Sub-total of cash outflow from financing activities		<u>8,657,093,416.20</u>	<u>7,764,497,850.85</u>
Net cash flow from financing activities		<u><u>-4,554,093,416.20</u></u>	<u><u>-4,388,997,850.85</u></u>
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates			
V. Net increase in cash and cash equivalents		-2,505,191,540.38	-3,649,000,849.18
Add: Balance of cash and cash equivalents at the beginning of the period	Note 61.4	<u>15,954,045,957.75</u>	<u>16,994,167,148.20</u>
VI. Balance of cash and cash equivalents at the end of the period		<u><u>13,448,854,417.37</u></u>	<u><u>13,345,166,299.02</u></u>

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative
of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CASH FLOW STATEMENT OF THE PARENT COMPANY

January to June 2020

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Note XVI	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities			
Cash received from sales of goods and provision of services		11,830,060,635.91	16,894,319,608.22
Refunds of taxes			
Other cash received from activities relating to operation		63,544,772.71	94,848,451.91
Sub-total of cash inflows from operating activities		11,893,605,408.62	16,989,168,060.13
Cash paid for goods purchased and service rendered		9,473,604,236.44	13,675,220,186.89
Cash paid to and on behalf of employees		280,192,570.33	304,611,594.04
Taxes paid		1,065,436,009.66	2,352,497,565.89
Other cash paid for activities relating to operation		180,907,109.18	298,484,056.50
Sub-total of cash outflow from operating activities		11,000,139,925.61	16,630,813,403.32
Net cash flows from operating activities		893,465,483.01	358,354,656.81
II. Cash flow from investment activities:			
Cash received from disposal of investments		4,000,693,704.61	1,441,121,419.60
Cash received from gains in investments		14,515,534.36	9,630,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,917,892.23	31,005,071.38
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investment activities		82,270,416.64	232,729,889.03
Sub-total of cash inflows from investment activities		4,099,397,547.84	1,714,486,380.01
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		359,300,076.32	1,088,806,798.03
Cash paid for investment		685,720,000.00	461,137,200.00
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities		3,943,644,085.85	3,349,064,040.23
Sub-total of cash outflow from investment activities		4,988,664,162.17	4,899,008,038.26
Net cash flow from investment activities		-889,266,614.33	-3,184,521,658.25

CASH FLOW STATEMENT OF THE PARENT COMPANY (Continued)

January to June 2020

Items	Note XVI	Amount for the current period	Amount for the previous period
III. Cash flow from financing activities			
Cash received from investments			
Cash received from borrowings		5,100,000,000.00	3,200,000,000.00
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities		5,100,000,000.00	3,200,000,000.00
Cash repayments of debts		5,387,025,000.00	1,854,050,000.00
Cash payments for dividend and profit distribution or interest repayment		1,704,299,828.88	2,032,690,343.32
Other cash paid relating to financing activities		56,258.12	22,687,500.00
Sub-total of cash outflow from financing activities		7,091,381,087.00	3,909,427,843.32
Net cash flow from financing activities		<u>-1,991,381,087.00</u>	<u>-709,427,843.32</u>
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates			
V. Net increase in cash and cash equivalents		-1,987,182,218.32	-3,535,594,844.76
Add: Balance of cash and cash equivalents at the beginning of the period		7,677,710,776.41	8,192,014,896.28
VI. Balance of cash and cash equivalents at the end of the period		<u>5,690,528,558.09</u>	<u>4,656,420,051.52</u>

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative
of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January to June 2020

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

Items	(All amounts in RMB Yuan unless otherwise stated)							Total shareholders' equity		
	Share capital	Other equity instrument	Capital reserve	Equity attributable to shareholders of the Parent Company	Amount for the current period	Surplus reserve	Undistributed profit		Minority interests	
				Less: Treasury shares	comprehensive income	Special reserve				
I. Closing balance of the previous year	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	9,901,035,988.04	44,828,010,408.71
Add: Changes in accounting policies										
Correction for error in previous period										
Business combination under common control										
Others										
II. Opening balance of current year	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	9,901,035,988.04	44,828,010,408.71
III. Changes for the current year					-235,682,470.91	165,495,474.61	-405,715,060.53	-405,715,060.53	343,452,899.99	-132,448,156.84
(I) Total comprehensive income					-235,682,470.91				301,563,388.94	799,068,307.50
(II) Shareholder contribution and capital decrease									3,000,000.00	3,000,000.00
1. Ordinary shares contributed by shareholders										
2. Capital contribution from owners of other equity instruments									3,000,000.00	3,000,000.00
3. Amount of share-based payment included in shareholders' equity										
4. Others										
(III) Profit distributions										
1. Appropriations of surplus reserve										
2. Distributions to shareholders										
3. Others										
(IV) Internal transfer of shareholders' equity										
1. Transfer to share capital from capital reserve										
2. Transfer to share capital from surplus reserve										
3. Surplus reserves for making up losses										
4. Changes in defined benefit plans transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserve						165,495,474.61			48,689,511.05	214,184,985.66
1. Appropriations in the period						230,335,797.61			75,102,863.50	305,438,661.11
2. Utilisation in the period						-64,840,323.00			-26,413,342.45	-91,253,665.45
(VI) Others										
IV. Closing balance for the current year	3,254,007,000.00		4,577,897,866.65		902,877,098.68	378,211,221.67	1,634,024,476.72	23,740,259,469.54	10,244,488,888.03	44,695,561,251.87

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

January to June 2020

(All amounts in RMB Yuan unless otherwise stated)

Items	Equity attributable to the shareholders of the Parent Company						Total shareholders' equity			
	Share capital	Other equity instrument	Capital reserve	Less: Treasury shares	Amount for the previous period Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit	Minority interest
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	9,344,915,159.33	42,552,382,206.76
Add: Changes in accounting policies										
Correction for error in previous period										
Business combination under common control										
Others										
II. Opening balance of 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	9,344,915,159.33	42,551,851,488.03
III. Changes for the current year										
(I) Total comprehensive income			-7,092.73		-52,803,806.44	71,891,272.97		289,047,809.96	17,671,957.34	325,800,141.10
(II) Shareholder contribution and capital decrease			-7,092.73		-52,803,806.44			1,916,051,309.96	403,122,987.22	2,266,370,490.74
1. Ordinary shares contributed by shareholders									507,092.73	500,000.00
2. Capital contribution from owners of other equity instruments										
3. Amount of share-based payment included in shareholders' equity										
4. Others										
(III) Profit distributions			-7,092.73							
1. Appropriations of surplus reserve										
2. Distributions to shareholders										
3. Others										
(IV) Internal transfer of shareholders' equity										
1. Transfer to share capital from capital reserve										
2. Transfer to share capital from surplus reserve										
3. Surplus reserves for making up losses										
4. Changes in defined benefit plans transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserve										
1. Appropriations in the period										
2. Utilisation in the period										
(VI) Others										
IV. Closing balance for the current year	3,254,007,000.00		2,222,880,589.69		1,655,113,065.29	128,978,518.50	1,634,024,476.72	24,620,060,862.26	9,332,587,116.67	42,877,651,629.13

Person in charge of accounting: Lv Guiliang

Head of accounting department: Ning Yu

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

January to June 2020

Items	Amount for the current period						Total shareholders' equity		
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	comprehensive income Other	Special reserve		Surplus reserve	Undistributed profit
I. Closing balance of the previous year	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
Add: Changes in accounting policies									
Correction for error in previous period									
Others									
II. Opening balance of current year	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
III. Changes for the current year									
(I) Total comprehensive income									
(II) Shareholder contribution and capital decrease									
1. Ordinary shares contributed by shareholders									
2. Capital contribution from owners of other equity instruments									
3. Amount of share-based payment included in shareholders' equity									
4. Others									
(III) Profit distributions									
1. Appropriations of surplus reserve									
2. Distributions to shareholders									
3. Others									
(IV) Internal transfer of shareholders' equity									
1. Transfer to share capital from capital reserve									
2. Transfer to share capital from surplus reserve									
3. Surplus reserves for making up losses									
4. Changes in defined benefit plans transferred to retained earnings									
5. Other comprehensive income transferred to retained earnings									
6. Others									
(V) Special reserve									
1. Appropriations in the period									
2. Utilisation in the period									
(VI) Others									
IV. Closing balance for the current year	3,254,007,000.00		1,475,066,906.63		853,777,866.78	243,094,813.57	1,634,024,476.72	19,948,505,029.55	27,408,476,093.35

(The accompanying notes to the financial statements are constituent parts of the financial statements.)

Legal representative of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

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

January to June 2020

Items	Amount for the previous period						Total shareholders' equity	
	Share capital	Other equity instruments	Capital reserve	Equity attributable to the shareholders of the Parent Company	Special reserve	Surplus reserve		Undistributed profit
I. Closing balance of the previous year	3,254,007,000.00	1,475,066,906.63	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
Add: Changes in accounting policies								
Correction for error in previous period								
Others								
II. Opening balance of current year	3,254,007,000.00	1,475,066,906.63	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 year								
(I) Total comprehensive income				-49,403,001.27	62,184,609.91	-4,367,885.70	1,622,635,614.30	8,413,722.94
(II) Shareholder contribution and capital decrease								
1. Ordinary shares contributed by shareholders								
2. Capital contribution from owners of other equity instruments				-49,403,001.27				1,573,232,613.03
3. Amount of state-based payment included in shareholders' equity								
4. Others								
(III) Profit distributions								
1. Appropriations of surplus reserve							-1,627,003,500.00	-1,627,003,500.00
2. Distributions to shareholders								
3. Others								
(IV) Internal transfer of shareholders' equity								
1. Transfer to share capital from capital reserve								
2. Transfer to share capital from surplus reserve								
3. Surplus reserves for making up losses								
4. Changes in defined benefit plans transferred to retained earnings								
5. Other comprehensive income transferred to retained earnings								
6. Others								
(V) Special reserve								
1. Appropriations in the period					62,184,609.91			62,184,609.91
2. Utilisation in the period					236,371,364.35			236,371,364.35
(VI) Others					-174,186,774.44			-174,186,774.44
IV. Closing balance for the current year	3,254,007,000.00	1,475,066,906.63	1,475,066,906.63	1,574,422,428.34	119,271,855.44	1,634,024,476.72	19,030,800,124.93	27,087,592,792.06

Person in charge of accounting: Lv Guiliang

Head of accounting department: Ning Yu



NOTES TO THE FINANCIAL STATEMENTS

January to June 2020

I. BASIC INFORMATION OF THE COMPANY

(I) Place of Incorporation, Form of Organisation 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 30 June 2020, the Company held a total share capital of 3,254,007,000 shares, of which Yitai Group held domestic restricted shares of 1,600,000,000 shares, accounting for 49.17% of the Company’s total share capital, the circulating B shares totaled 1,328,000,000 shares, accounting for 40.81% of the Company’s total share capital, and the H shares issued a total of 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.

(II) 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.

(III) The Business Type and Main Business Activities of the Company

The Company engages in the coal mining industry with coal production and operation as its principal business, railway transportation as its supplementary business and coal-to-chemicals business as extension of its business.

(IV) Approval of Financial Statements

The financial statements were approved by the board of directors on 27 August 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the period, 37 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 Suancigou 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. (內蒙古伊泰煤製油有限責任公司)	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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS(Continued)

During the period, 37 entities were consolidated in the consolidated financial statements, of which:
(Continued)

No.	Name of Subsidiary	Type of Subsidiary	Grade	Shareholding Percentage (%)	Percentage of Voting Rights (%)
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
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. (重慶伊泰鵬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	Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)	Wholly-owned subsidiary	One	100.00	100.00
32	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
33	Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤炭有限責任公司)	Wholly-owned subsidiary	One	100.00	100.00
34	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
35	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))	Subsidiary of controlling subsidiary	Two	98.70	98.70
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
37	Inner Mongolia Yitai Energy Chemical Co., Ltd. (內蒙古伊泰能源化工有限公司)	Wholly-owned subsidiary	One	100.00	100.00



NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As compared with the same period of last year, there is 1 new entity involved and no entity 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**

Name	Reason for change
Inner Mongolia Yitai Energy Chemical Co., Ltd. (內蒙古伊泰能源化工有限公司)	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: Nil**

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

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation of the Financial Statements

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).

(II) Sustainability

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of Compliance of ASBEs

In accordance with the ASBEs, the financial statements of the Company present truly and completely the Company's financial position, operating results and cash flow and other related information during the reporting period.

(II) Accounting Period

The period from 1 January to 31 December (based on solar calendar) is a fiscal year.

(III) Operating Cycle

The period from 1 January to 31 December (based on solar calendar) is an operating cycle.

(IV) 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.

(V) 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(V) Accounting for Business Combinations under Common Control and Not under Common Control *(Continued)*

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 a 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.

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 recognised by using equity method or financial instrument recognition and measurement criteria 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 recognised by the equity method are not accounted for until the disposal of the investment is transferred to the current profit or loss.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(V) Accounting for Business Combinations under Common Control and Not under Common Control *(Continued)*

3. Business combinations not under common control

The Company's assets and 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 recognised 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 or 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 recognised by the equity method for equity investment held before the purchase 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.

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 recognised 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of Consolidated Financial Statements

1. Scope of combination

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

2. Combination procedure

The Company prepares consolidated financial statements based on the financial statements of the Company and its subsidiary and other relevant information. The Company prepares consolidated financial statements in accordance with the unified accounting policies and the requirements for recognition, measurement and presentation of relevant ASBEs and regards the entire enterprise group as an accounting entity, which reflects the overall financial position, 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 consolidated 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 consolidated financial statements.

When the financial statements are consolidated, the impact of internal transactions between the Company and its subsidiaries and between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity is offset. If the judgment of the consolidated 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.

The share of owner's equity, net profit and loss and comprehensive income belonging to minority shareholders of a subsidiary are separately listed under the owner's equity in the consolidated balance sheet, the net profit under the consolidated 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 shareholders' 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 purchase date.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of Consolidated Financial Statements *(Continued)*

2. Combination procedure *(Continued)*

(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 consolidated 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 consolidated 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 consolidated cash flow statement, and the relevant items of the comparative report are adjusted, as if after the combination the 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 profit or loss, 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 consolidated 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 consolidated 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 consolidated cash flow statement.

If it is possible to control the investee not 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 comprehensive income and other changes in owner's equity other than net profit or loss, other comprehensive income, and profit distribution under the equity method, other comprehensive income and changes in other owner's equity related are transferred to the current investment income at the date of purchase, except for other comprehensive income arising from the re-measurement of the change in net liabilities or net assets of the defined benefit plan by the investee.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of Consolidated Financial Statements *(Continued)*

2. Combination procedure *(Continued)*

(2) Disposal of subsidiaries or businesses

1) General treatment

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

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 of 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 re-measurement of changes in net liabilities or net assets of the defined benefit plan by the investee.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of Consolidated Financial Statements *(Continued)*

2. Combination procedure *(Continued)*

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

2) Disposal of subsidiaries step by step

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

- 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 each 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 consolidated 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 a 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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of Consolidated 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 consolidated 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 consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset, the retained earnings will be adjusted.

(VII) Classification of Joint Venture Arrangements and Accounting Methods for Joint Operations

1. Classification of joint venture arrangements

The Company divides the joint venture arrangements into joint operations and joint ventures according to the structure of the joint venture arrangement, the legal form and the terms agreed in the joint venture arrangements, and 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 is conclusive evidence that joint venture arrangements meet any of the following conditions and comply with relevant laws and regulations, they are classified as joint operations:



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(VII) Classification of Joint Venture Arrangements and Accounting Methods for Joint Operations *(Continued)*

1. Classification of joint venture arrangements *(Continued)*

- (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 for 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 ASBEs:

- (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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(VII) 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 ASBEs.

(VIII) Criteria for Determining Cash and Cash Equivalents

In 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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(IX) 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 capitalisation that are treated based on the principle of capitalisation of borrowing costs, are included in the current profit or 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 statement

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 overseas 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 overseas 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 operation which is an associate or a joint venture, the translation difference of the foreign currency statement related to the overseas operation is transferred to the current profit or loss according to the proportion of disposal of the overseas operation.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) 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.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(X) Financial Instruments (*Continued*)

2. Basis for recognition of financial instruments

(1) Financial assets measured at amortised cost

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

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

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

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

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

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 centralised 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).



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) Financial Instruments *(Continued)*

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

(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).

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) Financial Instruments *(Continued)*

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

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

This category includes 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 consist of the contingent consideration recognised by the Company as a purchaser 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.

(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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) Financial Instruments *(Continued)*

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 of a factor in the corresponding accounting period. This factor should be limited to factor that market participants will consider when pricing the financial instrument, including time.

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, respectively.

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 adjustments:

- (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).



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) Financial Instruments *(Continued)*

4. Subsequent measurement of financial instrument *(Continued)*

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 or 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 derecognition of financial assets. 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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) 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 is 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 profit or loss.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(X) Financial Instruments (*Continued*)

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.
- (3) If there is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (i.e., other than (1) and (2) of this article), then depending on whether or not they retain control over financial assets:
 - ① If the control of the financial assets is 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:



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) Financial Instruments *(Continued)*

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

- (1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following is included in the current profit or 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 originally and directly recognised in other comprehensive income (the financial assets involved in the transfer are measured at fair value through other comprehensive income).

- (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 or 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) Financial Instruments *(Continued)*

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 quotations; active market quotations 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 is 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 inputs where possible. Unobservable inputs are used where the relevant observable inputs are not available or are impracticable.

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

- (1) Based on the expected credit losses, the Company assesses the financial assets measured at amortised 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) Financial Instruments *(Continued)*

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

(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 credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:

- ① significant financial difficulties for the issuer or debtor;
- ② the debtor breaches the contract, such as fails to pay or delays the payment of interest or principal;
- ③ the creditor gives the debtor a concession which would not have been made under any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
- ④ the debtor is likely to go bankrupt or carry out other financial restructurings;
- ⑤ the financial difficulties of the issuer or the debtor cause the active market of the financial asset to disappear;
- ⑥ purchase or source a financial asset at a substantial discount that reflects the fact that credit losses have occurred.

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

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



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(X) Financial Instruments (*Continued*)

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

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

- ① If the credit risk of the financial instrument has increased significantly since the initial recognition, the loss provision is measured at the amount equivalent to the lifetime expected credit loss of the financial instrument, regardless of whether the basis the Company assesses the credit losses is on individual financial instrument or a combination of financial instruments, and the increase or reversal of the loss provision resulting therefrom should be included in the current profit or 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 instrument or the combination of financial instruments, and the increase or reversal of the loss provision resulting therefrom shall be included in the current profit or loss 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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(X) 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.

(XI) Accounts Receivable

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 and 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 that provided expected credit losses on single 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 or loss.

2. Receivables that provided expected credit losses on 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.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XII) Inventory

1. Classification of inventor

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 labour 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 realisable 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 realisable value. The net realisable 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 realisable 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 realisable value of the inventory held for the execution of a sales contract or a labour 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 realisable 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 or loss.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XII) Inventory *(Continued)*

4. Stock inventory system

Perpetual inventory system is adopted.

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

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

(XIII) Contract Assets and Contract Liability

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 recognised as a contract asset; the obligation to transfer goods to a customer for which consideration has been received or receivable is recognised in part as a contract liability.

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XIV) 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 labour, 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 recognised 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 or loss when it occurs.

3. Amortisation of contract costs

The Company recognises the contract performance cost and the contract acquisition cost on the same basis as the commodity income related to the contract cost asset, and amortises 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 or loss.

4. Contract cost impairment

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XV) Assets Classified as Held for Sale

1. Criteria for determining as held for sale

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

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

2. Accounting methods for determining as held for sale

The Company adjusts the estimated net residual value of the fixed assets held for sale so that the estimated net residual value of the fixed assets reflects its fair value less the disposal expenses, but does not exceed the original carrying amount of the fixed assets when the conditions for holding for sale are met. The difference between the original carrying amount and the estimated net residual value after adjustment is included in the current profit or 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 income tax assets, financial 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XVI) 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 directly 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 includes the fair value of the waived debt, taxes that can be directly attributable to the asset and other costs.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XVI) 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 or 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.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XVI) Long-term Equity Investment (*Continued*)

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

(2) Equity method (*Continued*)

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.

When the Company recognises the losses incurred by the investee that it should share, it shall deal with it in the following order: Firstly, 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 recognised 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XVI) Long-term Equity Investment *(Continued)*

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 gain or loss.

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XVI) Long-term Equity Investment *(Continued)*

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

(3) Equity method measurement to fair value measurement

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

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

(4) Cost method to equity method

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

(5) Cost method to fair value measurement

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XVI) Long-term Equity Investment *(Continued)*

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 or 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.

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 consolidated financial statements shall be classified for relevant accounting treatment:



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XVI) Long-term Equity Investment (*Continued*)

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

- (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 or 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 or 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 consolidated 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 current profit or loss for the period of the loss of control.
- (2) In the consolidated 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 current profit or loss for the period of the loss of control.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XVI) 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.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XVII) 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.

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XVIII) Fixed Assets

1. Recognition conditions of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing goods, providing labour 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. Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost, including: The cost of outsourcing fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the asset before they reach their intended usable state. The cost of self-built fixed assets is determined by the necessary expenditures incurred before the assets reach the expected usable state. For fixed assets invested by investors, the value agreed in the investment contract or agreement is regarded as the book value, but the value agreed in the contract or agreement is not accounted for at fair value. If the payment for the purchase of fixed assets is delayed beyond the normal credit conditions, and is of a financing nature in essence, the cost of fixed assets is determined on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price is recorded in the current profit or loss during the credit period, except where it should be capitalised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Fixed Assets (Continued)

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation for fixed assets

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

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

The depreciation method, depreciation period and annual depreciation rate of various fixed assets are as follows:

Categories	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%

(2) Subsequent expenditure on fixed assets

Subsequent expenditures related to fixed assets that meet the conditions for confirmation of fixed assets are included into the cost of fixed assets; those that do not meet the conditions for confirmation of fixed assets are included into the current profit or loss when they occur.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XVIII) Fixed Assets *(Continued)*

3. Subsequent measurement and disposal of fixed assets *(Continued)*

(3) Disposal of fixed assets

When a fixed asset is disposed of or no economic benefit is expected to result from use or disposal, the recognition of the fixed asset is terminated. The amount of income from disposal of fixed assets sold, transferred, scrapped or damaged after deducting their book value and related taxes is included into the current profit or loss.

(XIX) Construction in Progress

1. Initial measurement of construction in progress

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, labour costs and relevant taxes payable, capitalised 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XX) Borrowing Cost

1. Recognition principle of capitalisation of borrowing costs

If the borrowing costs of the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalisation, it shall start capitalisation and be included in the cost of relevant assets in the case of eligible for capitalisation; other borrowing costs shall be recognised as expenses at the time of occurrence and shall be included in the current profits and losses.

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

Borrowing costs begin to capitalise 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 and construction or production of assets eligible for capitalisation;
- (2) Borrowing costs have already occurred;
- (3) The purchase and construction or production activities necessary for the asset to reach the intended use or saleable status.

2. Capitalisation period of borrowing costs

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

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

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

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 capitalisation of the borrowing costs shall be stopped when the asset is completed as a whole.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XX) Borrowing Cost *(Continued)*

3. Suspension of capitalisation period

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

4. Calculation for capitalisation 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 capitalisation, before to the expected conditions for use or sale shall be capitalised.

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 capitalised. The capitalisation 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 amortised during each accounting period.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXI) Right-of-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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXII) Intangible Assets and Development Expenditure

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 recognised 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 recognised.

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, labour costs, registration fees, amortisation of other patented rights and licensed rights used during the development process, interest expenses meeting capitalisation conditions, and other direct costs for bringing the intangible asset to expected usage.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) Intangible Assets and Development Expenditure (Continued)

2. Subsequent measurement of intangible assets

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

(1) Intangible asset with a limited life

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

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

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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXII) Intangible Assets and Development Expenditure *(Continued)*

3. Specific basis for determining the research stage and development stage of internal research and development projects of the Company

Research stage: a stage of scheduled innovative investigations and research activities 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 or loss at the time of occurrence.

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

The expenditure of Internal research and development projects in the development phase, 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 or 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 capitalised 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*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XXIII) 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 recognised as impairment loss recognised, 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 amortisation 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 amortised 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXIV) Long-term Deferred Expenses

1. Amortisation 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 amortised in its useful life.

2. Amortisation years

- (1) The fixed asset improvement expenditure rented by lease is amortised 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 amortised according to the yield method.

(XXV) Employee Remuneration

Employee remuneration refers to the various forms of remuneration or compensation given by the Company to obtain the services provided by the employees or to terminate the labour relationship. Employee remuneration includes short-term remuneration, retirement benefits, dismissal benefits and other long-term employee benefits.

1. 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 Company 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 Company recognises 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.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XXV) Employee Remuneration (*Continued*)

2. Post-employment benefits

Post-employment benefits refer to all employee benefits provided by the Company except for short-term remuneration and termination benefits, includes long-term paid absence, long-term disability benefit and long-term profit-sharing plan, etc.

Defined contribution plan of the post-employment benefits refers to the basic endowment insurance, unemployment insurance paid for the employees organised and implemented by local labour 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 Company, amount payable calculated by the base and ratio in conformity with local regulation is recognised 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.

3. 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 recognises 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 recognises 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXV) Employee Remuneration *(Continued)*

4. Other long-term employment benefit

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

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 recognised 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 or loss or related asset costs.

(XXVI) Expected Liabilities

1. Criteria for expected liabilities

The Group shall recognise 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 Company;

The amount of liabilities can be measured reliably.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXVI) 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 recognised as assets. The amount of compensation confirmed will not exceed the book value of the estimated liabilities.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXVII) 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.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XXVIII) 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: the exercise price of the option, the validity of the option, the current price of the share, the expected volatility of the share price, predicted dividend of the share and 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 recognise 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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXVIII) 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 included in the relevant costs or expenses cause 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.

(XXIX) Preferred Shares, Perpetual Bonds and Other Financial Instruments

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXIX) Preferred Shares, Perpetual Bonds and Other Financial Instruments *(Continued)*

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

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

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

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

3. Accounting treatment

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

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXX) Revenue

- (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 fulfil their respective obligations;
 - ② The contract clarifies the rights and obligations of the contracted parties in relation to the goods transferred or the provision of services;
 - ③ The contract has clear payment terms on the goods transferred or services rendered;
 - ④ The contract is of commercial nature, namely that the performance of the contract will change the risk, time distribution or amount of future cash flows of the Company;
 - ⑤ The consideration that the enterprise has the right to obtain due to the transfer of goods or services to customers is likely to be recovered.

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

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



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XXX) Revenue (*Continued*)

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.
- (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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXX) Revenue (Continued)

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

(5) After-sale repurchase

- ① Contracts with repurchase obligation due to forward arrangement with customers: In this case, the customers do not obtain control of the relevant goods at the time of sales, thus it is taken as a leasing transaction or financing transaction for corresponding accounting treatment. In particular, contract whose repurchase price is lower than its original sales price is regarded as a leasing transaction for accounting treatment according to the provisions on leasing of the ASBEs; contract whose repurchase price is no lower than its original sales price is regarded as a financing transaction, and will be recognised as a financial liability upon receipt of the amount due from customers, and the difference between such amount and the repurchase price is recognised as interest expense, etc. during the repurchase period. Where the repurchase right is not exercised by the Company at the maturity date, the financial liability will be derecognised and a revenue will be recognised at the same time when the right falls due.
- ② Contracts with repurchase obligation as required by customers: Where customers have significant economic factors upon assessment, after-sale repurchase will be regarded as a leasing transaction or financing transaction for accounting treatment according to the provisions set out in Item 1) 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.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XXX) Revenue (*Continued*)

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.

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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXX) Revenue (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*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XXX) Revenue (*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 dispatching station or coal mine and the price stipulated by the quality index; for the delivery of direct railway, the revenue is recognised based on the quantities determined after the coal being transported to the customer's designated site and confirmed by both parties and the price stipulated by the quality index; for the offshore sales by way of closing out, the revenue is recognised based on the shipment quantities determined by both parties and the price stipulated by the quality index.

(2) Coal chemical product contract

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

(3) Transportation business sales contract

According to the terms of the sales contract, and with the transportation business sales whose performance obligations are performed at a certain 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXI) 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 objects 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 are 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 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 reliably 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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXI) 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXII) Deferred Tax Assets and Deferred Tax Liabilities

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

1. Criteria for recognition of deferred income tax assets

The Company recognises deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilised. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following features are not recognised:

- (1) the transaction is not a business combination;
- (2) neither the accounting profit or the taxable income or deductible losses is affected when the transaction occurs.

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

2. Criteria for recognition of deferred income tax liabilities

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

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXII) Deferred Tax Assets and Deferred Tax Liabilities *(Continued)*

- 3. When the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities shall be presented on a net basis**
- (1) An enterprise has the statutory right to settle the current income tax assets and current income tax liabilities at their net amounts;
 - (2) The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(XXXIII) Hedge Accounting

According to the hedging relationship, the Company divides hedging into fair value hedge, cash flow hedge and overseas net investment hedging.

- 1. Hedging instruments that meet the following conditions at the same time are processed using hedging accounting methods**
- (1) The hedging relationship only consists of eligible hedging instruments and hedged items.
 - (2) At the beginning of hedging, the Company officially designated hedging instruments and hedged items, and prepared written documents on hedging relationships and risk management strategies and risk management objectives for hedging.
 - (3) The hedging relationship meets the requirement of hedging validity.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIII) Hedge Accounting *(Continued)*

1. Hedging instruments that meet the following conditions at the same time are processed using hedging accounting methods *(Continued)*

If the hedging meets the following conditions at the same time, it is determined that the hedging relationship meets the hedging validity requirements:

- 1) There is an economic relationship between the hedged items and the hedging instruments. This economic relationship makes the value of hedging instruments and hedged items change in opposite directions due to the same hedged risk.
- 2) Among the value changes caused by the economic relationship between the hedged items and the hedging instruments, the influence of credit risk is not dominant.
- 3) The hedging ratio of the hedging relationship is equal to the ratio of the actual number of hedged items of the company to the actual number of hedging instruments, but does not reflect the imbalance of the relative weight of the hedged items and the hedging instruments. This imbalance will lead to invalid hedges and may produce accounting results that are inconsistent with the hedge accounting objectives.

2. Method of fair value hedges accounting

- (1) Gains or losses from hedging instruments are included into the current profit or loss. If the hedging instrument is hedged on a non-trading equity instrument investment (or its component) that is selected to be measured at fair value and whose changes are included into other comprehensive income, the gain or loss from the hedging instrument is included into other comprehensive income.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIII) Hedge Accounting *(Continued)*

2. Method of fair value hedges accounting *(Continued)*

- (2) The gains or losses resulting from the hedged risk exposure of the hedged items are included into the current profit or loss, while adjusting the book value of the confirmed hedged item that is not measured at fair value. If the hedged item is a financial asset (or its component) measured at fair value and its changes are included into other comprehensive income, the gain or loss resulting from the hedged risk exposure is included into the current profit or loss, and its book value has been fair value measurement, no adjustment is required; if the hedged item is a non-trading equity instrument investment (or its component) that the company chooses to measure at fair value and whose changes are included into other comprehensive income, the profit resulting from the hedged risk exposure or the loss is included into other comprehensive income, and its book value has been measured at fair value, no adjustment is required.

If the hedged item is an unrecognised confirmed commitment (or part of it), the cumulative change in fair value due to the hedged risk after the hedging relationship designated is recognised as an asset or liability, and the relevant gain or loss is included profit and loss for each relevant period. When the asset or liability is acquired by fulfilling the established commitment, the initial recognition amount of the asset or liability is adjusted to include the cumulative changes in the fair value of the confirmed hedged items.

- (3) If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment to the book value of the hedged item is amortized at the real interest rate recalculated on the amortisation date and is included into the current period profit and loss. The amortisation may start from the adjustment date, but not later than the time when the hedged gains and losses are adjusted for the termination of the hedged item. If the hedged item is a financial asset (or its component) measured at fair value and its changes are included into other comprehensive income, the accumulated recognised hedging gains or losses are amortised in the same manner and are included into the current period profit and loss, but does not adjust the book value of financial assets (or their components).



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIII) Hedge Accounting *(Continued)*

3. Method of Cash flow hedges accounting

- (1) The part of gains or losses generated by the hedging instruments are as the effective hedging, which is regarded as the cash flow hedging reserve, and are included into other comprehensive income. The amount of cash flow hedge reserve is determined according to the lower of the absolute amounts of the following two items:
 - 1) Cumulative gains or losses of hedging instruments since hedging;
 - 2) The cumulative change in the present value of the expected future cash flow of the hedged item since hedging. The amount of the cash flow hedge reserve included into other comprehensive income in each period is the amount of change in the current cash flow hedge reserve.
- (2) The part of gains or losses generated by hedging instruments that are invalid for hedging (that is, other gains or losses after deducting other comprehensive income) is included into the current profit or loss.
- (3) The amount of cash flow hedge reserve shall be handled in accordance with the following provisions:
 - 1) The hedged item is an expected transaction, and the expected transaction causes the company to subsequently confirm a non-financial asset or non-financial liability, or the expected transaction of non-financial asset or non-financial liability forms a confirmed commitment which applies to the fair value hedge accounting, then the amount of the cash flow hedge reserve originally recognised in other comprehensive income is transferred out and included into the initial recognition amount of the asset or liability.
 - 2) For cash flow hedges that are not covered in the previous article, the amount of cash flow hedging reserve originally recognised in other comprehensive income is transferred out and included into the current profit or loss in the same period in which the expected cash flow of the hedge affecting the profit or loss.
 - 3) If the amount of cash flow hedge reserve recognised in other comprehensive income is a loss, and the loss is expected to be irreparable in whole or in part in the future accounting period, then the irrecoverable part is transferred out from other comprehensive income and included into the current profit or loss when the loss is expected to be irrecoverable.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIII) Hedge Accounting *(Continued)*

4. Overseas net investment hedging

The overseas net investment hedging, including hedging of monetary items that are accounted for as part of net investment is handled by the company in accordance with regulations similar to cash flow hedge accounting:

- (1) The part of gains or losses generated by the hedging instrument is as the effective hedging is included into other comprehensive income.

When disposing of overseas operations in whole or in part, the gains or losses of the above-mentioned hedging instruments included into other comprehensive income should be transferred out accordingly and included into the current profit or loss.

- (2) The part of gains or losses generated by hedging instruments that are invalid for hedging is included into the current profit or loss.

5. Termination of hedge accounting

For any of the following situations, the use of hedge accounting will be terminated:

- (1) Due to changes in risk management objectives, the hedging relationship no longer meets the risk management objectives.
- (2) The hedging instrument has expired, been sold, the contract has been terminated or has been exercised.
- (3) There is no longer an economic relationship between the hedged item and the hedging instrument, or the value of the economic relationship between the hedged item and the hedging instrument changes, the impact of credit risk begins to dominate.
- (4) The hedging relationship no longer satisfies other conditions for the use of hedging accounting methods as stipulated in this standard. In the case of rebalancing of the hedging relationship, the enterprise should firstly consider the rebalancing of the hedging relationship, and then assess whether the hedging relationship satisfies the conditions for applying the hedging accounting method specified in this standard.

The termination of hedging accounting may affect the whole or a part of the hedging relationship. When only a part of it is affected, the remaining unaffected parts still applies hedging accounting.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIII) Hedge Accounting *(Continued)*

6. Fair value selection of credit risk exposure

When using credit derivative instruments that are measured at fair value and whose changes are included into the current profit or loss to manage the credit risk exposure of the financial instrument (or its component parts), it is designated as a financial instrument measured at fair value and its changes are included into the current profit or loss at the time of initial recognition of the financial instrument (or its component parts) and when it has not been confirmed in subsequent measurement, and a written record is also made, but the following conditions should also be met at the same time:

- (1) The subject of credit risk exposure of financial instruments (such as borrowers or loan commitment holders) is consistent with the subject of credit derivatives;
- (2) The repayment level of financial instruments is consistent with that of the instruments to be delivered under the terms of credit derivatives.

(XXXIV) Lease

For a contract which has existed before the initial execution date, the Company does not re-evaluate whether it is a lease or includes a lease at the initial execution date, and does not adopt the accounting policies below for the contract which is not identified as including a lease under the original lease standards before the initial execution date, and adopts the accounting policies below only for the contract which is identified as a lease under the original lease standards before the initial execution date and the contract, whose commencement date is later than the initial execution date.

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIV) Lease *(Continued)*

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 recognised.
- (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.

3. Accounting treatment for the Company as lessee

On the commencement date of leasing, the Company recognises the right-to-use assets and lease liabilities for leases, in addition to short-term leases and low-value assets leases with simplified treatment.

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 recognises the right-to-use assets and lease liabilities for the short-term leases and low-value asset leases.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIV) Lease *(Continued)*

4. Accounting treatment 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.
- 4) On the commencement date 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIV) Lease *(Continued)*

4. Accounting treatment for the Company as lessor *(Continued)*

(2) Accounting treatment for financial lease

On the commencement date of leasing, 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;
- 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 fulfill the guarantee obligation.

The Company calculates and confirms the interest income for each period of the lease period abased 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXIV) Lease *(Continued)*

4. Accounting treatment for the Company as lessor *(Continued)*

(3) Accounting treatment for operating lease

The Company adopts the straight line method or other systematic and reasonable method to recognise the rental receipts from operating leases as rental income during each period of the lease period. Capitalisation 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.

5. Sale-leaseback

(1) Accounting treatment 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 recognise the transferred assets and at the same time recognise a financial liability equal to the transfer income.

(2) Accounting treatment 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 recognise a financial asset equal to the transfer income.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

(XXXV) Other Significant Accounting Policies, Accounting Estimates and Method of Preparing Financial Statements

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 recognised 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, neutralisation, 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)*

January to June 2020

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXXVI) Changes in Significant Accounting Policies and Accounting Estimates

1. Changes in accounting policies

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

2. Changes in accounting estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

V. TAXATION

(I) Major Categories of Taxes and Tax Rates of the Company

1. Turnover tax and surcharges

Category	Tax basis	Tax rate
Value added tax	Sale of goods, intangible assets or real estate	13.00%, 9.00%, 6.00%
Enterprise income tax	Income tax payable	15.00%, 25.00%, 16.50%
City maintenance and construction tax	Payment of the turnover tax	5.00%, 7.00%, 1.00%
Education surcharges	Payment of the turnover tax	3.00%
Local education surcharge	Payment of the turnover tax	2.00%
Water conservancy construction fund	Operating income	0.10%
Resource tax	Coal sales	ad valorem 9.00%, ad valorem 10.00%
Water tax	Dredge, drain and recycle (including recharge)	2 RMB/m ³
Environmental tax (air pollution)	Sewage equivalent	1.8 RMB/equivalent of pollution
Farmland occupation tax	Farmland actually occupied	25 RMB/m ² , 22 RMB/m ² , 27 RMB/m ²

2. Enterprise income tax

Details of income tax rates for different taxpayers are set out below:

Name of company	Tax rate	Remark
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%	Preferential tax treatment policy of the western development
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	15.00%	Preferential tax treatment policy for hi-tech enterprises
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	15.00%	Preferential tax treatment policy for hi-tech enterprises
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	15.00%	Preferential tax treatment policy for modern service industry cooperation zone
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%	SMEs
Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	20.00%	SMEs
Yitai HK	16.50%	Overseas institution
Other subsidiaries	25.00%	



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

V. TAXATION *(Continued)*

(I) Major Categories of Taxes and Tax Rates of the Company *(Continued)*

3. Real estate tax

The tax rate of real estate tax is 1.20% based on 90.00%, 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.

(II) Policy and Basis for 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. Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司), a subsidiary of the Company, belongs to the encouraged industries in Catalogue of Industrial Structure Adjustment Guidance ([2011] Revised) (National Development and Reform Commission Order [2013] No. 21), and is levied enterprise income tax at 15.00% from 2011 to 2020.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2020

V. TAXATION (*Continued*)

(II) Policy and Basis for Preferential Tax Treatment (*Continued*)

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. (內蒙古伊泰煤製油有限責任公司) 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.

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.: 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

V. TAXATION *(Continued)*

(II) Policy and Basis for Preferential Tax Treatment *(Continued)*

3. Preferential tax treatment policy for modern service industry cooperation zone

According to the relevant requirements of the Notice on Preferential Policies and Catalogue of Enterprise Income Tax in Hengqin New District, Guangdong, Pingtan Comprehensive Pilot Zone, Fujian, and Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen (Cai Shui [2014]No. 26), from 1 January 2014 to 31 December 2020, the enterprises in encouraged industries located in Hengqin New District, Pingtan Comprehensive Pilot Zone and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone will be levied enterprise income tax at 15%. The enterprises in encouraged industries is the enterprises whose main business belongs to the scope of Catalogue of Encouraged Industries in Western Regions and whose main business income accounts for more than 70% of the total income of the enterprise. After the application of the enterprise and the examination and verification of the competent tax authorities, it can be levied enterprise income tax at 15.00%.

As at 25 March 2014, Preferential Policies and Catalogue of Enterprise Income Tax in Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Pingtan Comprehensive Pilot Zone, Hengqin New District, Guangdong has been approved and promulgated by the State Council, and will take effect from 1 January 2014. Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司), the subsidiary of the Company, belongs to the encouraged industries in the Preferential Catalogue of Enterprise Income Tax in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and are levied enterprise income tax at 15.00% from 2017 to 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(The following amounts are all presented in Renminbi yuan unless otherwise stated)

1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	1,676,134.53	1,012,542.40
Deposits at banks	12,747,178,282.84	15,953,033,415.35
Other monetary funds	840,252,684.24	509,590,015.87
Total	13,589,107,101.61	16,463,635,973.62
Of which: Total amount deposited abroad	147,468,971.13	145,850,781.62

The breakdown of restricted monetary funds is as follows:

Item	Closing balance	Opening balance
Deposit of bank acceptance bills	701,901,781.63	476,369,585.15
Environmental deposit	19,698,894.51	19,670,922.02
Coal mine risk deposit		10,547,467.03
Wage guarantee for workers	3,006,621.53	3,002,041.67
Special fund for mine geologic environment governance	115,645,386.57	
Total	840,252,684.24	509,590,015.87

Note: According to the spirits of Zhun Neng Yuan Han [2020] No. 2, Zhong Fa [2016] No. 32, Cai Jian [2017] No. 237, Nei Neng An Jian Zi [2019] No. 343 and other documents, during the period, the safety risk deposit system was canceled and replaced by the safety production liability insurance system for mining and other high-risk industries, so coal mine risk deposits had been returned in full during the period, resulting in the closing balance of coal mine risk deposits being RMB0.00. According to the Notice on Issuance of the Administrative Measures for Mine Geologic Environment Governance and Restoration Fund in Inner Mongolia Autonomous Region (Trial) (Nei Zi Ran Zi Gui [2019] No. 3), the Company opened an account designated for the special fund for mine geologic environment governance during the period, and made contributions to such fund according to the regulations. As at 30 June 2020, the closing balance of the special fund for mine geologic environment governance was RMB115,645,386.57.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Trading financial assets

Item	Closing balance	Opening balance
Subtotal of financial assets at fair value through profit or loss	701,840,033.04	716,960.00
Derivative financial assets		716,960.00
Bank wealth management products	701,840,033.04	
Total	701,840,033.04	716,960.00

Explanation: Trading financial assets at the end of the period were bank wealth management products, including the principal of RMB700,000,000.00 and gain or loss on fair value change of RMB1,840,033.04.

3. Notes receivable

1. Classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance bills		25,209,394.48
Commercial acceptance bills		
Total		25,209,394.48

2. Presentation of expected credit loss on notes receivable

Category	Carrying balance		Opening balance		Carrying value
	Amount	Percentage (%)	Amount	Loss provision Percentage (%)	
Notes receivable that provided expected credit losses on single basis					
Notes receivable that provided expected credit losses on portfolio basis	25,209,394.48	100.00			25,209,394.48
Of which: Customers with extremely low credit risk	25,209,394.48	100.00			25,209,394.48
Total	25,209,394.48	100.00			25,209,394.48

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes receivable (Continued)

3. No notes receivable that provided expected credit losses on single basis during the current period
4. Notes receivable with expected credit loss provided based on credit risk characteristic portfolio

Portfolio	Carrying balance	Opening balance Loss provision	Percentage (%)
Customers with extremely low credit risk	25,209,394.48		
Total	25,209,394.48		

Explanation on basis for determination of such portfolio: Customers with good credit and frequent business relationship and amounts with extremely low credit risks after assessment.

5. No loss provision made, recovered or reversed during the current period
6. No actual write-off of notes receivable during the current period
7. Notes receivable pledged by the Company at the end of the period: Nil
8. Endorsed or discounted notes receivable that are not mature on balance sheet date at the end of the period

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	585,049,225.87	
Commercial acceptance bills	3,084,672.00	
Total	588,133,897.87	

9. Notes that were transferred to accounts receivable by the Company at the end of the period because the drawer failed to perform contract: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	1,628,971,891.20	1,492,967,487.59
1 to 2 years	21,866,365.26	1,680,152.45
2 to 3 years	1,670,646.45	110,000.00
3 to 4 years	110,000.00	19,017,038.95
4 to 5 years	19,017,038.95	
Over 5 years	26,940,339.01	44,548,538.79
Subtotal	1,698,576,280.87	1,558,323,217.78
Less: Bad debts provision	21,973,882.90	22,339,885.92
Total	1,676,602,397.97	1,535,983,331.86

2. Disclosure of accounts receivable by type

Type	Carrying balance		Closing balance Loss provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that provided expected credit losses on single basis	21,973,882.90	1.29	21,973,882.90	100.00	
Accounts receivable that provided expected credit losses on portfolio basis	1,676,602,397.97	98.71			1,676,602,397.97
Of which: Customers with extremely low credit risk	1,676,602,397.97	98.71			1,676,602,397.97
Total	1,698,576,280.87	100.00	21,973,882.90	1.29	1,676,602,397.97

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

2. Disclosure of accounts receivable by type (Continued)

Type	Carrying balance		Opening balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that provided expected credit losses on single basis	22,339,885.92	1.43	22,339,885.92	100.00	
Accounts receivable that provided expected credit losses on portfolio basis	1,535,983,331.86	98.57			1,535,983,331.86
Of which: Customers with extremely low credit risk	1,535,983,331.86	98.57			1,535,983,331.86
Total	1,558,323,217.78	100.00	22,339,885.92	1.43	1,535,983,331.86

Explanations on type of accounts receivable:

- (1) Accounts receivable that provided expected credit losses on single basis included in the closing balance

Name of entity	Carrying balance	Loss provision	Percentage	Reason
Inner Mongolia Talent Chemical Fertilizer Co., Ltd.	19,964,988.90	19,964,988.90	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	21,973,882.90	21,973,882.90	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

2. Disclosure of accounts receivable by type (Continued)

- (2) In the portfolio, accounts receivable with expected credit loss provided based on credit risk characteristic portfolio

Portfolio	Accounts receivable	Closing balance	
		Loss provision	Percentage (%)
Customers with extremely low credit risk	<u>1,676,602,397.97</u>		
Total	<u>1,676,602,397.97</u>		

Portfolio	Accounts receivable	Opening balance	
		Loss provision	Percentage (%)
Customers with extremely low credit risk	<u>1,535,983,331.86</u>		
Total	<u>1,535,983,331.86</u>		

Explanation on basis for determination of such portfolio: Customers with good credit and frequent business relationship and amounts with extremely low credit risks after assessment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

3. During the current period, loss provision made was RMB0.00, bad debts provision recovered amounted to RMB366,003.02, with no reversal of loss provision.

Of which: amount of bad debts provision recovered during the current period was as follows:

Name of entity	Amount reversed or recovered	Way of reversal or recovery	Note
Kaifeng Air Separation Group Co., Ltd. (開封空分集團有限公司)	366,003.02	Bank acceptance bills	

4. No actual write-off of accounts receivable during the current period

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	260,090,688.30	15.31	
Second	134,910,078.27	7.94	
Third	93,947,857.04	5.53	
Fourth	91,755,521.03	5.4	
Fifth	88,909,291.67	5.23	
Total	<u>669,613,436.31</u>	<u>39.41</u>	

6. There were no accounts receivable that were derecognized due to the transfer of financial assets at the end of the period.

7. There were no assets or liabilities for which accounts receivable were transferred but involvement continued at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Receivables financing

Item	Closing balance	Opening balance
Bank acceptance bills with a high credit rating	2,294,402.89	
Total	2,294,402.89	

6. Prepayments

1. Presentation of prepayments by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	749,904,507.26	89.71	575,316,540.44	87.42
1 to 2 years	73,108,631.40	8.75	60,829,689.65	9.24
2 to 3 years	3,811,489.25	0.46	12,920,596.12	1.96
Over 3 years	9,083,641.96	1.08	9,083,638.71	1.38
Total	835,908,269.87	100.00	658,150,464.92	100.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Prepayments (Continued)

2. Notes to reasons of significant prepayments aged over one year and not settled in time

Name of entity	Closing balance	Aging	Reason
First	30,029,374.80	1 to 2 years	Demolition not yet complete
	1,287,611.85	2 to 3 years	Demolition not yet complete
Second	22,000,000.00	1 to 2 years	Service not yet available
Third	7,841,677.60	Over 3 years	Service not yet available
Fourth	6,000,000.00	1 to 2 years	Service not yet available
Fifth	<u>5,695,817.50</u>	1 to 2 years	Demolition not yet complete
Total	<u>72,854,481.75</u>		

3. Advances to suppliers from top five prepaid parties classified based on the closing balance

Name of entity	Closing balance	Proportion of total prepayment (%)	Prepayment time	Reason
First	140,690,386.36	16.83	2020	Service not yet available
Second	58,269,303.60	6.97	2020	Demolition not yet complete
	30,029,374.80	3.59	2019	Demolition not yet complete
	1,287,611.85	0.15	2018	Demolition not yet complete
Third	67,008,393.83	8.02	2020	Goods not yet available
Fourth	45,249,671.02	5.41	2020	Goods not yet available
Fifth	40,675,873.58	4.87	2020	Service not yet available
Total	<u>383,210,615.04</u>	<u>45.84</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	30,000,000.00	31,101,623.02
Other receivables	474,681,809.20	560,046,574.19
Total	504,681,809.20	591,148,197.21

(I) Dividends receivable

Investee	Closing balance	Opening balance
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)	30,000,000.00	30,000,000.00
HuaXia Monetary Fund B (華夏貨幣B基金)		1,101,623.02
Total	30,000,000.00	31,101,623.02

(II) Other receivables

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	130,717,845.50	370,791,364.41
1 to 2 years	163,738,402.22	106,539,759.35
2 to 3 years	100,875,581.43	92,353,782.12
3 to 4 years	88,988,311.74	400,000.00
4 to 5 years	400,000.00	
Over 5 years		141,784.00
Subtotal	484,720,140.89	570,226,689.88
Less: Bad debts provision	10,038,331.69	10,180,115.69
Total	474,681,809.20	560,046,574.19

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of other receivables by type

Type	Carrying balance		Closing balance		Carrying value
	Amount	Percentage (%)	Amount	Loss provision Percentage (%)	
Other receivables that provided expected credit losses on single basis	13,058,201.69	2.69	10,038,331.69	76.87	3,019,870.00
Other receivables that provided expected credit losses on portfolio basis	471,661,939.20	97.31			471,661,939.20
Of which: Customers with extremely low credit risk	471,661,939.20	97.31			471,661,939.20
Total	484,720,140.89	100.00	10,038,331.69	2.07	474,681,809.20

Type	Carrying balance		Opening balance		Carrying value
	Amount	Percentage (%)	Amount	Loss provision Percentage (%)	
Other receivables that provided expected credit losses on single basis	16,199,985.69	2.84	10,180,115.69	62.84	6,019,870.00
Other receivables that provided expected credit losses on portfolio basis	554,026,704.19	97.16			554,026,704.19
Of which: Customers with extremely low credit risk	554,026,704.19	97.16			554,026,704.19
Total	570,226,689.88	100.00	10,180,115.69	1.79	560,046,574.19

Explanations on type of other receivables:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of other receivables by type (Continued)

- (1) Other receivables that provided expected credit losses on single basis included in the closing balance

Name of entity	Other receivables	Closing balance		Reason
		Loss provision	Percentage (%)	
Finance Division, Department of Land and Resources of Inner Mongolia Autonomous Region (內蒙古自治區國土資源廳財務處)	4,492,540.00	1,472,670.00	32.78	Expected to be partially unrecoverable
Shanghai Ordos Real Estate Management Co., Ltd. (上海鄂爾多斯置業經營管理有限公司)	192,980.20	192,980.20	100.00	Expected to be unrecoverable
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限公司)	8,372,681.49	8,372,681.49	100.00	Expected to be unrecoverable
Total	13,058,201.69	10,038,331.69	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of other receivables by type (Continued)

- (2) In the portfolio, other receivables with expected credit loss provided based on credit risk characteristic portfolio

Portfolio	Other receivables	Closing balance	
		Loss provision	Percentage (%)
Customers with extremely low credit risk	471,661,939.20		
Total	471,661,939.20		

Portfolio	Other receivables	Opening balance	
		Loss provision	Percentage (%)
Customers with extremely low credit risk	554,026,704.19		
Total	554,026,704.19		

Explanation on basis for determination of such portfolio: Customers with good credit and frequent business relationship and amounts with extremely low credit risks after assessment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(II) Other receivables (Continued)

3. Loss provision on other receivables

Loss 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)	
Opening balance		1,807,434.20	8,372,681.49	10,180,115.69
Opening balance during the period				
Transfer into the phase III				
Provision during the period				
Recovery or reversal during the period				
Write-off during the period		141,784.00		141,784.00
Closing balance		<u>1,665,650.20</u>	<u>8,372,681.49</u>	<u>10,038,331.69</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(II) Other receivables (Continued)

4. No loss provision made or recovered by the Company for other receivables during the current period
5. Write-off of other receivables during the current period

Item	Write-off amount
Actual write-off of other receivables	<u>141,784.00</u>

Write-off of significant other receivables is as follows:

Name of entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedure performed	Whether generated by a related party transaction
Liu Wenjiang (劉文江)	Employee borrowing	141,784.00	Unrecoverable	Approval by the management	No
Total		<u>141,784.00</u>			

6. Other receivables by nature of amount

Item	Closing balance	Opening balance
Intercourse funds	121,201,854.19	170,657,551.17
Security	316,396,258.17	351,566,069.73
Advances	34,913,722.94	36,765,959.25
Employee borrowing	10,587,517.41	6,353,243.32
Deposit	1,620,788.18	4,883,866.41
Total	<u>484,720,140.89</u>	<u>570,226,689.88</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(II) Other receivables (Continued)

7. Other receivables with top five closing balances collected as per the borrowers

Name of entity	Nature of amounts	Closing balance	Aging	Proportion to closing balance of other receivables (%)	Closing balance of bad debts provision
First	Security	43,119,165.00	1 to 2 years	8.90	
		22,360,740.00	2 to 3 years	4.61	
		38,511,115.00	3 to 4 years	7.95	
Second	Intercourse funds	226,917.56	Within 1 year	0.05	
		13,599,999.33	1 to 2 years	2.81	
		47,413,561.10	2 to 3 years	9.78	
Third	Security	40,236,902.56	Within 1 year	8.30	
Fourth	Security	5,702,656.22	Within 1 year	1.18	
		4,773,485.37	1 to 2 years	0.98	
		29,457,613.75	2 to 3 years	6.08	
Fifth	Security	36,792,059.12	Within 1 year	7.59	
Total		<u>282,194,215.01</u>		<u>58.23</u>	

8. There were no accounts receivable related to government subsidy at the end of the period.
9. There were no other receivables that were derecognised due to the transfer of financial assets at the end of the period.
10. There were no assets or liabilities for which other receivables were transferred but involvement continued at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventories

1. Classification of inventories

Item	Closing balance		Carrying value		Opening balance	
	Carrying balance	Provision for decline in value of inventories	Carrying value	Carrying balance	Provision for decline in value of inventories	Carrying value
Finished goods	895,273,119.40	1,308,579.51	893,964,539.89	1,388,660,044.46	1,308,579.51	1,387,351,464.95
Raw materials	464,109,486.24	61,836,965.60	402,272,520.64	729,571,191.46	32,760,578.15	696,810,613.31
Low-value consumables	4,119.00		4,119.00	739,513.90		739,513.90
Total	1,359,386,724.64	63,145,545.11	1,296,241,179.53	2,118,970,749.82	34,069,157.66	2,084,901,592.16

2. Provision for decline in value of inventories

Type of inventories	Opening balance	Increase in the current period		Decrease in the current period			Closing balance
		Provision	Others	Reversal	Write-off	Others	
Finished goods	1,308,579.51						1,308,579.51
Raw materials	32,760,578.15	29,076,387.45					61,836,965.60
Total	34,069,157.66	29,076,387.45					63,145,545.11

9. Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	1,306,727,868.25	1,369,995,486.14
Enterprise income tax prepaid	39,201,371.58	19,997,199.42
Others		144,743.96
Total	1,345,929,239.83	1,390,137,429.52

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term equity investments

Investee	Opening balance	Added investment	Decrease in investment	Increase/decrease in the current period					Closing balance	Closing balance of impairment provisions
				Investment profits and losses recognised under equity method	Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision for impairment		
I. Joint Ventures										
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	52,206,305.29			-1,472,423.80						50,733,881.49
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限責任公司)	3,045,552.78			-206,998.39						2,838,554.39
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限責任公司)	472,330,140.71									472,330,140.71
Subtotal	527,581,998.78			-1,679,422.19						525,902,576.59
II. Associates										
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	151,525,919.89			-102,517.10						151,423,402.79
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限責任公司)	586,674,416.54			42,599,185.95						629,273,602.49

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term equity investments (Continued)

Investee	Opening balance	Added investment	Decrease in investment	Increase/decrease in the current period					Closing balance	Closing balance of impairment provisions
				Investment profits and losses recognised under equity method	Adjustment to other comprehensive income	Distribution of Other cash dividend or profit declared	Provision for impairment	Others		
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)	561,754,470.07			8,285,563.54					570,040,033.61	
Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華遠酒業有限公司)	14,416,418.29			-308,228.71					14,108,189.58	
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)	18,560,112.72			-414,837.51					18,145,275.21	
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工有限責任公司)	7,744,382,280.54			36,646,010.49					7,781,028,291.03	
Ordos Gonggouyangta Storage and Transportation Co., Ltd. (鄂爾多斯市公溝陽塔儲運有限責任公司)	72,716,645.24			548,055.21		-9,120,000.00			64,144,700.45	
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	42,662,332.29			265,988.67					42,928,320.96	
Subtotal	9,192,692,595.58			87,519,220.54		-9,120,000.00			9,271,091,816.12	250,288.45
Total	9,720,274,594.36			85,839,798.35		-9,120,000.00			9,796,994,392.71	250,288.45

Explanation 1: 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Other equity instruments investment

1. Presentation of other equity instruments by item

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)	395,451,528.53	506,000,000.00
Mengji Railway Co., Ltd.	1,173,590,839.83	1,239,000,000.00
Haoji Railway Co., Ltd. (浩吉鐵路股份有限公司)	1,197,000,000.00	1,197,000,000.00
Qinhuangdao Port H Share (秦皇島港H股)	20,491,816.90	24,865,939.10
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	45,629,413.06	52,000,000.00
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	2,655,550,708.08	2,755,000,000.00
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	1,392,926,205.78	1,424,000,000.00
China National Coal Exchange Co., Ltd. (全國煤炭交易中心有限公司)	12,000,000.00	12,000,000.00
Industrial and Commercial Bank of China Limited	102,750,000.00	101,060,000.00
Other non-transactional equity instrument investment		31,293,524.21
Total	6,995,390,512.18	7,342,219,463.31

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Other equity instruments investment (Continued)

2. Non-transactional equity instrument investment during the current period:

Item	Reason for designating at fair value through other comprehensive income	Dividend income recognised for the current period	Accumulative profit	Accumulative loss	Amount of other comprehensive income transferred into retained earnings	Reason for other comprehensive income transferred into retained earnings
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		195,451,528.53			
Mengji Railway Co., Ltd.	Non-transactional equity instrument investment			1,526,454,160.17		
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			58,746,093.17		
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Non-transactional equity instrument investment			26,370,586.94		
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	Non-transactional equity instrument investment		2,122,750,708.08			
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	Non-transactional equity instrument investment		527,639,205.78			
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	Non-transactional equity instrument investment		2,750,000.00			
Other non-transactional equity instrument investment	Non-transactional equity instrument investment					
Total			<u>2,848,591,442.39</u>	<u>1,611,570,840.28</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Other non-current financial assets

Item	Closing balance	Opening balance
Subtotal of other non-current financial assets at fair value through profit or loss	1,245,837,245.51	938,546,351.20
Transactional equity instrument investment	84,307,022.72	
Fund investment	1,161,530,222.79	938,546,351.20
Total	<u>1,245,837,245.51</u>	<u>938,546,351.20</u>

Explanation: The other non-current financial assets in the current period increased significantly over the previous period, which was mainly attributed to the combination effect from an increase in investment cost by RMB135,517,081.66 in the current period over the previous period, and an increase in fair value changes by RMB171,773,812.65 in the current period.

13. Investment properties

1. Investment properties

Item	Houses and buildings	Total
I. Original carrying amount		
1. Opening balance	765,998,232.38	765,998,232.38
2. Addition during the period	224,904,641.51	224,904,641.51
Transfer from fixed assets	224,904,641.51	224,904,641.51
3. Decrease during the period		
4. Closing balance	990,902,873.89	990,902,873.89
II. Accumulated depreciation (amortisation)		
1. Opening balance	256,325,673.52	256,325,673.52
2. Addition during the period	23,853,703.81	23,853,703.81
Provision or amortisation	18,231,087.78	18,231,087.78
Transfer from fixed assets	5,622,616.03	5,622,616.03
3. Decrease during the period		
4. Closing balance	280,179,377.33	280,179,377.33
III. Impairment provision		
1. Opening balance		
2. Addition during the period		
3. Decrease during the period		
4. Closing balance		
IV. Carrying amount		
1. At the end of the period	710,723,496.56	710,723,496.56
2. At the beginning of the period	<u>509,672,558.86</u>	<u>509,672,558.86</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Investment properties (Continued)

2. Investment properties with pending certificates of ownership

Item	Carrying value	Reason for pending certificates of ownership
Hohhot Office Building	18,096,184.42	Still under processing
Hohhot Huafu Shijia	122,321,949.88	Still under processing
Wanbo Plaza House (3/F)	30,033,041.50	Still under processing
Wanbo Plaza House (4/F)	33,440,120.76	Still under processing
Wanbo Plaza House (5/F)	33,486,913.34	Still under processing
Total	<u>237,378,209.90</u>	

3. Rental income

Item	From January to June 2020	From January to June 2019
Rental income from investment properties	<u>13,270,062.69</u>	<u>9,048,774.09</u>

4. Maturity analysis of lease receipts

The undiscounted lease receipts to be received each year for the five consecutive accounting years after the balance sheet date and the total amount of undiscounted lease receipts to be received in the remaining years are analysed as follows:

As at 30 June 2020, the lease receipts of the Company by undiscounted contractual cash flows based on the remaining contractual term are presented as follows:

Item	Unit (yuan)						Total
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years and above	
Future lease receipts	20,249,161.22	16,853,287.95	4,840,307.69	3,931,400.90	3,931,400.90	11,578,905.96	61,384,464.62

As at 31 December 2019, the lease receipts of the Company by undiscounted contractual cash flows based on the remaining contractual term are presented as follows:

Item	Unit (yuan)						Total
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years and above	
Future lease receipts	18,144,393.46	16,860,186.68	9,561,724.33	4,067,168.40	3,931,400.90	13,662,131.99	66,227,005.75

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	32,099,354,426.09	33,117,655,432.50
Fixed assets in liquidation		60,499.25
Total	32,099,354,426.09	33,117,715,931.75

(I) Fixed assets

1. Fixed assets

Item	Houses and buildings	Automobile	Mining structures	Road	Railway	Transportation equipment	Mechanical equipment	Other equipment	Total
I. Original carrying amount									
1. Opening 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
2. Addition during the period	15,819,184.59		8,262,226.10			5,326,643.72	177,912,809.81	3,601,118.68	210,921,982.90
Acquisition	1,207,750.25					5,326,643.72	60,148,616.45	3,601,118.68	70,284,129.10
Transfer from construction in progress	14,611,434.34		8,262,226.10				6,332,683.75		29,206,344.19
Transfer from others							111,431,509.61		111,431,509.61
3. Decrease during the period	231,271,622.25					35,720,573.92	30,998,240.68	2,580,535.86	300,570,972.71
Disposal or scrapping	6,366,980.74					35,720,573.92	30,998,240.68	2,580,535.86	75,666,331.20
Transfer to investment properties	224,904,641.51								224,904,641.51
4. Closing balance	10,041,762,421.12	403,461,134.65	1,918,013,506.91	659,143,070.91	11,797,367,273.26	189,715,584.28	18,652,967,434.56	1,357,057,633.65	45,019,488,059.34
II. Accumulated depreciation									
1. Opening 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
2. Addition during the period	199,157,833.81	9,466,419.80	34,741,523.93	16,367,920.89	139,157,438.58	11,233,459.15	525,356,928.60	52,289,158.08	987,770,682.84
Provision	199,157,833.81	9,466,419.80	34,741,523.93	16,367,920.89	139,157,438.58	11,233,459.15	525,356,928.60	52,289,158.08	987,770,682.84
3. Decrease during the period	9,990,756.97					26,602,973.42	20,647,796.12	1,877,139.73	59,118,666.24
Disposal or scrapping	4,368,140.94					26,602,973.42	20,647,796.12	1,877,139.73	53,496,050.21
Transfer to investment properties	5,622,616.03								5,622,616.03
4. Closing balance	2,325,750,023.59	327,827,945.00	508,189,839.17	333,034,909.98	2,303,558,987.48	150,259,775.00	5,861,284,728.32	837,781,266.57	12,647,687,475.11
III. Impairment provision									
1. Opening balance	267,728,243.69	34,200.00	2,108,147.64	2,575,566.81					272,446,158.14
2. Addition during the period									
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
IV. Carrying amount									
1. At the end of the period	7,448,284,153.84	75,598,989.65	1,407,715,520.10	323,532,594.12	9,493,808,285.78	39,455,809.28	12,791,682,706.24	519,276,367.08	32,099,354,426.09
2. At the beginning 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Fixed assets (Continued)

(I) Fixed assets (Continued)

2. Temporarily idle fixed assets at the end of the period

Item	Original carrying amount	Accumulated depreciation	Impairment provision	Carrying amount
Mechanical equipment	7,550,885.97	7,100,475.02		450,410.95
Transportation equipment	386,561.97	367,233.87		19,328.10
Well construction	59,345.00	11,542.23	29,370.34	18,432.43
Other equipment	<u>1,260,739.04</u>	<u>1,204,288.33</u>		<u>56,450.71</u>
Total	<u>9,257,531.98</u>	<u>8,683,539.45</u>	<u>29,370.34</u>	<u>544,622.19</u>

3. No fixed assets acquired under leases at the end of the period

4. Fixed assets with pending certificates of ownership at the end of the period

Item	Carrying value	Reason for pending certificates of ownership
Houses and buildings	<u>1,047,547,064.32</u>	Still in processing
Total	<u>1,047,547,064.32</u>	

(II) Fixed assets in liquidation

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)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	12,916,781,122.61	12,670,180,946.90
Construction materials	1,651,135,521.93	1,643,798,782.83
Total	14,567,916,644.54	14,313,979,729.73

(I) Construction in progress

1. Construction in progress

Item	Carrying balance	Closing balance Impairment provision	Carrying value
Construction in progress	13,156,379,607.59	239,598,484.98	12,916,781,122.61
Total	13,156,379,607.59	239,598,484.98	12,916,781,122.61

Item	Carrying balance	Opening balance Impairment provision	Carrying value
Construction in progress	12,909,779,431.88	239,598,484.98	12,670,180,946.90
Total	12,909,779,431.88	239,598,484.98	12,670,180,946.90

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Construction in progress (Continued)

(I) Construction in progress (Continued)

2. Movements of major construction projects in progress during the period

Name of project	Opening balance	Addition during the period	Transfer to fixed assets/intangible assets during the period	Other decrease during the period	Closing balance
Yili Energy-1 million tonnes coal-to-oil project	5,195,171,432.63	53,267,322.88			5,248,438,755.51
Xinjiang Energy-2 million tonnes coal-to-oil project	4,633,643,625.62	72,617,897.06			4,706,261,522.68
Yitai Mining- Auxiliary mining project	957,319,414.89	25,332,771.14			982,652,186.03
Coal-to-oil-2 million tonnes indirect coal-to-liquids conversion project	729,512,601.30	32,035,149.91			761,547,751.21
Dama railway	561,193,154.68	937,437.72			562,130,592.40
Other projects	832,939,202.76	92,731,572.94	30,321,975.94		895,348,799.76
Total	12,909,779,431.88	276,922,151.65	30,321,975.94		13,156,379,607.59

Name of project	Budget (ten thousand yuan)	Investment percentage to 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
Yili Energy-1 million tonnes coal-to-oil project	1,606,800.00	40.90	40.90	1,530,001,038.54	39,345,677.17	5.42	Loan, other
Xinjiang Energy-2 million tonnes coal-to-oil project	3,200,788.91	20.08	20.08	1,403,590,607.74	59,189,608.04	7.89	Loan, other
Yitai Mining- Auxiliary mining project	262,886.65	40.87	40.87	185,713,075.06	14,292,194.51	7.52	Loan, other
Coal-to-oil-2 million tonnes indirect coal-to-liquids conversion project	2,934,231.04	3.15	3.15	71,830,182.11			Loan, other
Dama railway	329,500.00	19.77	19.77				Self-owned fund
Other projects				61,578,109.92			Other
Total	-	-	-	3,252,713,013.37	112,827,479.72	-	-

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)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Construction in progress (Continued)

(I) Construction in progress (Continued)

3. No provision made for impairment of construction in progress during the current reporting period

(II) Construction materials

Item	Closing balance	Opening balance
Construction materials	963,412,224.97	962,925,228.95
Equipment not yet installed	687,723,296.96	680,873,553.88
Total	1,651,135,521.93	1,643,798,782.83

16. Right-of-use assets

Item	Houses and buildings	Total
I. Original carrying amount		
1. Opening balance	42,864,277.58	42,864,277.58
2. Addition during the period		
3. Decrease during the period		
4. Closing balance	42,864,277.58	42,864,277.58
II. Accumulated depreciation		
1. Opening balance	3,574,226.92	3,574,226.92
2. Addition during the period	1,591,728.84	1,591,728.84
Provision	1,591,728.84	1,591,728.84
3. Decrease during the period		
4. Closing balance	5,165,955.76	5,165,955.76
III. Impairment provision		
1. Opening balance		
2. Addition during the period		
3. Decrease during the period		
4. Closing balance		
IV. Carrying amount		
1. At the end of the period	37,698,321.82	37,698,321.82
2. At the beginning of the period	39,290,050.66	39,290,050.66

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible assets

1. Intangible assets

Item	Land use rights	Resource assets	Patented technology	Software	Road use rights	Total
I. Original carrying amount						
1. Opening 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
2. Addition during the period	48,679,238.05	25,252,931.75		2,910,377.88		76,842,547.68
Acquisition	48,647,086.00	24,137,300.00		2,910,377.88		75,694,763.88
Transfer from construction in progress		1,115,631.75				1,115,631.75
Transfer from others	32,152.05					32,152.05
3. Decrease during the period	537,802.01					537,802.01
Disposal and scrapping	537,802.01					537,802.01
4. Closing balance	1,933,386,774.43	1,368,912,997.69	303,308,701.13	131,306,491.47	213,842,927.52	3,950,757,892.24
II. Accumulated depreciation						
1. Opening 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
2. Addition during the period	19,248,374.39	23,886,055.77	9,805,789.49	2,667,286.83	2,350,472.66	57,957,979.14
Provision	19,248,374.39	23,886,055.77	9,805,789.49	2,667,286.83	2,350,472.66	57,957,979.14
3. Decrease during the period						
Disposal and scrapping						
4. Closing balance	295,135,640.54	343,490,027.62	57,853,487.63	117,984,034.15	146,518,186.51	960,981,376.45
III. Impairment provision						
1. Opening balance	4,894,175.19	11,887,592.90				16,781,768.09
2. Addition during the period						
3. Decrease during the period						
4. Closing balance	4,894,175.19	11,887,592.90				16,781,768.09
IV Carrying amount						
1. At the end of the period	1,633,356,958.70	1,013,535,377.17	245,455,213.50	13,322,457.32	67,324,741.01	2,972,994,747.70
2. At the beginning of the period	<u>1,604,463,897.05</u>	<u>1,012,168,501.19</u>	<u>255,261,002.99</u>	<u>13,079,366.27</u>	<u>69,675,213.67</u>	<u>2,954,647,981.17</u>

2. Land use rights with pending certificates of ownership at the end of the period

Item	Carrying amount	Reason for pending certificates of ownership
Land use rights	<u>52,638,709.21</u>	Still under processing
Total	<u>52,638,709.21</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Development expenditure

Item	Opening balance	Increase during the period		Transferred out during the period		Closing balance
		Internal development expenditure	Others	Included in current profit or loss	Recognised as intangible assets	
Development and application research of Fischer-Tropsch wax compound asphalt modifier	696,273.65					696,273.65
Development and application research of direct injection modifiers of Fischer-Tropsch wax for road	727,769.61					727,769.61
Total	1,424,043.26					1,424,043.26

19. Long-term deferred expenses

Item	Opening balance	Increase during the period	Amortization during the period	Other decreases	Closing balance
Compensation and divestiture fees for open mining and demolition	2,243,230,538.36	83,130,828.06	174,953,059.41		2,151,408,307.01
Water rights fees	8,494,641.96		762,977.49		7,731,664.47
Others	20,288,003.71		4,667,968.59		15,620,035.12
Total	2,272,013,184.03	83,130,828.06	180,384,005.49		2,174,760,006.60

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Commissioning profit	411,329,459.67	69,552,335.67	415,397,658.13	70,162,565.44
Provision for assets impairment	563,569,707.94	140,892,426.98	534,491,064.57	133,622,766.14
Deferred earnings and others	219,154,471.91	53,474,430.85	199,297,246.75	48,417,954.72
Ecological compensation	11,742,805.40	2,935,701.35	11,742,805.40	2,935,701.35
Unrealised profit of internal transaction	694,153,416.42	172,695,526.87	871,813,341.94	150,991,817.19
Deductible losses	<u>327,779,650.34</u>	<u>49,166,947.55</u>		
Total	<u>2,227,729,511.68</u>	<u>488,717,369.27</u>	<u>2,032,742,116.79</u>	<u>406,130,804.84</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Deferred income tax assets and deferred income tax liabilities (Continued)

2. Deferred income tax liabilities

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Fair value changes	1,498,989,471.56	367,205,689.37	1,553,272,989.05	380,332,423.26
Accelerated depreciation of fixed assets	<u>608,370,975.72</u>	<u>152,092,743.93</u>	<u>608,370,975.72</u>	<u>152,092,743.93</u>
Total	<u>2,107,360,447.28</u>	<u>519,298,433.30</u>	<u>2,161,643,964.77</u>	<u>532,425,167.19</u>

3. Breakdown of deductible temporary differences of the unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Deferred earnings	57,101,854.93	57,259,354.93
Provision for assets impairment	60,714,751.44	87,787,496.34
Deductible loss	<u>1,034,405,832.27</u>	<u>993,825,546.58</u>
Total	<u>1,152,222,438.64</u>	<u>1,138,872,397.85</u>

4. Deductible loss of the unrecognised deferred income tax assets will be due in the following years

Item	Closing balance	Opening balance
2020		36,142,375.89
2021	90,453,476.37	135,669,273.69
2022	210,124,176.80	297,392,883.92
2023	202,474,084.86	202,474,084.86
2024	199,847,506.29	199,847,506.29
2025	236,651,950.08	27,444,784.06
2026	16,312,839.80	16,312,839.80
2027	25,896,385.04	25,896,385.04
2028	11,309,418.04	11,309,418.04
2029	<u>41,335,994.99</u>	<u>41,335,994.99</u>
Total	<u>1,034,405,832.27</u>	<u>993,825,546.58</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Other non-current assets

Type and content	Closing balance	Opening balance
Advanced road payment	40,212,861.00	40,212,861.00
Prepaid land transfer fee	10,459,543.00	10,459,543.00
Prepaid payments for mining rights		2,000,000.00
Total	<u>50,672,404.00</u>	<u>52,672,404.00</u>

22. Short-term borrowings

1. Classification of short-term borrowings

Item	Closing balance	Opening balance
Credit borrowings	2,650,000,000.00	2,350,000,000.00
Guaranteed borrowings	<u>400,000,000.00</u>	<u>200,000,000.00</u>
Total	<u>3,050,000,000.00</u>	<u>2,550,000,000.00</u>

2. The Company had no short-term borrowings that were overdue but not repaid at the end of the period.

23. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	4,350,440.00	3,035,060.00
Of which: Derivative financial liabilities	<u>4,350,440.00</u>	<u>3,035,060.00</u>
Total	<u>4,350,440.00</u>	<u>3,035,060.00</u>

Note: At the end of the period, the thermal coal futures business floated a loss of RMB4,350,440.00.

24. Notes payable

Type	Closing balance	Opening balance
Bank acceptance bills	689,669,402.70	573,723,379.71
Commercial acceptance bills	<u>540,253,711.39</u>	<u>305,072,146.53</u>
Total	<u>1,229,923,114.09</u>	<u>878,795,526.24</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Accounts payable

1. Disclosure by aging

Item	Closing balance	Opening balance
Within 1 year	1,834,500,872.40	2,661,286,334.06
1 to 2 years	316,911,165.99	119,108,842.84
2 to 3 years	45,668,594.35	6,926,954.66
Over 3 years	37,426,316.07	33,568,388.68
Total	<u>2,234,506,948.81</u>	<u>2,820,890,520.24</u>

2. Disclosure by nature of amount

Item	Closing balance	Opening balance
Coal purchasing payable	457,948,036.84	456,017,311.21
Materials and equipment payable	911,734,382.12	1,134,652,537.78
Mining and mining works payable	738,670,412.77	847,869,715.53
Freight payable	74,300,580.21	124,445,080.48
Maintenance fee payable	37,836,338.67	55,974,438.06
Others	14,017,198.20	201,931,437.18
Total	<u>2,234,506,948.81</u>	<u>2,820,890,520.24</u>

3. Significant accounts payable with the aging over one year

Name of entity	Closing balance	Reason for unrepayment or carrying over
First	18,405,134.01	Outstanding payment period
Second	17,940,759.37	Outstanding payment period
Third	15,727,740.92	Outstanding payment period
Fourth	11,577,485.29	Outstanding payment period
Fifth	11,274,694.97	Outstanding payment period
Total	<u>74,925,814.56</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Contract liabilities

1. Contract liabilities

Item	Closing balance	Opening balance
Contract liabilities relating to sales contract	<u>335,475,630.78</u>	<u>434,754,040.95</u>
Total	<u>335,475,630.78</u>	<u>434,754,040.95</u>

2. No significant changes in carrying value of contract liabilities during the current period

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. At 30 June 2020, the time on performance obligations under certain sales contract of the Company was later than the customer's payment time, thus forming a contract liability related to the sales contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Employee benefits payable

1. Presentation of employee benefits payable

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term remuneration	420,678,229.41	554,880,915.25	801,207,029.23	174,352,115.43
Post-employment – Defined contribution plan	<u>9,449,778.43</u>	<u>55,289,359.83</u>	<u>56,554,264.69</u>	<u>8,184,873.57</u>
Total	<u>430,128,007.84</u>	<u>610,170,275.08</u>	<u>857,761,293.92</u>	<u>182,536,989.00</u>

2. Presentation of short-term remuneration

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salary, bonus, allowances and subsidies	402,337,929.54	477,166,949.79	719,746,944.33	159,757,935.00
Employee welfare		17,869,298.99	17,869,298.99	
Social insurance	3,833,641.94	22,668,058.25	23,197,216.40	3,304,483.79
Of which: Basic medical insurance	2,974,842.04	17,801,557.68	18,216,855.58	2,559,544.14
Work injury insurance	365,368.77	2,048,227.58	2,110,812.94	302,783.41
Maternity insurance	493,431.13	2,818,272.99	2,869,547.88	442,156.24
Housing fund	4,118,094.54	27,266,236.00	27,092,280.78	4,292,049.76
Union expenses and employees education expenses	<u>10,388,563.39</u>	<u>9,910,372.22</u>	<u>13,301,288.73</u>	<u>6,997,646.88</u>
Total	<u>420,678,229.41</u>	<u>554,880,915.25</u>	<u>801,207,029.23</u>	<u>174,352,115.43</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Employee benefits payable (Continued)

3. Presentation of defined contribution plan

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Basic retirement insurance	7,636,409.30	45,305,135.67	46,331,699.37	6,609,845.60
Unemployment insurance	290,123.13	1,441,686.16	1,478,027.32	253,781.97
Enterprise annuity payment	<u>1,523,246.00</u>	<u>8,542,538.00</u>	<u>8,744,538.00</u>	<u>1,321,246.00</u>
Total	<u>9,449,778.43</u>	<u>55,289,359.83</u>	<u>56,554,264.69</u>	<u>8,184,873.57</u>

Description of defined contribution plan: According to the Labor Law of the People's Republic of China, Enterprise Annuity Tentative Procedures, Interim Measures for the Administration of Enterprise Annuity Funds, based on the actual situation of the Company, Inner Mongolia Yitai Coal Co., Ltd. established an enterprise annuity plan on 1 January 2009. Its trustee is China Construction Bank Corporation, the account manager is Ping An Annuity Insurance Company of China, Ltd., and the custodian is Bank of China. The scope of the annuity plan is for employees who sign formal labor agreements with enterprises and participate in basic endowment insurance. The monthly contribution salary base of employees is RMB2,500.00, the enterprise contribution ratio is 10.00%, the individual contribution ratio is 2.00%. As of 30 June 2020, there is no significant change in annuity plan.

28. Taxes payable

Item of tax	Closing balance	Opening balance
Price adjustment funds		67,775.40
Value-added tax	209,932,202.67	242,130,573.24
Enterprise income tax	146,625,931.05	122,036,670.32
Resources tax	75,942,887.95	100,380,989.91
City maintenance and construction tax	18,673,661.72	5,477,037.22
Withholding tax	1,110,241.61	2,464,101.38
Education surcharge	6,234,570.62	2,927,521.30
Individual income tax	1,309,989.28	6,741,771.67
Foundation for water works	2,839,458.60	3,962,000.56
Local education surcharge	4,351,554.67	1,964,171.79
Stamp duty	3,835,939.82	3,795,830.77
Property tax	6,204,667.02	124,771.62
Water resources tax	298,168.00	248,920.00
Environmental tariff	22,083.48	5,853,996.79
Land use tax	374,457.57	10,737.50
Others	1,500,544.45	
Total	<u>479,256,358.51</u>	<u>498,186,869.47</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Other payables

Item	Closing balance	Opening balance
Interests payable	158,837,902.63	177,856,169.80
Dividends payable	114,920,000.00	114,920,000.00
Other payables	1,637,078,373.06	1,760,282,661.66
Total	<u>1,910,836,275.69</u>	<u>2,053,058,831.46</u>

(I) Interests payable

Item	Closing balance	Opening balance
Interest on long-term borrowings with interest payments by installment and principal payments at due	42,947,763.73	60,595,917.54
Interest on corporate bonds	109,777,777.78	115,917,293.93
Interest payable on short-term borrowings	6,112,361.12	1,342,958.33
Total	<u>158,837,902.63</u>	<u>177,856,169.80</u>

Note: The Company had no overdue but unpaid interests at the end of the period.

(II) Dividends payable

Item	Closing balance	Opening balance	Reason for non-payment more than one year
Ordinary share dividends	114,920,000.00	114,920,000.00	Yet received by shareholders of subsidiaries
Total	<u>114,920,000.00</u>	<u>114,920,000.00</u>	

Note: The Company had no significant overdue but unpaid dividends at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Other payables (Continued)

(III) Other payables

1. Other payables presented by nature of amount

Nature of amount	Closing balance	Opening balance
Payments of construction and installation engineering and equipment	1,099,975,136.60	1,109,017,147.95
Deposits and margins	445,613,507.71	336,105,083.27
Coal pipe fee		10,936,586.60
Payment of house purchasing		229,154,919.60
Others	91,489,728.75	75,068,924.24
Total	<u>1,637,078,373.06</u>	<u>1,760,282,661.66</u>

2. Significant other payables aged over one year

Name of entity	Closing balance	Reason for outstanding or carry-forward
First	145,841,669.20	Undue
Second	103,000,000.00	Deposits
Third	63,091,176.91	Undue
Fourth	43,469,922.07	Undue
Fifth	36,000,000.00	Undue
Total	<u>391,402,768.18</u>	

30. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	4,335,107,619.46	5,907,745,320.07
Bonds payable due within one year	1,496,945,071.49	
Lease liabilities due within one year	2,499,610.56	332,499,610.56
Long-term payables due within one year	4,733,333.37	
Total	<u>5,839,285,634.88</u>	<u>6,240,244,930.63</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Other current liabilities

Item	Closing balance	Opening balance
Taxation to be written off	<u>2,614,680.84</u>	<u>9,411,068.49</u>
Total	<u>2,614,680.84</u>	<u>9,411,068.49</u>

32. Long-term borrowings

1. Classification of long-term borrowings

Type of borrowings	Closing balance	Opening balance
Guaranteed borrowings	<u>17,696,255,477.85</u>	18,434,132,880.63
Credit borrowings	<u>11,725,000,000.00</u>	13,611,000,000.00
Less: Long-term borrowings due within one year	<u>4,335,107,619.46</u>	<u>5,907,745,320.07</u>
Total	<u>25,086,147,858.39</u>	<u>26,137,387,560.56</u>

2. Maturity analysis of long-term borrowings

Maturity	Closing balance	Opening balance
Within 1 year	<u>4,335,107,619.46</u>	5,907,745,320.07
1 to 2 years	<u>7,315,932,619.46</u>	7,044,023,460.21
2 to 5 years	<u>11,287,465,238.93</u>	12,189,247,372.41
Over 5 years	<u>6,482,750,000.00</u>	<u>6,904,116,727.94</u>
Total	<u>29,421,255,477.85</u>	<u>32,045,132,880.63</u>

33. Bonds payable

1. Type of bonds payable

Type of borrowings	Closing balance	Opening balance
Other bonds payable	<u>5,891,607,494.53</u>	5,872,769,550.23
Less: Bonds payable due within one year	<u>1,496,945,071.49</u>	
Total	<u>4,394,662,423.04</u>	<u>5,872,769,550.23</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Bonds payable (Continued)

2. Change in bonds payable (excluding financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

Name of bonds	Par value	Date of issue	Term of bonds	Issue size	Opening balance
18 Yitai 01	100.00	2018/6/8	3 years	1,500,000,000.00	1,495,401,941.45
18 Yitai 02	100.00	2018/12/18	3 years	2,000,000,000.00	1,965,152,561.28
19 Yitai 01	100.00	2019/04/02	5 years	500,000,000.00	481,618,677.43
19 Yitai 02	100.00	2019/07/02	5 years	1,000,000,000.00	966,245,474.92
19 Yitai 03	100.00	2019/07/22	5 years	1,000,000,000.00	964,350,895.15
Total	-	-	-	<u>6,000,000,000.00</u>	<u>5,872,769,550.23</u>

Name of bonds	Issue size in the period	Provision for interest at par value	Amortisation of premium or discount	Repay in the period	Closing balance
18 Yitai 01		45,000,000.00	1,543,130.04		1,496,945,071.49
18 Yitai 02		50,000,000.04	8,594,154.36		1,973,746,715.64
19 Yitai 01		12,250,000.02	1,933,592.36		483,552,269.79
19 Yitai 02		23,749,999.98	3,309,361.32		969,554,836.24
19 Yitai 03		23,500,000.02	3,457,706.22		967,808,601.37
Total		<u>154,500,000.06</u>	<u>18,837,944.30</u>		<u>5,891,607,494.53</u>

3. Maturity analysis of bonds payable

Maturity	Closing balance	Opening balance
Within 1 year	1,496,945,071.49	
1 to 2 years	1,973,746,715.64	3,460,554,502.73
2 to 5 years	2,420,915,707.40	2,412,215,047.50
Over 5 years		
Total	<u>5,891,607,494.53</u>	<u>5,872,769,550.23</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Lease liabilities

Remaining lease life	Closing balance	Opening balance
Within 1 year	2,499,610.56	341,664,610.56
1 to 2 years	3,088,759.62	2,769,449.81
2 to 3 years	3,409,493.49	3,147,224.76
3 to 4 years		1,835,881.11
4 to 5 years		
Over 5 years		
Subtotal of lease payment	8,997,863.67	349,417,166.24
Less: Unrecognised financing costs	636,782.37	10,002,473.23
Subtotal of present value of lease payment	8,361,081.30	339,414,693.01
Less: Lease liabilities due within one year	2,499,610.56	332,499,610.56
Total	5,861,470.74	6,915,082.45

35. Long-term payables

1. Classification of long-term payables

Nature of amount	Closing balance	Opening balance
Long-term borrowings from non-financial institutions	525,733,333.37	522,700,000.03
Less: Long-term payables due within one year	4,733,333.37	
Total	521,000,000.00	522,700,000.03

2. Maturity analysis of long-term payables

Maturity	Closing balance	Opening balance
Within 1 year	4,733,333.37	
1 to 2 years	30,000,000.00	31,700,000.03
2 to 5 years	95,000,000.00	95,000,000.00
Over 5 years	396,000,000.00	396,000,000.00
Total	525,733,333.37	522,700,000.03

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Estimated liabilities

Item	Closing balance	Opening balance	Formation reason
Reclamation fee	531,533,679.31	526,848,461.52	Provision was made based on the estimation of the management
Total	<u>531,533,679.31</u>	<u>526,848,461.52</u>	

37. Deferred income

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Formation reason
Government subsidy related to assets	72,908,500.00		672,500.00	72,236,000.00	See the table 1 below
Government subsidy related to income	854.93			854.93	
Total	<u>72,909,354.93</u>		<u>672,500.00</u>	<u>72,236,854.93</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Deferred income (Continued)

1. Deferred income related to government subsidy

Liability project	Opening balance	New subsidy in the period	Amount included in other income in the period	Other changes	Closing balance	Relating to assets/relating to income
Hongyi Mine airtight cylinder coal storage warehouse project	1,440,000.00		90,000.00		1,350,000.00	Relating to assets
Waste steam power generation project	2,875,000.00		125,000.00		2,750,000.00	Relating to assets
Boiler flue gas desulfurization project	6,300,000.00		200,000.00		6,100,000.00	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	575,000.00		25,000.00		550,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilization project	4,300,000.00		192,500.00		4,107,500.00	Relating to assets
Infrastructure subsidy	50,458,500.00				50,458,500.00	Relating to assets
R&D subsidy from Tianjin University	854.93				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 an annual capacity of 60,000 tonnes	3,360,000.00				3,360,000.00	Relating to assets
Enterprise smart security information platform management system construction project	1,600,000.00		40,000.00		1,560,000.00	Relating to assets
Total	72,909,354.93		672,500.00		72,236,854.93	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Share capital

Item	Opening balance	Issuance of new shares	Increase or decrease in the period			Subtotal	Closing balance
			Bonus share	Transfer of capital reserve to ordinary shares	Others		
1. Shares subject to selling restrictions							
(1) Other domestic shares	1,600,000,000.00						1,600,000,000.00
Including: Shareholding by domestic legal person	1,600,000,000.00						1,600,000,000.00
Total shares subject to selling restrictions	1,600,000,000.00						1,600,000,000.00
2. Shares not subject to selling restrictions							
(1) Foreign shares listed domestically	1,328,000,000.00						1,328,000,000.00
(2) Foreign shares listed overseas	326,007,000.00						326,007,000.00
Total shares not subject to selling restrictions	1,654,007,000.00						1,654,007,000.00
Total	3,254,007,000.00						3,254,007,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Capital reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Equity premium				
(1) Capital contribution from investors	6,256,682,436.36			6,256,682,436.36
(2) Effect of business merger under common control	-3,092,292,572.13			-3,092,292,572.13
Subtotal	3,164,389,864.23			3,164,389,864.23
2. Other capital reserve				
(1) Other changes in owners' equity of the investee excluding net profit or loss	147,044,144.92			147,044,144.92
(2) Income tax effect of business merger under common control	1,272,657,415.75			1,272,657,415.75
(3) Amount carried forward due to disposal of subsidiaries	-5,275,596.20			-5,275,596.20
(4) Others	-917,962.05			-917,962.05
Subtotal	1,413,508,002.42			1,413,508,002.42
Total	<u>4,577,897,866.65</u>			<u>4,577,897,866.65</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Other comprehensive income

Item	Opening balance	Amount in the period		Less: Amount included in other comprehensive income in previous periods and transferred to current profit or less	Less: Amount included in other comprehensive income in previous periods and transferred to financial assets measured at amortized costs in the related assets or liabilities	Less: Initial recognition amount of hedging reserve transferred to related assets or liabilities	Less: Income tax expenses	Attributable to the Parent Company after tax	Attributable to minority shareholders after tax	Less: Carrying forward of changes in re-measurement of defined benefit plan net liabilities or net assets	Closing balance
		Less: Amount included in other comprehensive income in previous periods and transferred to current profit or less	Less: Amount included in other comprehensive income in previous periods and transferred to financial assets measured at amortized costs in the related assets or liabilities								
I. Other comprehensive income that cannot be subsequently reclassified into profit or loss	1,136,461,300.90	-315,535,426.92	-78,395,913.16	-236,107,247.81	-1,032,265.95					900,354,053.09	
1. Change in re-measurement of defined benefit plan											
2. Other comprehensive income that cannot be transferred to profit or loss under equity method											
3. Change in fair value of investment in other equity instruments	1,136,461,300.90	-315,535,426.92	-78,395,913.16	-236,107,247.81	-1,032,265.95					900,354,053.09	
4. Change in fair value of enterprise's own credit risk											
II. Other comprehensive income that will be subsequently reclassified into profit or loss	2,098,268.69	424,776.90		424,776.90						2,523,045.59	
1. Other comprehensive income that can be transferred to profit or loss under equity method											
2. Change in fair value of other debt investments											
3. Amount of financial assets reclassified into other comprehensive income											
4. Provision for credit loss of other debt investments											
5. Reserve for cash flow hedging											
6. Translation difference of foreign currency financial statements	2,098,268.69	424,776.90		424,776.90						2,523,045.59	
7. Income from package disposal of investment in equity of subsidiaries before the loss of control											
8. Non-investment properties converted into investment properties measured with fair value model											
Total other comprehensive income	1,138,559,569.59	-315,110,650.02	-78,395,913.16	-235,662,470.91	-1,032,265.95					902,877,096.69	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Special reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safety production fee	212,715,747.06	230,335,797.61	64,840,323.00	378,211,221.67
Total	212,715,747.06	230,335,797.61	64,840,323.00	378,211,221.67

42. Surplus reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	1,634,024,476.72	—	—	1,634,024,476.72
Total	1,634,024,476.72	—	—	1,634,024,476.72

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 reached over 50% of its total share capital, and no further statutory surplus reserve is required to be provided.

43. Undistributed profits

Item	Amount	Extract or allocation proportion (%)
Undistributed profits at the end of previous period before adjustment	24,109,769,760.65	—
Total increase or decrease in undistributed profits at the beginning of the period before adjustment (increase represented by "+", and decrease represented by "-")	—	—
Undistributed profits at the beginning of the period after adjustment	24,109,769,760.65	—
Add: Net profits attributable to owners of the Parent Company in the period	733,187,389.47	—
Less: Extract for statutory surplus reserve	—	See Note 42 to Note VI. for details
Ordinary share dividend payable	-1,138,902,450.00	—
Undistributed profits at the end of the period	23,704,054,700.12	—

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Operating income and operating cost

1. Operating income and operating cost

Item	Amount in current period		Amount in previous period	
	Income	Cost	Income	Cost
Principal business	14,792,250,410.25	10,876,698,554.01	19,631,817,049.94	14,019,397,578.52
Other business	604,094,891.50	602,812,533.72	443,516,209.10	377,653,213.64
Total	<u>15,396,345,301.75</u>	<u>11,479,511,087.73</u>	<u>20,075,333,259.04</u>	<u>14,397,050,792.16</u>

2. Segment information of income

Type of contract	Coal segment	Coal-related chemical segment	Transportation segment	Others	Total
(1) Major operating regions					
Northeast	16,373,703.37	6,487,227.39			22,860,930.76
North China	5,736,599,178.01	1,281,475,601.54	247,211,242.82	10,690,191.14	7,275,976,213.51
East China	4,463,723,452.20	650,408,553.73			5,114,132,005.93
South China	2,211,491,242.93	36,283,229.59			2,247,774,472.52
Central China	9,546,458.87	37,111,900.76			46,658,359.63
Northwest	305,971,225.95	365,712,392.07			671,683,618.02
Southwest	11,254,347.17	6,005,354.21			17,259,701.38
Subtotal	12,754,959,608.50	2,383,484,259.29	247,211,242.82	10,690,191.14	15,396,345,301.75
(2) Major product types					
Coal	12,399,940,969.39				12,399,940,969.39
Chemical products		2,161,841,147.52			2,161,841,147.52
Freight			212,347,887.05		212,347,887.05
Others products disclosed in revenue from principal business		6,380,984.09	8,663,531.89	3,075,890.31	18,120,406.29
Others products disclosed in revenue from other business	355,018,639.11	215,262,127.68	26,199,823.88	7,614,300.83	604,094,891.50
Subtotal	<u>12,754,959,608.50</u>	<u>2,383,484,259.29</u>	<u>247,211,242.82</u>	<u>10,690,191.14</u>	<u>15,396,345,301.75</u>
(3) Revenue recognition time					
Goods – coal (transfer at a certain point in time)	See (30) Revenue under Note IV. Principal accounting policies and accounting estimates for details				
Goods – chemical products (transfer at a certain point in time)	See (30) Revenue under Note IV. Principal accounting policies and accounting estimates for details				
Service – freight (provision during a certain period of time)	See (30) Revenue under Note IV. Principal accounting policies and accounting estimates for details				
Subtotal					

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Taxes and surcharges

Item	Amount in current period	Amount in previous period
Resources tax	425,531,792.76	476,711,090.57
City construction tax	48,884,456.57	59,177,448.08
Education surcharges	25,770,936.60	31,607,871.87
Local education surcharges	17,180,625.01	20,669,315.91
Property tax	15,292,806.33	16,043,552.93
Land use tax	34,166,827.61	26,499,887.97
Stamp duty	15,901,679.88	17,529,949.86
Vehicle and vessel use tax	146,141.94	120,070.96
Water resources tax	2,148,769.89	1,337,877.59
Environmental tax	6,376,680.98	8,094,071.96
Land occupation tax	111,812,588.40	49,479,339.00
Others	11,417,268.56	20,122,885.27
Total	<u>714,630,574.53</u>	<u>727,393,361.97</u>

46. Cost of sales

Item	Amount in current period	Amount in previous period
Port charges	457,217,685.87	570,195,728.00
Payroll	44,665,977.46	34,108,845.73
Depreciation and amortization	6,718,685.84	8,202,104.77
Operating expenses	2,536,911.19	3,404,907.56
Travel expenses	428,292.11	1,349,534.15
Transportation and loading service fee	23,227,307.49	1,118,348.01
Leasehold charges	614,382.55	1,753,077.68
Utilities	166,454.64	241,706.24
Maintenance fee	125,556.43	5,727,518.29
Others	13,783,020.09	16,169,467.41
Total	<u>549,484,273.67</u>	<u>642,271,237.84</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Administrative expenses

Item	Amount in current period	Amount in previous period
Payroll	264,868,849.31	259,025,768.38
Depreciation and amortization	105,493,333.98	108,515,726.93
Service fee	26,336,409.85	28,673,395.09
Travel expenses	2,444,660.64	9,140,354.81
Operating expenses	18,915,088.49	28,272,800.46
Greening expenses	18,067,741.93	26,383,102.73
Office expenses	4,532,350.69	4,210,115.28
Audit and consulting fee	13,562,851.63	22,979,590.33
Others	10,540,138.82	68,081,652.08
Total	<u>464,761,425.34</u>	<u>555,282,506.09</u>

48. R&D expenditure

Item	Amount in current period	Amount in previous period
Rentals	12,422,474.94	49,482,420.28
Payroll	52,363,453.15	95,597,736.41
Material consumption	86,261,604.79	73,712,945.34
Depreciation and amortization	16,006,869.06	37,607,496.87
Fees for technical services	15,566.04	
Repair and maintenance fee		327,940.40
Utilities	3,594,767.57	20,919,502.36
Others	1,425,160.06	2,369,715.73
Total	<u>172,089,895.61</u>	<u>280,017,757.39</u>

49. Finance cost

Type	Amount in current period	Amount in previous period
Interest expenses	899,420,832.83	842,096,505.35
Less: Interest income	57,365,806.62	68,137,420.53
Exchange gain or loss	575,245.81	5,152,715.56
Commission charges	530,263.15	1,954,297.25
Total	<u>843,160,535.17</u>	<u>781,066,097.63</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Other gains

1. Breakdown of other gains

Item	Amount in current period	Amount in previous period
Government subsidy	58,154,257.71	85,100,459.03
Input tax additional deduction	78,162.16	
Total	<u>58,232,419.87</u>	<u>85,100,459.03</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Other gains (Continued)

2. Government subsidy included in other gains

Item	Amount in current period	Amount in previous period	Relating to assets/relating to income
Special funds for financial support	23,518,309.88	38,050,000.00	Relating to income
Port construction subsidy of Tianjin Maritime Bureau of the PRC	16,140.80	59,238.41	Relating to income
Xiyingzi coal storage plant treatment and dust suppression project		50,000.00	Relating to assets
Hongyi Mine airtight cylinder coal storage warehouse project	90,000.00	90,000.00	Relating to assets
Naer Mine airtight cylinder coal storage warehouse project			Relating to assets
Government subsidy from Jungar Banner Technology Bureau		1,000,000.00	Relating to income
Post-stabilizing subsidy received	11,623,045.73	322,200.00	Relating to income
Waste steam power generation project	125,000.00	125,000.00	Relating to assets
Boiler flue gas desulfurization project	200,000.00	200,000.00	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	25,000.00	25,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilization project	192,500.00	125,000.00	Relating to assets
Special fund for independent innovation industry development in Nanshan district – sub-fund for economic development			Relating to income
Talent subsidy		47,000.00	Relating to income
Fiscal subsidy		27,939,755.42	Relating to income
Supportive development fund and incentive fund	14,030,000.00	16,885,000.00	Relating to income
R&D subsidy paid by Tianjin University		182,265.20	Relating to income
Enterprise smart security information platform management system construction project	40,000.00		Relating to assets
Additional fund for the Science and Technology Innovation Award in 2018	1,000,000.00		Relating to income
Withholding individual income tax handling fee refund	1,338,361.30		Relating to income
Synthetic water treatment technology R&D project fund	400,000.00		Relating to income
Qianhai Enterprise Support Funds	5,329,700.00		Relating to income
Award received from the Treasury R&D Technology Bureau	221,200.00		Relating to income
Subsidy for special funds for intellectual property of the autonomous region	5,000.00		Relating to income
Total	58,154,257.71	85,100,459.03	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Gain on investment

1. Breakdown of gain on investment

Item	Amount in current period	Amount in previous period
Investment gain on disposal of trading financial assets	-2,224,029.13	15,700,189.50
Gain on long-term equity investment under equity method	85,839,798.35	162,371,718.92
Investment gain on held-for-trading financial assets	2,063,658.10	341,128.09
Total	<u>85,679,427.32</u>	<u>178,413,036.51</u>

52. Gain on change in fair value

Source of gain on change in fair value	Amount in current period	Amount in previous period
Gain or loss on change in fair value of trading financial assets	172,896,885.69	40,327,009.82
Gain or loss on change in fair value of trading financial liabilities	-1,315,380.00	3,721,440.00
Total	<u>171,581,505.69</u>	<u>44,048,449.82</u>

53. Loss on asset impairment

Item	Amount in current period	Amount in previous period
Inventory depreciation loss	29,078,643.45	
Total	<u>29,078,643.45</u>	

54. Loss on credit impairment

Item	Amount in current period	Amount in previous period
Bad debt loss	-366,003.00	
Total	<u>-366,003.00</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Gain on disposal of assets

Item	Amount in current period	Amount in previous period
Gains or losses on disposal of fixed assets	-3,485,164.65	5,565,091.95
Gains or losses on disposal of intangible assets	<u>-29,473.92</u>	<u> </u>
Total	<u><u>-3,514,638.57</u></u>	<u><u>5,565,091.95</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Government subsidy

1. Government subsidy recognized in the current period

Project name	Relating to assets/relating to income	Opening balance of deferred income related to government subsidy	Government subsidy recognized in the current period	Government subsidy set off against carry amount of related assets in the current period	Government subsidy set off against costs and expenses in the current period
Hongyi Mine airtight cylinder coal storage warehouse project	Relating to assets	1,440,000.00			
Waste steam power generation project	Relating to assets	2,875,000.00			
Boiler flue gas desulfurization project	Relating to assets	6,300,000.00			
High temperature slurry bed Fischer-Tropsch process project	Relating to assets	575,000.00			
Fischer-Tropsch process water comprehensive utilization project	Relating to assets	4,300,000.00			
Infrastructure subsidy	Relating to assets	50,458,500.00			
R&D subsidy paid by Tianjin University	Relating to income	854.93			
R&D funds for coal indirect liquefaction process	Relating to assets	2,000,000.00			
Large pressure vessel project with an annual capacity of 60,000 tonnes	Relating to assets	3,360,000.00			
Enterprise smart security information platform management system construction project	Relating to assets	1,600,000.00			
Special funds for financial support	Relating to income		23,518,309.88		
Port construction subsidy of Tianjin Maritime Bureau of the PRC	Relating to income		16,140.80		
Post-stabilizing subsidy received	Relating to income		11,623,045.73		
Supportive development fund and incentive fund	Relating to income		14,030,000.00		
Additional fund for the Science and Technology Innovation Award in 2018	Relating to income		1,000,000.00		
Withholding individual income tax handling fee refund	Relating to income		1,338,361.30		
Synthetic water treatment technology R&D project fund	Relating to income		400,000.00		
Qianhai Enterprise Support Funds	Relating to income		5,329,700.00		
Award received from the Treasury R&D Technology Bureau	Relating to income		221,200.00		
Subsidy for special fund for intellectual property of the autonomous region	Relating to income		5,000.00		
Total		72,909,354.93	57,481,757.71		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Government subsidy (Continued)

1. Government subsidy recognized in the current period (Continued)

Continued:

Project name	Government subsidy included in other income in the current period	Government subsidy included in non-operating income and expenses in the current period	Government subsidy refund in the current period	Closing balance of deferred income related to government subsidy	Reason for refund of government subsidy in the current period
Hongyi Mine airtight cylinder coal storage warehouse project	90,000.00			1,350,000.00	
Waste steam power generation project	125,000.00			2,750,000.00	
Boiler flue gas desulfurization project	200,000.00			6,100,000.00	
High temperature slurry bed Fischer-Tropsch process project	25,000.00			550,000.00	
Fischer-Tropsch process water comprehensive utilization project	192,500.00			4,107,500.00	
Infrastructure subsidy				50,458,500.00	
R&D subsidy paid by Tianjin University				854.93	
R&D funds for coal indirect liquefaction process				2,000,000.00	
Large pressure vessel project with an annual capacity of 60,000 tonnes				3,360,000.00	
Enterprise smart security information platform management system construction project	40,000.00			1,560,000.00	
Special funds for financial support	23,518,309.88				
Port construction subsidy of Tianjin Maritime Bureau of the PRC	16,140.80				
Post-stabilizing subsidy received	11,623,045.73				
Supportive development fund and incentive fund	14,030,000.00				
Additional fund for the Science and Technology Innovation Award in 2018	1,000,000.00				
Withholding individual income tax handling fee refund	1,338,361.30				
Synthetic water treatment technology R&D project fund	400,000.00				
Qianhai Enterprise Support Funds Award received from the Treasury R&D Technology Bureau	5,329,700.00				
Subsidy for special fund for intellectual property of the autonomous region	221,200.00				
	5,000.00				
Total	58,154,257.71			72,236,854.93	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Non-operating income

Item	Amount in current period	Amount in previous period	Amount included in current non-recurring profit or loss
Total gains on disposal of non-current assets		27,189.33	
Including: Gain on scrapping of fixed assets		27,189.33	
Penalty and confiscatory income	930,556.29	1,982,422.54	930,556.29
Others	664,747.16	4,443,590.96	664,747.16
Total	<u>1,595,303.45</u>	<u>6,453,202.83</u>	<u>1,595,303.45</u>

58. Non-operating expenses

Item	Amount in current period	Amount in previous period	Amount included in current non-recurring profit or loss
Total losses on disposal of non-current assets	1,843,831.85	12,518.84	1,843,831.85
Including: Loss on scrapping of fixed assets	1,843,831.85	12,518.84	1,843,831.85
Expenditure on public welfare donations	37,859,633.60	53,441,403.98	37,859,633.60
Expenditure on penalties	320,599.85	2,189,527.70	320,599.85
Others	8,220,953.67	3,307,123.48	8,220,953.67
Total	<u>48,245,018.97</u>	<u>58,950,574.00</u>	<u>48,245,018.97</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. Income tax expenses

1. Table of income tax expenses

Item	Amount in current period	Amount in previous period
Income tax expenses in current period	390,858,208.84	584,083,340.38
Deferred income tax expenses	-17,317,385.16	48,234,641.47
Total	<u>373,540,823.68</u>	<u>632,317,981.85</u>

2. Reconciliation of accounting profits and income tax expenses

Item	Amount in current period
Total profits	1,409,323,868.04
Income tax expense calculated at statutory/applicable tax rate	352,330,967.01
Impact of different tax rates applied to subsidiaries	43,104,840.85
Impact of adjustment of income tax of previous periods	27,351,086.06
Impact of income tax credit	-375,060.77
Impact of non-deductible costs, expenses and losses	13,750,650.94
Impact of utilizing deductible loss of deferred income tax assets unrecognized in previous periods	-24,569,124.23
Impact of deductible temporary difference or deductible loss of deferred income tax assets unrecognized in current period	52,051,438.63
Impact of applicable tax rate movement on deferred income tax assets	-63,379,430.24
Impact of non-taxable income	-26,724,544.57
Income tax expenses	<u>373,540,823.68</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Notes to the cash flow statement

1. Other cash receipts relating to operating activities

Item	Amount in current period	Amount in previous period
Interest income	57,365,806.62	68,137,420.53
Revolving fund, warranty premium and deposit	38,833,244.43	122,723,486.26
Government subsidy	57,073,858.00	84,288,438.42
Others	1,816,503.45	5,948,125.81
Total	<u>155,089,412.50</u>	<u>281,097,471.02</u>

2. Other cash payments relating to operating activities

Item	Amount in current period	Amount in previous period
Revolving fund, quality guarantee deposits, warranty premium, etc.	264,376,355.08	226,917,469.64
Travel expenses	2,872,952.75	10,489,888.96
Operating expenses	21,422,254.40	31,677,708.02
Expenditure on public welfare donations	37,859,633.60	53,439,470.00
R&D expenditure	103,477,168.10	98,709,872.27
Others	26,672,204.34	52,760,876.16
Total	<u>456,680,568.27</u>	<u>473,995,285.05</u>

3. Other cash receipts relating to investment activities

Item	Amount in current period	Amount in previous period
Futures deposits received	245,960,460.00	
Total	<u>245,960,460.00</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Notes to the cash flow statement (Continued)

4. Other cash payments relating to investment activities

Item	Amount in current period	Amount in previous period
Futures deposits paid	<u>214,040,000.00</u>	<u>87,000,000.00</u>
Total	<u>214,040,000.00</u>	<u>87,000,000.00</u>

5. Other cash payments relating to financing activities

Item	Amount in current period	Amount in previous period
Commission charges of borrowings obtained		760,300.00
Commission charges, promoting fee, consulting fee, and etc. directly paid for bond issue	<u>56,258.12</u>	<u>22,687,500.00</u>
Lease related payments	<u>334,336,222.92</u>	<u>9,550,968.00</u>
Total	<u>334,392,481.04</u>	<u>32,998,768.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Supplementary information of the cash flow statement

1. Supplementary information of the cash flow statement

Item	Amount in current period	Amount in previous period
1. Net profit adjusted to cash flow of operating activities		
Net profit	1,035,783,044.36	2,320,563,190.25
Add: Provision for impairment of assets	28,712,640.45	
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	994,931,530.72	967,186,487.05
Amortization of intangible assets	53,676,502.38	51,147,820.21
Amortization of long-term deferred expenses	180,384,005.49	985,593,867.44
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	3,514,638.57	-5,565,091.95
Losses from scrapping of fixed assets ("-" for gains)	1,843,831.85	-14,670.49
Losses from changes in fair value ("-" for gains)	-171,581,505.69	-44,048,449.82
Finance costs ("-" for gains)	899,420,832.83	842,096,505.35
Investment losses ("-" for gains)	-85,679,427.32	-178,413,036.51
Decrease in deferred income tax assets ("-" for increase)	-82,586,564.40	48,234,641.47
Increase in deferred income tax liabilities ("-" for decrease)	65,269,179.24	
Decrease in inventories ("-" for increase)	759,584,025.18	-178,448,402.45
Decrease in operating receivables ("-" for increase)	-207,802,711.59	-400,540,385.56
Increase in operating payables ("-" for decrease)	-527,565,867.10	-1,627,601,996.99
Others		
Net cash flow from operating activities	2,947,904,154.97	2,780,190,478.00
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	12,748,854,417.37	13,345,166,299.02
Less: Opening balance of cash	15,954,045,957.75	16,994,167,148.20
Add: Closing balance of cash equivalents	700,000,000.00	
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-2,505,191,540.38	-3,649,000,849.18

2. No payment of consideration for acquisition of subsidiaries in the current period

3. No disposal of subsidiaries in the current period

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Supplementary information of the cash flow statement (Continued)

4. Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	12,748,854,417.37	15,954,045,957.75
Of which: Treasury cash	1,676,134.53	1,012,542.40
Bank deposit that can be used for payment at any time	12,747,178,282.84	15,953,033,415.35
II. Cash equivalents	700,000,000.00	
Of which: Wealth management products due within three months	700,000,000.00	
III. Balance of cash and cash equivalents at the end of the period	13,448,854,417.37	15,954,045,957.75

62. The assets whose ownership or right-of-use is restricted

Item	Balance	Cause for the restriction
Monetary funds	840,252,684.24	For details of the bank acceptance bill deposit, guarantee deposit and environmental protection deposit, please see Note 1 to this Note VI.
Total	<u>840,252,684.24</u>	

63. Monetary items in foreign currency

1. Monetary items in foreign currency

Item	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	22,812,972.41	7.0795	161,504,438.18
HKD	3,804,793.34	0.9134	3,475,298.24
Long-term borrowings (including those due within one year)	—	—	
Including: KWD	3,066,400.00	23.0011	70,530,573.04

2. Descriptions of foreign business entity

The overseas operating entity subsidiary included in the consolidated financial statements of the Company is Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司), which operates in Hong Kong, with USD as the recording currency. The exchange rate for main statements of the balance sheet is the spot exchange rate on the balance sheet date, that is, the exchange rate of USD on 30 June 2020: 1 USD = 7.0795 RMB.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VII. CHANGES IN CONSOLIDATION SCOPE

- (I) Business merger under different control: Nil.
- (II) Business merger under common control in the current period

1. Business merger under common control in the current period

Name of the merged party	Percentage of equity acquired in the business Merger (%)	Date of merger	Merged party's income from the beginning of the current period to the date of merger	Merged party's net profit from the beginning of the current period to the date of merger	Note
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))	98.70%	30 June 2020		8,764,127.02	

Name of the merged party	Percentage of equity acquired in the business Merger (%)	Date of merger	Merged party's income in the comparative period	Merged party's net profit in the comparative period	Note
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))	98.70%	30 June 2020		-87,357.98	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

(II) Business merger under common control in the current period (Continued)

1. Business merger under common control in the current period (Continued)

- (1) Explanations on the basis for the transaction to form a business merger under common control and the basis for determining the date of merger: During the current period, the Company entered into an agreement on transfer of private investment fund units with Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司) (hereinafter referred to as "Yitai Equity Investment"), which agreed that the Company transferred all of the fund units held by the Company in 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)) to Yitai Equity Investment. With immediate effect from the date of completion of registration change for such transfer of fund units, Yitai Equity Investment becomes the holder of such fund units, and has relevant rights and assumes relevant obligations under the fund agreement. The change of registration of such fund units was completed on 30 June 2020, so this date is determined as the date of merger.

2. Combined cost

Combined cost	Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)
Cash	108,193,195.08
Carrying value of non-cash assets	
Carrying value of the issued or assumed debts	
Par value of the issued equity securities	
Contingent consideration	
Total combined cost	<u>108,193,195.08</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

(II) Business merger under common control in the current period (Continued)

3. Book value of assets and liabilities of the merged party at the date of merger

Item	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))	
	Date of merger	The end of the previous period
Monetary funds	3,320.53	4,852.27
Dividends receivable		1,101,623.02
Investments in other equity instruments		31,293,524.21
Other non-current financial assets	106,704,518.06	63,900,286.00
Long-term deferred expenses	3,321,001.57	4,939,315.28
Less: Accounts payable	31,785.12	6,672.76
Net assets	<u>109,997,055.04</u>	<u>101,232,928.02</u>
Net assets acquired	<u>109,997,055.04</u>	<u>101,232,928.02</u>

(III) Counter purchase by the Company in the current period: Nil.

(IV) Disposal of subsidiaries by the Company in the current period: Nil.

(V) Changes in the scope of consolidation due to other reasons

- In June 2020, the Company established a wholly-owned subsidiary, Inner Mongolia Yitai Energy Chemical Co., Ltd. (內蒙古伊泰能源化工有限公司), with a registered capital of RMB100 million. On 10 June 2020, it obtained the Business License for Enterprise Legal Person (Unified Social Credit Code: 91150622MA0QQ5C37M) issued by the Market Supervision Administration Bureau of Jungar Banner, Ordos. A wholly-owned subsidiary was added to the scope of consolidation in the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Composition of the Group

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Acquisition method
				Direct	Indirect	
Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Ordos	Nalin Taohai Town, Yijin Holo Banner, Ordos	Coal mining	100.00		Subsidiaries acquired through business combination under common control
Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Ordos	Majjata Village, Haji Gaole Township, Jungar Banner	Coal mining	52.00		Subsidiaries acquired through establishment or investment
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Shanghai	Lingshi Road, Shanghai	Consultation	100.00		Subsidiaries acquired through establishment or investment
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	Shanghai	Room 504-A27, East Floor of Building 1, No.29, Jiatai Road, Shanghai Pilot Free Trade Zone, China	Investment management	100.00		Subsidiaries acquired through establishment or investment
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Shenzhen	Room 201, Block A, No.1, Qianwan Road 1, Qianhai Shenzhen – Hong Kong Cooperative District, Shenzhen	Sales of coal	100.00		Subsidiaries acquired through establishment or investment
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	Hong Kong	Room 3312, 33/F, Rian Centre, 6-8 Harbour Road, Wanchai, Hong Kong	International trade	100.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd. (內蒙古伊泰准格爾煤炭運銷有限責任公司)	Ordos	Hujitu Village, Jungar Zhao Town, Jungar Banner, Ordos	Sales of coal	100.00		Subsidiaries acquired through establishment or investment
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Ulanqab	Xinghe Miaoliang Coal Logistics Park, Ulanqab	Sales of coal	100.00		Subsidiaries acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Acquisition method
				Direct	Indirect	
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Ordos	Yitai Building, Tianjiao North Road, Dongsheng District	Railway transportation	72.66		Subsidiaries acquired through business combination not under common control
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	Ordos	Crystal Road, Xuejiawan Town, Jungar Banner, Ordos, Inner Mongolia Autonomous Region	Railway transportation		61.00	Subsidiaries acquired through business combination not under common control
Inner Mongolia Yitai Zhudong Jintai Storage and Transportation Co., Ltd. (內蒙古伊泰准東金泰儲運有限責任公司)	Ordos	Warm Water Township, Jungar Banner	Consultation		51.00	Subsidiaries acquired through establishment or investment
Zhungeer Huzhun Ruyi Logistics Co., Ltd. (准格爾旗呼准如意物流有限責任公司)	Ordos	Guanniujia, East Kongdui Village, Dalu Town, Jungar Banner	Storage and loading of goods		51.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Ordos	Dalu Town, Jungar Banner	Coal-related chemical	51.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Petrochemical Equipment Co., Ltd. (內蒙古伊泰石化裝備有限責任公司)	Ordos	Dalu New District, Jungar Manufacturing Banner			83.89	Subsidiaries acquired through business combination not under common control
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Yili	Yinan Industrial Park, Chabuchaer County, Yili, Xinjiang	Coal technology development	90.20		Subsidiaries acquired through business combination under common control
Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Yili	Yinan Industrial Park, Chabuchaer County	Investment	90.27		Subsidiaries acquired through establishment or investment
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Urumchi	Room 1512, No.1 Weitai South Road, Urumqi Economic and Technological Development Zone	Consultation	90.20		Subsidiaries acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Acquisition method
				Direct	Indirect	
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Ordos	Xini South Road, 109 National North Road, Xini Town, Hangjin Banner	Chemical production	61.15		Subsidiaries acquired through establishment or investment
Hangjinqi Xinnuo Municipal Construction Investment Co., Ltd. (杭錦旗信諾市政建設投資有限責任公司)	Ordos	South Project Area, Dugui Tala Industrial Park, Hangjin Banner, Ordos	Municipal administration for infrastructure		80.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限責任公司)	Ordos	Dugui Tala Industrial Park, Hangjin Banner, Ordos	Coal-related chemical		51.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限責任公司)	Ordos	Dongsheng District, Ordos	Sales of oil and chemicals	90.20		Subsidiaries acquired through establishment or investment
Yitai Clean Oil Products (Beijing) Co., Ltd. (伊泰清潔油品(北京)有限公司)	Beijing	No.88 Yangyan Road, Yanqi Economic Development Zone, Huairou District, Beijing	Sales of oil and chemicals		100.00	Subsidiaries acquired through establishment or investment
Yitai Chemical (Shanghai) Co., Ltd. (伊泰化學(上海)有限公司)	Shanghai	Jinle Road, Baoshan District, Shanghai	Sales of oil and chemicals		100.00	Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Railway Investment Co., Ltd. (內蒙古伊泰鐵路投資有限責任公司)	Ordos	Jiefang, No. 14 South Yimei Road, Dongsheng District, Ordos, Inner Mongolia Autonomous Region	Railway investment	100.00		Subsidiaries 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)	Ordos	Liuzhongnan Jiefang Area, No. 14 South Yimei Road, Dongsheng District, Ordos	Disaster management	100.00		Subsidiaries acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business		Nature of business	Shareholding Ratio (%)		Acquisition method
	Registration place			Direct	Indirect	
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限公司)	Qinhuangdao	No. 225 Haining Road, Beidaihe District, Qinhuangdao, Hebei Province	Sales of coal	100.00		Subsidiaries acquired through establishment or investment
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰山西煤炭運銷有限公司)	Taiyuan	Room 210-4, 2/F, Zizhengyuan Building B, No.46 Jingyuan Road, Private District, Taiyuan	Sales of coal	100.00		Subsidiaries acquired through establishment or investment
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰騰方合成新材料研究院有限公司)	Chongqing	2-1, Unit 3, Building 2, No.53 Gangcheng West Road, Jiangbei District, Chongqing	Research and development	60.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	Ordos	Dongsheng District, Ordos	Test for coal quality and oil	100.00		Subsidiaries acquired through business combination under common control
Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信聿投資管理合夥企業(有限合夥))	Xiaoshan District, Hangzhou, Zhejiang Province	Xianghu Financial Town, Xiaoshan District, Hangzhou, Zhejiang Province	Fund investment	100.00		Subsidiaries acquired through establishment or investment
Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)	Shenzhen	Room 201, Building A, No. 1, Qianwan Road 1, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen	Investment in industrial development and consultation, business management consultation, business information consultation	100.00		Subsidiaries acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Acquisition method
				Direct	Indirect	
Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司)	Tangshan	Caofeidian Lingang Business District, Tangshan	Supply chain management services, sales and transportation of coal	100.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤炭有限公司)	Ordos	Daliuta Village, Nalin Taohai Town, Yijin Holo Banner, Ordos	Coal	100.00		Subsidiaries acquired through establishment or investment
Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	Nanshan District, Shenzhen	China Resources Headquarters, 2666 Keyuan South Road, Haizhu Community, Yuehai Street	Investment management	100.00		Subsidiaries 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(有限合伙))	Jiujiang, Jiangxi Province	Gongqingcheng Private Equity Fund Innovation Park, Jiujiang, Jiangxi Province	Investment in project, management and industry		98.70	Subsidiaries 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)	Shanghai	Room 3278, Building 2, Lane 1800, Xinyang Highway, Fengxian District, Shanghai	Supply chain management	100.00		Subsidiaries acquired through establishment or investment
Inner Mongolia Yitai Energy Chemical Co., Ltd. (內蒙古伊泰能源化工有限公司)	Ordos	South of Weiyi Road, South Coal Chemical Industry Base, Dalu Industrial Park, Jungar Banner, Ordos, Inner Mongolia Autonomous Region	Production and sales of coal chemical products and relevant subsidiary products	100.00		Subsidiaries acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

2. Significant non-wholly-owned subsidiaries (it is applicable when the interests held by minority shareholders of a subsidiary are important to the Group)

Unit: RMB'0,000

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	Accumulated ending book value of minority interests
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	49.00	-3,113.93	980.00	126,971.53
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	39,605.43		366,829.50
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	27.34	3,399.00		221,459.49
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	38.85	-8,562.87		228,131.73

3. Main financial information for significant non-wholly-owned subsidiaries

Unit: RMB'0,000

Name of subsidiaries	Current assets	Non-current assets	Closing balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	31,586.43	325,997.53	357,583.96	43,059.33	51,642.75	94,702.08
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)	464,029.69	342,900.10	806,929.79	38,513.42	4,188.24	42,701.66
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	73,008.82	1,193,561.87	1,266,570.69	163,669.55	255,996.04	419,665.59
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	267,137.02	1,403,881.70	1,671,018.72	225,596.28	853,035.19	1,078,631.47

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

3. Main financial information for significant non-wholly-owned subsidiaries (Continued)

Name of subsidiaries	Current assets	Non-current assets	Opening balance		Total liabilities	
			Total assets	Current liabilities		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	51,530.13	330,433.89	381,964.02	71,427.06	39,401.00	110,828.06
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)	360,513.51	355,897.59	716,411.10	39,153.58	4,188.24	43,341.82
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	122,892.72	1,212,607.54	1,335,500.26	236,527.29	265,229.13	501,756.42
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

Name of subsidiaries	Operating income	Net profit	Amount in the current period	
			Total comprehensive income	Cash flows from operating activities
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	36,797.90	-6,493.05	-6,493.05	4,571.67
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)	199,517.61	82,511.31	82,511.31	79,461.41
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	81,451.54	12,541.51	12,163.98	6,929.15
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	194,274.63	-24,606.16	-24,606.16	20,942.53

Name of subsidiaries	Operating income	Net profit	Amount in the previous period	
			Total comprehensive income	Cash flows from operating activities
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	45,129.72	503.23	503.23	2,958.93
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)	155,592.03	74,887.16	74,887.16	55,884.21
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	122,611.65	33,167.87	32,684.48	61,674.79
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	236,088.05	-13,925.17	-13,925.17	22,742.97

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

4. There were no significant restrictions for using the Group's assets and settling the Group's liabilities.
5. There was no financial support or other support provided to structuring subject in the scope of consolidated financial statements by the Company.

(II) Transactions for which the share of owner's equity in subsidiary changes but the subsidiary is controlled: Nil

(III) Equity in joint arrangements or associates

1. Significant joint ventures or associates

Name of joint ventures or associates	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Accounting treatment
				Direct	Indirect	
1. Joint ventures						
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Ordos	Dugui Tala Town Industry Park, Hangjin Banner	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 Autonomous Region	Production and sales of raw coal	47.23		Equity method
2. Associates						
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有限責任公司)	Ordos	Yijin Holo Banner, Ordos	Production and sales of coal	20.00		Equity method

The Company's shareholding percentage in joint ventures or associates is consistent with the percentage of voting rights.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

2. Key financial information of significant joint ventures

Items	Closing balance/Amount in the current period	
	Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)
Current assets	14,366,549.79	77,976,208.40
Of which: cash and cash equivalent	14,366,549.79	77,976,208.40
Non-current assets	91,327,537.79	922,087,536.45
Total assets	105,694,087.58	1,000,063,744.85
Current liabilities	2,155,553.93	-72.02
Non-current liabilities		
Total liabilities	2,155,553.93	-72.02
Minority equity		
Shareholders' equity attributable to the Parent Company	103,538,533.65	1,000,063,816.87
Net asset calculated by proportion of shareholding	50,733,881.49	472,330,140.71
Adjusting items		
– Goodwill		
– Internal transaction unrealised profit		
– Other		
Book value of equity investment in joint ventures	50,733,881.49	472,330,140.71
Fair value of equity investments with public offer		
Operating income		
Financial cost	-2,181.06	
Income tax expense		
Net profit	-3,004,946.54	
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-3,004,946.54	
Dividends received by the Company from joint ventures in the current period		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

2. Key financial information of significant joint ventures (Continued)

Items	Opening balance/Amount in the previous period	
	Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)
Current assets	20,369,676.23	77,390,718.70
Of which: cash and cash equivalent	6,926,007.59	77,390,718.70
Non-current assets	92,409,351.71	922,675,031.00
Total assets	112,779,027.94	1,000,065,749.70
Current liabilities	6,235,547.75	1,932.82
Non-current liabilities		
Total liabilities	6,235,547.75	1,932.82
Minority equity		
Shareholders' equity attributable to the Parent Company	106,543,480.19	1,000,063,816.88
Net asset calculated by proportion of shareholding	52,206,305.29	472,330,140.71
Adjusting items		
– Goodwill		
– Internal transaction unrealised profit		
– Other		
Book value of equity investment in joint ventures	52,206,305.29	472,330,140.71
Fair value of equity investments with public offer		
Operating income		
Financial cost	-24,529.53	
Income tax expense		
Net profit	-4,366,891.83	
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-4,366,891.83	
Dividends received by the Company from joint ventures in the current period		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

3. Key financial information of significant associates

Items	Closing balance/Amount in the current period		
	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)
Current assets	10,351,841,887.22	172,818,386.65	2,327,028,621.47
Non-current assets	1,072,607.03	3,525,356,234.49	43,654,758,148.13
Total assets	10,352,914,494.25	3,698,174,621.14	45,981,786,769.60
Current liabilities	8,779,730,488.02	1,090,591,290.39	1,632,083,136.30
Non-current liabilities		641,928,042.45	5,444,562,178.17
Total liabilities	8,779,730,488.02	1,732,519,332.84	7,076,645,314.47
Minority equity			
Shareholders' equity attributable to the Parent Company	1,573,184,006.23	1,965,655,288.30	38,905,141,455.13
Net asset calculated by proportion of shareholding	629,273,602.49	570,040,033.61	7,781,028,291.03
Adjusting items			
– Goodwill			
– Internal transaction unrealised profit			
– Other			
Book value of equity investment in associates	629,273,602.49	570,040,033.61	7,781,028,291.03
Fair value of equity investments with public offer			
Operating income	161,671,119.45	337,551,199.24	1,154,548,523.88
Net profit	106,497,964.88	28,570,908.76	183,230,052.43
Net profits of discontinuing operation			
Other comprehensive income			
Total comprehensive income	106,497,964.88	28,570,908.76	183,230,052.43
Dividends received by the Company from associates in the current period			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

3. Key financial information of significant associates (Continued)

Items	Opening balance/Amount in the previous period		
	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限公司)	Inner Mongolia Yitai Guanglian 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
Non-current assets	1,442,190.72	3,294,753,396.16	43,478,216,268.14
Total assets	9,845,890,219.44	3,497,431,337.04	44,041,414,196.93
Current liabilities	8,379,204,178.44	872,980,569.47	885,056,209.76
Non-current liabilities		687,366,388.01	4,434,446,584.47
Total liabilities	8,379,204,178.44	1,560,346,957.48	5,319,502,794.23
Minority equity			
Shareholders' equity attributable to the Parent Company	1,466,686,041.00	1,937,084,379.56	38,721,911,402.70
Net asset calculated by proportion of shareholding	586,674,416.54	561,754,470.07	7,744,382,280.54
Adjusting items			
- Goodwill			
- Internal transaction unrealised profit			
- Other			
Book value of equity investment in associates	586,674,416.54	561,754,470.07	7,744,382,280.54
Fair value of equity investments with public offer			
Operating income	162,164,688.98	319,302,094.55	1,520,106,570.42
Net profit	148,730,342.95	28,168,648.72	471,716,151.31
Net profits of discontinuing operation			
Other comprehensive income			
Total comprehensive income	148,730,342.95	28,168,648.72	471,716,151.31
Dividends received by the Company from associates in the current period			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

4. Summary on financial information for insignificant joint ventures and associates

Items	Closing balance/ Amount in the current period	Opening balance/ Amount in the previous period
Total of investment book value in associates	293,588,443.38	302,926,981.21
Total amount calculated by the following proportion of shareholding		
Net profit	-1,104,996.01	21,536,861.09
Other comprehensive income		
Total comprehensive income	-1,104,996.01	21,536,861.09

5. There were no significant restrictions for joint ventures or associates transferring funds to the Company.

6. Excess loss generated in joint ventures or associates

Name of joint ventures or associates	Accumulated unrecognised loss in previous periods	Unrecognised loss in the current period (or net profit shared in the current period)	Accumulated unrecognised loss at the end of period
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發 有限公司)	6,033,758.58		6,033,758.58
Total	6,033,758.58		6,033,758.58

Other explanation:

In January 2013, the Company lost the control of Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司) due to the disposal of its equity. In the consolidated financial statements, the difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company since the acquisition date as calculated based on its original shareholding percentage in that subsidiary, is recognised as the investment income for the period when the loss of control occurred. The long-term equity investment is carried forward to reducing by RMB8,035,937.21. As of 30 June 2020, the accumulated unrecognised loss was RMB6,033,758.58.

7. The Company has no unrecognised commitment related to investment in joint venture.

8. The Company has no contingent liabilities related to investment in joint ventures or associates.

(IV) The Company has no structuring subject out of the scope of combined financial statements.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IX. RISK DISCLOSURE 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 policies 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, 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 analyse 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 management. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to 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)

January to June 2020

IX. RISK DISCLOSURE 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 30 June 2020, the book balance and expected credit losses of related assets are as follows:

Items	Book balance	Loss provision
Accounts receivable	1,698,576,280.87	21,973,882.90
Receivables financing	2,294,402.89	
Prepayments	835,908,269.87	
Other receivables	484,720,140.89	10,038,331.69
Total	<u>3,021,499,094.52</u>	<u>32,012,214.59</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENT (Continued)

(II) Liquidity risk

Liquidity risk refers to the risk of short of funds when the company performs its obligation of cash payment or settlement by other financial assets. The Company's subordinate member companies are responsible for their respective cash flow projections. Based on the results thereof, the subordinate financial management department continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitors the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs.

As of 30 June 2020, the financial liabilities owned by the Company are presented as undiscounted contractual cash flows on the remaining contract period as follows:

Items	Within 1 month	1-3 month(s)	Closing balance				Total
			3 months - 1 year	1-2 year(s)	2-5 years	Over 5 years	
Short-term borrowings	10,577,499.67	220,124,580.00	2,892,445,913.28				3,123,147,992.95
Trading financial liabilities	4,350,440.00						4,350,440.00
Notes payable			1,229,923,114.09				1,229,923,114.09
Accounts payable			2,234,506,948.81				2,234,506,948.81
Other payables			1,910,836,275.69				1,910,836,275.69
Long-term borrowings	189,325,539.05	258,136,069.38	5,325,769,378.26	8,462,872,019.61	12,947,046,027.80	7,333,274,395.14	34,516,423,429.24
Bonds payable	26,608,333.33	51,500,000.00	1,730,041,666.67	2,167,597,222.22	2,738,190,277.78	-	6,713,937,500.00
Lease liabilities	208,300.88	416,601.76	1,874,707.92	3,088,759.62	3,409,493.49		8,997,863.67
Long-term payables	538,295.89	1,041,863.01	9,508,538.85	36,078,000.00	110,943,246.58	423,820,300.00	581,930,244.33
Total	231,608,408.82	531,219,114.15	15,334,906,543.57	10,669,636,001.45	15,799,589,045.65	7,757,094,695.14	50,324,053,808.78

Items	Within 1 month	1-3 month(s)	3 months - 1 year	Opening balance			Total
				1-2 year(s)	2-5 years	Over 5 years	
Short-term borrowings	9,417,541.67	18,227,500.00	2,629,511,708.33				2,657,156,750.00
Trading 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	284,369,675.20	2,465,248,025.74	4,737,222,295.27	8,605,066,852.57	13,822,022,498.18	7,592,884,465.99	37,506,813,812.95
Bonds payable	26,243,835.62	50,794,520.55	232,808,219.18	3,754,643,835.62	2,794,590,410.96		6,859,080,821.93
Lease liabilities	208,300.88	3,641,601.76	337,814,707.92	2,769,449.81	4,983,105.87		349,417,166.24
Long-term payables	522,427.40	1,044,854.79	6,401,846.61	36,176,054.79	111,309,446.58	425,803,989.04	581,258,619.21
Total	323,796,840.77	2,538,956,502.84	13,696,503,655.25	12,398,656,192.79	16,732,905,461.59	8,018,688,455.03	53,709,507,108.27

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

IX. RISK DISCLOSURE 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 recognised 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 minimise the exposure to exchange rate risk.

- (2) As of 30 June 2020, 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	161,504,438.18	3,475,298.24		164,979,736.42
Sub-total	<u>161,504,438.18</u>	<u>3,475,298.24</u>		<u>164,979,736.42</u>
Foreign currency financial liabilities:				
Short-term borrowings				
Long-term borrowings due within one year			17,632,619.46	17,632,619.46
Long-term borrowings			52,897,953.58	52,897,953.58
Sub-total			<u>70,530,573.04</u>	<u>70,530,573.04</u>

Items	USD	Opening balance		Total
		HKD	KWD	
Foreign currency financial assets:				
Monetary funds	160,198,077.39	3,408,333.87		163,606,411.26
Sub-total	<u>160,198,077.39</u>	<u>3,408,333.87</u>		<u>163,606,411.26</u>
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			<u>79,383,116.52</u>	<u>79,383,116.52</u>

- (3) Sensitivity analysis: Given a very small size of foreign currency assets and liabilities, the Company is subject to small market risk arising from fluctuations in foreign exchange rate.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

IX. RISK DISCLOSURE 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 interest-bearing debts with floating rate, 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 30 June 2020, the Company's long-term interest-bearing debts are mainly the floating rate contracts denominated in RMB, with a contract value of RMB29,421,255,477.85. See Note VI (32) and (30) for details.

(2) Sensitivity analysis:

As of 30 June 2020, 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 RMB145,340,503.46, including a decrease or an increase by approximately RMB142,450,920.13 in total profit for the year, and an increase or a decrease by RMB2,889,583.33 in capitalised 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 market 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)

January to June 2020

X. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the book value of the financial asset instruments measured at fair value on 30 June 2020 at three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level among the three levels of the important input values used in the fair value measurement. The three levels are defined as follows:

Level 1: unadjusted quotations for identical assets or liabilities that can be obtained on the measurement date in an active market;

Level 2: input value that is directly or indirectly observable for underlying assets or liabilities other than the input value of the level 1;

Input values of Level 2 includes: 1) quotations for similar assets or liabilities in an active market; 2) quotations for identical or similar assets or liabilities in an inactive market; 3) other observable inputs other than quotations, including observable interest rate and yield curves, implied volatility and credit spreads during normal quotations interval; 4) market-proven input values, etc.

Level 3: unobservable input value of underlying assets or liabilities.

(II) Fair value measurement at the end of the period

1. Sustained fair value measurement

Items	Fair value at the end of the period			Total
	Level 1	Level 2	Level 3	
Trading financial assets		701,840,033.04		701,840,033.04
Investment in other equity instruments	20,491,816.90	102,750,000.00	6,872,148,695.28	6,995,390,512.18
Other non-current financial assets			1,245,837,245.51	1,245,837,245.51
Total assets	20,491,816.90	102,750,000.00	8,819,825,973.83	8,943,067,790.73
Trading financial liabilities	4,350,440.00			4,350,440.00
Total liabilities	4,350,440.00			4,350,440.00

Items	Fair value at the beginning of the period			Total
	Level 1	Level 2	Level 3	
Trading financial assets	716,960.00			716,960.00
Investment in other equity instruments	24,865,939.10	101,060,000.00	7,216,293,524.21	7,342,219,463.31
Other non-current financial assets			938,546,351.20	938,546,351.20
Total assets	25,582,899.10	101,060,000.00	8,154,839,875.41	8,281,482,774.51
Trading financial liabilities	3,035,060.00			3,035,060.00
Total liabilities	3,035,060.00			3,035,060.00

2. There was no non-sustained fair value measurement in the Company at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

X. FAIR VALUE (Continued)

(III) Basis for determination of the market value of sustained level 1 fair value measuring items

The fair value of futures contract, investment in other equity instruments – H shares of Qinhuangdao Port is measured based on the unadjusted quotations in an active market as at the date of the balance sheet, which belongs to level 1 fair value.

Financial assets/liabilities	Fair value as at			Valuation Technique and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	30 June 2020 (RMB)	31 December 2019 (RMB)	Fair value hierarchy			
Financial assets at fair value through profit or loss – futures contract		716,960.00	Level 1	There are quotations in active markets.	N/A	N/A
Financial liabilities at fair value through profit or loss – futures contract	4,350,440.00	3,035,060.00	Level 1	There are quotations in active markets.	N/A	N/A
Financial assets at fair value through other comprehensive income – listed equity investments	20,491,816.90	24,865,939.10	Level 1	There are quotations in active markets.	N/A	N/A

(IV) Sustained level 2 fair value measuring items:

The fair value of investment in preference shares is calculated based on the market quotation in the inactive market close to the balance sheet date. The amounts of assets have observable inputs at the balance sheet date, which belong to the level 2 fair value.

Financial assets/liabilities	Fair value as at			Valuation Technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs and fair value
	30 June 2020 (RMB)	31 December 2019 (RMB)	Fair value hierarchy			
Financial assets at fair value through other comprehensive income – preference shares	102,750,000.00	101,060,000.00	Level 2	Quotations from the identical or similar assets in the inactive market at the end of the reporting period	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

X. FAIR VALUE (Continued)

(V) Qualitative and quantitative information of valuation techniques and important parameters used in sustained level 3 fair value measuring items

1. Valuation techniques and inputs description

Level 3 financial instruments mainly include the unlisted equity investments, bank wealth management 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.

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation Technique and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	30 June 2020 (RMB)	31 December 2019 (RMB)				
Financial assets at fair value through other comprehensive income – unlisted equity investments	6,872,148,695.28	7,216,293,524.21	Level 3	Market comparison approach and asset-based approach, the fair value is calculated based on the financial performance of comparable listed companies, industry price multiplier and liquidity discount, investment costs and the financial performance of investing enterprises.	Industry price multiplier, scale adjustment factor, growth rate adjustment factor, profit margin adjustment factor and liquidity discount	The higher the industry price multiplier, scale adjustment factor, growth rate adjustment factor and profit margin adjustment factor, the higher the fair value. The smaller the liquidity discount, the higher the fair value.
Financial assets at fair value through profit or loss – unlisted open-end equity funds	1,245,837,245.51	938,546,351.20	Level 3	The discounted cash flows, together with the estimated future cash flows based on the expected recoverable amount, are discounted at a rate that reflects management's best estimate of the expected level of risk.	The discount rate corresponding to the expected future cash flows and the expected level of risk.	The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
Financial assets at fair value through profit or loss – bank wealth management	701,840,033.04		Level 3	The discounted cash flows, together with the estimated future cash flows based on the expected recoverable amount, are discounted at a rate that reflects management's best estimate of the expected level of risk.	The discount rate corresponding to the expected future cash flows and the expected level of risk.	The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

X. FAIR VALUE (Continued)

(V) Qualitative and quantitative information of valuation techniques and important parameters used in sustained level 3 fair value measuring items (Continued)

2. Reconciliation of level 3 fair value measurements

Items	Financial assets at fair value through other comprehensive income (RMB)	Financial assets at fair value through profit or loss (RMB)	Total
Opening balance	7,216,293,524.21	938,546,351.20	8,154,839,875.41
Redemption	31,293,524.21	42,196,495.27	73,490,019.48
Additions		877,713,576.93	877,713,576.93
Change in fair value	-312,851,304.72	173,613,845.69	-139,237,459.03
Closing balance	<u>6,872,148,695.28</u>	<u>1,947,677,278.55</u>	<u>8,819,825,973.83</u>

(VI) For sustained fair value measuring items, there was no conversion between hierarchies that occurs in the period

(VII) There were no changes in valuation techniques in the period

(VIII) There was no circumstance that the best use of non-financial assets is different from the current use in the Company.

(IX) Fair value of the financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include accounts receivable, short-term borrowings, accounts payable, non-current liabilities due within one-year, long-term borrowings, bonds payable, lease liabilities and long-term payables.

The book value of the above financial assets and liabilities not measured at fair value approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Information on the Company's parent company

Name of the parent company	Registration place	Nature of business	Registered capital (RMB0'000)	Shareholding percentage in the Company (%)	Proportion of voting rights 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

1. 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.

2. Ultimate controller of the Company

The ultimate parent company of the Company is Inner Mongolia Yitai Investment Co., Ltd. with no de facto controller.

(II) Refer to (I) Interests in Subsidiaries under Note (VIII) for details on the Company's subsidiaries

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Information on the Company's joint ventures and associates

Refer to (II) Interests in Joint arrangements or Associates under Note (VIII) for details on the Company's major joint ventures or associates.

Information on other joint ventures or associates, which have made a related party transaction with the Company in the period, or previously with balances being formed, are as follows:

Name of joint venture or associate	Relationship with the Company
Ordos Yitai Water Co., Ltd.	Joint venture
Ordos Tiandi Huarun Mine Equipment Co., Ltd.	Associate
Inner Mongolia Jingtai Power Generation Co., Ltd.	Associate
Inner Mongolia Yuanji Chemical Co., Ltd.	Associate
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Associate
Inner Mongolia Yitai Finance Company Limited	Associate which is a subsidiary of the parent company and owned as to 40.00% by the Company
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	Associate which is a subsidiary of the parent company and owned as to 20.00% by the Company
Ordos Gonggouyangta Storage and Transportation Co., Ltd.	Associate
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)	Associate
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)	Associate

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) 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.	Joint stock company
Inner Mongolia Jinglong Power Generation Co., Ltd.	Wholly-owned subsidiary of the shareholder of a subsidiary
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Shareholder of a subsidiary
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Subsidiary of the parent company
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Branch 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 related 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. Hohhot Branch	Indirect subsidiary of the parent company
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Indirect subsidiary of the parent company
Synfuels China Engineering Holdings Co., Ltd.	Indirect subsidiary of the parent company

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Information on other related parties (Continued)

Name of other related party	Relationship between the other related party with the 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
Inner Mongolia Yitai Beijiing International Trade Co., Ltd. (內蒙古伊泰北疆國際貿易有限公司)	Indirect subsidiary of the parent company
Inner Mongolia Yitai Agricultural Development Co., Ltd. (內蒙古伊泰農業發展有限公司)	Indirect subsidiary of the parent company
Beijing Yitai Lingnong Technology Co., Ltd. (北京伊泰領農科技有限公司)	Indirect subsidiary of the parent company
Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	A company controlled by the related natural person
Guangdong Power Industry Fuel Co., Ltd.	Subsidiary of a controlling shareholder of a subsidiary's shareholder
Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	Controlling shareholder of a subsidiary's shareholder

(V) Information on related party transactions

The related party transaction agreements entered into by the Company and related parties shall be carried out on the principle of voluntariness, equality and mutual benefit, and the transaction price shall be executed in accordance with the market price.

1. The transactions between subsidiaries that have control relations and have been incorporated into the Company's consolidated financial statements and parent company have been offset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

2. Related party transactions on purchase of goods and acceptance of services

Unit: RMB'0,000

Related party	Content of related party transactions	Amount in the current period	Amount in the last period
Inner Mongolia Yitai Information Technology Co., Ltd.	Software, operation and maintenance services, etc.	1,164.93	656.99
Inner Mongolia Machine Equipments Complete Co., Ltd.	Supervision services	1,450.15	193.96
Synfuels China Inner Mongolia Co., Ltd.	Catalysts	11,318.31	14,319.00
Synfuels China Engineering Holdings Co., Ltd.	Equipment and technical services, etc.	4,732.70	1,627.40
Inner Mongolia Yitai Group Co., Ltd.	Coal	114,352.54	153,717.28
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	Coal	16,447.83	9,730.56
Keling Environmental Protection Co., Ltd.	Treatment of hazardous waste	594.49	869.36
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Agricultural by-products		72.71
Inner Mongolia Yitai Western Coal Co., Ltd.	Coal	400.31	17,110.72
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity charges	1,495.43	1,336.41
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Agricultural by-products		0.78
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Agricultural by-products	7.86	
Mengji Railway Co., Ltd.	Transportation services	25,534.43	49,352.39

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

2. Related party transactions on purchase of goods and acceptance of services (Continued)

Related party	Content of related party transactions	Amount in the current period	Amount in the last period
Inner Mongolia Yitai Pastoral Technological Innovation Incubator Service Limited	Agricultural by-products		2.58
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	87.92	
Yigudao (Beijing) Food Marketing Co., Ltd.	Agricultural by-products	440.57	31.19
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Agricultural by-products	1.40	
Synfuels China Inc.	Technical services	7.55	
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Fixed assets	9.95	
Inner Mongolia Yitai Beijiang International Trade Co., Ltd. (內蒙古伊泰北疆國際貿易有限公司)	Agricultural by-products	70.81	
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Flowers	23.98	
Beijing Yitai Lingnong Technology Co., Ltd. (北京伊泰領農科技有限公司)	Agricultural by-products	77.53	
Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	Sewage treatment	1,688.48	3,461.38
Total		<u>179,907.17</u>	<u>252,482.71</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

3. Related party transactions on sales of goods and provision of services

Unit: RMB'0,000

Related party	Content of related party transactions	Amount in the current period	Amount in the last period
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	Materials, equipment, lease services, etc.	2,228.64	6,050.91
Inner Mongolia Jingtai Power Generation Co., Ltd.	Coal	8,261.80	8,792.93
Synfuels China Inner Mongolia Co., Ltd.	Oil products, liquefied gas, etc.	29.49	281.16
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Transportation services	6,914.50	5,959.26
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Moving services, lease, materials, etc.	463.63	537.52
Keling Environmental Protection Co., Ltd.	Assets, electricity, materials, etc.	82.15	326.62
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Electricity and materials	795.08	711.94
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Oil products, assets and others	8.36	11.73
Inner Mongolia Jinglong Power Generation Co., Ltd.	Coal	2,581.32	1,092.89
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity, coal and others	10.16	10.88
Synfuels China Inc.	Catering and accommodation services	5.54	11.38

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

3. Related party transactions on sales of goods and provision of services (Continued)

Related party	Content of related party transactions	Amount in the current period	Amount in the last period
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Common media and coal	5.58	5.15
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	7,520.74	4,806.25
Inner Mongolia Yitai Real Estate Co., Ltd.	Fixed assets, equipment, etc.	4.13	
Yigudao (Beijing) Food Marketing Co., Ltd.	Fixed assets and materials	0.05	
Inner Mongolia Yitai Agricultural Development Co., Ltd.	Fixed assets and materials	0.14	
Inner Mongolia Yitai Information Technology Co., Ltd.	Fixed assets	5.81	
Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	Oil products	23.57	8.70
Guangdong Power Industry Fuel Co., Ltd.	Coal	34,451.80	43,957.59
Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	Oil products		52.11
Inner Mongolia Yitai Group Co., Ltd.	Service management charges	9.71	
Total		<u>63,402.20</u>	<u>72,617.02</u>

4. There was no related entrusting business in the Company.

5. There was no related contracting business in the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

6. Related party leasing

- (1) The Company acts as a lessee

Name of lessor	Type of leased assets	Rental expenses recognised in the period	Rental expenses recognised in last period
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	Equipment	3,291,666.67	3,750,000.00
Guangbo Huitong Finance Leasing Company Limited	Equipment	3,950,000.00	4,500,000.00
Total		<u>7,241,666.67</u>	<u>8,250,000.00</u>

- 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. Amortisation on finance costs unrecognised in the period, amounting to RMB3,291,666.67, was included in construction in progress, the closing balance of lease liabilities was RMB0.00, and unrecognised finance costs amounted to RMB0.00.
- 2) Yitai Xinjiang Energy Co., Ltd. (Xinjiang Energy), a subsidiary of the Company, entered into a sale and leaseback agreement with Guangbo Huitong Finance Leasing Company Limited in December 2017, pursuant to which Xinjiang Energy sold its assets to Guangbo Huitong Finance Leasing Company Limited at a consideration of RMB180,000,000.00, and Guangbo Huitong Finance Leasing Company Limited rent the acquired assets to Xinjiang Energy with total rental fees of RMB201,490,000.00 on an interest rate of 5.00% for a term of three years. Amortisation on finance costs unrecognised in the period, amounting to RMB3,950,000.00, was included in construction in progress, the closing balance of lease liabilities was RMB0.00, and unrecognised finance costs amounted to RMB0.00.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

6. Related party leasing (Continued)

(2) The Company acts as a lessor

Name of lessee	Type of leased assets	Rental expenses recognised in the period	Rental expenses recognised in last period
Inner Mongolia Yitai Real Estate Co., Ltd.	Houses and buildings	2,752,293.58	
Keling Environmental Protection Co., Ltd.	Houses and buildings	55,045.87	
Inner Mongolia Yitai Information Technology Co., Ltd.	Houses and buildings	55,045.87	
Total		<u>2,862,385.32</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

7. Financial services

- (1) Acceptance of financial services from Inner Mongolia Yitai Group Finance Company Limited

In December 2017, the Company entered into the Financial Services Framework Agreement with Inner Mongolia Yitai Group Finance Company Limited (the "Finance Company") for a term of three years commencing from 1 January 2018 and ending on 1 January 2021, pursuant to which the Finance Company provided deposits, loans and other financial services to the Company based on the Company's needs. Set out below is the provision of deposits, loans and other financial services by the Finance Company to the Company during the period:

Items	Opening amount	Increase for the period	Decrease for the period	Closing amount	Interests and fees received or paid
Deposits with the Finance Company	7,678,291,187.12	66,616,903,914.22	66,678,195,606.45	7,616,999,494.89	14,856,876.08
Loans from the Finance Company	4,350,000,000.00	500,000,000.00	1,300,000,000.00	3,550,000,000.00	77,476,875.01
Total	<u>12,028,291,187.12</u>	<u>67,116,903,914.22</u>	<u>67,978,195,606.45</u>	<u>11,166,999,494.89</u>	<u>92,333,751.09</u>

8. Related party guarantees

- (1) The Company acts as a guarantor

Name of guaranteed party	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	<u>1,000,000,000.00</u>			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

8. Related party guarantees (Continued)

(2) The Company acts as the guaranteed party

Name of guarantor	Guaranteed amount	Start date	Due date	Whether the guarantee has been fulfilled
Inner Mongolia Yitai Group Co., Ltd.	18,000,000.00	2008.3.18	2021.11.12	No
Inner Mongolia Yitai Group Co., Ltd.	42,000,000.00	2007.7.23	2021.7.22	No
Inner Mongolia Yitai Group Co., Ltd.	300,000,000.00	2020.3.25	2022.3.24	No
Inner Mongolia Yitai Group Co., Ltd.	100,000,000.00	2019.3.26	2022.3.26	No
Inner Mongolia Yitai Group Co., Ltd.	93,100,000.00	2018.3.27	2023.3.26	No
Inner Mongolia Yitai Group Co., Ltd.	24,255,000.00	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.	1,519,775,000.00	2018.12.27	2021.12.25	No
Inner Mongolia Yitai Group Co., Ltd.	500,000,000.00	2020.3.31	2023.3.31	No
Inner Mongolia Yitai Group Co., Ltd.	1,300,000,000.00	2019.6.17	2031.6.16	No
Inner Mongolia Yitai Group Co., Ltd.	19,700,000.00	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.	470,400,000.00	2017.6.28	2029.6.22	No
Inner Mongolia Yitai Group Co., Ltd.	58,800,000.00	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.	7,840,000.00	2017.7.25	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	34,496,000.00	2017.9.30	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	36,064,000.00	2017.10.31	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	34,496,000.00	2018.12.28	2028.12.15	No

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

8. Related party guarantees (Continued)

(2) The Company acts as the guaranteed party (Continued)

Name of guarantor	Guaranteed amount	Start date	Due date	Whether the guarantee has been fulfilled
Inner Mongolia Yitai Group Co., Ltd.	39,690,000.00	2018.1.16	2028.12.25	No
Inner Mongolia Yitai Group Co., Ltd.	26,460,000.00	2018.2.2	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	17,640,000.00	2018.2.2	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	26,460,000.00	2018.4.28	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	17,640,000.00	2018.4.28	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	199,000,000.00	2020.2.28	2025.1.23	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.	111,702,400.00	2014.3.25	2028.3.25	No
Inner Mongolia Yitai Group Co., Ltd.	8,718,040.00	2014.3.25	2028.3.25	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	15,044,150.93	2006.5.17	2024.1.15	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	173,388,800.00	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 Mengtai Buliangou Coal Co., Ltd.	24,799,600.00	2014.11.19	2025.10.22	No
Total	<u>5,642,492,590.93</u>			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

9. Assets transfer and debt restructuring of related parties: Nil

10. Remuneration of directors, supervisors and key management personnel

(1) Total remuneration of directors, supervisors and key management personnel

Unit: RMB'0,000

Items	Amount in the current period	Amount in the last period
Total remuneration of directors, supervisors and key management personnel	510.55	709.18

(2) Remuneration of directors and supervisors

The remuneration of directors and supervisors of the Group from January to June 2020 are as follows:

Executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Jingquan	1.20	56.80	43.56	1.64	103.20
Liu Chunlin	1.20				1.20
Lv Junjie	1.20	41.10		1.64	43.94
Zhang Dongsheng	1.20				1.20
Ge Yaoyong	1.20				1.20
Liu Jian	1.20	45.80	2.66	1.64	51.30
Lv Guiliang	1.20	46.67	0.47	1.64	49.98
Sub-total	8.40	190.37	46.68	6.56	252.01

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

10. Remuneration of directors, supervisors and key management personnel (Continued)

(2) Remuneration of directors and supervisors (Continued)

Independent non-executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Wong Hin Wing	12.50				12.50
Zhang Zhiming	10.00				10.00
Huang Sujian	10.00				10.00
Du Yingfen	10.00				10.00
Sub-total	<u>42.50</u>	<u></u>	<u></u>	<u></u>	<u>42.50</u>

Supervisors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Zhenjin	0.60				0.60
Liu Xianghua	0.60				0.60
Li Cailing	0.60				0.60
He Peixun	0.60	10.23		1.64	12.47
Jia Xiaolan	0.10	21.63		1.64	23.37
Zhang Wei	0.50	20.38		1.64	22.52
Wang Yongliang					
Wu Qu					

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

10. Remuneration of directors, supervisors and key management personnel (Continued)

(2) Remuneration of directors and supervisors (Continued)

The remuneration of directors and supervisors of the Group from January to June 2019 are as follows:

Executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Donghai	1.20	100.48	147.67	1.50	250.85
Liu Chunlin	1.20			0.86	2.06
Wang Sanmin	1.20	44.52	15.19	1.50	62.41
Zhang Dongsheng	1.20			0.86	2.06
Ge Yaoyong	1.20			0.86	2.06
Song Zhanyou	1.20			0.86	2.06
Lv Guiliang	1.20	40.18	20.71	1.50	63.59
Sub-total	<u>8.40</u>	<u>185.18</u>	<u>183.57</u>	<u>7.95</u>	<u>385.10</u>

Independent non-executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Wong Hin Wing	12.50				12.50
Zhang Zhiming	10.00				10.00
Huang Sujian	10.00				10.00
Yu Youguang	10.00				10.00
Sub-total	<u>42.50</u>				<u>42.50</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

10. Remuneration of directors, supervisors and key management personnel (Continued)

(2) Remuneration of directors and supervisors (Continued)

Supervisors	Fees	Salaries and allowances	Bonus	Pension	Total
Yuan Bing	0.60			0.86	1.46
Liu Xianghua	0.60			0.86	1.46
Li Cailing	0.60			0.86	1.46
He Peixun	0.60	8.42		1.34	10.36
Jia Xiaolan	0.60				0.60
Wang Yongliang	5.00				5.00
Wu Qu	5.00				5.00
Sub-total	<u>13.00</u>	<u>8.42</u>		<u>3.93</u>	<u>25.35</u>

(3) Five highest paid employees

The remuneration of the five highest paid employees of the Group from January to June 2020, which included 2 directors and 3 individuals (the five highest paid employees of the Group from January to June 2019 included 1 director and 4 individuals) are as follows:

Items	From January to June 2020	From January to June 2019
Salaries and allowances	212.88	299.09
Bonus	127.91	381.96
Pension	<u>8.20</u>	<u>11.04</u>
Total	<u>348.99</u>	<u>692.09</u>

Of which: the number of highest paid employees who are not directors of the Company and whose remuneration falls within the following ranges are as follows:

Range (RMB)	From January to June 2020 Number of employees	From January to June 2019 Number of employees
HK\$500,001 to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000		2
HK\$1,500,001 to HK\$2,000,000		1
Total	<u>3</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

11. Accounts receivable from and accounts payable to related parties

(1) Receivables from related parties of the Company

Items	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	14,647,665.31		23,305,980.65	
	Inner Mongolia Jingtai Power Generation Co., Ltd.	40,696,022.14		25,123,364.02	
	Synfuels China Inner Mongolia Co., Ltd.	96,828.50		5,106,839.83	
	Inner Mongolia Yuanji Chemical Co., Ltd.	45,641,362.45		30,962,651.88	
	Synfuels China Engineering Holdings Co., Ltd.	4,282,150.00		19,083,550.00	
	Synfuels China Inc.	19,960.00			
	Inner Mongolia Yitai Group Co., Ltd. Hongjinta Mine No. 2	132,430.35		1,454,506.36	
	Ordos Gonggouyangta Storage and Transportation Co., Ltd.			2,315,607.23	
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	42,043.85		45,263.75	
	Inner Mongolia Yitai Group Co., Ltd.	3,105.69			
	Inner Mongolia Yitai Real Estate Co., Ltd.	3,000,000.00			
	Inner Mongolia Yitai Agricultural Development Co., Ltd. (內蒙古伊泰農業發展有限公司)	1,255.74			
	Keling Environmental Protection Co., Ltd.	676,855.12			
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	3,715,327.85			
	Inner Mongolia Yitai Impression Flowers Co., Ltd.	59,601.89			
	Inner Mongolia Jinglong Power Generation Co., Ltd.			5,841,746.40	
Prepayments					
	Mengji Railway Co., Ltd.	13,741,180.76		14,867,731.03	
	Inner Mongolia Yitai Information Technology Co., Ltd.	6,000,000.00		6,000,000.00	
	Synfuels China Engineering Holdings Co., Ltd.	15,382,500.00		17,525,003.00	
	Inner Mongolia Machine Equipments Complete Co., Ltd.	25,249,694.28		34,266,815.31	
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	541,731.62			
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	1,593,081.30			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

11. Accounts receivable from and accounts payable to related parties (Continued)

(1) Receivables from related parties of the Company (Continued)

Items	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
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
	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		210,328.02	
	Inner Mongolia Yitai Real Estate Co., Ltd.	46,683.21			
	Yigudao (Beijing) Food Marketing Co., Ltd.	526.37			
	Inner Mongolia Yitai Agricultural Development Co., Ltd. (內蒙古伊泰農業發展有限公司)	2,859.33			
	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	361,289.50			
	Keling Environmental Protection Co., Ltd.	2,262.68			
	Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd.	937,371.29			
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	6,568.80		6,568.80	
	Synfuels China Inc.	10,000,000.00		10,000,000.00	
	Inner Mongolia Yitai Eco-agriculture Co., Ltd.	2,017.49		2,403.80	
	Inner Mongolia Yuanji Chemical Co., Ltd.	-		15,300.00	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

11. Accounts receivable from and accounts payable to related parties (Continued)

(2) Payables to related parties of the Company

Items	Related party	Closing balance	Opening balance
Notes payable	Synfuels China Inner Mongolia Co., Ltd.	54,710,000.00	35,150,000.00
Accounts payable	Inner Mongolia Yitai Information Technology Co., Ltd.	267,958.97	1,124,189.30
	Inner Mongolia Machine Equipments Complete Co., Ltd.		97,927.41
	Inner Mongolia Yitai Group Co., Ltd.	190,081,718.10	115,710,440.00
	Ordos Yitai Water Co., Ltd.		13,160,283.84
	Inner Mongolia Yitai New Energy Development Co., Ltd.	2,883,017.90	
	Synfuels China Engineering Holdings Co., Ltd.	41,327,676.08	58,756,532.40
	Synfuels China Inner Mongolia Co., Ltd.	52,094,906.89	87,610,068.76
	Keling Environmental Protection Co., Ltd.	536,332.39	1,161,583.50
	Inner Mongolia Yitai Western Coal Co., Ltd.	4,523,455.21	
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	25,440,011.74	
	Mengji Railway Co., Ltd.	7,695.00	
	Inner Mongolia Yuanji Chemical Co., Ltd.	439,646.02	
Other payables	Inner Mongolia Yitai Information Technology Co., Ltd.	433,934.23	1,863,279.97
	Inner Mongolia Machine Equipments Complete Co., Ltd.	7,894,501.32	598,803.10
	Synfuels China Engineering Holdings Co., Ltd.	109,470,635.53	73,266,317.53
	Synfuels China Inc.	36,000,000.00	36,000,000.00
	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.		23,372,786.33
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	53.60	53.60
	Keling Environmental Protection Co., Ltd.	693,452.00	1,020.60
	Inner Mongolia Yitai Real Estate Co., Ltd.		229,154,919.60
	Yitai Group (Hongkong) Co., Ltd.	26,957,560.59	15,803,729.38
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	1,245.83	
	Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)	600,000.00	
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	3,339,886.43	
	Guangbo Huitong Finance Leasing Company Limited	10,100.00	
	Inner Mongolia Yitai Group Co., Ltd.	5,222.00	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

11. Accounts receivable from and accounts payable to related parties (Continued)

(2) Payables to related parties of the Company (Continued)

Items	Related party	Closing balance	Opening balance
Contract liabilities	Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	4,963,732.75	9,494,526.20
	Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.		1,266,897.74
	Synfuels China Inner Mongolia Co., Ltd.	9,575.00	1,645.00
	Inner Mongolia Yuanji Chemical Co., Ltd.	19,064.06	17,215.03
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group		113,438.80
	Synfuels China Inner Mongolia Technology Institute Co., Ltd.		1,326.10
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	1,590,944.76	467,847.00
	Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	160,194.30	130,076.80
	Lease liabilities		
	Guangbo Huitong Finance Leasing (Shenzhen) Company Limited		150,000,000.00
	Guangbo Huitong Finance Leasing Company Limited		180,000,000.00

12. Commitments of related parties: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XII. THERE WAS NO SHARE-BASED PAYMENT IN THE PERIOD OF THE COMPANY.

XIII. COMMITMENTS AND CONTINGENT EVENTS

(I) Significant commitments

1. Capital commitment

Unit: RMB'0,000

Item	2020	2019
Capital expenditures approved by the Board	321,534.72	490,821.00

2. Save for the aforesaid commitments, as of closing balance, there were no other significant commitments that shall be disclosed by the Company.

(II) Significant contingent events as at the Balance Sheet Date

1. Contingent events arising from pending litigation or arbitration and their financial implications

Plaintiff	Defendant	Case	Court	Worth of the subject (RMB'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. (東營海豐石油化工有限公司) ("Dongying Haifeng")	Sale and purchase contract of petrochemical products	Ordos Intermediate People's Court	1,542.84	Enforcing



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

XIII. COMMITMENTS AND CONTINGENT EVENTS *(Continued)*

(II) Significant contingent events as at the Balance Sheet Date *(Continued)*

1. Contingent events arising from pending litigation or arbitration and their financial implications *(Continued)*

- 1) Yitai Petrochemical entered into the “Sale and Purchase Contract of Petrochemical Products” with Dongying Haifeng, pursuant to which, Yitai Petrochemical sold the petrochemical products to Dongying Haifeng for RMB30,233,200. Dongying Haifeng failed to pay Yitai Petrochemical the purchase payments. In February 2016, Yitai Petrochemical applied to the Ordos Intermediate People’s Court for pre-litigation property preservation of Dongying Haifeng; in March 2016, the Ordos Intermediate People’s Court issued the “Enforcement Order” [2016] Neizhizi No. 151 and seized three real estates of Dongying Haifeng. Among them, one seized real estate of Dongying Haifeng has been sold in the auction for RMB14,804,800 which Yitai Petrochemical has recovered, and other seized real estate and land use right are in the process of being executed as of the date of this Report.

For the above-mentioned pending litigation, if the management of the Company, based on their judgments and taking into account the legal opinions, are able to reasonably estimate the outcome of the litigation, the Company will provide for estimated losses 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 losses in respect of the pending litigation.

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 for bad debts.

As of 30 June 2020, 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

XIV. POST-BALANCE SHEET DATE EVENT

- (I) Profit distribution: Nil
- (II) Except for the above matters, the Company has no other post-balance sheet date event.

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Annuity plan

The main contents and material changes of the annuity plan can be found in Note 27. Employee benefits payable – Description of defined contribution plan under Note VI. Notes to major Items of the Consolidated Financial Statements.

(II) Segment information

1. Determination criterion and accounting policies of the reporting segments

Operating segments of the Company are identified on the basis of internal organisation 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 conditions, operating results, cash flow and related accounting information are 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2020

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS *(Continued)*

(II) Segment information *(Continued)*

1. Determination criterion and accounting policies of the reporting segments *(Continued)*

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 jointly by segments and relevant expenses are distributed among segments according to the proportion of income.

2. Factors considered when determine reportable segments of the Company, types of products and services of reportable segments

The Company's reportable segments 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS (Continued)

(II) Segment information (Continued)

3. Financial information of the reporting segments

Unit of amount: RMB'0,000

Items	Coal segment	Closing balance/In the current period				Total
		Coal-related chemical segment	Transportation segment	Others	Elimination	
I Operating revenue	1,299,494.51	240,725.94	81,451.54	1,069.02	-83,106.48	1,539,634.53
Of which: revenue from external transactions	1,275,495.96	238,348.43	24,721.12	1,069.02		1,539,634.53
Revenue from intersegment transactions	23,998.55	2,377.51	56,730.42		-83,106.48	
II Operating expenses	1,101,846.33	248,926.05	60,417.09	2,875.54	-76,017.28	1,338,047.73
Of which: income from investment in associates and joint ventures	8,649.81	-120.64	54.81			8,583.98
Impairment loss of assets	2,907.86	-36.6				2,871.26
Depreciation and amortization expenses	53,107.60	47,251.59	24,492.47	228.17	-645.45	124,434.38
III Total profit (loss)	163,494.78	-47,786.05	12,765.39	15,430.78	-2,972.51	140,932.39
IV Income tax expenses	33,710.94	-3,123.96	223.88	0.56	6,542.66	37,354.08
V Net profits (losses)	129,783.84	-44,662.08	12,541.51	15,430.23	-9,515.20	103,578.30
VI Total assets	6,504,017.29	3,433,448.91	1,266,570.69	257,653.94	-2,352,182.03	9,109,508.80
VII Total liabilities	2,950,231.41	2,269,556.63	419,665.59	81,399.91	-1,080,900.86	4,639,952.68
VIII Other significant non-monetary items						
1. Capital expenditure	49,900.17	28,737.15	6,793.66		-1,912.29	83,518.69



NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS (Continued)

(III) 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. (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.

(IV) Impact assessment on COVID-19 epidemic

Since the outbreak of the COVID-19 epidemic (“COVID-19 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 its branches 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.

In the first half of 2020, affected by COVID-19 Epidemic and economic slowdown, the demand in downstream declined, which led to a sharp decline in the Company’s benefits. The Company will continue to pay close attention to the development of the COVID-19 Epidemic, and evaluate and actively respond to its significant adverse impact on the financial situation and operating results of the Group.

(V) Other significant transactions and events affecting investors’ decision-making: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Notes receivable

1. Category of notes receivable

Items	Closing balance	Opening balance
Bank acceptance bills		10,000,000.00
Commercial acceptance bills		
Total		10,000,000.00

2. Presentation of expected credit losses on notes receivable

Category	Book balance		Opening balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Notes receivable that provided expected credit losses on single basis					
Notes receivable that provided expected credit losses on portfolio basis	10,000,000.00	100.00			10,000,000.00
Of which: customers with extremely low credit risk	10,000,000.00	100.00			10,000,000.00
Total	10,000,000.00	100.00			10,000,000.00

3. There was no notes receivable that provided expected credit losses on single basis as at the end of the period

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Notes receivable (Continued)

4. Notes receivable for which expected credit losses are provided with credit risk characteristics

Portfolio	Book balance	Opening balance Loss provision	Percentage (%)
Customers with lower credit risk	10,000,000.00		
Total	10,000,000.00		

Explanation of recognition basis of the portfolio: clients with good credit and frequent business relationship and amounts with extremely low credit risks after assessment

- There was no provision, recovery or reversal of loss provision during the period
- There was no notes receivable actually written off during the period
- Notes receivable pledged by the Company at the end of the period: Nil
- Endorsed or discounted bills receivable that are not mature on balance sheet date at the end of the period

Items	Confirmed at the period end	Not confirmed at the period end
Bank acceptance bills	577,681,284.54	
Commercial acceptance bills		
Total	577,681,284.54	

- There was no notes that were transferred to accounts receivable by the Company at the end of the period because the drawer failed to perform contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Closing balance	Opening balance
Within 1 year	1,306,120,643.53	800,966,233.92
1 to 2 years	911,114.28	1,680,152.45
2 to 3 years	1,670,646.45	
3 to 4 years		
4 to 5 years		
Over 5 years		
Sub-total	<u>1,308,702,404.26</u>	<u>802,646,386.37</u>
Less: bad debts provisions		
Total	<u>1,308,702,404.26</u>	<u>802,646,386.37</u>

2. Account receivables classified disclosure

Category	Book balance		Closing balance		Carrying value
	Amount	Percentage (%)	Amount	Loss provision Percentage (%)	
Account receivables that provided expected credit losses on single basis					
Account receivables that provided expected credit losses on portfolio basis	1,308,702,404.26	100.00			1,308,702,404.26
Of which: customers with extremely low credit risk	1,308,702,404.26	100.00			1,308,702,404.26
Total	<u>1,308,702,404.26</u>	<u>100.00</u>			<u>1,308,702,404.26</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Accounts receivable (Continued)

2. Account receivables classified disclosure (Continued)

Category	Book balance		Opening balance		Carrying value
	Amount	Percentage (%)	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 extremely low credit risk	<u>802,646,386.37</u>	<u>100.00</u>			<u>802,646,386.37</u>
Total	<u>802,646,386.37</u>	<u>100.00</u>			<u>802,646,386.37</u>

Description of classification of accounts receivable:

- (1) There was no accounts receivable that provided expected credit losses on single basis as at the end of the period
- (2) Accounts receivable in the portfolio for which expected credit losses are provided with credit risk characteristics portfolio

Portfolio	Accounts receivable	Closing balance Impairment provision	Percentage (%)
Customers with extremely low credit risk	<u>1,308,702,404.26</u>		
Total	<u>1,308,702,404.26</u>		

Portfolio	Accounts receivable	Opening balance Impairment provision	Percentage (%)
Customers with extremely low credit risk	<u>802,646,386.37</u>		
Total	<u>802,646,386.37</u>		

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)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Accounts receivable (Continued)

3. There was no provision, recovery or reversal of loss provision by the Company during the period.
4. There was no accounts receivable actually written off by the Company during the reporting period.
5. Account receivables from top five debtors by closing balance

Name of entity	Closing balance	Percentage in the closing balance of accounts receivable (%)	Provision for bad debts
First	415,458,591.78	31.75	
Second	260,082,146.81	19.87	
Third	217,000,384.65	16.58	
Fourth	158,674,211.69	12.12	
Fifth	108,484,299.77	8.29	
Total	<u>1,159,699,634.70</u>	<u>88.61</u>	

6. There was no accounts receivable subject to derecognition by the Company due to the transfer of financial assets at the end of period.
7. There was no assets and liabilities of the Company arising from transfer of and continued involvement in accounts receivables at the end of period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables

Items	Closing balance	Opening balance
Dividends receivable	315,080,000.00	315,080,000.00
Other receivables	11,863,264,190.70	10,832,649,102.84
Total	12,178,344,190.70	11,147,729,102.84

(I) Dividends receivable

Investee	Closing balance	Opening balance
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	30,000,000.00	30,000,000.00
Inner Mongolia Yitai Huzhun Railway Co., Ltd.	285,080,000.00	285,080,000.00
Total	315,080,000.00	315,080,000.00

(II) Other receivables

1. Disclosure of other receivables by aging

Aging	Closing balance	Opening balance
Within 1 year	5,324,815,561.78	7,264,352,653.06
1 to 2 years	6,359,181,827.44	726,483,789.35
2 to 3 years	100,799,611.43	2,851,850,992.12
3 to 4 years	88,505,521.74	
4 to 5 years		
Over 5 years		
Sub-total	11,873,302,522.39	10,842,687,434.53
Less: bad debts provisions	10,038,331.69	10,038,331.69
Total	11,863,264,190.70	10,832,649,102.84

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(II) Other receivables (Continued)

2. Other receivables classified disclosure

Category	Book balance		Closing balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that provided expected credit losses on single basis	13,058,201.69	0.11	10,038,331.69	76.87	3,019,870.00
Other receivables that provided expected credit losses on portfolio basis	11,860,244,320.70	99.89			11,860,244,320.70
Of which: customers with extremely low credit risk	11,860,244,320.70	99.89			11,860,244,320.70
Total	11,873,302,522.39	100.00	10,038,331.69	0.08	11,863,264,190.70

Category	Book balance		Opening balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that provided expected credit losses on single basis	16,058,201.69	0.15	10,038,331.69	62.51	6,019,870.00
Other receivables that provided expected credit losses on portfolio basis	10,826,629,232.84	99.85			10,826,629,232.84
Of which: customers with extremely low credit risk	10,826,629,232.84	99.85			10,826,629,232.84
Total	10,842,687,434.53	100.00	10,038,331.69	0.09	10,832,649,102.84

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(II) Other receivables (Continued)

2. Other receivables classified disclosure (Continued)

Description of classification of other receivables:

- (1) Closing balance includes other receivables that provided expected credit losses on single basis

Name of entity	Other receivables	Closing balance		Reason
		Impairment provision	Percentage (%)	
Ordos Tiandi Huarun Mine Equipment Co., Ltd.	8,372,681.49	8,372,681.49	100.00	Expected to be unrecoverable
Finance Division, Department of Land and Resources of Inner Mongolia Autonomous Region (內蒙古自治區國土資源廳財務處)	4,492,540.00	1,472,670.00	32.78	Expected partly not to be unrecoverable
Shanghai Ordos Real Estate Management Co., Ltd. (上海鄂爾多斯置業經營管理有限公司)	192,980.20	192,980.20	100.00	Expected to be unrecoverable
Total	13,058,201.69	10,038,331.69	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(II) Other receivables (Continued)

2. Other receivables classified disclosure (Continued)

- (2) Other receivables in the portfolio for which expected credit losses are provided with credit risk characteristics portfolio

Portfolio	Other receivables	Closing balance Impairment provision	Percentage (%)
Customers with extremely low credit risk	11,860,244,320.70		
Total	11,860,244,320.70		

Portfolio	Other receivables	Opening balance Impairment provision	Percentage (%)
Customers with extremely low credit risk	10,826,629,232.84		
Total	10,842,687,434.53		

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)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(II) Other receivables (Continued)

3. Loss provision for other receivables

	Phase I Expected credit losses over the next 12 months	Phase II Lifetime expected credit losses (no credit impairment occurred)	Phase III Lifetime expected credit losses (credit impairment occurred)	Total
Opening balance		1,665,650.20	8,372,681.49	10,038,331.69
Opening balance during the period				
Transfer into the phase III				
Provisions during the period				
Recovery or reversal during the period				
Write-off during the period				
Other changes during the period				
Closing balance		<u>1,665,650.20</u>	<u>8,372,681.49</u>	<u>10,038,331.69</u>

4. There was no provision, recovery or reversal of loss provision during the period

5. There was no other receivables actually written off by the Company during the reporting period:

6. Classification of other receivables by nature

Items	Closing balance	Opening balance
Entrusted loans	20,000,000.00	3,520,000,000.00
Current accounts	11,710,947,175.82	7,190,515,559.16
Margins	132,842,418.30	126,990,756.92
Borrowings of employees	9,271,851.70	5,174,018.45
Deposits	<u>241,076.57</u>	<u>7,100.00</u>
Total	<u>11,873,302,522.39</u>	<u>10,842,687,434.53</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(II) Other receivables (Continued)

7. Other receivables from top five debtors by closing balance

Name of entity	Nature	Closing balance	Aging	Percentage in the closing balance of other receivables (%)	Closing balance of provisions for bad debts
First	Current	3,700,878,873.85	Within 1 year	31.17	
	accounts	1,650,580,259.62	1-2 year(s)	13.90	
Second	Current	1,158,127,721.53	Within 1 year	9.75	
	accounts	3,115,196,037.16	1-2 year(s)	26.24	
Third	Current	52,490,233.31	Within 1 year	0.44	
	accounts	571,029,906.33	1-2 year(s)	4.81	
Fourth	Current	73,764,902.37	Within 1 year	0.62	
	accounts	293,334,661.67	1-2 year(s)	2.47	
Fifth	Entrusted loans	20,000,000.00	1-2 year(s)	0.17	
	Current	68,792,601.44	Within 1 year	0.58	
	accounts	218,438,347.92	1-2 year(s)	1.84	
Total		<u>10,922,633,545.20</u>		<u>91.99</u>	

8. There was no accounts receivable of the Company involved government subsidies at the end of the period.

9. There was no other receivables subject to derecognition by the Company due to the transfer of financial assets at the end of period.

10. There was no assets and liabilities of the Company arising from transfer of and continued involvement in other receivables at the end of period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investment

Nature	Closing balance			Opening balance		
	Book balance	Impairment provisions	Carrying value	Book balance	Impairment provisions	Carrying value
Investment in subsidiaries	14,108,015,317.28	50,000,000.00	14,058,015,317.28	14,022,295,317.28	50,000,000.00	13,972,295,317.28
Investments in associates and joint ventures	9,561,593,880.69	250,288.45	9,561,343,592.24	9,475,095,702.42	250,288.45	9,474,845,413.97
Total	23,669,609,197.97	50,250,288.45	23,619,358,909.52	23,497,391,019.70	50,250,288.45	23,447,140,731.25

1. Investment in subsidiaries

Investee	Initial investment cost	Opening balance	Increase during the period	Decrease during the period	Closing balance	Impairment provisions during the period	Closing balance of impairment provisions
	Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限公司)	215,447,203.47	215,447,203.47			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公司)	561,600,000.00	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			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			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)	100,000,000.00	100,000,000.00			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			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公司)	10,000,000.00	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		50,000,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investment (Continued)

1. Investment in subsidiaries (Continued)

Investee	Initial investment cost	Opening balance	Increase during the period	Decrease during the period	Closing balance	Impairment provisions during the period	Closing balance of impairment provisions
Inner Mongolia Yitai 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			2,903,354,802.53		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	1,200,160,000.00	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			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			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			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			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			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)	520,000,000.00	520,000,000.00			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)							
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			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			3,000,000.00		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investment (Continued)

1. Investment in subsidiaries (Continued)

Investee	Initial investment cost	Opening balance	Increase during the period	Decrease during the period	Closing balance	Impairment provisions during the period	Closing balance of impairment provisions
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			1,000,000.00		
Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信聿投資管理合夥企業(有限合夥))	815,720,000.00	770,000,000.00	45,720,000.00		815,720,000.00		
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			261,723,477.11		
Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	165,000,000.00	25,000,000.00	140,000,000.00		165,000,000.00		
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			20,000,000.00		
Inner Mongolia Yitai Energy Chemical Co., Ltd. (內蒙古伊泰能源化工有限公司)							
Total	14,108,015,317.28	14,022,295,317.28	185,720,000.00	100,000,000.00	14,108,015,317.28		50,000,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investment (Continued)

2. Investments in associates and joint ventures

Investee	Opening balance	Additional investments	Changes in the period		Adjustments to other Comprehensive income
			Decrease in investments	Gain or loss of investment recognized using equity approach	
I. Joint ventures					
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)	3,045,552.78			-206,998.39	
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)	472,330,140.71				
Sub-total	475,375,693.49			-206,998.39	
II. Associates					
Inner Mongolia Yitai Tongda Coal Co., Ltd.	71,679,843.67			-102,517.10	
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	586,674,416.54			42,599,185.95	
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)	2,002,178.65				
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	561,754,470.07			8,285,563.54	
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)	14,416,418.29			-308,228.71	
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)	18,560,112.72			-414,837.51	
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)					
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限責任公司)	7,744,382,280.54			36,646,010.49	
Sub-total	8,999,469,720.48			86,705,176.66	
Total	9,474,845,413.97			86,498,178.27	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investment (Continued)

2. Investments in associates and joint ventures (Continued)

Investee	Changes in the period				Closing balance	Closing balance of impairment provisions
	Changes in other equity	Declaration of payment of cash dividend or profit	Impairment provisions	Others		
I. Joint ventures						
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)					2,838,554.39	
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)					472,330,140.71	
Sub-total					475,168,695.10	
II. Associates						
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)					71,577,326.57	
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)					629,273,602.49	
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)					2,002,178.65	
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)					570,040,033.61	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investment (Continued)

2. Investments in associates and joint ventures (Continued)

Investee	Changes in the period				Closing balance	Closing balance of impairment provisions
	Changes in other equity	Declaration of payment of cash dividend or profit	Impairment provisions	Others		
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)					14,108,189.58	
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)					18,145,275.21	
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
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)					7,781,028,291.03	
Sub-total					9,086,174,897.14	250,288.45
Total					9,561,343,592.24	250,288.45

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

5. Operating incomes and operating costs

1. Operating incomes and operating costs

Items	Amount in the current period		Amount in the previous period	
	Income	Cost	Income	Cost
Principal operation	11,176,421,757.95	9,835,172,345.29	15,472,942,152.34	12,829,409,792.67
Other operations	492,873,446.25	433,511,041.22	503,932,175.22	205,166,922.97
Total	<u>11,669,295,204.20</u>	<u>10,268,683,386.51</u>	<u>15,976,874,327.56</u>	<u>13,034,576,715.64</u>

2. Revenue items and segment information

Category of contract	Coal segment	Others	Total
(1) Main business regions			
Northeast	67,163,399.60		67,163,399.60
North China	6,311,868,483.77	10,653,121.81	6,322,521,605.58
East China	3,713,854,798.25		3,713,854,798.25
South China	1,489,227,782.00		1,489,227,782.00
Central China	9,546,458.87		9,546,458.87
Northwest	55,502,197.07		55,502,197.07
Southwest	11,478,962.83		11,478,962.83
Sub-total	<u>11,658,642,082.39</u>	<u>10,653,121.81</u>	<u>11,669,295,204.20</u>
(2) Main product types			
Coal	10,686,940,059.25		10,686,940,059.25
Others	971,702,023.14	10,653,121.81	982,355,144.95
Sub-total	<u>11,658,642,082.39</u>	<u>10,653,121.81</u>	<u>11,669,295,204.20</u>
(3) Revenue recognition time			
Commercial goods – Coal (transferred at a point of time)	See (30) Revenue under Note 4. Principal Accounting Policies and Accounting Estimates		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

6. Investment income

Items	Amount in the current period	Amount in the previous period
Income from long-term equity investments under equity method	86,498,178.27	166,372,015.72
Income from long-term equity investments under cost method	10,200,000.00	421,200,000.00
Investment income from disposal of trading financial assets	8,030,568.94	3,046,652.09
Investment income received during the period of ownership from investment in other equity instruments		
Investment income from disposal of long-term equity investments	8,193,195.08	-5,453,755.87
Investment income received during the period of ownership from trading financial assets	1,510,739.84	
Others	-3,033,333.34	-3,016,666.68
Total	<u>111,399,348.79</u>	<u>582,148,245.26</u>

Explanation: Investment income-Others are equity premium repurchase funds accrued in accordance with investment contracts signed with CDB Development Fund in the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVII. SUPPLEMENTARY INFORMATION

(I) Non-recurring profit and loss statement of the period

Items	Amount for the reporting period
Profit or loss from disposal of non-current assets	-5,358,470.42
Tax refunds or relief subject to ultra vires or without official approval	
Government subsidies recognized in profit or loss of the period (except for government subsidies which are closely related to the Company's operations, and granted in a fixed amount or quantity in conformity with the common standards of the State)	58,154,257.71
Finance charges from non-financial enterprises recognized in profit or loss of the period	
Gains representing the difference between investment costs for acquisition of subsidiaries, associates and joint ventures and the shares of the fair value of identifiable net assets of investee	
Profit or loss from exchange of non-monetary assets	
Profit or loss from investment or management of assets by the others	2,063,658.10
Provision for impairment of assets due to force majeure such as natural disasters	
Profit or loss from debt restructuring	
Corporate restructuring costs, such as employee placement expenses and integration costs	
Profit or loss representing the difference between the unfair transaction consideration and the fair value of the transaction	
Net profit or loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the current period to the date of merger	
Profit or loss from contingencies not related to the ordinary operations of the Company	
Investment incomes from financial assets available-for-trading, changes in the fair value from trading financial liabilities, disposals of trading financial assets, trading financial liabilities and investment in other equity instruments, except for effective hedging business related to normal operating of the Company	169,357,476.56
Reversal of the provisions for impairment of receivables subject to impairment test separately	366,003.00
Profit or loss from external entrusted loans	
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement	
One-off adjustment to profit or loss for the current period in accordance with laws and regulations on taxation and accounting	
Fees income from custodian business	
Other non-operating incomes and expenses other than the abovementioned items	-44,727,721.51
Other profit or loss items falling within the meaning of non-recurring profit or loss	
Less: Impact of income tax	334,184.79
Less: Impact of minority shareholders' interests (after tax)	2,593,613.30
Total	<u>176,927,405.35</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVII. SUPPLEMENTARY INFORMATION (Continued)

(II) 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	2.05%	0.23	/
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	1.55%	0.17	/

Basic earnings per share is calculated based on the net profit attributable to ordinary shareholders and the number of ordinary shares issued at the end of the year. Since there was no any potential ordinary shares issued by the Group for the years ended 30 June 2020 and 31 December 2019, the diluted earnings per share has not been calculated. The calculation of basic earnings per share is based on the following:

Surplus	30 June 2020 (RMB)	31 December 2019 (RMB)
Net profit attributable to ordinary shareholders	733,187,389.47	3,789,312,908.34
Number of shares		
Number of ordinary shares issued at the end of the year	3,254,007,000.00	3,254,007,000.00

(III) Supplementary disclosure of the Group's operating costs classified by nature:

Items	Notes	January to June 2020	January to June 2019
Cost of sale of commercial goods	44	11,225,051,051.28	13,859,046,350.07
Labor cost	44	254,460,036.45	538,004,442.09
Depreciation of fixed assets	14	975,108,714.10	947,764,859.77
Depreciation of investment properties	13	18,231,087.78	18,231,087.78
Amortisation of intangible assets	17	53,676,502.38	51,147,820.21
Amortisation of long-term unamortized expenses	19	180,384,005.49	985,593,867.44
Depreciation of right-of-use assets	16	1,591,728.84	1,190,539.50
Total depreciation and amortisation		<u>1,228,992,038.59</u>	<u>2,003,928,174.70</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2020

XVII. SUPPLEMENTARY INFORMATION (Continued)

(IV) Supplementary disclosure of capital management:

Items	30 June 2020	31 December 2019
Interest-bearing borrowings	32,471,255,477.85	34,595,132,880.63
Long-term bonds	5,891,607,494.53	5,872,769,550.23
Trade and bills payables	3,464,430,062.90	3,699,686,046.48
Financial liabilities at fair value through profit or loss	4,350,440.00	3,035,060.00
Financial liabilities included in other payables and accruals	1,910,836,275.69	2,053,058,831.46
Other borrowings	534,094,414.67	862,114,693.04
Less: Cash and cash equivalents	13,448,854,417.37	15,954,045,957.75
Net debt	30,827,719,748.27	31,131,751,104.09
Equity attributable to equity holders of parent company	34,451,072,363.84	34,926,974,420.67
Gearing ratio	47.22%	47.13%

As at 30 June 2020, the Company's capital mainly came from capital generated from business operation, medium term note, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company was mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt, as well as the working capitals and normal recurring expenses.

(V) Dividend

Items	2019	2018
Ordinary shares dividend	<u>1,138,902,450.00</u>	<u>1,627,003,500.00</u>
Total	<u>1,138,902,450.00</u>	<u>1,627,003,500.00</u>

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 Profit Distribution Plan has been considered and approved at the 2019 annual general meeting on 8 May 2020.