



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

ANNUAL
REPORT
2020



IMPORTANT NOTICE

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

As a result of the impact brought by COVID-19 pandemic and a large amount of provisions for impairment of assets by Xinjiang Energy (a controlling subsidiary of the Company), the net loss attributable to the owners of the parent company for the year ended 31 December 2020 amounted to RMB657,055,254.05 as set out in the audited consolidated statements for the year 2020 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. Taking into full consideration of comprehensive factors such as the results performance in 2020, future profitability, and shareholder investment returns, the Company recommended a cash dividend of RMB2.26 (tax inclusive) per 10 shares, calculated by the total share capital of 3,254,007,000 shares, to be paid to all shareholders. The total dividends to be distributed are RMB735,405,582.

VI. **Statement for the risks involved in the forward-looking statements**

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

- VII. **During the reporting period, the Company did not have any non-operational funds appropriated by controlling shareholders and their connected parties.**
- VIII. **During the reporting period, the Company did not provide external guarantees in violation of stipulated decision-making procedures.**
- IX. **During the reporting period, there was no circumstance where more than half of the Directors of the Company could not warrant the truthfulness, accuracy and completeness of the annual report disclosed.**

X. **Major Risk Notice**

The major risks faced by the Company include policy risks, risks of fluctuation in macroeconomy, risks of industry competition, risks of increasing capital demands, safety risks, risks of rising costs, risks of coal mine overall entrusted management and exchange rate risks. Relevant risks and countermeasures have been described in details in Item III "DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT" under Section IV "REPORT OF THE BOARD OF DIRECTORS" in this report for your review.

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

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DEFINITIONS

I. DEFINITIONS

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

Definitions of frequently-used terms

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	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	Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)
Dadijing Mine	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)

DEFINITIONS *(Continued)*

I. DEFINITIONS *(Continued)*

Definitions of frequently-used terms *(Continued)*

Yitai Chemical	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Coal-to-oil Company	Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)
Yili Energy	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Xinjiang Eenergy	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)
Yitai Ningneng	Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)
Jingtai Power Generation	Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS

I. CORPORATE INFORMATION

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

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS *(Continued)*

I. CORPORATE INFORMATION *(Continued)*

Members of the Nomination Committee

Zhang Zhiming *(Chairman)*
Zhang Jingquan
Liu Chunlin
Liu Jian
Huang Sujian
Wong Hin Wing
Du Yingfen

Members of the Remuneration and Appraisal Committee

Huang Sujian *(Chairman)*
Zhang Jingquan
Liu Chunlin
Liu Jian
Zhang Zhiming
Wong Hin Wing
Du Yingfen

Members of the Production Committee

Zhang Jingquan *(Chairman)*
Ge Yaoyong
Liu Jian
Huang Sujian
Du Yingfen

Members of the Supervisory Committee

Zhang Zhenjin *(Chairman)*
Liu Xianghua
Zhang Wei
Li Cailing
Jia Zheyu
Wang Yongliang
Wu Qu

Authorized Representatives

Liu Chunlin
He Peixun

Alternative Authorized Representative

Wong Wai Chiu

Joint Company Secretaries

He Peixun
Wong Wai Chiu

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

II. CONTACT PERSONS AND CONTACT METHODS

	Board Secretary	Securities Affairs Representative
Name	He Peixun	Gao Yanchen
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565732	0477-8565544
Facsimile	0477-8565415	0477-8565415
E-mail	hepeixun@ir-yitaicoal.com	gaoyanchen@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, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Media selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Websites designated by the China Securities Regulatory Commission (“CSRC”) for publishing the annual report	Website designated by CSRC for publishing the B share annual report: http://www.sse.com.cn Website designated by CSRC for publishing the H share annual report: http://www.hkexnews.hk
Place for inspection of the Company’s annual 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

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

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VI. OTHER RELEVANT INFORMATION

		B share/Domestic	H share/Overseas
Auditor	Name	Da Hua Certified Public Accountants (Special General Partnership)	Da Hua Certified Public Accountants (Special General Partnership)
	Address	Room 1101, Building No. 7, Block No. 16, Xi Si Huan Zhong Road (西四環中路), Haidian District, Beijing	Room 1101, Building No. 7, Block No. 16, Xi Si Huan Zhong Road (西四環中路), Haidian District, Beijing
Legal Advisor	Name	Global Law Office	Clifford Chance
	Address	15/F & 20/F, Tower 1, China Central Place, No. 81, Jianguo Road, Chaoyang District, Beijing	28th Floor, Jardine House, One Connaught Place, Central, Hong Kong
Share Registrar	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New Area, Shanghai	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS IN RECENT THREE YEARS

(I) Key Business Data

Unit: million tonnes Currency: RMB

Major Accounting Data	2020	2019	Increase/ decrease (%)
Coal production	45.60	56.41	-19.16
Coal sales volume	73.26	87.25	-16.03
Of which: Local sales at mines	18.90	24.88	-24.04
Local sales at loading facilities	9.41	11.29	-16.65
Sales via direct rail access	2.89	5.29	-45.37
Sales at ports	42.06	45.79	-8.15
Railway transport volume:	76.81	104.07	-26.19
Huzhun Railway Line	35.80	33.02	8.42
Zhundong Railway Line	41.01	71.05	-42.28
Coal-related chemical production	1.33	1.37	-2.85

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS IN RECENT THREE YEARS (Continued)

(II) Major Accounting Data

Unit: yuan Currency: RMB

Major Accounting Data	2020	2019	Increase or decrease as compared with the same period of last year (%)	
				2018
Revenue	33,790,579,585.88	40,929,038,913.56	-17.44	39,184,621,408.22
Revenue after deduction of revenue from businesses not related to the principal business and revenue of no commercial substance	33,790,579,585.88	/	/	/
Net profit/(loss) attributable to shareholders of the listed company	-657,055,254.05	3,789,312,908.34	-117.34	4,136,195,840.06
Net profit/(loss) after non-recurring profit or loss attributable to shareholders of the listed company	-1,010,423,325.19	3,826,178,849.14	-126.41	4,011,954,513.11
Net cash flow from operating activities	6,740,053,234.49	6,480,855,387.14	4.00	9,733,701,084.93

	Increase or decrease as compared with the end of the same period of last year (%)			
	At the end of 2020	At the end of 2019		
Net assets attributable to shareholders of the listed company	33,061,024,912.46	34,926,974,420.67	-5.34	33,207,467,047.43
Total assets	85,559,604,037.31	94,418,470,440.94	-9.38	94,551,396,179.77

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS IN RECENT THREE YEARS (Continued)

(III) Major Financial Indicators

Major Financial Indicators	2020	2019	Increase or decrease as compared with the same period of last year (%)	2018
Basic earnings per share (yuan/share)	-0.20	1.16	-117.24	1.27
Basic earnings per share after deduction of non-recurring profit or loss (yuan/share)	-0.31	1.18	-126.27	1.23
Weighted average return on net assets (%)	-1.87	10.27	Down by 12.14 percentage points	13.17
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	-2.88	10.37	Down by 13.25 percentage points	12.77

VIII. MAJOR FINANCIAL DATA IN 2020 BY QUARTERS

Unit: yuan Currency: RMB

	First quarter (January– March)	Second quarter (April– June)	Third quarter (July– September)	Fourth quarter (October– December)
Revenue	7,153,973,419.24	8,242,371,882.51	8,930,400,817.43	9,463,833,466.70
Net profit/(loss) attributable to shareholders of the listed company	504,291,283.93	228,896,105.54	204,277,630.05	-1,594,520,273.57
Net profit/(loss) after non-recurring profit or loss attributable to shareholders of the listed company	510,394,799.78	45,865,184.34	142,724,305.63	-1,709,407,614.94
Net cash flow from operating activities	1,368,586,379.19	1,579,317,775.78	1,400,773,248.24	2,391,375,831.28

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: yuan Currency: RMB

Non-recurring profit or loss item	Amount for 2020	Amount for 2019	Amount for 2018
Gains/(losses) from disposal of non-current assets	-3,520,939.85	-17,413,317.28	48,435,297.11
Government grants charged in the profit or loss for the current period (except for those closely related to the ordinary operations of the Company and gained constantly at a fixed amount or quantity according to certain standard based on state policies)	83,921,661.90	97,720,587.46	43,940,964.00
Profit or loss from investment or management of assets by others	21,993,880.61	17,040,712.00	33,235,985.57
Gains and losses from changes in fair value of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities, and investment income from disposal of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities and other debt investments, except for effective hedging business related to ordinary operations of the Company	330,418,861.34	93,359,566.81	66,814,384.24
Reversal of the provisions for impairment of receivables and contract assets subject to impairment test separately	366,003.00	3,000,000.00	-
Other non-operating income and expenses other than the above-mentioned items	-67,435,726.70	-46,320,933.07	-27,834,139.49
Effect on non-controlling interests	-3,671,994.69	5,295,389.46	2,023,270.30
Effect on income tax	-8,703,674.47	-189,547,946.18	-42,374,434.78
Total	<u>353,368,071.14</u>	<u>-36,865,940.80</u>	<u>124,241,326.95</u>

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

X. ITEMS MEASURED AT FAIR VALUE

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance	Change for the period	Amount of effect on the profit for the period
Financial assets	8,281,482,774.51	8,831,129,884.93	549,647,110.42	445,387,322.84
Financial liabilities	3,035,060.00	2,034,720.00	-1,000,340.00	1,000,340.00
Total	8,284,517,834.51	8,833,164,604.93	548,646,770.42	446,387,662.84

XI. FIVE-YEAR FINANCIAL SUMMARY

Unit: '000 yuan Currency: RMB

	2016	2017	2018	2019	2020
Revenue and profit					
Revenue	22,858,505	37,008,674	39,184,621	40,929,039	33,790,580
Cost of sales	16,333,277	24,689,118	27,274,747	28,556,238	25,294,388
Gross profit	6,525,228	12,319,556	11,909,874	12,372,801	8,496,192
Profit before tax	2,564,872	7,146,990	6,360,380	6,053,824	277,953
Profit for the year	2,125,362	5,713,956	5,171,916	4,807,133	-545,900
Profit attributable to the owners of the Company	1,985,762	4,925,370	4,136,196	3,789,313	-657,055
Earnings per share – basic (RMB)	0.61	1.51	1.27	1.16	-0.20
Assets and liabilities					
Current assets	11,636,398	22,299,415	23,573,050	22,749,883	16,618,024
Non-current assets	59,305,206	63,538,981	70,978,346	71,668,587	68,941,580
Current liabilities	11,542,616	18,043,830	18,961,326	15,918,505	14,820,858
Non-current liabilities	30,830,687	29,334,793	33,037,688	33,671,955	27,625,110
Equity	28,568,300	38,459,773	42,552,382	44,828,010	43,113,637

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. As a major product of the Company at present, environment-friendly and quality thermal coal mainly serves as fuel coal for various industries in the downstream of the coal industry including thermal power, construction materials and chemicals. At present, the Company generally controls three railways in operation, namely the Zhundong Railway, Huzhun Railway and a special railway line for Suancangou Mine. At the same time, the Company also holds 15% equity interests in Xin Baoshen Railway, 12.36% equity interests in Zhunshuo Railway, 9% equity interests in Mengji Railway, 3.9226% equity interests in the South Ordos Railway and 2% equity interests in Haoji Railway, respectively. In addition, the Company has built the mine roads of 150 km covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area. Over the years, the Company has continuously increased investment in technologies and equipment for railway management, so that its coal transport capacity constantly enhanced, transport networks covering the Company's main mining areas continued to improve, which created good conditions for coal transport of the Company and from the peripheral area. The Company was committed to developing clean coal technologies, increasing added value of its products, extending coal industry chain, and speeding up industrial transformation and upgrade to deploy large coal chemical projects in Inner Mongolia and Xinjiang by relying on world-leading indirect coal-to-oil liquefaction technology.

As affected by the COVID-19 pandemic in the first half of 2020, various industries generally delayed resumption of work and production, which led to an obvious decrease in the production of major coal-consuming products and coal demands in the short term. Meanwhile, to guarantee the coal consumption needs of power plants during the pandemic, coal import continued to increase significantly on a year-on-year basis, which led to an overall decrease in coal prices, and caused significant impacts on the profit level of coal enterprises. In the second half of 2020, despite a rebound in coal production in Inner Mongolia, affected by the coal mine accidents in Shaanxi and Shanxi, the coal production was still limited in the major coal-producing regions. At the same time, with the gradual containment of the pandemic in China and various national economic activities being back to normal, the production of major coal-consuming products and thermal coal demands resumed their growth momentum, causing coal prices to rise with volatility in general. Over the year, coal production increased steadily, import grew rapidly, and coal supply ability and level continued to improve during the year. With the continual and steady recovery of China's economic and social order, demands also rebounded steadily. The coal industry structure continued to optimize, quality coal production capacity gradually released, and coal supply quality improved steadily. The supply and demand in coal industry were basically balanced. As such, the overall efficiency in the coal industry recovered at a steady pace.

In 2020, the domestic coal chemical industry was greatly affected by the pandemic, the markets of upstream and downstream products were sluggish overall. As affected by the pandemic in the first half of the year, the upstream and downstream enterprises of the domestic coal chemical industry in China were in a tepid recovery, and the prices of coal chemical products in Inner Mongolia maintained at a low level in general; in the second half of the year, China's economy continued its steady recovery, the supply-demand cycle in the coal chemical industry continued to improve, and endogenous power continued to enhance; meanwhile, as the foreign coal chemical enterprises failed to resume their work and production timely, the rigid demands were mainly supplied by China, all of which promoted the prices of coal chemical products to gradually emerge from a slump.



COMPANY BUSINESS PROFILE *(Continued)*

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

For details, please refer to “(III) Analysis on assets and liabilities” under “II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD” in Section IV of this report

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 North China, East China, South China, Central China, Northeast China, Northwest China and other areas, and the Company has also forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy customers with an eye to mutual benefits and win-win scenarios, achieving relatively high brand effect. The Company has abundant coal reserves, superior mining conditions, modern mining technology and sustained opportunities for integration of internal and external resources. Meanwhile, the Company has always kept its operation strategy of integrating production, delivery and sales, creating new profit growth point in railway and coal chemical sector, 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 chemical operation relying on its world-leading indirect coal-to-oil liquefaction technology, which could extend the Company’s coal industrial chain, realize industrial transformation and upgrading, and enhance its core competitiveness and consolidate its position in the industry.

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

REPORT OF THE BOARD OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2020, faced with the extremely complex and severe market and economic situations, in particular the severe impacts from the COVID-19 pandemic, the Company scientifically coordinated pandemic prevention and control and its production and operational tasks, thereby achieving staff safety and production safety, orderly resumption of work and production, and stable operation of each business segment.

As of the end of the reporting period, the Company recorded a total asset of RMB85.560 billion, a revenue of RMB33.791 billion during the year and a net loss attributable to owners of the parent company of RMB657 million during the year as a result of the impact brought by COVID-19 pandemic and a large amount of provisions for impairment of assets by Xinjiang Energy, a controlling subsidiary of the Company. During the year, the Company realized production of commodity coal of 45.6041 million tonnes and sales of coal of 73.2613 million tonnes. In terms of railway sector, the Company cumulatively dispatched 76.8100 million tonnes of coal. In terms of coal chemical sector, the Company realized production of oil products and chemicals of 1.3315 million tonnes.

As to coal production, during the reporting period, the Company enhanced management of production technology, promoted the construction of intelligent mines, organized scientific researches to overcome difficulties and promotion of new applications, and guaranteed the safe and efficient production at coal mines from different perspectives; meanwhile, it made comprehensive plans, optimized coal washing and processing and blending processes, implemented accurate scheduling, enhanced cost control, and refined operational indicators to achieve cost reduction and efficiency improvement and stable and healthy development of the coal sector.

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, profit-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 Mine No. 1, Suancangou 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 changes in the business model and asset ownership, and not causing changes in the consolidated scope of the financial statements. For entrusted management of the underground coal mines, the Company has formulated the Administrative Measures for the Entrusted Management of the Underground Coal Mines and Technologies of Coal Preparation Plants of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司託管井工煤礦及選煤廠技術管理辦法》), the Administrative Measures for Coal Production Cost of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司煤炭生產成本管理辦法》), the Administrative Measures for Coal Production Quality of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司煤炭生產質量管理辦法》), the Administrative Measures for Tunneling Works of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司掘進工程管理辦法》), the Administrative Measures for Underground Engineering Quality of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司井下工程質量管理辦法》), the Mechanical and Electrical Management System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司機電管理制度》) and other systems to strengthen the supervision, inspection and assessment of the production of the entrusted coal mines.

As to coal transportation and sales, during the reporting period, the Company carried out operational innovations, implemented the business model of "combination of futures and cash, and integration of purchase and sale", formulated a reasonable price system and formed an external pricing system beneficial to the long-term development of coal sales of the Company. It also improved the ask-bid mechanism for local sales at mines, enhanced stock management ability and maintained a high port premium level to increase the overall profit level; meanwhile, the Company optimized its customer structure, and increased the ratio of customers in the ends of chemical, metallurgy and other non-power sectors to improve its capacity to resist market risks and enhance its competitiveness.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

As to railway transportation, during the reporting period, the Company further improved the quality of equipment through strengthening inspection and repairment of equipment and scientific elimination of potential risks of equipment; meanwhile, it flexibly adjusted the coal blending ratio and rationally allocated coal types according to market conditions and optimized transportation organization plan to speed up turnover of vehicles; in addition, the Company also launched site management system and effectively improved drivers' ability to recognize discharging path, which improved site utilization rate and storage capacity, and further advanced transportation efficiency.

As to coal chemical sector, during the reporting period, the Company achieved safe, stable, long-term, full-load, and high quality operation of production equipment in coal chemical sector. However, affected by the COVID-19 pandemic, the international crude oil prices maintained at a low level, and the prices of coal and other raw materials rose year-on-year, resulting in an overall loss in coal chemical sector of the Company. The Company adhered to exploring new technologies and processes, improved the integrated operation mechanism of research, production and marketing through management reform and exploring internal potentials, laid a sound basis for stable operations, and accumulated resources for future development; for sales of chemicals, the Company was committed to market expansion, strengthened the connection of production and sales, flexibly adjusted product structure based on market changes, and actively explored in-depth cooperation in fine chemical industry, making every effort to minimize the loss caused by the pandemic to the coal chemical sector.

As to safety and environmental protection, during the reporting period, the Company carefully clarified the responsibilities of persons in charge of production safety, improved management institutions and systems for production safety organization, and carried out dual prevention of hierarchical management of safety risks and hazards screening and governance. It adjusted monitoring focus and concepts, and consolidated standardized safe production, thereby achieving the excellent performance with the casualty from the production of per million tonnes of primary coal being 0, no dangerous and major transportation incident in railway sector, and no serious personal injury and major equipment damage in coal chemical sector. Meanwhile, the Company thoroughly implemented the concept of "ecology first, and green development", improved the construction of environmental system, stepped up efforts in energy conservation and emission reduction, disposal of solid wastes, and ecological construction and remedy of mining areas, improved supervision and inspection mechanism, and implemented environmental measures to ensure stable operation and up-to-standard discharge of relevant facilities and effectively prevent ecological environmental risks; the Company also actively carried out renovation of energy saving technologies and achieved remarkable results in energy conservation and emission reduction, and fruitful results in energy conservation and efficiency improvement. During the "Thirteenth Five-Year Plan" period, the Company exceeded the national energy conservation target under the "Hundred, Thousand and Ten Thousand Action Plan (百千萬行動計畫)", and saved energy costs of RMB44.77 million calculated by standard coal (calculated at recent prices of thermal coal in Bohai Rim region). The Hongjingta Mine No. 1 of the Company was awarded the honorary title of "Green Coal Mine".

REPORT OF THE BOARD OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (Continued)

As to pandemic prevention and control, since the outbreak of the COVID-19 pandemic, the Company has formulated practical pandemic prevention and control plans and measures according to the spirits of the documents on pandemic prevention and control issued by the government departments at different levels and by combining the actual situations of the Company. With internal screening and external prevention and control, the Company cut any possible spread of the pandemic by making research and judgment on the development of the pandemic and the needs of pandemic prevention and control, reserving anti-pandemic materials, and ensuring the complete implementation of pandemic prevention and control work. Up to now, the Company has no infected cases. Meanwhile, on the basis of solid defence against the pandemic, the Company developed plan for work and production resumption, actively coped with the difficulties of safety assurance for staff back to work and separation of them, and arranged production in a scientific and reasonable manner, guaranteeing the production operation during the pandemic.

II. MAJOR OPERATION CONDITIONS DURING THE REPORTING PERIOD

(I) Analysis on the principal business

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

Unit: yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period of last year	Change (%)
Operating revenue	33,790,579,585.88	40,929,038,913.56	-17.44
Operating costs	25,294,388,310.69	28,556,238,232.38	-11.42
Cost of sales	1,167,425,223.43	1,262,305,679.84	-7.52
Administrative expenses	1,133,776,431.45	1,533,482,437.08	-26.07
Research and development costs	310,944,898.11	629,247,375.35	-50.58
Finance costs	1,680,344,649.22	1,599,110,567.58	5.08
Net cash flow from operating activities	6,740,053,234.49	6,480,855,387.14	4.00
Net cash flow from investing activities	-1,686,032,115.66	-2,289,041,657.47	-26.34
Net cash flow from financing activities	-9,715,556,465.35	-5,231,934,920.12	85.70

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(I) Analysis on the principal business (Continued)

2. Analysis on revenue and cost

(1) Principal business by segment

Unit: '0,000 yuan Currency: RMB

By segment	Principal business by segment			Year-on-year change in operating revenue (%)	Year-on-year change in operating costs (%)	Year-on-year change in gross profit margin (%)
	Operating revenue	Operating costs	Gross profit margin (%)			
Coal operation	2,754,123.46	1,928,867.32	29.96	-17.01	-14.86	Down by 1.76 percentage points
Transportation business	41,084.84	32,717.85	20.37	-43.27	-20.83	Down by 22.57 percentage points
Coal-related chemical operation	482,106.01	470,729.29	2.36	-19.28	-6.61	Down by 13.25 percentage points
Others	<u>4,829.97</u>	<u>3,451.69</u>	<u>28.54</u>	<u>-26.13</u>	<u>-23.58</u>	Down by 2.39 percentage points
Total	<u>3,282,144.28</u>	<u>2,435,786.15</u>	<u>25.79</u>	<u>-17.84</u>	<u>-13.49</u>	Down by 3.73 percentage points

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(I) Analysis on the principal business (Continued)

2. Analysis on revenue and cost (Continued)

(2) Principal business by region

Unit: '0,000 yuan Currency: RMB

Region	Operating revenue	Increase/ decrease in operating revenue compared to last year (%)
North China	1,440,419.46	-9.90
East China	1,304,902.31	-16.04
South China	390,313.97	-37.80
Northeast China	14,096.58	53.83
Central China	25,705.50	-74.50
Northwest China	102,904.30	-0.87
Southwest China	3,802.16	575.66
Total	<u>3,282,144.28</u>	<u>-17.84</u>

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(I) Analysis on the principal business (Continued)

2. Analysis on revenue and cost (Continued)

(3) Synergies between each business segment

	2020		2019	
Coal operation	Sales volume (‘0,000 tonnes)	Percentage	Sales volume (‘0,000 tonnes)	Percentage
Sales to external customers	7,326	98.23%	8,725	94.61%
Sales to internal coal-related chemical operation	132	1.77%	497	5.39%
Railway operation	Transportation volume (‘0,000 tonnes)	Percentage	Transportation volume (‘0,000 tonnes)	Percentage
Internal transportation service	5,086	66.22%	6,677	64.16%
Transportation service to third parties	2,595	33.78%	3,730	35.84%
Coal-related chemical operation	Purchase volume (‘0,000 tonnes)	Percentage	Purchase volume (‘0,000 tonnes)	Percentage
Internal purchase	132	19.97%	497	72.58%
External purchase	529	80.03%	188	27.42%

(4) Analysis on production and sales

Principal products	Unit	Production	Sales	Inventory	Increase/ decrease in production compared to last year (%)	Increase/ decrease in sales compared to last year (%)	Increase/ decrease in inventory compared to last year (%)
Thermal coal	‘0,000 tonnes	4,560.41	7,326.13	139.61	-19.15	-16.04	-61.29
Coal-related chemical products	‘0,000 tonnes	133.15	134.26	3.87	-2.85	-2.56	-1.06

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(I) Analysis on the principal business (Continued)

2. Analysis on revenue and cost (Continued)

(5) Analysis on cost

Unit: RMB'0,000

By segment	By segment				
	Amount for the reporting period	Amount for the reporting period over the total costs (%)	Amount for the same period of last year	Amount for the same period of last year over the total costs (%)	Amount for the reporting period compared to the same period of last year (%)
Coal operation	1,928,867.32	79.19	2,265,618.15	80.47	-14.86
Transportation business	32,717.85	1.34	41,326.06	1.47	-20.83
Coal-related chemical operation	470,729.29	19.33	504,023.03	17.90	-6.61
Others	3,451.69	0.14	4,516.64	0.16	-23.58
Total	2,435,766.15	100.00	2,815,483.88	100.00	-13.49

(6) Information on major customers and major suppliers

Sales to top five customers amounted to RMB6,224.5192 million, accounting for 18.42% of the total annual sales; among which sales to related parties amounted to nil, accounting for 0% of the total annual sales.

Purchases from top five suppliers amounted to RMB4,039.9124 million, accounting for 50.86% of the total annual purchases; among which purchases from related parties amounted to RMB2,981.8154 million, accounting for 37.54% of the total annual purchases.

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(I) Analysis on the principal business (Continued)

3. Expenses

Items	Amount in current period (yuan)	Amount in previous period (yuan)	Change (%)	Reason for change
Cost of sales	1,167,425,223.43	1,262,305,679.84	-7.52	-
Administrative expenses	1,133,776,431.45	1,533,482,437.08	-26.07	-
Finance costs	1,680,344,649.22	1,599,110,567.58	5.08	-
Research and development costs	310,944,898.11	629,247,375.35	-50.58	Mainly due to the independent research and development by the entrusted party in the coal production link after the entrustment of safety production and technical management of coal mines.

4. Research and development investment

(1) Table on research and development investment

Unit: yuan

Research and development costs in the period	310,944,898.11
Total research and development investment	310,944,898.11
Percentage of total research and development investment over operating revenue (%)	0.92

(2) Explanations

Not applicable

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

5. Cash flow

As at 31 December 2020, the balance of cash and cash equivalents was RMB11,292.5106 million, decreased by RMB4,661.5354 million, or 29.22%, as compared with RMB15,954.0460 million in the same period of last year.

Net cash inflow from operating activities for the period was RMB6,740.0532 million, increased by RMB259.1978 million, or 4.00%, as compared with RMB6,480.8554 million in the same period of last year.

Net cash outflow from investing activities for the period was RMB1,686.0321 million, decreased by RMB603.0096 million, or 26.34%, as compared with RMB2,289.0417 million in the same period of last year.

Net cash outflow from financing activities for the period was RMB9,715.5565 million, increased by RMB4,483.6216 million, or 85.70%, as compared with the net outflow of RMB5,231.9349 million in the same period of last year, mainly due to the decrease in borrowings obtained and increase in repayment of borrowings during the period.

6. Liquidity and capital resources

For the year ended 31 December 2020, the Company's capital was mainly derived from capital generated from business operation, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company was mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt as well as the working capitals and normal recurring expenses of the Company.

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

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(I) Analysis on the principal business (Continued)

6. Liquidity and capital resources (Continued)

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

Unit: '000 yuan Currency: RMB

	31 December 2020	31 December 2019
Interest-bearing borrowings	28,259,757	34,595,133
Long-term bonds	5,910,939	5,872,770
Trade and bills payables	3,460,588	3,699,686
Financial liabilities at fair value through profit or loss	2,035	3,035
Financial liabilities included in other payables and accruals	1,379,398	2,053,059
Other borrowings	538,474	852,115
Less: Cash and cash equivalents	11,292,511	15,954,046
Net debt	28,258,680	31,131,751
Equity attributable to equity holders of parent company	33,061,025	34,926,974
Gearing ratio*	46.08%	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 bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash and short-term deposits. Capital represents equity attributable to owners of the Company.

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

Not applicable

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(III) Analysis on assets and liabilities

1. Information on assets and liabilities

Unit: yuan

Item	Closing balance for the period	Closing balance over the total assets (%)	Closing balance for last period	Closing balance over the total assets (%)	Percentage of change in closing balance for the period compared to last period (%)	Explanation
Financial assets available-for-trading	2,011,120.00	0.00	716,960.00	0.00	180.51	Mainly due to the increase in gains on changes in futures;
Financing receivables	2,071,600.00	0.00	0	0	100.00	Mainly due to the increase in acceptance of bank acceptance bills with banks with a high credit rating;
Bills receivable	0	0	25,209,394.48	0.03	-100.00	Mainly due to the decrease in acceptance of due bills and the endorsement;
Inventories	1,256,228,988.62	1.47	2,084,901,592.16	2.21	-39.75	Mainly due to the decrease in coal inventories;
Other current assets	765,304,428.89	0.89	1,390,137,429.52	1.47	-44.95	Mainly due to the reclassification of input tax expected to be deducted over one year to other non-current assets;
Other non-current financial assets	1,571,136,033.21	1.84	938,546,351.20	0.99	67.40	Mainly due to the additional investments in trading equity instruments, and investments in private funds and fair value changes thereof in the current period;
Investment properties	690,286,105.94	0.81	509,672,558.86	0.54	35.44	Mainly due to the conversion of housing buildings from self-use to lease and from fixed assets to investment properties in the current period;
Development expenditure	0	0	1,424,043.26	0.00	-100.00	Mainly due to the transfer into intangible assets in the current period;
Deferred income tax assets	717,582,752.56	0.84	406,130,804.84	0.43	76.69	Mainly due to the deferred recognition of deductible losses in the current period;
Other non-current assets	694,092,566.11	0.81	52,672,404.00	0.06	1,217.75	Mainly due to the increase in input tax expected to be deducted over one year and charity biological assets;
Short-term borrowings	1,000,000,000.00	1.17	2,550,000,000.00	2.70	-60.78	Mainly due to the repayment of short-term borrowings in the current period;
Financial liabilities available-for-trading	2,034,720.00	0.00	3,035,060.00	0.00	-32.96	Mainly due to the decrease in losses on changes in futures;

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(III) Analysis on assets and liabilities (Continued)

1. Information on assets and liabilities (Continued)

Item	Closing balance for the period	Closing balance over the total assets for the period (%)	Closing balance for last period	Closing balance over the total assets for last period (%)	Percentage of change in closing balance for the period compared to last period (%)	Explanation
Bills payable	1,296,438,553.80	1.52	878,795,526.24	0.93	47.52	Mainly due to the increase in bank acceptance bills and commercial acceptance bills payable at the end of the current period;
Advances	2,155,213.74	0.00	0	0	100.00	Mainly due to the increase in land premiums and proceeds from disposal of assets received in advance;
Employee benefits payable	266,511,151.48	0.31	430,128,007.84	0.46	-38.04	Mainly due to the payment of year-end bonus for the previous year in the current period;
Taxes payable	731,787,487.12	0.86	498,186,869.47	0.53	46.89	Mainly due to the increase in enterprise income taxes payable;
Other payables	1,379,398,220.73	1.61	2,053,058,831.46	2.17	-32.81	Mainly due to the decrease in construction and installation engineering and equipment amounts payable;
Other current liabilities	65,924,584.16	0.08	9,411,068.49	0.01	600.50	Mainly due to the increase in the tax to be written off in the current period;
Bonds payable	2,429,992,674.65	2.84	5,872,769,550.23	6.22	-58.62	Mainly due to the increase in the transfer into bonds payable due within one year in the current period;
Lease liabilities	9,795,893.40	0.01	6,915,082.45	0.01	41.66	Mainly due to the increase in additional leases in the current period.

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(III) Analysis on assets and liabilities (Continued)

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

Unit: yuan

Item	Balance	Cause
Monetary fund	943,386,493.39	For the bank acceptance bill deposit, environmental protection deposit, wage guarantee for migrant workers and special fund for mine geologic environment governance.
Total	<u>943,386,493.39</u>	

3. Amount and bills receivables

As at 31 December 2020, the net value of the Company's amount and bills receivables amounted to RMB1,282,247.47 thousand, decreased by RMB278,945.26 thousand or 17.87% as compared with RMB1,561,193 thousand as at 31 December 2019, mainly due to the decrease in receivables of the Company at the end of period.

4. Borrowings

As at 31 December 2020, the balance of the Company's borrowings amounted to RMB28,259,756.52 thousand, decreased by RMB6,335,376.36 thousand or 18.31% as compared with RMB34,595,133 thousand as at 31 December 2019, mainly due to the repayment of short-term and long-term borrowings during the current period.

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(IV) Analysis on operational information in the industry

1. Analysis on factors causing changes in business revenue

Yitai	From January to December 2020		From January to December 2019	
	Quantity (in '0,000 tonnes)	Unit price (yuan/tonne) (tax exclusive)	Quantity (in '0,000 tonnes)	Unit price (yuan/tonne) (tax exclusive)
Local sales at mines	1,890	252	2,488	249
Local sales at loading facilities	941	284	1,129	281
Sales via direct rail access	289	407	529	443
Sales at ports	4,206	450	4,579	469
Total	7,326	376	8,725	380

2. Analysis on factors influencing revenue from physical product sales

Yitai	From January to December 2020 Quantity Unit: '0,000 tonnes	From January to December 2019 Quantity Unit: '0,000 tonnes
Self-produced coal	4,806	5,616
Coal purchased externally	2,520	3,109

Company-owned railways	From January to December 2020		From January to December 2019	
	Total throughput	Freight volume for the Company	Total throughput	Freight volume for the Company
Zhundong Railway Line	4,101	3,620	7,105	5,514
Huzhun Railway Line	3,580	1,465	3,302	1,163

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

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

3. Information on major customers

Unit: yuan Currency: RMB

Name of customer	Sales revenue	Percentage of the total sales revenue
First	2,503,945,830.97	7.41%
Second	1,007,605,813.84	2.98%
Third	935,402,770.87	2.77%
Fourth	917,703,727.43	2.72%
Fifth	859,861,022.32	2.54%
Total	<u>6,224,519,165.43</u>	<u>18.42%</u>

4. Major suppliers

Unit: yuan Currency: RMB

Name of supplier	Purchase amount (tax exclusive)
First	2,446,029,186.43
Second	535,786,196.02
Third	432,049,574.59
Fourth	340,811,167.01
Fifth	285,236,269.34
Total	<u>4,039,912,393.39</u>

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

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

Analysis on Operating Information of the Coal Industry

1. Operating status of coal operation

During the reporting period, the Company enhanced management of production technology, promoted the construction of intelligent mines, organized scientific researches to overcome difficulties and promotion of new applications, and guaranteed the safe and efficient production at coal mines from different perspectives; meanwhile, it made comprehensive plans, optimized coal washing and processing and blending processes, implemented accurate scheduling, enhanced cost control, and refined operational indicators to achieve cost reduction and efficiency improvement and stable and healthy development of the coal sector.

During the reporting period, the Company has realized production of commodity coal of 45,604,100 tonnes, representing a year-on-year decrease of 19.16%; completed the total drivage of 105,000 meters, representing a year-on-year decrease of 25.95%.

During the reporting period, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB743.92 million which was mainly related to the purchase of electromechanical equipment, payment of mining exploration rights, payment of demolition compensation, etc.

Unit: 100 million yuan Currency: RMB

Type of coal	Production (tonnes)	Sales volume (tonnes)	Sales revenue	Sales costs	Gross profit
Thermal coal	45,604,065.88	73,261,347.96	275.41	192.89	82.52
Total	<u>45,604,065.88</u>	<u>73,261,347.96</u>	<u>275.41</u>	<u>192.89</u>	<u>82.52</u>

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

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

Analysis on Operating Information of the Coal Industry (Continued)

2. Reserves of mines

Main mines	Main categories of coal	Resource reserve (tonnes)	Mineable reserve (tonnes)
Suancigou Mine	Long-flame coal	1,185,210,000	785,590,000
Nalinmiao Coal Mine No. 2	Non-caking coal	75,113,700	61,810,000
Hongjingta Mine No. 1	Non-caking coal	86,006,000	18,442,000
Nalinmiao Coal Mine No. 1	Non-caking coal	16,220,000	14,598,000
Kaida Mine	Non-caking coal	180,292,649	102,612,649
Dadijing Mine	Non-caking coal	62,739,400	32,442,166
Baoshan Mine	Non-caking coal	25,253,800	11,689,100
Baijialiang Mine	Non-caking coal	4,500,000	7,052,000
Talahao Mine	Long-flame coal	836,050,000	502,860,000
Total		2,471,385,549	1,537,095,915

Explanations:

Calculation criteria: Quantity of resources and reserves of the Company estimated as at 31 December 2020 is obtained from the resources latest recorded by the Ministry of Land and Resources less the used resources year by year. There have been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in this annual report are pursuant to the currently prevailing code standard of China: reserves of corresponding grade are calculated according to the Management Rule of Reserves of Operating Mines (《生產礦井儲量管理辦法》), and Coal and Peat Geology Exploration Regulation (《煤、泥炭地質勘查規範》). The reserves sheet shall be examined and verified by the internal geological experts of the Company.

- (1) The coal recovery of Nalinmiao Coal Mine No. 2, Nalinmiao Coal Mine No. 1 and Baijialiang Mine was concluded and the original well mining was altered to disaster management. Coal reserves of those mines were residual physical coal geology reserves and minable coal reserves of them were minable reserves of disaster management for stripe mining including residual reserve from original pillar-type goafs.
- (2) After verification by the Ministry of Land and Resources and professional and technical personnel of the Company, Baoshan Mine possessed reserves of geological reserves deducting geological losses such as fault, fire zone and wind oxidation zone.

During the reporting period, each mine of the Company was not under exploration.

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

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

Analysis on Operating Information of the Coal Industry (Continued)

3. Construction of mines

The Company had no mines under construction currently.

4. Cost of coal

Unit: yuan Currency: RMB

Item	January to December 2020 Unit cost	January to December 2019 Unit cost
Raw material, fuel and power	10.04	10.36
Labor costs	12.31	19.18
Depreciation and amortization	11.05	9.56
Other production costs	51.05	74.18
Entrustment costs	24.90	
Total production costs per unit of coal	<u>109.35</u>	<u>113.28</u>
Cost per unit of coal purchased domestically	300.92	286.72

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, the entrustment cost per tonnes of coal was RMB41.50 calculated based on the production matching the entrustment cost from April to December.

(V) Analysis on investment

1. Overall analysis on external equity investment

Not applicable

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(V) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(1) Material non-equity investment

Currency: RMB

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (in ten thousand yuan)	Shareholdings (share)	Carrying amount at the end of the period (in ten thousand yuan)	Percentage of total securities investment at the end of the period (%)	Profit or loss in the reporting period (in ten thousand yuan)
1	Stock	3369	QHD PORT	7,923.79	19,013,000.00	2,080.27	100	/
Total				7,923.79	19,013,000.00	2,080.27	100	/

Shareholding in non-listed financial entities

Name of the investee	Investment (in ten thousand yuan)	Carrying amount at the end of the period (in ten thousand yuan)	Profit or loss in the reporting period (in ten thousand yuan)	Accounting item	Source of shareholding
Miayang Technology Property Investment Fund (綿陽科技城產業投資基金)	1,215.98	1,215.98	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))	49,172.44	69,587.35	19,053.11	Other non-current financial assets	Capital contribution
Zhuhai Rongyu Investment Center L. L. P (珠海融宇投資中心(有限合夥))	18,217.90	23,509.27	2,571.43	Other non-current financial assets	Capital contribution
Panfeng Value Fund C (磐豐價值C期)	30,155.00	44,276.31	10,873.17	Other non-current financial assets	Capital contribution
HuaXia Monetary Fund B (華夏貨幣B基金)	525.28	525.28	66.66	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))	5,328.65	7,065.64	1,736.99	Other non-current financial assets	Capital contribution
Other trading equity instrument investments	10,093.77	10,933.77	1,656.15	Other non-current financial assets	Capital contribution
Total	114,709.02	157,113.60	36,108.58	/	/

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(V) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(2) Financial assets measured at fair value

1) Investments in other equity instruments

Currency: RMB

Item	Carrying amount at the end of the period (yuan)	Amount that affects the profit for the period (yuan)
Investments in other equity instruments	<u>7,257,982,731.72</u>	<u>93,974,920.89</u>

2) Financial assets at fair value through profit or loss

Item	Carrying amount at the end of the period (yuan)	Amount that affects the profit for the period (yuan)
Futures	<u>2,011,120.00</u>	-14,833,665.05
Bank wealth management	<u>–</u>	<u>5,160,301.98</u>
Total	<u>2,011,120.00</u>	<u>-9,673,363.07</u>

3) Other non-current financial assets

Please see “Section IV – (V) Analysis on Investment – Shareholding in non-listed financial entities” in this report for details.

(VI) Disposal of major assets and equity

Not applicable

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(VII) Analysis on major subsidiaries and investee companies

Currency: RMB

Company name	Business nature	Principal products or services	Registered capital (yuan)	Total assets (yuan)	Net profit/(loss) (yuan)
Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Mining and sales of coal	1,080,000,000.00	8,925,101,046.40	1,503,049,244.16
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	12,175,649,744.03	189,540,794.05
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	3,628,361,820.34	-148,617,892.51
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	16,411,748,431.45	-598,979,771.83

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

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

During the reporting period, Suancangou Mine formulated reasonable production schedules and kept track of the performance of entrustment contract in real-time to ensure the continuity of coal mines and stable and healthy development of production; further advanced coal quality management level to maximize its benefits. In November 2020, the consolidation of mining permit of Suancangou Mine laid a solid basis for the sustainable development of the coal sector of the Company. During the year, Suancangou Mine recorded a total operating revenue and net profit of RMB3.916 billion and RMB1.503 billion, respectively.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(VII) Analysis on major subsidiaries and investee companies *(Continued)*

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

Huzhun Railway Company is principally engaged in railway transport business, with a registered capital of RMB3,628,598,000. 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).

During the reporting period, Huzhun Railway Company endeavored to promote the construction of dual prevention mechanism of hierarchical risk management and hazards screening and governance, thoroughly carried out special safety checks, improved the quality of equipment and facilities maintenance, and optimized storage and loading management quality; meanwhile, it optimized transportation organization, strengthened traffic flow connections, delivered vehicles in a scientific and balanced way, and enhanced passing capacity, thereby successfully completing the tasks of pandemic prevention and control and transportation assurance.

During the reporting period, Zhundong Railway and Huzhun Railway maintained a safety production record of 7,321 days and 5,157 days in a row, respectively, with no railway accidents of general Class B and above or personal minor injuries during the whole year. In 2020, it dispatched an aggregate of 76.81 million tonnes of coal, and recorded an operating revenue and net profit of RMB1.551 billion and RMB190 million, respectively.

As to project construction, during the reporting period, the environmental protection renovation project of the Xiyngzi Dispatch and Transportation Station has basically completed its main works and fulfilled the condition for commencement. The Second Track of Huzhun Railway Project has been put into operation smoothly, and further enhanced the work of overcoming shortcomings of related equipment and facilities.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(VII) Analysis on major subsidiaries and investee companies *(Continued)*

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

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

During the reporting period, Coal-to-oil Company achieved improvement of equipment stability by optimizing catalyst replacement method and parameter control, optimizing product structure, improving refined management of process and other measures to consume less synthetic catalysts. Meanwhile, Coal-to-oil Company achieved stable operation of its steam equipment and water system, and quality operation of its gas preparation system, and initial results in enhancing professional equipment management. During the whole year, it realized an effective operation of 343 days, and a production of a total of 0.2012 million tonnes of various types of oil products and chemicals, with an operating revenue of RMB773 million. Due to the impact from the COVID-19 pandemic, the sales price of coal chemical products decreased, which resulted in a loss of RMB148.6179 million recorded by Coal-to-oil Company during the year.

In 2020, Coal-to-oil Company carried out the work on concentrated brine zero-emission technology transformation and flue gas ultra-low emission technology transformation for 0.16 Mtpa coal-to-oil pilot project. As of 31 December 2020, the project of concentrated brine zero-emission technology transformation has basically completed pipeline pressure test work, and the equipment is in the stage of debugging currently; the project of flue gas ultra-low emission technology transformation has completed design and procurement work, the desulfurization appliance has commenced debugging process, and some of the systems have been put into operation.

In 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 construction of detailed site, dynamic consolidation, transporting road, reactor pile foundation, foundation and hoisting was proceeding as scheduled.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(VII) Analysis on major subsidiaries and investee companies *(Continued)*

4. Inner Mongolia Yitai Chemical Co., Ltd.

Inner Mongolia Yitai Chemical Co., Ltd. was incorporated on 29 October 2009 with a registered capital of RMB5.9 billion, and was owned as to 61.15%, 32.20% and 6.65% by the Company, Shanghai Hanqing Corporate Management Partnership (Limited Partnership) (上海漢馨企業管理合夥企業 (有限合夥)) and Yitai Group, respectively.

In 2020, Yitai Chemical strictly conducted process and quality control, and promoted cost reduction and efficiency enhancement. Meanwhile, it carefully organized planning and carried out systematic inspections on gasifiers, boilers and large generation units, resolved the issues of prolonged process in waste water treatment, low utilization rate of catalysts, and high energy consumption of systems, reduced the risks relating to the operation of generation units for the whole year, and laid a solid basis for the stable operation of equipment at high capacity. During the whole year, Yitai Chemical Company achieved a stable operation of 335 days, and recorded a production volume of 1.1303 million tonnes of various chemicals, and a sales volume of 1.1500 million tonnes of various coal-related chemical products with an operating revenue of RMB4.391 billion. Due to the impact of the COVID-19 pandemic, the sales price of coal chemical products decreased, which resulted in a loss of RMB599 million recorded by Yitai Chemical during the year.

During the reporting period, Yitai Ningneng, a holding subsidiary of Yitai Chemical, completed annual maintenance for its 0.50 Mtpa Fischer-Tropsch alkane fine separation project. The equipment operated for 267 days actually. It has obtained the reply to the water resource demonstration report, and completed environmental protection and safety facilities completion acceptance. As at 31 December 2020, an aggregate of 205,700 tonnes of standard products were produced, recording an operating revenue of RMB761 million. Due to the impact of the pandemic, the production volume and sales price of coal chemical products decreased with different degrees, which results in a loss of RMB88.5946 million recorded by Yitai Ningneng during the year.

5. Yitai Yili Energy Co., Ltd.

In 2020, Yili Energy Company actively facilitated the preliminary work for the four downstream extending projects including high-carbon alcohol. It has filed with local National Development and Reform Commission for the feasibility study report on the four downstream projects, and obtained approval from the Department of Ecology and Environment of the Autonomous Region for the environmental appraisal report thereon. Currently, the Company is actively proceeding with the preliminary work for social stability risk assessment and water resource demonstration of the downstream projects.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(VII) Analysis on major subsidiaries and investee companies *(Continued)*

6. Yitai Yili Mining Co., Ltd.

In 2020, Yili Mining Company obtained approval from the National Energy Administration for the 4.5 Mtpa coal mine project of Yitai Yili Mining Company in the resource integration zone of Xinjiang Yining mining area.

It has completed the tender for blank area and determination of the scope of the mining area according to the legal procedures for the phase I of 0.90 Mtpa coal mine project, and has submitted the materials on application for mining rights currently.

7. Investee companies

(1) Inner Mongolia Yitai Finance Company Limited

Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司) was established in July 2015, jointly funded by the Company and Yitai Group. The Company held 40% of its shares. In 2020, the Finance Company accumulatively handled 52,200 deals of settlement business with a total settlement amount of RMB342.992 billion and a net profit of RMB201 million.

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

Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司) was co-invested and founded by the Company, Beijing Jingneng Power Co., Ltd. and Shanxi Yudean Energy Co., Ltd., which is owned as to 29% by the Company, and the main business scope of Jingtai Power Generation covers coal gangue power generation, sales and heat supply. During the reporting period, Jingtai Power Generation completed 3.244 billion kWh of power generation and recorded a net profit of RMB12.0002 million.

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

During the reporting period, the total operating revenue of Mengji Railway was RMB7,197.1828 million and the net profit was RMB885.3845 million in 2020. The total operating revenue of Xin Baoshen Railway for the year was RMB3,881.0439 million and the net profit was RMB927.5522 million. The total operating revenue of South Ordos Railway was RMB4,075.8701 million and the net profit was RMB457.7503 million. Haoji Railway recorded a total operating revenue of RMB5,238.0111 million, and an annual loss of RMB4,874.2516 million. Zhunshuo Railway recorded a total operating revenue of RMB658.3456 million, and an annual loss of RMB693.3676 million.

(All above financial data of railway companies invested but not being controlled by the Company has not been audited.)



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(I) Setup and trend of the industry

The year 2021 marks the start of the “Fourteenth Five-year Plan” of China, and is an importance year for accelerating the construction of a new development pattern and promoting high quality development.

From the perspective of the state level, the Party Central Committee has clarified the accelerated construction of a new development pattern which is based on domestic macro-circulation, along with domestic and international dual-circulation and mutual promotion, and continued the adjustment to policy on stimulating domestic needs and enhanced the guiding role of policy on endogenous power, presenting new favorable opportunities for the Company's accelerated cultivation of new driving forces, promotion of transformation and upgrade, improvement of development quality of coal industry and release of quality driving forces. Meanwhile, as the government promotes energy reform, and implements peaking carbon emissions and carbon neutrality, pressures on control over both emission reduction and energy consumption have been built up.

From the perspective of the local level, the “Fourteenth Five-year Plan” of the Autonomous Region has proposed to regard Ordos as a key energy and strategic resource base to build a pilot area “exploring a new high quality development which is directed by ecology first and green development”; the Ordos government has proposed to create a model city of national modern energy economy by stepping up efforts in promoting industrial layout adjustment, structural optimization, and transformation and upgrade, and requiring the modern coal chemical industry to extend towards coal-based fine chemicals, coal-based new materials and material end-applications, which has provided policy support and solid guarantee to our transformation and development.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(II) Development strategies of the Company

In 2021, the Company will speed up industrial upgrading pace on the basis of strengthening its principal business of coal sector to enhance the Company's core competitiveness.

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

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

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

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

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(II) Development strategies of the Company (Continued)

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

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

(III) Business plan

	Expected in 2021	Increase/decrease	Basis
Production volume (in ten thousand tonnes)	4,056.00	Decreased by 11.06% compared with the volume in 2020	Determined on the internal production capacity and plan of the Company
Sales volume (in ten thousand tonnes)	7,705.00	Increased by 5.17% compared with the volume in 2020	Determined on the market demand
Unit cost of sales (yuan/ tonne)	276.00	Increased by 6.24% compared with the unit cost of sales in 2020	Determined on the internal estimate of the Company

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

In 2021, the Company will accelerate the switch of old and new driving forces, continue to decrease costs and improve efficiency and strive to accomplish various operational indicators, thereby facilitating the sustainable, healthy and high quality development of each segment.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(III) Business plan *(Continued)*

1. To consolidate the development of the principal coal business and strengthen the coal sector

Coal sector is the dominant sector of the Company. As guided by our strategies, the Company will dedicate ourselves to strengthening our principal coal business and increasing the earning generated from our principal coal business to lay a sound foundation for our high quality development.

We will capture the opportunities brought by the intelligitized coal mines and green renovation and upgrade, and adapt to the coal consumption upgrade needs to speed up the construction of intelligent coal mines and application of advanced extraction technology. We will optimize production layout and further explore the potentials of Suancigou Mine, Talahao Mine and other mines with quality coal type, large reserves and advanced capacity, to continuously release quality capacity, increase production, stabilize production scale and improve benefits and efficiency. We will vitalize all parties in the reform of mechanism for professional operation of coal production as soon as possible, coordinate and focus on studying and resolving the issues of underground discharge of gangue, "pressurization of coal under railway, water and building", etc., extend the service life of coal mines and improve the recycling rate of resources. Moreover, we will vigorously facilitate improvement in production quality, management efficiency and technological benefits to implement stricter control over the costs per tonne of coal and maintain leadership in the industry.

We will adapt to market demands in the links of transportation and sales, implement differentiated marketing strategies, and accelerate structural optimization and upgrade of production, transportation and sales of coal to improve competitiveness and maximize profits. By capturing the opportunities from the "domestic circulation" and focusing on optimizing product structure and customer structure, we will further develop and expand the market shares of downstream sales of coal and chemicals to increase profit of coal sales. In addition, by adopting flexible marketing strategies and on the basis of enhancing cooperation with key customers, we will attract social enterprises to enter the dispatching and transportation market, and seek to increase traffic and revenue to maximize the profitability of the railway segment.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(III) Business plan *(Continued)*

2. To steadily develop coal chemical sector and increase overall profitability of coal chemical sector

Coal chemical sector is a growth driver and hope in exploring high quality development by the Company. In this connection, we will firmly insist on industry chain extension and increase added value of products. On the basis of safe and stable operations at high capacity, we will continue cost reduction and efficiency improvement, and earnings generation, and deeply explore internal potentials.

On the basis of stable operations of projects which have been put into operation, we will continue to further refined management, raise awareness of innovation to explore and resolve bottlenecks in operations of devices at high capacity, and continue cost reduction and efficiency enhancement work to increase profit of products, achieving the expected targets. Targeting at the medium-to-high end of the industry chain, we will continue to gain experiences in advanced operations through global benchmarking learning, focus on cost reduction and efficiency improvement, construction of intelligent plants and practices of technological innovation, accelerate the extension of downstream industry chain of the coal chemical sector and the construction of industry chain supplementation projects, improve product structure and system, and advance industrial quality to enhance abilities to resist risks. We will promote the coal chemical sector towards the targets of various types of fine chemicals, wide applications, high added value of products, and highly loyal downstream customers. By seizing the opportunities from the new pattern of “dual circulation”, we will further develop the markets of chemical products, seek strategic cooperation with international leading chemical enterprises, and improve the chemical brand awareness of Yitai to enhance industrial benefits and core competitiveness.

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

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

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

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(III) Business plan *(Continued)*

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

The “Fourteenth Five-year Plan” of China has prioritized technological innovation in constructing a new development pattern, while the government of the Inner Mongolia Autonomous Region has also issued the action plan of “Revitalizing Inner Mongolia with Technology”, which has created favorable external conditions for the innovation-driven development of the Company. The Company will attach great importance to the leading role of innovation in advancement of our transformation at all levels, and regard innovation as a new driving force for the improvement of our competitiveness. In particular, we will continue to give play to the roles of innovation platform, further optimize the innovation operation mechanism, strengthen the cooperation with domestic and overseas research institutions, colleges and universities, and technology enterprises, accelerate the renovation and upgrade of coal chemical technologies and construction of intelligent plants, and promote technological upgrade and industrial digitalization; speed up research and development of technology for fine chemicals and promote the application and transformation of reserves to products; make technological breakthroughs in mining of coal mine and thin coal bed, etc. as soon as possible; leverage on 5G and other new generation of information technologies to further advance the construction of intelligent plants, intelligent coal mines and unmanned mines, and improve digitalized system to increase the operating efficiency of production and operation.

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

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



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(IV) Potential risks of the Company

1. Policy risks

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

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

2. Risks of macro-economic fluctuations

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

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

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

3. Risks of industrial competition

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

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

4. Risks of increasing capital demands

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

In this regard, the Company will, based on the approval progress of projects, the international crude oil market situation and the Company's overall fund arrangements, gradually promote the process of project construction in an ordered way, timely follow up and implement project loans, and further promote the equity financing and 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.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

5. Safety risks

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

To cope with these, the Company will 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-to-chemical operation and safety technical regulations as soon as possible; step up efforts for 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' labor intensity and improve the safety of operators through promoting 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 and relocation increases, the external cost and cost pressure of the Company will increase and the Company's business will be affected to some extent.

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

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

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 management and assessment on production and operation indicators of the entrusted party, in order to advance the level of safety management, further lower costs and boost efficiency, and maintain the vitality of production and operation.

8. Exchange rate risks

The principal places of operations of the Company are located in China and the major businesses are settled in Renminbi ("RMB"). However, the Company's recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly US dollar ("USD") and Kuwait dinar ("KWD") remain exposed to exchange rate risk. The finance department of the Company is in charge of supervising the foreign currency transactions and the size of foreign assets and liabilities so as to minimize the exposure to exchange rate risk. The Company 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 Company's commitment to these risks is kept to a minimum, it does not use any derivatives and other instruments for hedging purposes.

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(V) Others

1. The Company's capital expenditure plan for 2021

Project	Capital expenditure for 2021 (in ten thousand yuan)
Grant income on mining rights of Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.	2,786.46
Al marla integrated coal project of Yitai Yili Mining Co., Ltd.	24,426.60
2.0 Mtpa indirect coal-to-liquids conversion pilot project of Inner Mongolia Yitai Coal-to-oil Co., Ltd.	3,069.00
1.0 Mtpa coal-to-oil pilot project of Yitai Yili Energy Co., Ltd.	152,983.53
Environmental protection renovation project of the Xiyingsi Dispatch and Transportation Station	23,943.40
0.50 Mtpa Fischer-Tropsch alkane fine separation project of Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	4,418.04
Production and operation investment	46,785.78
Total	258,412.81

The Company's existing capital expenditure plan for 2021 may vary in line with the development of the business plan (including potential acquisitions), progress of capital projects, market conditions, outlook for future business conditions and the acquisition of necessary permits and regulatory approvals. In addition to the legal requirements, the Company does not undertake any responsibility to update any data of the capital expenditure plan.

2. Financing plan

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

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES

(I) Material events after the balance sheet date

The Group's material events after the balance sheet date are detailed in Notes XIII and XV to the audited consolidated financial statements.

(II) Pledge of assets

As at 31 December 2020, the Group did not pledge any assets.

(III) Contingent liabilities

As at 31 December 2020, the Group had no contingent liabilities.

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

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

(V) Issue of warranty

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

(VI) Donation

As at the date of this report, the Group made an aggregate donation of approximately RMB45.34 million.

(VII) Share-linked agreement

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

(VIII) Directors' insurance

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

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

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

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

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



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES *(Continued)*

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

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

(XII) Board diversity policy

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

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

(XIII) Articles of Association

To improve the efficiency in decision-making of the general meeting of the Company, the Company adjusted the existing related notification procedures for the general meeting and other contents under the Articles of Association in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Special Provisions of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019] 97號)) and other relevant laws and regulations and relevant regulatory requirements and in combination of the actual situation of the Company. Such amendments were considered and approved at the 2019 annual general meeting convened on 8 May 2020. Currently, the effective date for the Articles of Association is 8 May 2020, which has been published at the website of the Company and Hong Kong Stock Exchange.

(XIV) Proposed dividend

The Directors of the Group proposed to pay a dividend of RMB2.26 per 10 shares in 2020. For details, please refer to Plans for Profit Distribution or Transfer of Capital Reserve to Ordinary Share in Significant Events under section VI in this report.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES *(Continued)*

(XV) Distributable reserves

Details of the movements in reserves of the Group during the year 2020 are set out in the Consolidated Statement of Changes in Equity in the independent auditor's report, among which the information on the reserves distributable to shareholders is set forth in Note 44 under Note. VI to the independent auditor's report.

(XVI) Resignation of Directors

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

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

In 2020, the Group is in strict compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Safe Production Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, the Labor Law of the People's Republic of China and other laws and regulations as well as environmental policies of the PRC. During 2020, the Group does not have any serious contravention of laws and regulations.

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

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

(XIX) Rights and interests of Directors in competing businesses

In 2020, save as disclosed in this report, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete with the business of the Company, either directly or indirectly.



REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. OTHER DISCLOSURES (Continued)

(XX) Significant contracts

In 2020, save as disclosed in section V “Significant Events” – Material Connected Transactions in this report, none of the Company or any of its subsidiaries entered into any significant contracts with the controlling shareholder or any of its subsidiaries other than the Group.

(XXI) Management contracts

In 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, profit-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 Mine No. 1, Suancigou Mine, Baoshan Mine and Dadijing Mine, to Zhongtai Energy as a whole, without changes in the business model and asset ownership, and not causing changes in the consolidated scope of the financial statements.

(XXII) Pre-emptive right and share option arrangement

In 2020, the Company had no arrangement on pre-emptive right and share option; both Chinese laws and the Articles of Association of the Company have no clear provisions on the pre-emptive right.

(XXIII) Permitted indemnity provisions

For the year ended 31 December 2020, the Company did not have any permitted indemnity provisions once in effect or in effect for the benefit of the Directors of the Company (whether entered by the Company or not) or any directors of associated companies of the Company (if entered by the Company).

(XXIV) Public float

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

(XXV) Service contracts of Directors and Supervisors

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

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES *(Continued)*

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

The Group provides competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing consistently premium products and services to customers. In 2020, the Group had no material and significant disputes with suppliers and customers.

(XXVII) **Audit Committee**

The Audit Committee of the Board of Directors of the Company (the "Audit Committee") has reviewed the Company's and the Group's 2020 annual results, and the audited consolidated financial statements for 2020 prepared in accordance with the PRC Accounting Standards for Business Enterprises.

(XXVIII) **Auditor**

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

(XXIX) **Material litigation**

As of 31 December 2020, the Company was not involved in any material litigation or arbitration. So far as the Directors are aware, there is no material litigation or claim which has not yet been understood or is threatened against the Company.

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

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

REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. OTHER DISCLOSURES (Continued)

(XXXI) Business review

Major results review of the Group in 2020	Page 17 to page 39
Explanation on the significant relationships between the Group and its customers and suppliers	Page 21 to page 29
Discussion and analysis of the Group on the Company's future development	Page 40 to page 50
Description on the major risks that the Group is exposed to	Page 46 to page 49
The Group's compliance with relevant laws and rules that have a significant impact on the Company	Page 53
Information on the employees of the Group	Page 140 to page 141
The environmental policies and performance of the Company	Please refer to the 2020 Annual Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.

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

1. The Company has entered into the Agreement on Avoidance of Horizontal Competition on 29 May 2012 with the controlling shareholder. To implement the strategy of expanding the coal business of the Company, and minimize the potential competition in the business of Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company acquired the target assets of Yitai Group under the agreement at the consideration RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group. The Company confirmed:
 - ① all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;
 - ② all coal products mined from the target mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES *(Continued)*

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

- ③ 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 the Company; and (iii) Yitai Group applied to the Ministry of Railways for changing its account holder to the Company;
- ⑥ since the listing date, Yitai Group did not sell any of the above coal products to any third parties or engage in coal trading business, including but not limited to purchase of coal products from a third party;
- ⑦ Yitai Group did not make any notice to the Company in writing for the matters that constituted a business opportunity of horizontal competition thereby needed to be brought to the Company's attention, and confirmed that there were no business interests of horizontal competition transferred, disposed of, leased or permitted to a third party.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES *(Continued)*

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

2. On 29 May 2012, Yitai Group and the Company entered into the Agreement on Avoidance of Horizontal Competition, pursuant to which, Yitai Group undertook to preferentially sell Hongqinghe Mine to the Company or its subsidiaries provided that Hongqinghe Mine obtained the legitimate mining right qualification of resources licenses in compliance with production condition required, and was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights.

Supplemental explanations of undertakings:

① Analysis on ability to perform contracts

Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (“Yitai Guanglian”), a subsidiary of Yitai Group, obtained approval from the National Development and Reform Commission to commence operation of mines on 18 February 2013, and obtained the mining exploitation permit from the Ministry of Land and Resources on 6 July 2017 and the Safety Production License in November 2018. It has It has obtained the comprehensive acceptance approval issued by Inner Mongolia Autonomous Region Energy Bureau (內蒙古自治區能源局) on 26 October 2020.

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.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES *(Continued)*

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

2. *(Continued)*

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.

③ Preventive measures and control measures under default

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

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



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

IV. OTHER DISCLOSURES *(Continued)*

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

3. Fulfillment of undertakings:

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

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

In order to solve the horizontal competition problem between the Company and Yitai Group, the controlling shareholder, and to fulfill the commitments made by Yitai Group when the Company's H shares were issued and listed, the Company signed with Yitai Group an equity transfer agreement on 23 August 2017, with an intention to acquire the 10% equity interests held by Yitai Group in Yitai Guanglian with RMB3.824 billion. Such transaction has been considered and approved respectively at the fifth meeting of the seventh session of the Board of Directors on 25 August 2017 and the first extraordinary general meeting in 2017. Payment for the equity transfer consideration and changes of business registration have been completed.

By order of the Board
Zhang Jingquan
Chairman
30 March 2021

REPORT OF THE SUPERVISORY COMMITTEE

In 2020, pursuant to the relevant requirements set out in the Company Law, the Articles of Association and Rules of Procedure of the Supervisory Committee, the Supervisory Committee of the Company adhered to the spirit of being responsible to all shareholders, and conscientiously implemented the function of supervision for effective supervision on the material operating activities as well as execution of duties by all Directors and senior management of the Company, thus safeguarding the interests of the shareholders and the Company and legal rights of all employees satisfactorily, and accelerating standardized operation of the Company. The specific work of the Supervisory Committee in the past year is reported as follows:

I. MEETINGS CONVENED AND RESOLUTIONS PASSED

In 2020, the Supervisory Committee held a total of 6 meetings of the Supervisory Committee, of which 1 was on-site meeting, two were on-site plus communication meetings, and 3 were communication meetings. Prior to the convening of the meetings, the Company was strictly in accordance with relevant laws and regulations as required, to issue relevant meeting materials to the members of the Supervisory Committee in advance within the prescribed time, and each procedure for holding and convening the meetings of the Supervisory Committee was legal. During the reporting period, the main details of the meeting time, session and proposals are as follows:

REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

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

Session and time of the meeting of the Supervisory Committee	Proposals considered	Status
The 24th meeting of the seventh session (20 March 2020)	<ol style="list-style-type: none">1. Considered the proposal on the 2019 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.;2. Considered the proposal on the 2019 Financial Report of Inner Mongolia Yitai Coal Co., Ltd.;3. Considered the proposal on the 2019 Internal Control Evaluation Report of Inner Mongolia Yitai Coal Co., Ltd.;4. Considered the proposal on the 2019 Report of Performing Social Responsibilities of Inner Mongolia Yitai Coal Co., Ltd.;5. Considered the proposal on the 2019 profit distribution plan of the Company;6. Considered the proposal on the 2019 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary, as well as the 2019 Annual Results Announcement of Inner Mongolia Yitai Coal Co., Ltd.;7. Considered the proposal on the confirmation for the actual amounts of daily related transactions of the Company in 2019;8. Considered the proposal on the confirmation for continuing connected transactions of the Company in 2019;9. Considered the proposal on the use of idle funds for entrusted wealth management by the Company;10. Considered the proposal on the provision of guarantees for holding subsidiaries by the Company;11. Considered the proposal on the provision of entrusted loans for holding subsidiaries by the Company.12. Considered the proposal on the provision of guarantees for commercial acceptance bill financing business of certain wholly-owned subsidiaries and holding subsidiaries by the Company;13. Considered the proposal on the appointment of financial audit institutions by the Company for the year 2020;14. Considered the proposal on the appointment of internal control audit institution by the Company for the year 2020.	Passed

REPORT OF THE SUPERVISORY COMMITTEE (Continued)

I. MEETINGS CONVENED AND RESOLUTIONS PASSED (Continued)

Session and time of the meeting of the Supervisory Committee	Proposals considered	Status
The 25th meeting of the seventh session (25 April 2020)	<ol style="list-style-type: none"> 1. Considered the proposal on the election of the eighth session of the Supervisory Committee of the Company; 2. Considered the proposal on the remuneration for the Supervisors of the eighth session of the Supervisory Committee of the Company; 3. Considered the proposal on signing the Supplemental Agreement to the Sale and Leaseback Agreement between a holding subsidiary of the Company and Guangbo Huitong Finance Leasing Company Limited. 	Passed
The 26th meeting of the seventh session (28 April 2020)	<ol style="list-style-type: none"> 1. Considered the proposal on the First Quarterly Report of Inner Mongolia Yitai Coal Co., Ltd. in 2020 	Passed
The first meeting of the eighth session (8 May 2020)	<ol style="list-style-type: none"> 1. Considered the proposal on the election of the chairman of the eighth session of the Supervisory Committee 	Passed
The second meeting of the eighth session (27 August 2020)	<ol style="list-style-type: none"> 1. Considered the proposal on the 2020 Interim Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary, as well as the 2020 Interim Results Announcement of Inner Mongolia Yitai Coal Co., Ltd. 	Passed
The third meeting of the eighth session (29 October 2020)	<ol style="list-style-type: none"> 1. Considered the proposal on the Third Quarterly Report of Inner Mongolia Yitai Coal Co., Ltd. in 2020. 2. Considered the proposal on the estimation of the Company for the maximum of continuing connected transactions (H shares) for 2021-2023 3. Considered the proposal on the estimation of the Company for the maximum of daily related party transactions (B shares) for 2021-2023. 	Passed

II. SUPERVISION OF THE SUPERVISORY COMMITTEE OVER THE PERFORMANCE OF DUTIES BY THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

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



REPORT OF THE SUPERVISORY COMMITTEE (Continued)

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

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

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

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

During the reporting period, the Supervisory Committee inspected and supervised the financial activities of the Company by debriefing the special reports from the financial officers of the Company, reviewing the regular reports of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company was in compliance with the related provisions under the laws and regulations including the Accounting Law and the Accounting Standards for Business Enterprises. The 2020 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flows and shareholders' equity of the Company, etc. The auditor provided its objective and impartial audit opinion, and issued its standard unmodified auditor's report for the Company.

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

Pricing terms for acquisitions of assets by the Company during the reporting period were objective and fair, and there were no insider dealings which damaged the interests of shareholders and resulted in the loss of the Company's assets.

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

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

REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

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

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

The conclusions of the audit report of the "standard unmodified audit opinion" issued by Da Hua Certified Public Accountants (Special General Partnership) are objective and fair, and are in line with the Company's objective actual situations. The Supervisory Committee verified that no personnel involved in the preparation and review of periodic reports had violated the confidentiality provisions.

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

The Supervisory Committee reviewed the 2020 Annual Internal Control Evaluation Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that such report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2020, no material or significant defects were found in the design or execution of the Company's internal control.



SIGNIFICANT EVENTS

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

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

1. Formulation, execution or adjustment of cash dividend policy

As a result of the impact brought by COVID-19 pandemic and material assets impairment provided by Xinjiang Energy (a controlling subsidiary of the Company), the net loss attributable to the owners of the parent company for the year ended 31 December 2020 amounted to RMB657,055,254.05 as set out in the audited consolidated statements for the year 2020 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. Taking into full consideration of comprehensive factors of the results performance in 2020, future profitability, and shareholder investment returns, the Company recommended a cash dividend of RMB2.26 (tax inclusive) per 10 shares, calculated by the total share capital of 3,254,007,000 shares, to be paid to all shareholders. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working day after the date of the general meeting (namely the 2020 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average of middle rate of RMB against HKD as published by the People's Bank of China on the first working day after the general meeting (namely the 2020 annual general meeting) at which the resolution on distribution of dividend is approved.

The Company will convene the 2020 annual general meeting on Tuesday, 8 June 2021 for consideration and approval of relevant proposals, including the above proposal regarding final dividend for 2020. The aforesaid 2020 final dividend will be distributed on Monday, 19 July 2021 upon approval by the shareholders.

2. Closure of register of members

(1) Record date and dividend distribution for B shares

Given that the Company will convene the 2020 annual general meeting on Tuesday, 8 June 2021, and under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares after the 2020 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B shares.

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

The Company will convene the 2020 annual general meeting on Tuesday, 8 June 2021. The register of members of H shares of the Company will be closed from 9 May 2021 to 8 June 2021 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H shares of the Company should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 7 May 2021.

SIGNIFICANT EVENTS *(Continued)*

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

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

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

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

The register of members of the Company will be closed from 1 July 2021 to 6 July 2021 (both days inclusive). In order to qualify for receiving dividend, holders of H shares of the Company should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 30 June 2021.

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

3. Taxation

- (1) According to the provisions of the Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》(Guo Shui Han [2009] No. 394), the Company has withheld 10% enterprise income tax when it distributed cash dividends to the non-resident enterprise holders of B shares in 2020.
- (2) In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares of the Company not registered under the name of an individual shareholder, including under the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. After receiving dividends, non-resident enterprise shareholders may apply, personally or by proxy, to the competent taxation authorities to enjoy the treatment under taxation agreements (arrangement), and provide materials proving their eligibility to be the actual beneficiaries under the taxation agreements (arrangement) for tax refund.

Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agents or custodian organizations for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 6 July 2021.



SIGNIFICANT EVENTS *(Continued)*

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

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

3. Taxation *(Continued)*

- (3) For individual shareholders of B shares, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for individuals who acquire the stocks of a listed company from public offering or secondary market and hold the stocks for more than one year, the income from dividends and bonuses shall be temporarily exempt from individual income tax. For individuals who acquire the stocks of a listed company from public offering or transferring market, all the income from dividends and bonuses shall be included into the taxable amounts in case the holding period is less than one month (inclusive of one month); 50% thereof will be included into the taxable amounts in case the holding period is from one month to one year (inclusive of one year) temporarily; a unified tax rate at 20% shall be applicable to the aforesaid incomes in the levy of individual income tax.

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

Other matters on the implementation of differentiated individual income tax policies on dividends and bonuses of listed companies shall be in conformity with the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) (《財政部國家稅務總局證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)).

- (4) For non-resident individual holders of B shares, pursuant to the requirements under the "Circular on Some Policy Questions Concerning Individual Income Tax" (Cai Shui Zi [1994] No.20) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]20號)) published by the Ministry of Finance and State Administration of Taxation on 13 May 1994 regarding the dividends and bonuses received by foreign individuals from foreign investment enterprises that were temporarily exempted from individual income tax, the Company will temporarily not withhold the individual income tax of non-resident individual holders of B share.

SIGNIFICANT EVENTS (Continued)

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

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

Unit: yuan Currency: RMB

Year	Bonus shares for every 10 shares (share)	Dividends paid for every 10 existing shares (yuan) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit/(loss) attributable to ordinary shareholders of the Company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to ordinary shareholders of the Company in the consolidated statements (%)
2020	0	2.26	0	735,405,582	-657,055,254.05	N/A
2019	0	3.50	0	1,138,902,450	3,789,312,908.34	30.06
2018	0	5.00	0	1,627,003,500	4,136,726,558.79	39.33

Explanation: As a result of the impact brought by COVID-19 pandemic and a large amount of provisions for impairment of assets by Xinjiang Energy, a controlling subsidiary of the Company, the net loss attributable to owners of the parent company amounts to RMB657,055,254.05 in the audited consolidated statements of the Company as of 31 December 2020 under the PRC Accounting Standards for Business Enterprises in 2020. After fully considering comprehensive factors, such as results of the year 2020, future profitability, investment returns of shareholders, etc., the Company proposed to distribute a cash dividend of RMB2.26 per 10 shares (tax inclusive) to all shareholders, based on the total share capital of the Company of 3,254,007,000 shares. The total dividends to be distributed are RMB735,405,582.00.

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

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

SIGNIFICANT EVENTS (Continued)

III. APPOINTMENT OR DISMISSAL OF AUDITORS

Unit: yuan Currency: RMB

	Current appointee
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1,500,000
Term of audit of the domestic accounting firm	10
Name of the overseas accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the overseas accounting firm	2,200,000
Term of audit of the overseas accounting firm	2

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

Explanation on appointment or dismissal of auditors

The thirty-third meeting of the seventh session of the Board of Directors of the Company was held on 20 March 2020 to consider and approve the resolutions in relation to the re-appointment of the finance auditor for the year 2020 and internal control auditor for the year 2020 by the Company, approving the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the finance auditor of the Company for the year 2020 and the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as internal control auditor of the Company for the year 2020. The aforesaid resolution on appointment of auditors for the year 2020 has been considered and approved at the annual general meeting of the Company in 2019.

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

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

V. EXPLANATION ON INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions in relation to daily operation

1. Non-exempt continuing connected transactions

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

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

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

To ensure that the transactions between the Company and Yitai Group are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: The sales price of the Company's coal products is mainly based on market price, including but not limited to (i) the price of coal provided by the Company to independent third parties; (ii) the open market price published by major suppliers in their quotations or on their websites which will be renewed from time to time; and (iii) the mainstream selling price of neighboring coal mines and the mainstream selling price in the ports. The Company will determine the final price of the transaction upon negotiation with the counterparty according to the market price and reasonable cost plus reasonable profit.

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

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



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

In regard to the hazardous waste treatment services provided to the Company and its subsidiaries by Yitai Group's subsidiaries, the relevant service prices are determined based on Inner Mongolia Development and Reform Commission's Reply on Charge Standards for the Treatment of Hazardous Waste in Central and Western Inner Mongolia (Nei Fa Gai Fei Zi [2016] No. 1005) (《內蒙古自治區發展和改革委員會關於內蒙古中西部危險廢物處置收費標準的批覆》(內發改費字[2016]1005號)). The other service fees paid by the Company will refer to the past fees of these services, and combined with the market comparable prices to ensure that the prices and terms of the services provided to the Company are fair and reasonable for the Company. The price that Yitai Group provides services to the Company is not higher than the average market price level and is not higher than the price level at which the Company provides similar services to other independent third parties.

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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

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

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

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



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

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

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

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

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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

When the Company considered the cap of the continuing connected transactions in 2017, Buliangou holds 16.67% shareholdings in Huzhun Railway and the Company holds 76.99% shareholdings in Huzhun Railway, and thus Buliangou constitutes a connected person of the Company. Huadian Coal holds 51% shareholdings in Buliangou thus constitutes a connected person of the Company. On 7 November 2019, Huzhun Railway was owned as to 72.66% and 4.04% by the Company and Buliangou, respectively, after the merger of Zhudong Railway and Huzhun Railway.

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

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

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

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



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

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

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

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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

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

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



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

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

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

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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

(8) Financial Services Framework Agreement

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

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

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

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

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

The benefits of this transaction are set out as below:

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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

- (iv) The arrangements under the Financial Services Framework Agreement would help to save financial costs so as to enhance the Company's profitability.

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

On the date of entering the Connected Transaction Agreement, Mr. Zhang Shuangwang, Mr. Zhang Donghai, Mr. Liu Chunlin, Mr. Ge Yaoyong and Mr. Zhang Dongsheng, all being the connected persons of the Company, hold the directorship in Erdos Yitai Investment Holdings Company Limited* (鄂爾多斯市伊泰投資控股有限責任公司) and have significant influence over its board of directors, and Jingtai Environmental Technology is then a wholly-owned subsidiary of Erdos Yitai Investment Holdings Company Limited, thus Jingtai Environmental Technology constitutes a connected person of the Company. Erdos Yitai Investment Holdings Company Limited currently holds 49.02% equity interests in Jingtai Environmental Technology.

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

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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

The Company holds 72.66% shareholdings in Yitai Huzhun and therefore Yitai Huzhun is a non-wholly owned subsidiary of the Company. Meanwhile, Yanzhou Coal Neng Hua holds 18.94% shareholdings in Yitai Huzhun and therefore Yanzhou Coal Neng Hua constitutes a connected person of the Company at the subsidiary level.

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

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

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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

(11) Summary of continuing connected transactions in 2020

Category of transaction	Nature of transaction	For the year ended 31 December 2020 transaction amount RMB'000
Products provided by the Company	Supply of equipment, materials or coal by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	31,088
	Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiaries	256,827
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	804,951
	Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	0
	Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	0
Products provided to the Company	Purchases of chemical materials, coal and other products by the Company from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	2,813,843
	Purchases of electricity, agricultural and sideline products and other products by Company from Inner Mongolia Yitai Beimu Pastoral Resources Development Group (內蒙古伊泰北牧田園資源開發有限公司), a subsidiary of Inner Mongolia Yitai Investment Co., Ltd.	32,288
	Purchases of coal by the Company from Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	529,672
	Supply of coal by Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd. to the Company	0
Services provided by the Company	Supply of rail transportation, maintenance and management and logistics services by the Company to Inner Mongolia Mengtai Buliangou Coal Co., Ltd., a subsidiary of Huadian Coal Industry Group Co., Ltd.	147,187
	Supply of working face relocation and leasing services by the Company to Yitai Group and its subsidiaries	6,621
	Supply of rail transportation, maintenance and management and logistics services by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	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

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

(11) Summary of continuing connected transactions in 2020 *(Continued)*

Category of transaction	Nature of transaction	For the year ended 31 December 2020 transaction amount RMB'000
Services provided to the Company	Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	44,638
	Supply of rental equipment and hazardous waste treatment services from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries to the Company	19,909
	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	6,021
	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	41,387
Financial services	Interest on deposit services <i>(Note)</i> provided by Yitai Finance to the Company	29,305
	Fees on financial services provided by Yitai Finance to the Company	0

Note: The actual maximum daily deposit balance (after deducting accrued interest) of the Group was RMB8,999,544,000 and the maximum limits was RMB9,000,000,000.

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

(12) The annual caps of the following continuing connected transactions in 2020 disclosed in the announcements on 7 November 2017, 2 December 2017 and 22 March 2018 are as follows:

Category of transaction	For the year ended 31 December 2020 RMB'000
Supply of equipment, materials or coal by the Company to Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	500,000
Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiary	1,072,000
Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	2,800,000
Supply of coal by the Company to Huadian Coal Industry Group Co., Ltd. and its subsidiaries	770,000
Supply of coal by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	257,000
Purchases of chemical materials, coal and other products by the Company from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries	11,895,000
Purchases of electricity, agricultural and sideline products and other products by Company from a subsidiary of Inner Mongolia Yitai Investment Co., Ltd.	50,000
Supply of coal by Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. to the Company	850,000
Supply of coal by Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd. to the Company	175,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Huadian Coal Industry Group and its subsidiaries	190,000
Supply of working face relocation and leasing services by the Company to Yitai Group and its subsidiaries	180,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	50,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	250,000
Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	80,000
Supply of rental equipment and hazardous waste treatment services from Inner Mongolia Yitai Group Co., Ltd. and its subsidiaries to the Company	103,000
Supply of greening service from Inner Mongolia Yitai Investment Co., Ltd. and its subsidiaries to the Company	30,000
Supply of operation and maintenance services from Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司) to the Company	101,000
Interest on deposit services provided by Yitai Finance to the Company	45,000
Fees on financial services provided by Yitai Finance to the Company	25,000

SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

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

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

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



SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

4. Related party transactions

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

VI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

On 28 December 2017, Xinjiang Energy, a controlling subsidiary of the Company, entered into a sale and leaseback agreement with Guangbo Huitong Finance Leasing Company Limited (“Guangbo Huitong”) to handle businesses related to financial leasing of not exceeding RMB180 million. For details, please refer to the announcement of the Company dated 28 December 2017. Based on the private capital of Xinjiang Energy, Xinjiang Energy entered into the Supplemental Agreement to the Sale and Leaseback Agreement with Guangbo Huitong on 21 April 2020 after negotiating with Guangbo Huitong, to revise the original agreement. The total rent under the agreement of RMB201,865,000 was revised to RMB207,000,000. During the lease period, Xinjiang Energy shall pay the interest on a quarterly basis and repay the principal on a yearly basis (20% of the principal to be repaid at the end of the first year, 20% of the principal to be repaid at the end of the second year and 60% of the principal at the end of the period). After revision, Xinjiang Energy shall pay the interest on a yearly basis during the lease period and make a one-off repayment on the principal. For details, please refer to the announcement of the Company dated 21 April 2020. Guangbo Huitong is a controlling shareholder of the Company, a wholly-owned subsidiary of Yitai Group, and therefore constitutes a connected person of the Company.

(III) Material related transactions relating to common external investments

Not applicable

(IV) Related creditors’ rights and debts transactions

Not applicable

SIGNIFICANT EVENTS (Continued)

VII. 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. (內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	2,817,591,028.23	1 April 2020	Nil	844,036,309.88	See explanation	-128.46%	No	Nil

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 December 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.

SIGNIFICANT EVENTS *(Continued)*

VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION *(Continued)*

(II) 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 and its Subsidiaries 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)	12,865,281,581.51
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	12,865,281,581.51
Percentage of total guarantee in the Company's net Assets (%)	38.91%
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)	24,594,406.04
Amount of total three guarantees above (C+D+E)	1,881,494,406.04
Statement on the contingent joint liability in connection with unexpired guarantees	Not applicable
Statement on guarantee	Not applicable

SIGNIFICANT EVENTS (Continued)

VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (Continued)

(III) Entrusted Cash Assets Management

1. Entrusted wealth management

(1) Overview of entrusted wealth management

Unit: yuan Currency: RMB

Type	Sources of funds	Actual amount	Amount not overdue	Overdue amount to be recovered
Structured deposit	Private capital	700,000,000.00	0	0
RMB open-ended wealth management product(legal entity)	Private capital	500,000,000.00	0	0

(2) Single entrusted wealth management

Unit: yuan Currency: RMB

Entrustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Whether a legal procedure or not	Whether the future entrusted wealth management plan exists	Provisions for impairment (if any)
Shanghai Pudong Development Bank	Structured deposit	200,000,000.00	2020-4-17	2020-7-15	Private capital	Various assets	Principal-guaranteed floating income	3.75%	1,854,166.67	1,854,166.67	Due and received	Yes	Yes	Nil
Bank of Communications	Structured deposit	500,000,000.00	2020-4-20	2020-6-22	Private capital	Various assets	Principal-guaranteed floating income	3.25%	2,804,794.52	2,804,794.52	Due and received	Yes	Yes	Nil
Agricultural Bank of China	RMB Open-ended wealth management product(legal entity)	500,000,000.00	2020-6-19	2020-7-21	Private capital	Various assets	Principal-guaranteed floating income	1.85%	810,958.90	810,958.90	Due and received	Yes	Yes	Nil

SIGNIFICANT EVENTS (Continued)

VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (Continued)

(III) Entrusted Cash Assets Management (Continued)

2. Entrusted Loans

(1) Overview of entrusted loans

Unit: yuan Currency: RMB

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

(2) Single entrusted loans

Unit: '0,000 yuan Currency: RMB

Entrustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Through a legal procedure or not	Whether the future entrusted loans exist	Provisions for impairment (if any)
Finance Company	Entrusted loans	27,000	2017-9-20	2020-9-19	Private capital	Supplementary working capital	Fixed interest rate	6%	4,860	1,215	Due and received	Yes	Yes	
Finance Company	Entrusted loans	15,000	2017-12-13	2020-12-12	Private capital	Repayment of loans	Fixed interest rate	4.75%	2,137.5	712.5	Due and received	Yes	Yes	
Finance Company	Entrusted loans	20,000	2017-10-31	2020-10-30	Private capital	Repayment of loans and equipment	Fixed interest rate	6%	3,600	1,000	Due and received	Yes	Yes	
Finance Company	Entrusted loans	10,000	2017-6-20	2020-6-19	Private capital	Supplementary working capital	Fixed interest rate	8%	2,400	400	Due and received	Yes	Yes	
Agricultural Bank of China	Entrusted loans	100,000	2017-3-7	2020-3-6	Private capital	Project construction and repayment of loans	Fixed interest rate	8%	24,000	2,000	Due and received	Yes	Yes	
Finance Company	Entrusted loans	16,000	2017-9-22	2020-9-21	Private capital	Supplementary working capital	Fixed interest rate	6%	2,880	720	Due and received	Yes	Yes	
Finance Company	Entrusted loans	110,000	2017-12-13	2020-12-12	Private capital	Repayment of loans	Fixed interest rate	4.75%	15,675	5,225	Due and received	Yes	Yes	
Finance Company	Entrusted loans	50,000	2017-11-23	2020-11-22	Private capital	Repayment of loans	Fixed interest rate	6%	9,000	2,750	Due and received	Yes	Yes	
Finance Company	Entrusted loans	2,000	2017-6-20	2020-6-19	Private capital	Supplementary working capital	Fixed interest rate	8%	480	80	Due and received	Yes	Yes	
Finance Company	Entrusted loans	2,000	2017-11-23	2020-11-22	Private capital	Repayment of loans and project funds	Fixed interest rate	6%	360	110	Due and received	Yes	Yes	

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

SIGNIFICANT EVENTS (Continued)

VIII. OTHER SIGNIFICANT EVENTS

1. Based on the cautious judgement on the macro-economy and industry trend and in light of the actual situation, the Company will suspend the Yitai Ganquanbao 2 Mtpa Coal-to-oil Pilot Project (“Ganquanbao 2 Mtpa Project”) of Xinjiang Energy.

For the assets that have been formed in the preliminary preparation stage of the Ganquanbao 2 Mtpa Project of Xinjiang Energy, based on the principle of optimizing utilization and minimizing losses, the Company intends to dispose of them by following ways: allocate and dispose of the reusable equipment assets (including process packages); consider transferring and leasing the real estate assets; consider as asset losses for assets that have clearly no use value.

Based on the above actual situation, the suspension of the Ganquanbao 2 Mtpa Project of Xinjiang Energy will lead to signs of impairment of some assets. According to the assessment opinions from Shanghai Orient Appraisal Co., Ltd. (“Shanghai Orient”) engaged by the Company, the amount of asset impairment required to be provided will be RMB3,220,043,100. The provisions for impairment losses will result in a decrease of RMB3,220,043,100 in the net profit in the single statement and a decrease of RMB3,077,954,900 in the net profit in consolidated statement.

I. BASIC INFORMATION

(I) Basic Information of Xinjiang Energy and Ganquanbao 2 Mtpa Project

Xinjiang Energy is a limited liability company registered and established by the Company and Inner Mongolia Yitai Group Co., Ltd. (“Yitai Group”) in Xinjiang Uygur Autonomous Region on 16 February 2012 with a registered capital of RMB1.36 billion. The Company holds 90.2% equity interest in Xinjiang Energy and Yitai Group holds 9.8% equity interest in Xinjiang Energy.

The Ganquanbao 2 Mtpa Project constructed by Xinjiang Energy is located in the Ganquanbao Economic and Technological Development Zone in Urumqi, Xinjiang Autonomous Region. The project has been filed by the Xinjiang Uygur Autonomous Region Development and Reform Commission (“Xinjiang Autonomous Region Development and Reform Commission”). The total planned investment of the project is RMB32 billion. The construction period of the project is expected to be 4 years. 30% of funding source of the project is self-owned funds and 70% is bank loans. So far, the investment of RMB6.456 billion in the preliminary supporting and long-term equipment procurement has been completed. The Ganquanbao 2 Mtpa Project has been considered and approved at the second extraordinary general meeting in 2014 of the Company held on 25 November 2014, at the seventh meeting of the sixth session of the Board of the Company held on 18 March 2015 and the 2014 annual general meeting held on 9 June 2015.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

I. BASIC INFORMATION *(Continued)*

(I) Basic Information of Xinjiang Energy and Ganquanbao 2 Mtpa Project *(Continued)*

For the Ganquanbao 2 Mtpa Project, the Approval on the Proposal of Preservation of Water and Soil of Yitai Ganquanbao 2 Mtpa Coal-to-oil Pilot Project of Yitai Xinjiang Energy Co., Ltd. (Shui Bao Han [2016] No. 12) was obtained from the Ministry of Water Resources of the PRC in January 2016, the Review Comments on the Energy Conservation Evaluation Report of Yitai Ganquanbao 2 Mtpa Coal-to-oil Pilot Project of Yitai Xinjiang Energy Co., Ltd. was obtained from China National Development and Reform Commission (the "NDRC") (Fa Gai Ban Huan Zi [2016] No. 1697) in July 2016, the Comment Letter on Control Indicators for Total Amount of Major Pollutants of Ganquanbao Coal-to-oil Project of Yitai Xinjiang Energy Co., Ltd. was obtained from the Department of Ecology and Environment of Xinjiang Autonomous Region (Xin Huan Han [2018] No. 1591) in October 2018, the Reply on Solution of Water Consumption Index of Yitai Ganquanbao 2 Mtpa Coal-to-oil Pilot Project (Mi Shui Fa [2019] No. 137) was obtained in September 2019, the Affirmative Decision of Administration License for Approval of Water-drawing Permit of Ganquanbao 2 Mtpa Coal-to-oil Pilot Project of Yitai Xinjiang Energy Co., Ltd. was obtained from the Yellow River Conservancy Commission of Ministry of Water Resources of the PRC (Huang Xu Ke Jue [2020] No. 11) in March 2020. The Ganquanbao 2 Mtpa Project has obtained the land use certificate of the land of 6,896 mu, project construction land planning permission and construction approval procedures for certain supporting projects.

(II) Reasons for Suspension of the Ganquanbao 2 Mtpa Project of Xinjiang Energy

According to the strategic deployment of the Company, the Company has planned two coal-to-oil projects in Xinjiang, namely 1 Mtpa coal-to-oil pilot project of Yitai Yili Energy Co., Ltd. ("Yili Energy") and Ganquanbao 2 Mtpa Project of Xinjiang Energy. The Company has planned a coal-to-oil project under construction in Inner Mongolia, i.e., 2 Mtpa indirect coal-to-liquids conversion pilot project of Inner Mongolia Yitai Coal-to-oil Co., Ltd. ("Yitai Coal-to-oil"). Based on the macroeconomic and industry situation, and from the perspective of protecting the interests of all shareholders, the Company will focus on the construction of 1 Mtpa coal-to-oil pilot project of Yili Energy and 2 Mtpa indirect coal-to-liquids conversion pilot project of Yitai Coal-to-oil, and suspend the Ganquanbao 2 Mtpa Project. Specific reasons are as follows:

1. *Impact of economic environment*

In recent years, international crude oil prices have been declining, which has had a significant adverse impact on the Company's coal-to-oil project. In the first half of 2020, the international crude oil futures price plunged to negative. Although the international crude oil price rose in the second half of 2020, there is still great uncertainty on the global crude oil supply side, and the current tight supply and demand condition is easily broken.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

I. BASIC INFORMATION *(Continued)*

(II) Reasons for Suspension of the Ganquanbao 2 Mtpa Project of Xinjiang Energy *(Continued)*

2. *Impact of the COVID-19 pandemic*

The COVID-19 pandemic has caused traffic jams, business closures or underoperation, and the decline in fuel consumption and crude oil demand, which has dealt a serious blow to the global economy. Meanwhile, affected by the impact of the COVID-19 pandemic, the Company's coal production in 2020 was under capacity, and product sales are under restrictions. The production, sales and sales prices of coal and coal chemical products of the Company have declined to varying degrees from the same period last year, resulting in a decline in the efficiency of the coal sector and an increase in losses in the coal chemical sector, which affected the overall profitability of the Company. The construction of 1 Mtpa coal-to-oil pilot project of Yili Energy and Ganquanbao 2 Mtpa Project of Xinjiang Energy have been suspended due to the pandemic, and the capitalization of interest and expenses has been suspended, which has also affected the Company's profit level to a certain extent.

3. *Policy barriers*

The 1 Mtpa coal-to-oil pilot project constructed by Yili Energy has obtained several approvals including environmental assessment, water conservation, construction land and project approval. On 6 January 2021, the National Energy Administration issued the Approval of Coal Mine Project of Yitai Yili Mining Company in the Resource Integration Zone of Xinjiang Yining Mining Area, approving the Company to construct the 4.5 Mtpa coal mine project in the Yining mining area as the raw material base supporting coal-to-oil project, thus the final barrier for successfully promoting the 1 Mtpa coal-to-oil pilot project of Yili Energy was broke through.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

I. BASIC INFORMATION *(Continued)*

(II) Reasons for Suspension of the Ganquanbao 2 Mtpa Project of Xinjiang Energy *(Continued)*

3. Policy barriers *(Continued)*

Since the establishment of the Ganquanbao 2 Mtpa Project of Xinjiang Energy, the Company has been proactively preparing relevant documents for approval and has successively carried out the preliminary preparation work for the project, and has obtained the approval for the Soil and Water Conservation Proposal and the land approval for project construction and others. However, since 2017, the progress of the approval for the Environmental Impact Appraisal Report necessary to the approval of the project has been slow, and after more than three years of effort by the Company, some supporting documents required by the project are still under approval process, including the project approval from the National Development and Reform Commission; the approval of the Ministry of Natural Resources on the environmental impact assessment report of the project; the construction project planning permission of the main project, the construction permission for construction works; construction procedures for railway lines and part of the land in the installation area. The Urumqi Municipal Government coordinated with the Ministry of Ecology and Environment and the Government of Xinjiang Autonomous Region on the approval of related matters in 2018 and 2019 respectively, but no substantial progress has been obtained up to now. In May 2019, the Company received the Notice on Issuing the Reduction Plan of Total Coal Consumption of Relevant Counties and Cities in Urumqi-Changji-Shihezi and Kuytun-Dushanzi-Usu Areas from the Xinjiang Autonomous Region Development and Reform Commission, which requires the implementation of relevant requirements under the Conference Minutes of Research on the Urumqi-Changji-Shihezi and Kuytun-Dushanzi-Usu Regional Ecological Environmental Protection Work (Xin Zheng Yue [2019] No. 88) to ensure that the coal consumption of relevant counties (cities) in 2020 will be reduced by 10% compared with that in 2015. The implementation will have impact on the coal resources for the coal-to-oil project of Xinjiang Energy to a greater extent. In December 2020, the Company participated in the Meeting on the Progress of Environmental Appraisal of Industrial Projects in Dispatching “Three Ledgers” (三本台賬) organized and convened by the Department of Environmental Impact Assessment and Emission Management under the Ministry of Ecology and Environment and reported the particulars of Xinjiang Energy projects to the Department Environmental Impact Assessment and Emission Management, but no substantial progress has been yet made up to now.

4. Funding pressure of the project

Although the Company actively promoted coordination and communication with banks and other financial institutions, it is still difficult to obtain project loans due to the progress of approval for the project. Affected by the COVID-19 pandemic, in 2020, the Company's coal production was under-capacity, product sales were under limitation and profits declined compared to that of previous years.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

I. BASIC INFORMATION *(Continued)*

(II) Reasons for Suspension of the Ganquanbao 2 Mtpa Project of Xinjiang Energy *(Continued)*

5. *The construction period approved by the general meeting is expected to be 4 years. Up to now, the project has not progressed as expected.*

The factors above were not anticipated at the time of commencing the Ganquanbao 2 Mtpa Project of Xinjiang Energy (the construction of the Ganquanbao 2 Mtpa Project of Xinjiang Energy was commenced on October 2013). Specific reasons are as follows:

1. According to the research on the target markets (including liquefied petroleum gas, naphtha and diesel) at the time of commencing the Ganquanbao 2 Mtpa Project of Xinjiang Energy, the product plan for the main diesel product shall meet the market demand with good product quality. With the rapid development of the national economy, the target markets' shortage of products such as liquefied petroleum gas, naphtha and diesel shall increase. Therefore, the Company estimated that the target market for the Ganquanbao 2 Mtpa Project of Xinjiang Energy is reliable and there will be a good market for its products.
2. At the time of commencing the Ganquanbao 2 Mtpa Project of Xinjiang Energy, the construction of the Ganquanbao 2 Mtpa Project of Xinjiang Energy was expected to promote the economic development of Xinjiang which is in line with the strategy for the development of the western region of China. The Company expected that there will be no obstacles in obtaining approvals for the Ganquanbao 2 Mtpa Project of Xinjiang Energy.
3. The suspension of the Ganquanbao 2 Mtpa Project of Xinjiang Energy is mainly due to the unexpected COVID-19 pandemic and difficulties in obtaining approvals for the Ganquanbao 2 Mtpa Project of Xinjiang Energy resulting from policy changes happened in the later stage of the Ganquanbao 2 Mtpa Project of Xinjiang Energy. The decline in the Company's profits and the difficulty in obtaining project loans have caused huge financial pressure for the Company to continue to support the Ganquanbao 2 Mtpa Project of Xinjiang Energy.

However, up to now, in the context of the continued downturn and uncertain international oil prices and the normalization of the prevention and control of the COVID-19 pandemic, after assessing the net profit and cash flow levels in the future in a reasonable and prudent manner, the Company takes initiative to suspend of the Ganquanbao 2 Mtpa Project of Xinjiang Energy with slow approval progress and no substantial progress in supporting coal mine facilities, which will be conducive to protecting the interests of all shareholders and will be in line with the Company's long-term strategic plans.

SIGNIFICANT EVENTS (Continued)

VIII. OTHER SIGNIFICANT EVENTS (Continued)

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT

(I) Scope of Asset Appraisal

According to the appraisal and calculation results set out in the “Asset Valuation Report on Market Value of Certain Assets Involved in Proposed Disposal of Assets by Yitai Xinjiang Energy Co., Ltd. and Intended to Be Understood by Inner Mongolia Yitai Coal Co., Ltd.” issued by Shanghai Orient on 20 January 2021 (Dong Zhou Ping Bao Zi [2021] No. 0024), the market value (exclusive of value-added tax) of assets of Xinjiang Energy as at 31 December 2020, the Valuation Benchmark Date, is RMB3,572,333,021.10. Details of which are as follows:

Unit: RMB'0,000

Item	Book value	Appraised value	Change	Change percentage (%)
Fixed assets	16,409.07	23,917.64	7,508.57	45.76
Construction in progress	591,911.82	276,849.38	-315,062.44	-53.23
Intangible assets	37,274.87	56,466.28	19,191.41	51.49
Total assets	645,595.77	357,233.30	-288,362.47	-44.67

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) The choice of evaluation method

Fixed assets – houses and buildings

The replacement cost method is used for the evaluation and the reasons for the evaluation method are suitable: the houses and buildings are the production houses and auxiliary houses for the enterprise's own use. The main body of the building serves the production and operation of the enterprise. By re-budgeting and using reasonable cost indicators, the replacement cost can basically reflect the market value of the house and is easier to measure.

The calculation formula is:

Evaluation value = full replacement price – physical depreciation – functional depreciation – economic depreciation

Or: Evaluation value = replacement price per unit area × building area × newness rate

Replacement price per unit area:

The main buildings adopt the re-budget method, replacement unit price per unit area was determined based on the “Consumption Quota for Construction Projects in Xinjiang” (2011), and the “Implementation Opinions of Xinjiang Uygur Autonomous Region Housing and Urban-Rural Development Department on the Adjustment of the Valuation Basis of Construction Projects from Business Tax to Value-added Tax in Xinjiang” and the main material price information published on the project cost-related website.

Calculation of related costs: In addition to the cost of construction and installation projects, there are other related costs, including preliminary and other costs, capital costs, etc of the general construction and installation projects.

Preliminary and other expenses for houses and buildings are mainly pre-costs and period costs. Preliminary costs mainly include environmental impact assessment fees (State Planning Commission and Environmental Protection Administration [2002] No. 125), feasibility study fees (Planning Commission [1999] 1283), survey and design fees, bidding agency fees (price [2002] No. 1980), etc. The period cost mainly include construction unit management fees (Finance Ministry of Finance [2016] No. 504) and engineering supervision fees.

According to the current national policy on further liberalization of professional service prices for construction projects, market-adjusted prices are implemented for the preliminary costs of construction projects, that is, the contract price is finally determined based on the independent bidding of the preliminary costs of the project by relevant units. In this assessment, we made calculations with reference to the basis of the initial cost before the opening policy, and the results were horizontally compared with the actual situation of the construction market to determine the basis of rating.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) The choice of evaluation method *(Continued)*

Fixed assets – houses and buildings (Continued)

The preliminary and other expenses are as follows:

Initial expenses:

No.	Project Name	Basis of the Pricing	Rate (%)	Basis
1	Environmental impact assessment fee	Construction and installation project cost including tax	0.04	Planning Commission and State Environmental Protection Administration (2002) No. 125
2	Feasibility study fee	Construction and installation project cost including tax	0.20	Planning Commission Price (1999) No. 1283
3	Survey and design fee	Construction and installation project cost including tax	3.90	Planning Commission and Ministry of Construction Valuation (2002) No. 10
4	Bidding agency fee	Construction and installation project cost including tax	0.04	Total price (2002) No. 1980
	Total		4.18	

Period cost:

No.	Project Name	Basis of the Pricing	Rate (%)	Basis
1	Construction unit management fee	Construction and installation project cost including tax	0.62	Ministry of Finance Caijian (2016) No. 504
2	Project supervision fee	Construction and installation project cost including tax	1.53	Development and Reform Price (2007) No. 670
	Total		2.15	

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) The choice of evaluation method *(Continued)*

Fixed assets – houses and buildings (Continued)

Capital cost:

It is mainly the interest expense incurred by the enterprise for financing the project. When calculating its base, the construction and installation project cost, preliminary cost and expense during the period are evenly invested during the construction period, and the capital occupation time is calculated as half of the construction period. The interest rate is based on the construction period and is determined according to the loan market quote rate (LPR) authorized and published by the National Interbank Funding Centre. The formula is:

Capital cost = (construction and installation project cost + preliminary cost + period cost) × loan market quotation interest rate × capital occupation time ÷ 2

Determination of floor area:

For buildings without relevant ownership certificates, the floor area shall be determined according to the on-site survey and the data provided by the enterprise.

Determination of residue rate:

The residue rate of age method and scoring method are used to determine the weighted average of the residue rate, to comprehensively determine the residue rate.

The residue rate was determined comprehensively mainly through on-site inspection of the construction quality of the building, the main body of the building, the enclosure structure, the water and electricity facilities, the decoration and other aspects of the maintenance, and with reference to the “Assessment Standards for the Degree of House Damage” issued by the Ministry of Construction and the provisions of the Ministry of Construction and the Ministry of Finance on the service life of buildings with different structures and purposes (1992) No. 349.



SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) The choice of evaluation method *(Continued)*

Construction in progress – civil engineering

Carefully sort out and analyze according to the status of the construction in progress, the project progress, combined with the data collected, and analyze and determine the proportion of the project payable to the actual completion progress of the project based on the confirmation sheet of actual completion progress pursuant to the construction contract by adopting the following evaluation methods:

1. For the completed project, if the project continues to perform its functions according to the existing design, it shall be evaluated under the fixed asset method, otherwise the evaluation value shall be determined at the recoverable value. At the same time, as the supporting facilities of the production plant, the property owner intends to suspend advancing the project from the perspective of protecting the interests of all shareholders, the corresponding depreciation factor would be taken into consideration.
2. For uncompleted projects, during the period from construction to the Benchmark Date, if there is a significant change in the prices of materials and labor involved in the investment, the valuation should be re-adjusted according to the market price; for technological devices, shared projects, temporary facilities, and underground pipe networks in the factory area that were constructed in advance relating to the proposed suspension project by property owners from the perspective of protecting the interests of all shareholders, the valuation was determined at the net recoverable value.
3. Pure cost construction in progress

Pure cost constructions in progress have no material entities. If the verified payment is necessary for the construction projects to be started in the future or has actual value for the future owners, the verified book value should be taken as the appraised value after it is confirmed that there is no duplicate valuation with the related asset projects, otherwise it should be treated as zero.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) The choice of evaluation method *(Continued)*

Intangible assets – land use rights

Analysed on basis of the appraisal purpose, the characteristics and actual conditions of the appraised target and the data collected, the certified use of the appraised target is industrial land located in the Ganquanpu Economic and Technological Development Zone, Urumqi. The market comparison method and the benchmark land price coefficient correction method are adopted for the appraisal of the value of the land use right.

Reasons for the appraisal method applicable: The valuer could collect recent transactions of surrounding land through investigations when performing the appraisal procedures. The relevant factors could be quantified and compared and analyzed more accurately with the appraised target. Therefore, the market comparison method is adopted for its valuation under the premise of full marketization of the land, and could obtain a reasonable and objective appraisal result. Since the latest benchmark date of the benchmark land premium of the appraised target is 1 July 2020, which is highly close to the Valuation Benchmark Date, and the valuer have obtained the relevant results of the updated benchmark land premium, the benchmark land price coefficient correction method is thus adopted as an auxiliary evaluation method.

Fixed assets – equipment

Combined with the purpose of the appraisal, economic behavior and value type, the replacement cost method is mainly adopted for the appraisal of equipment assets.

Appraisal value = replacement cost - physical depreciation - functional depreciation - economic depreciation = replacement cost × integrated residue rate

1. Machinery and equipment

The replacement cost of machinery and equipment is composed of equipment purchase price, transportation and miscellaneous expenses, installation and commissioning expenses, preliminary engineering and other expenses, capital cost, etc. (or necessary and reasonable costs, profits and related taxes and fees incurred in the purchase and construction).

A: The full replacement cost is calculated as follows:

Equipment full replacement cost (excluding VAT) = equipment purchase price (excluding VAT) + transportation and miscellaneous charges (excluding VAT) + installation and commissioning fees (excluding VAT) + preliminary engineering and other expenses (excluding VAT) + capital cost

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) The choice of evaluation method *(Continued)*

Fixed assets – equipment (Continued)

1. Machinery and equipment *(Continued)*

B. Determination of integrated residue rate

△ Integrated residue rate = theoretical residue rate × adjustment coefficient K

Where: theoretical residue rate = remaining useful life ÷ (used life + remaining useful life) × 100%

Adjustment coefficient K = K1 × K2 × K3 × K4 × K5

Various adjustment coefficients are mainly determined after investigating and understanding the original manufacturing quality of the equipment, the operating status of the equipment and the frequency of failures, maintenance (including overhauls, etc.), the utilization rate of the equipment, and the environmental conditions of the equipment.

△ The integrated residue rate of general simple equipment is directly determined by the theoretical residue rate or at the observed value.

C. Determination of appraised value

Appraised value = full replacement cost × integrated residue rate

2. Vehicle equipment

A. Determination of replacement cost

The full replacement cost of vehicles equipment is determined based on the market price of vehicles equipment as at the Valuation Benchmark Date as well as the vehicle purchase tax, new car license fee and other fees according to the Provisional Regulations on Vehicle Purchase Tax of the People's Republic of China and relevant local documents:

B. Determination of integrated residue rate

The basic residue rate is the residue rate under the service life approach determined based on the economic life and economic mileage of vehicles, which is calculated according to the relevant requirements of Provisions on the Standards for Compulsory Retirement of Motor Vehicles (No. 12 order of Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security, and the Ministry of Environmental Protection in 2012), as well as the Reference Table for Economic Useful Lives of Vehicles in the Common Parameter Manual for Asset Valuation. The integrated residue rate is reasonably determined based on the basic residue rate, adjusted by the vehicle utilisation rate modification coefficient as converted from the actual mileage of vehicles, and the combination of other various factors.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) The choice of evaluation method *(Continued)*

Fixed assets – equipment (Continued)

2. Vehicle equipment *(Continued)*

C. Determination of appraised value

Appraised value = Replacement cost + Comprehensive residue rate

Construction in progress – equipment installation projects

According to the status of the project under construction and the progress of the project, as well as the collected information which are carefully analyzed, and based on the actual completion progress confirmation sheet of construction contract, the proportion of project payables to the actual completion progress of the project is analyzed and determined using the following assessment methods:

1. Completed project

For the completed project, if the project continues to perform its functions according to the existing design, it shall be evaluated according to the fixed asset method, otherwise the appraised value shall be determined according to the recoverable value. At the same time, as the production equipment supporting the production plant area, since the property rights holder intends to suspend the project from the perspective of protecting the interests of all shareholders, the corresponding depreciation factors will be considered.

2. For the uncompleted project, during the period from construction to the benchmark date, if there are significant changes in the prices of materials and labor involved in the investment, the valuation should be re-adjusted based on the market price; for the production equipment pre-installed by the property rights holder prior to proposed suspension of the project from the perspective of protecting the interests of all shareholders, its appraised value is determined according to the net recoverable value.

3. Projects under construction of pure expense category

There is no physical entity for projects under construction of pure expense category, and the verified expenditures are necessary for the construction project to be started in the future or have actual value to the future holder. When it is confirmed that there is no repeated valuation between such expenditure and associated asset item, the verified carrying amount will be used as the appraised value, otherwise it shall be treated as zero.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) The choice of evaluation method *(Continued)*

Construction in progress – equipment installation projects (Continued)

4. Prepayments for equipment

As for the prepayments for equipment, after communicating with the property rights holder, the Company has signed a project tentative memorandum with relevant supplier, and the contract is still valid. The appraised value is determined based on the carrying amount.

5. Construction materials

For construction materials, the appraised value is determined according to the current market price and reasonable cost.

(III) Assessment Assumption

Basic assumption

1. Transaction assumption

The transaction assumption is to assume that all assets to be evaluated are already in the process of trading, and the asset appraiser performs value evaluation based on the similar market such as the trading conditions of assets to be evaluated. The transaction assumption is the most basic premise for asset valuation.

2. Open market assumption

The open market assumption is a hypothesis about the market conditions under which the asset intends to enter and what kind of influence the asset will receive under such market conditions. The open market refers to fully developed and perfect market conditions. It refers to a competitive market with willing buyers and sellers. In this market, buyers and sellers are equal, and both have the opportunity and time to obtain sufficient market information. Both parties' transactions are carried out under voluntary, sensible, non-mandatory or unrestricted conditions. The open market assumption is based on the fact that assets can be traded publicly in the market.

3. Use-in-situ assumption

The use-in-situ assumption refers to the assumption that the asset will remain in the original location or the original installation location for continuous use.

SIGNIFICANT EVENTS (Continued)

VIII. OTHER SIGNIFICANT EVENTS (Continued)

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT (Continued)

(III) Assessment Assumption (Continued)

General assumption

1. It is assumed that there will be no unforeseen major adverse changes in current relevant laws, macroeconomics, finance and industrial policies in China after the valuation benchmark date, and there will be no significant impacts caused by other force majeure and unforeseen factors.
2. Not considering the impact of mortgages and guarantees that the property rights holders and their assets may undertake in the future, as well as the additional price that may be paid by special transaction methods on their assessment conclusions.
3. Assuming that there are no major changes in the social and economic environment where the property rights holders are located and the taxation, tax rates and other fiscal policies implemented, the financial policies such as credit policies, interest rates and exchange rates are basically stable.
4. All assets are based on the actual stock on the valuation benchmark date, and the current market price of relevant assets is based on the effective price at the location of the evaluated object on the valuation benchmark date.

(IV) Assets with Impairment Indication and Reasons for Asset Impairment

After appraising the assets owned by Xinjiang Energy, certain assets have been impaired, for details of which are as follows:

Unit: RMB'0,000

No.	Item	Book value	Appraised value	Impaired by
1	Fixed assets			
	Buildings and structures	13,924.80	8,873.23	-5,051.58
2	Machinery and equipment	1.91	1.89	-0.02
3	Electronic equipment	27.48	16.94	-10.54
4	Construction in progress			
	Civil engineering	359,264.03	74,814.26	-284,449.77
5	Equipment installation engineering	49,762.60	17,270.21	-32,492.39
6	Total	422,980.83	100,976.52	-322,004.31



SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(IV) Assets with Impairment Indication and Reasons for Asset Impairment *(Continued)*

Reasons for the impairment of the assets are as follows:

1. *Buildings and structures*

The replacement cost method is adopted for the appraisal of buildings and structures. The recalculation of the buildings and structures is conducted under the re-budgeting method and based on the completion settlement materials provided by the company, and the price information of main materials published at relevant websites for the project costs. At the same time, the preliminary and other expenses, capital costs, etc. are recalculated based on the investment size and reasonable construction period. After the calculation, the boiler room and No. 1 shift dormitory have been impaired due to: (1) a relatively more investment has been amortized by the company for the proposed transfer to fixed assets, and the preliminary and other expenses and capital cost recalculated based on the asset size are less than the amortized amount of the company; and (2) the owner of the property rights intends to suspend the project from the perspective of protecting the interests of all shareholders, resulting in a lower utilization rate of part of completed buildings and structures. From the perspective of the utilization of existing assets and the contribution of assets, there is a rather large deviation from the original design function and objectives. Based on the foregoing, corresponding depreciation factors have been considered when calculating the residue rate.

2. *Machinery and equipment*

The Company purchased 2 marble machines and 4 sewage pumps in December 2020. As no depreciation was provided in the month of purchase, and at the time of this appraisal, since the equipment has been put into use, the impact of the corresponding residue rate was taken into account in the evaluation, which resulted in impairment.

3. *Electronic equipment*

- (1) The Company purchased 3 scanners in December 2020 and they have been put into use. As no depreciation was provided in the month of purchase, the impact of the corresponding residue rate was taken into account in the evaluation, which resulted in impairment;
- (2) the Company made provision of depreciation regarding the aluminum plate punching characters, rose gold characters, and others for a period of 20 years, the economic life used in this appraisal is calculated with reference to the evaluation life standard, and its economic life is lower than that provided by the Company, which resulted in impairment.

SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) Assets with Impairment Indication and Reasons for Asset Impairment *(Continued)*

4. Civil engineering

- (1) the Company has invested a total of RMB227 million in the construction of the production area (including underground pipe network, temporary facilities, process equipment, utilities, etc.). As the owner of the property rights intends to suspend the project from the perspective of protecting the interests of all shareholders, the above investment has become invalid assets with no recovery value, therefore, the appraised value is zero;
- (2) for the properties that has been built (bulk workshop, No. 1 and 2 general chemical warehouses, No. 3 grease warehouse, No. 4 labor instrument warehouse, No. 5 bulk warehouse, No. 6 comprehensive warehouse, hazardous chemical warehouse, guard room, garage, etc.), road facilities that are still listed as construction in progress, after on-site inspection, this part of the building (structure) has reached usable condition. After taking into account its residue rate and depreciation factors during the appraisal, impairment has been incurred;
- (3) certain items classified as construction in progress – civil engineering (main office building, boiler room, No. 1 shift dormitory) are incorporated into the corresponding asset under the item of fixed assets – building and structures and are evaluated in overall. The appraised value is zero;
- (4) the civil engineering declared by the Company includes deferred expenses and capital costs totaled RMB2.509 billion (this part of the cost is separately listed in the breakdown of civil engineering, including: deferred expenses of RMB964 million and the interest of borrowing of RMB1.546 billion), the cost is the actual cost accumulatively incurred during the infrastructure construction period of the Company.

The evaluation method of the cost is as follows: according to the declared assets, the replacement cost method is adopted for the appraisal of the current effective assets. The value of the replacement cost has taken into account the replacement cost, deferred costs and capital cost of the corresponding construction and installation projects. The book value of the effective assets was RMB3.082 billion. After calculation, the total amount of amortized expenses and asset costs was RMB185 million. As the deferred expenses and capital costs have been separately calculated in the breakdown of the current effective individual asset, in order to avoid repeated evaluation, the amount of the deferred expenses and capital costs separately listed in the civil engineering breakdown are evaluated as zero. For invalid assets with a book value of RMB491 million, which is evaluated as zero during this appraisal. The total amount of deferred expenses and capital costs was RMB2.509 billion. After evaluation, the appraised value was RMB185 million, with an impairment of RMB2.324 billion.



SIGNIFICANT EVENTS *(Continued)*

VIII. OTHER SIGNIFICANT EVENTS *(Continued)*

II. DESCRIPTION OF THE ASSETS INVOLVED IN THE PROVISION FOR ASSET IMPAIRMENT *(Continued)*

(II) Assets with Impairment Indication and Reasons for Asset Impairment *(Continued)*

4. Civil engineering *(Continued)*

For the calculation of the capital costs, the borrowing rate was calculated according to the loan prime rate (LPR) authorized and published by the National Interbank Funding Center; the reasonable construction period was determined based on the company's Feasibility Study Report on the project's reasonable construction period forecast and combined with the current effective asset investment scale and other comprehensive analysis. For the preliminary and other expenses, the current effective asset investment scale was used as the base for calculation, and was re-calculated according to or with reference to relevant industry policy standards.

5. Equipment installation engineering

- (1) Due to the suspension of the construction of the project, certain pre-installed production equipment (external parts of the Fischer-Tropsch reactor with an amount of RMB233 million, 220kv external power transmission project with an amount of RMB16 million) in the infrastructure construction carried out by the Company has become invalid assets. The appraised value has been determined based on their net recoverable value;
 - (2) for certain installed equipment, taking into account the impact of the corresponding residue rate and depreciation factors under appraisal based on fixed asset approach, impairment has been incurred;
 - (3) the installation cost of the internal parts of the Fischer-Tropsch reactor installed by the Company totaled RMB30 million. The installation cost is considered invalid, the appraised value is zero.
2. Pursuant to the requirements of Notice on Loss Compensation for Domestic Assets Regarding the Violation of Laws and Regulations in Coal Resource Area of Jungar Banner [Zhun Guo Zi No. (6)], Suancigou Mining has repaid the value of mining rights of RMB33,672,000 in 2020.

SIGNIFICANT EVENTS *(Continued)*

IX. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Matters on Social Responsibility

Please refer to the 2020 Annual Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd. for details.

(II) Environmental Information

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

(1) Drainage information

The Company's subsidiaries and branches, including Coal-to-Oil Company and Yitai Chemical, are key pollution emitted units.

Coal-to-oil Company has 22 exhaust gas discharge ports and 1 wastewater discharge port, and its sewage is discharged in an organized way. The annual total emissions of flue gas, sulfur dioxide and nitrogen oxides are 72 tonnes, 480 tonnes and 480 tonnes, respectively. The actual total emissions of flue gas, sulfur dioxide and nitrogen oxides from January to December 2020 are 26.24 tonnes, 51.48 tonnes and 140.54 tonnes, respectively.

Yitai Chemical has a total of 66 exhaust gas discharge ports, nil wastewater discharge ports, and its sewage is discharged in an organized way. The total annual pollutants are 946.06 tonnes of sulfur dioxide and 1,067.72 tonnes of nitrogen oxides. The actual total emissions of sulfur dioxide and nitrogen oxides from January to December 2020 are 314.54 tonnes and 602.3 tonnes, respectively.

(2) Construction and operation of pollution prevention facilities

① Waste gas pollution prevention and control

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



SIGNIFICANT EVENTS *(Continued)*

IX. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(II) Environmental Information *(Continued)*

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

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

① Waste gas pollution prevention and control *(Continued)*

- b. Boiler flue gas. Coal-to-oil Company newly built a set of semidry desulfurization process outside the furnace on the basis of calcium desulfurization process in the original furnace. The desulfurization efficiency reached over 90%; in 2016, Coal-to-oil Company carried out technical transformation of flue gas denitration by adopting the SNCR denitration process. The denitration efficiency reached over 70%, and the concentration of each type of pollutant in the flue gas complied with the “Emission Standard of Air Pollutants for Coal-fired Power Plants” (GB13223-2011).

Yitai Chemical applies ammonia desulfurization technology to boiler flue gas desulfurization of our chemical project by adopting selective SNCR denitration process for flue gas denitration and bag dust removal process for flue gas dedusting. After such measures, all the indicators of flue gas discharge can meet the air pollution emission standards of newly built coal-fired boilers under the “Emission Standard of Air Pollutants for Coal-fired Power Plants” (GB13223-2011).

- c. 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).

SIGNIFICANT EVENTS *(Continued)*

IX. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(II) Environmental Information *(Continued)*

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

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

① Waste gas pollution prevention and control *(Continued)*

- d. Exhaust gas from the loading system. In 2016, Coal-to-oil Company carried out oil and gas recovery technology transformation on the stabilizing light hydrocarbon system of the loading trestle, and the oil and gas recovery efficiency reached over 98%, effectively reducing the emission of volatile organic compounds.

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

② Wastewater pollution prevention and control

a. Coal-to-oil Company

The process wastewater and domestic sewage of about 80 m³/h and 5 m³/h in Coal-to-oil Company are sent to the sewage treatment system. The designed treatment capacity is 100 m³/h. It adopts A/O process + secondary settling tank + mixed reaction tank + coagulation sedimentation tank + activated carbon filter treatment. Such wastewater is used as replenish water of circulating water after the sewage treatment. The Coal-to-oil Company built a new water treatment system in 2014, the processing capacity of which is 300 m³/h. The coagulation sedimentation + reverse osmosis process is used to treat the effluent of concentrated brine, circulating water discharge sewage and sewage treatment system, and most of them are reused. A small amount of high-concentration brine of about 34 m³/h is discharged into the evaporation pond of Dalu New District, and then centrally sent by the park for treatment by the sewage treatment plant. In 2020, Coal-to-oil Company has implemented a reform project on zero discharge of high-concentration brine, which will be completed and put into use at the beginning of 2021, during which high-concentration brine generated will all be concentrated for crystallization separating salt to realize zero discharge of high-concentration brine.

SIGNIFICANT EVENTS *(Continued)*

IX. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(II) Environmental Information *(Continued)*

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

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

② Wastewater pollution prevention and control *(Continued)*

b. Yitai Chemical

Drainage system: The wastewater discharge system of chemical projects is designed according to the principle of clearing and sewage separation and sewages 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.

Sewage treatment: The process wastewater, domestic sewage and initial rainwater of chemical projects are all treated in a sewage treatment plant with designed scale of 1,200 m³/h. The effluent quality of the sewage treatment plant meets the first level requirement (GB8978-2002) of the "Integrated Sewage Discharge Standards".

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.

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 highcontent 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.

SIGNIFICANT EVENTS *(Continued)*

IX. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(II) Environmental Information *(Continued)*

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

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

③ Solid waste pollution prevention and control

From January to December, gasified crude slag and boiler ash of about 254,000 tonnes in total generated by Coal-to-oil Company are all sent to the slag yard of Dalu Park; the hazardous waste generated, such as waste catalysts, slag wax and used lubricating oils, is treated by 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).

From January to December, gasified crude slag and boiler ash of about 1,368,000 tonnes in total generated by Yitai Chemical are all sent to the slag yard of Xinnuo Park for dumping; the waste generated, such as waste catalysts and used lubricating oils, is recycled by qualified factories. For wastes of no use is sent to the hazardous waste treatment center of the park undertaken by Keling Environmental Protection Co., Ltd. (科領環保股份有限公司) for disposal. General solid waste is sent to the park slag yard undertaken by Hangjin Banner 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.

④ Noise pollution prevention and control

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



SIGNIFICANT EVENTS *(Continued)*

IX. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(II) Environmental Information *(Continued)*

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

(3) *Environmental impact assessment and other environmental protection administrative licenses of construction projects*

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.

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.

SIGNIFICANT EVENTS *(Continued)*

IX. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(II) Environmental Information *(Continued)*

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

(5) Environmental self-monitoring program

The environmental monitoring program of Coal-to-oil Company comprises automatic monitoring and manual monitoring. The automatic monitoring of flue gas entrusts third-party operating agencies to carry out operation and maintenance. Ordos Environmental Monitoring and Inspection Co., Ltd. (鄂爾多斯市環境監測檢驗有限公司) is responsible for entrusted operation and maintenance. Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司) is entrusted for manual monitoring.

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



SIGNIFICANT EVENTS *(Continued)*

IX. FULFILLMENT OF SOCIAL RESPONSIBILITY *(Continued)*

(II) Environmental Information *(Continued)*

2. Explanation on the Environmental Protection of Companies other than the Major Pollutant Discharge Units

The coal mines, shipping stations and container stations affiliated to the Company are not key pollution emitted units. In 2020, in response to the requirements of the domestic pollution emitted approval system, coal mines and shipping stations of the Company have applied for the pollution emitted licence, with sulfur dioxide, nitrogen oxides and smoke discharge approved of 251.82 tonnes, 306.60 tonnes and 54.75 tonnes, respectively. The actual sulfur dioxide, nitrogen oxides and smoke discharge of units with pollution emitted licence from January to December 2020 is 7.05 tonnes, 162.11 tonnes and 0.32 tonnes, respectively. All units strictly implemented the environmental impact assessment system and the “three simultaneous” system of pollution prevention and control facilities during the construction process. The air pollution source is the boiler flue gas discharged from the heating boiler. The pollutants meet the “Emission Standard of Air Pollutants for Boilers” (GB13271-2014) after bag de-dusting, the sodium alkali method and the ammonia desulfurization treatment. The wastewater pollutants are used for sprinkling and greening of industrial squares and roads after meeting the “Integrated Wastewater Discharge Standard” (GB8978-1996) after the A/O, MBR, disinfection treatment; coal mining wastewater is all reused for underground production after coagulation and labyrinth sloping plate precipitation and meeting the “Pollutant Discharge Standard for Coal Industry” (GB20426-2006); the coal preparation plant is closed-loop designed, and the coal preparation wastewater is not discharged. In order to ensure the stable operation of pollution prevention facilities and equipment, and to achieve standard discharge, the Company entrusts a third-party specialized operation team to operate and manage. At the same time, each unit sets up a laboratory to conduct daily inspection of conventional factors in wastewater, and timely understand the operation and entrust Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司), Inner Mongolia Rundi Environmental Technology Co., Ltd. (內蒙古潤地環境技術有限公司) and Inner Mongolia Kangcheng Environmental Protection Co., Ltd. (內蒙古康城環保有限責任公司) to manually monitor the pollution factors in wastewater and waste gas on a quarterly basis.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

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

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the reporting period

Unit: share Currency: RMB

Category of share and its derivative securities	Date of issue	Issue price (or interest rate)	Number of bonds issued	Listing date	Number of bonds approved to be listed and traded	Termination date for trading
Convertible corporate bonds, warrant bonds and corporate bonds						
Corporate bonds in 2018 (First tranche)	7 June 2018	6.0%	1,500,000,000	28 June 2018	1,500,000,000	8 June 2021
Corporate bonds in 2018 (Second tranche)	17 December 2018	5%	2,000,000,000	26 December 2018	2,000,000,000	18 December 2021
Corporate bonds in 2019 (First tranche)	2 April 2019	4.9%	500,000,000	11 April 2019	500,000,000	4 April 2024
Corporate bonds in 2019 (Second tranche)	2 July 2019	4.75%	1,000,000,000	9 July 2019	1,000,000,000	2 July 2024
Corporate bonds in 2019 (Third tranche)	22 July 2019	4.7%	1,000,000,000	30 July 2019	1,000,000,000	23 July 2024

Details for the issue of securities during the reporting period (details of bonds with different interest rates within the duration to be specified separately): Please refer to Section IX "RELEVANT INFORMATION ON CORPORATE BOND".

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

As at 31 December 2019, the gearing ratio of the Company was 52.52%. As at 31 December 2020, the gearing ratio of the Company was 49.61%, representing a decrease of 2.91 percentage points as compared with last year.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

III. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Total Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (in the number of accounts)	73,087
Total number of shareholders of ordinary shares at the end of the last month prior to the disclosure of annual report (in the number of accounts)	72,031
Total number of holders of preference shares with voting rights restored as at the end of the reporting period (in the number of accounts)	N/A
Total number of holders of preference shares with voting rights restored at the end of the last month prior to the disclosure of annual report (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)	Shareholdings of the Top Ten Shareholders						
	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	The number of shares held subject to selling restrictions	Pledged or frozen shares		Class of Shareholder
					Status of the shares	No. of shares	
Inner Mongolia Yitai Group Co., Ltd.	0	1,600,000,000	49.17	1,600,000,000	Nil	Nil	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	800	325,958,700	10.02	-	Unknown	Unknown	Foreign legal person
Yitai Group (Hong Kong) Co., Ltd.	0	312,000,000	9.59	-	Nil	Nil	Foreign legal person
China Merchants Securities (HK) Co., Limited	417,000	22,295,200	0.69	-	Unknown	Unknown	Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	-2,003,900	16,628,466	0.51	-	Unknown	Unknown	Foreign legal person
VANGUARD EMERGING MARKETS STOCK INDEX FUND	-2,581,502	14,254,696	0.44	-	Unknown	Unknown	Foreign legal person
UBS AG LONDON BRANCH	9,606,458	12,969,463	0.40	-	Unknown	Unknown	Foreign legal person
Hu Jiaying	-143,681	11,817,433	0.36	-	Unknown	Unknown	Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	-1260,800	8,852,695	0.27	-	Unknown	Unknown	Foreign legal person
Liu Jingyuan	0	8,277,050	0.25	-	Unknown	Unknown	Domestic natural person

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

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

Top Ten Holders of Shares Not Subject to Selling Restrictions			
Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number of shares
HKSCC NOMINEES LIMITED	325,958,700	Overseas listed foreign shares	325,958,700
Yitai Group (Hong Kong) Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
China Merchants Securities (HK) Co., Limited	22,295,200	Domestic listed foreign shares	22,295,200
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	16,628,466	Domestic listed foreign shares	16,628,466
VANGUARD EMERGING MARKETS STOCK INDEX FUND	14,254,696	Domestic listed foreign shares	14,254,696
UBS AG LONDON BRANCH	12,969,463	Domestic listed foreign shares	12,969,463
Hu Jiaying	11,817,433	Domestic listed foreign shares	11,817,433
ISHARES CORE MSCI EMERGING MARKETS ETF	8,852,695	Domestic listed foreign shares	8,852,695
Liu Jingyuan	8,277,050	Domestic listed foreign shares	8,277,050
BANK JULIUS BAER & CO.LTD	7,108,416	Domestic listed foreign shares	7,108,416
Details of the above shareholders who are connected to each other or acting in concert	Among the top ten shareholders of the Company, Yitai Group (Hong Kong) Co., Ltd. is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares. The Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.		
Details of the holders of preference shares with voting rights restored and number of shares held	N/A		

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

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

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

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

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

Unit: Share

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

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

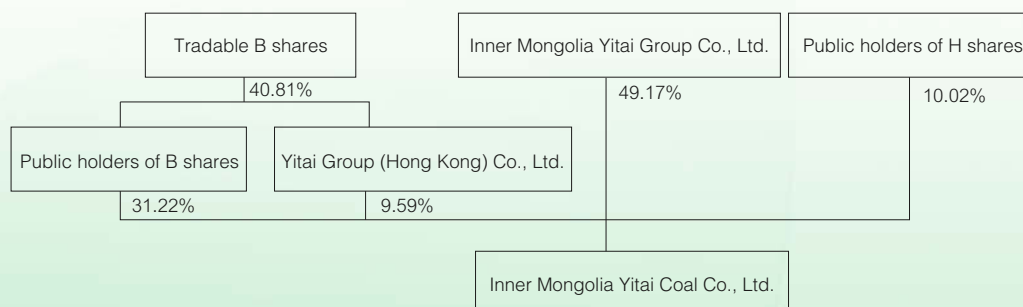
IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Information on the controlling shareholder

1. Legal person

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

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



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

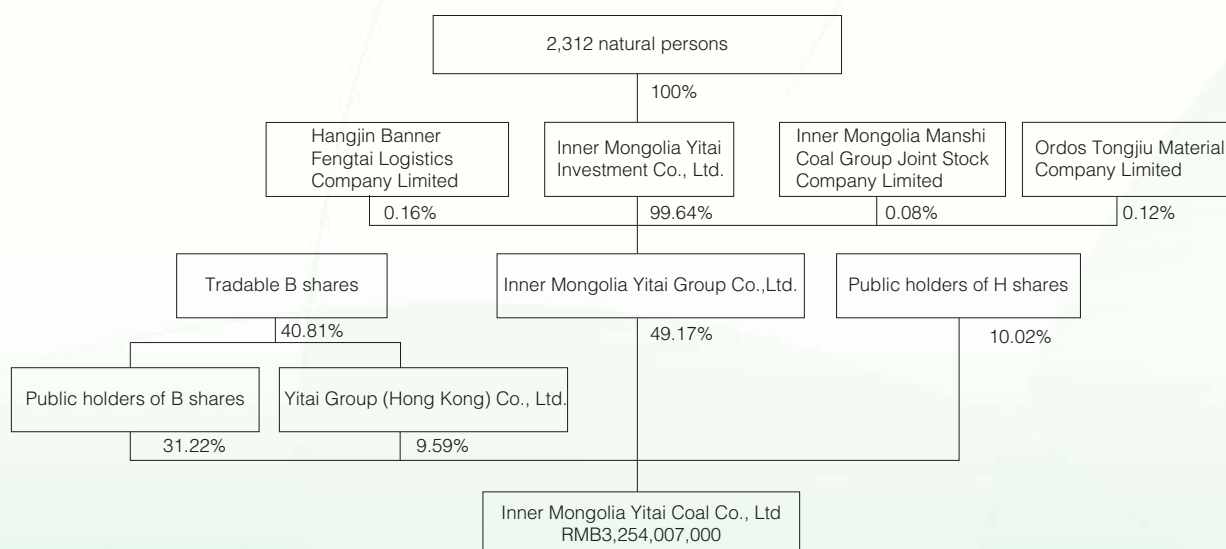
IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER *(Continued)*

(II) Information on the de facto controller

1. Legal person

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

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



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

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

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

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

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

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

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

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

VI. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 ¹	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Poseidon Sports Limited ¹	H shares	Beneficial owner	Long	20,017,000	6.14	0.61
China Datang Corporation ⁴	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55
Datang International (Hong Kong) Limited ⁴	H shares	Beneficial owner	Long	18,031,100	5.53	0.55
Datang International Power Generation Co., Ltd. ⁴	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55

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

VI. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (Hongkong) Co., Ltd. and is thus deemed to be interested in the 312,000,000 B shares held by Yitai Group (Hongkong) Co., Ltd.. Inner Mongolia Yitai Group Co., Ltd. directly holds 1,600,000,000 domestic shares.
2. Inner Mongolia Yitai Investment Co., Ltd. holds 99.64% of the registered capital of Inner Mongolia Yitai Group Co., Ltd. and is thus deemed to be interested in all of the 1,912,000,000 shares directly or indirectly held by Inner Mongolia Yitai Group Co., Ltd..
3. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Poseidon Sports Limited holds 20,017,000 shares (long position) of the Company. Harvest Luck Development Limited holds 100% interest in Poseidon Sports Limited while Harvest Luck Development Limited is wholly owned by Chen Yihong. Pursuant to the SFO, Chen Yihong and Harvest Luck Development Limited are deemed to be interested in the 20,017,000 shares (long position) held by Poseidon Sports Limited.
4. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Datang International (Hong Kong) Limited holds 18,031,100 shares (long position) of the Company. Datang International (Hong Kong) Limited is wholly owned by Datang International Power Generation Co., Ltd. while China Datang Corporation holds 34.71% of interests of Datang International Power Generation Co., Ltd.. Pursuant to the SFO, Datang International Power Generation Co., Ltd. and China Datang Corporation are deemed to be interested in the 18,031,100 shares (long position) held by Datang International (Hong Kong) Limited. As at 31 December 2020, 18,031,100 shares represented 5.53% of the H shares in issue.
5. According to the Articles of Association, the Company has two classes of shares, namely (i) "non-overseas-listed-foreign shares" which include domestic shares and B shares; and (ii) H shares.
6. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 31 December 2020, no person, other than the directors and supervisors of the Company whose interests are set out in the section headed "DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" below, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

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

Unit: share

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration before tax received from the Company for the period (RMB'0,000)	Remuneration from related parties of the Company
Zhang Jingquan	Chairman	male	51	May 2020	May 2023	0	0	0	Nil	257.46	Yes
Liu Chunlin	Executive Director	male	54	May 2020	May 2023	0	0	0	Nil	2.4	Yes
Zhang Dongsheng	Executive Director	male	50	May 2020	May 2023	0	0	0	Nil	2.4	Yes
Ge Yaoyong	Executive Director	male	51	May 2020	May 2023	0	0	0	Nil	2.4	Yes
Liu Jian	Executive Director, General Manager	male	54	May 2020	May 2023	0	0	0	Nil	165.46	No
Lv Guiliang	Executive Director, Chief Finance Officer	male	55	May 2020	May 2023	0	0	0	Nil	118.77	Yes
Lv Junjie	Executive Director, Deputy Manager	male	53	May 2020	May 2023	0	0	0	Nil	140.75	No
Zhang Zhiming	Independent Director	male	59	May 2020	June 2021	0	0	0	Nil	20	No
Huang Sujian	Independent Director	male	66	May 2020	November 2022	0	0	0	Nil	20	No
Wong Hin Wing	Independent Director	male	59	May 2020	May 2023	0	0	0	Nil	25	No
Du Yingfen	Independent Director	female	57	May 2020	May 2023	0	0	0	Nil	20	No
Zhang Zhenjin	Chairman of the Supervisory Committee	male	52	May 2020	May 2023	0	0	0	Nil	1.2	Yes
Liu Xianghua	Supervisor	male	43	May 2020	May 2023	0	0	0	Nil	1.2	Yes
Li Cailing	Supervisor	female	46	May 2020	May 2023	0	0	0	Nil	1.2	Yes
Zhang Wei	Supervisor	female	39	May 2020	May 2023	0	0	0	Nil	67.28	Yes
Jia Zheyu	Supervisor	female	39	December 2020	May 2023	0	0	0	Nil	29.7	No
Wang Yongliang	Independent Supervisor	male	58	May 2020	May 2023	0	0	0	Nil	10	No
Wu Qu	Independent Supervisor	male	56	May 2020	May 2023	0	0	0	Nil	10	No
Bai Shibang (白士邦)	Chief Engineer	male	52	May 2020	May 2023	0	0	0	Nil	173.06	No
Zhao Like (趙立克)	Deputy Manager	male	39	May 2020	May 2023	0	0	0	Nil	271.9	Yes
Zhao Xin	Secretary to the Board/ Company Secretary	female	40	May 2020	December 2020	5,100	5,100	0	Nil	65.51	Yes
He Peixun	Supervisor/ Secretary to the Board	male	35	May 2020	December 2020/ May 2023	0	0	0	Nil	33.4	No
Total						5,100	5,100	/		1,439.09	/

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
Zhang Jingquan	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and graduated with a master's degree in business administration major of China Europe International Business School. Mr. Zhang worked in Yihua United Wool Manufacturing Factory (伊華聯合毛紡織工廠) from January 1994 to January 1998; served as the cashier in Tianjin Branch of the Company from March 1998 to August 2000; the manager of Guangzhou Sales Branch of the Operation Department under the Company from August 2000 to April 2001; the manager of the sales branch in South China of the Operation Department under the Company from April 2001 to August 2005; the deputy manager of the Operation Department under the Company and manager of the sales company in South China of the Company from February 2002 to March 2003. Mr. Zhang acted as the division chief of the Operation Division of Inner Mongolia Yitai Group Co., Ltd. from August 2005 to 5 March 2006; the manager of coal transportation and sales business department of Inner Mongolia Yitai Group Co., Ltd. from 5 March 2006 to 27 March 2006; the deputy general manager of Synfuels China Technology Co., Ltd. under Inner Mongolia Yitai Group Co., Ltd. from March 2006 to November 2010 and the deputy general manager of Yitai Yili Energy Co., Ltd. from November 2010 to January 2012; the general manager of Yitai Xinjiang Energy Co., Ltd. from January 2012 to September 2017; the chairman and general manager of Yitai Xinjiang Energy Co., Ltd. from December 2012 to September 2017; the president of Xinjiang Yitai Co., Ltd. from October 2014 to September 2017; the chairman of the Board and general manager of Inner Mongolia Yitai Chemical Co., Ltd. from September 2015 to March 2017; the general manager of the Company from September 2015 to March 2017; the director of Inner Mongolia Yitai Group Co., Ltd. since September 2015; the director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017; the executive Director of the Company from December 2015 to May 2017; the vice president of Inner Mongolia Yitai Group Co., Ltd. since March 2017; and the chairman of the Company since December 2019.</p>
Liu Chunlin	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1967 and possesses a master's degree and a title of senior accountant. He worked in Ikochoa League Coal Company from June 1989 to February 1993 and was appointed as the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997 and as the director of the Finance Department of our Company from August 1997 to July 1999. Mr. Liu served as the financial director of our Company from July 1999 to October 2002, the deputy chief accountant of Yitai Group from October 2002 to May 2004, the vice president of our Company from May 2004 to October 2004 and has been the director and chief account of Yitai Group since June 2004. He has been the deputy chief executive officer of Yitai Group since July 2018. He acted as the director and chief accountant of Inner Mongolia Yitai Investment Limited Liability Company from March 2006 to June 2017. He has been acting as the director and chief accountant of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been the director of Yitai Group (Hong Kong) Co., Ltd. since October 2008 and has been the executive Director of the Company since March 2001.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
Zhang Dongsheng	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1971 and possesses a master's degree and titles of senior economist and business manager. He worked in Ikocho League Coal Company from October 1989 to January 2002, served as the director of the Operation Department of our Company from January 2002 to July 2005. Mr. Zhang was the deputy general manager of Inner Mongolia Yitai Zhundong Railway Co., Ltd. from August 2005 to January 2007, and acted as the chairman of Zhundong Railway Company since November 2008 to August 2014, and served as the general manager of Inner Mongolia Yitai Huzhun Railway Co., Ltd. from January 2007 to August 2014 and also as the director of Inner Mongolia Yitai Group Co., Ltd. since November 2008. Mr. Zhang was entitled as the chairman of Inner Mongolia Yitai Huzhun Railway Co., Ltd. from July 2009 to August 2014. He acted as the deputy general manager of Inner Mongolia Yitai Group Co., Ltd. from March 2014 to January 2017 and the director of Inner Mongolia Yitai Investment Limited Liability Company from January 2015 to June 2017. He has been acting as a director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017. He has been the vice president of Inner Mongolia Yitai Group Co., Ltd. since January 2017 as well as the executive Director of the Company since May 2009.</p>
Ge Yaoyong	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Ge was born in 1969 and possesses a master's degree and a title of senior engineer. He served as the deputy manager and the manager of E'qian League Coking Factory from November 1996 to March 2001, and was promoted as the deputy general manager of the Company from March 2001 to August 2005. Mr. Ge was appointed as the deputy chief engineer of Yitai Group from August 2005 to November 2008, and from November 2008 to March 2014, the general manager of the Company. He was appointed and still serves as the director of Inner Mongolia Yitai Group Co., Ltd. since November 2008. From March 2014 to January 2017, he served as the deputy general manager of Inner Mongolia Yitai Group Co., Ltd. He acted as the general manager of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) from July 2014 to September 2017 and has been acting as the chairman of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) since July 2014. He has been the vice president of Inner Mongolia Yitai Group Co., Ltd. since January 2017, the director of Inner Mongolia Yitai Investment Co., Ltd. since June 2017 and the executive Director of the Company since December 2008.</p>
Liu Jian	<p>Gender: Male. Ethnicity: Han ethnicity, born in 1967, holds a doctoral degree. He graduated from the Universitat Duisburg-Essen in July 2004 with a Doctor's degree in cardiology and graduated from School of Economics and Management of Tsinghua University in 2014 with an EMBA degree. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司) from August 2005 to February 2007, Mr. Liu was granted the qualification of fellow senior chief pharmacist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古人事廳) in July 2006. He was the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012. He was appointed as the deputy manager of the Company from December 2012 to November 2019. He has served as the Director of the Company since March 2019, and the general manager of the Company since November 2019.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
Lv Guiliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1966 and possessed a master's degree of Business Administration and a title of semi-senior accountant. He served in Ikochao League Coal Company from August 1994 to August 1997 and joined our Company in August 1997, acting as the vice director of our Finance Department from July 1999 to November 2002, the director of the same department from March 2004 to February 2009. Since April 2008, Mr. Lv has been serving as the chief finance officer. He has been acting as the supervisor of Yitai Group from December 2018 to January 2020. Since January 2020 and February 2011, he has been acting as the director of Yitai Group and executive Director of our Company, respectively.
Lv Junjie	Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1967. He graduated from Huazhong University of Science and Technology with a master's degree in EMBA and is a senior economist. Mr. Lv Junjie worked as a teacher in Jungar Banner Nalin Middle School (准格爾旗納林中學) from July 1985 to July 1991; worked in the Administrative Department of Labour of Yimeng Coal Company (伊盟煤炭公司政工勞資科) from July 1991 to December 1991; acted as the secretary of Resident Chinese Communist Party Committee Office in Yimeng Coal Company from December 1991 to April 1992; acted as the deputy secretary and secretary of Communist Youth Party Committee of Yimeng Coal Company from April 1992 to April 1997; the director of Materials Sales Department of the Company and the manager assistant of Industrial Development Company from April 1997 to February 2001; the deputy manager and manager of Materials Supply Department of the Company from February 2001 to April 2004; the director of Xiyingsi Collection and Transportation Centre of the Company from April 2004 to May 2005; the minister of Business Development Department of the Company from May 2005 to October 2008; the minister of Environment Monitoring Department of the Company from October 2008 to February 2012; the deputy general manager of Coal-to-oil Company from February 2012 to November 2013; the deputy general manager of Coal-related Chemical Operation under Inner Mongolia Yitai Group Co., Ltd. from November 2013 to October 2016. He has been the deputy manager and executive Director of the Company since October 2016 and December 2019, respectively.
Zhang Zhiming	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1962 and possessed a doctoral degree of laws and now serves as the professor and doctoral supervisor of Renmin University of China. Mr. Zhang finished his undergraduate courses in law from Peking University in 1983 and master's degree in law from the same university in 1986. He received his doctoral degree in laws from the graduate school of Chinese Academy of Social Science in 1998. Mr. Zhang has been serving as the independent Director of our Company since June 2015.
Huang Sujian	Gender: Male. Ethnicity: Han ethnicity. Mr. Huang was born in 1955, and has been working in the Institute of Industrial Economics of Chinese Academy of Social Sciences since 1988 and is a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences and the president of Chinese Institute of Business Administration currently. Mr. Huang achieved a bachelor's degree and a master's degree of economics from Xiamen University in 1982 and 1985, respectively, and a doctoral degree of economics from the Chinese Academy of Social Sciences in 1988. He also served as the director of Jianfeng Group Co., Ltd. and the independent director of Wolong Electric Group Co., Ltd., Qingdao Hiron Commercial Cold Chain Co., Ltd. and Anxin Property & Casualty Insurance Co., Ltd. Mr. Huang Sujian has been the independent Director of the Company since November 2016.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
Wong Hin Wing	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Wong was born in 1962 and holds a master's degree in Executive Business Administration from The Chinese University of Hong Kong (香港中文大學). He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administration in the UK. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment in the UK. He is an independent non-executive director of CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (a public company with H shares listed on the Stock Exchange), Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) (a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) (a public company listed on the Stock Exchange) and Jiangxi Bank Co., Ltd. (a public company with H shares listed on the Stock Exchange). He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal, a panel member of Public Interest Entities Auditor Review Tribunal, a member of Construction Industry Council, a member of Betting and Lotteries Commission and The Medical Council of Hong Kong. He is a managing partner and a responsible officer of Hermitage Capital HK Limited (a licensed corporation registered under the SFO). Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. Since then, he co-founded Silk Road International Capital Limited (絲路國際資本有限公司) (a licensed corporation, formerly known as Legend Capital Partners, Inc. (安裡俊投資有限公司)), and served as the company's executive director and responsible officer for 23 years. He has 37 years of experience in accounting, finance, investment management and advisory. Mr. Wong Hin Wing has been the independent Director of the Company since May 2017.</p>
Du Yingfen	<p>Gender: Female. Ethnicity: Han ethnicity, Ms. Du was born in 1964 and holds a master's degree in economics and is the expert with special allowance from the State Council. She is currently a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences, deputy director of the Management Science and Innovation Development Research Center (管理科學與創新發展研究中心), a professor of accounting and a doctoral supervisor of the University of Chinese Academy of Social Sciences, and a standing member of the Chinese Institute of Business Administration (中國企業管理研究會). Ms. Du graduated with a bachelor's degree from the Department of Accounting and Business Management of Xiamen University in 1985, and graduated with a master's degree from the Department of Industrial Economics of Renmin University of China in 1987. She has been served as a director of the Finance and Accounting Research Office of the Institute of Industrial Economics of Chinese Academy of Social Sciences, with main academic expertise in financial management, corporate mergers and acquisitions and reorganizations, management innovation, enterprise internal control and risk management. She has won the third prize for National Science and Technology Progress Award, Sun Yefang Economics Prize and the first prize of China Development Research. She has been the independent Director of the Company since July 2019.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
Zhang Zhenjin	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1969. Mr. Zhang is a senior engineer. He graduated from Shanxi Mining Institute and holds a post-graduate degree. He acted as the deputy head of infrastructure in coal preparation plant at Tanggongta loading facility from May 1994 to November 1994. He worked in the preparatory office at coal preparation plant from November 1994 to September 1996. He acted as the deputy spot chief of Nalinmiao Mine of the Industrial Development Company from September 1996 to January 1998, supervisor of the Company from August 1997 to July 1999, deputy manager of the Industrial Development Company from January 1998 to July 1999, deputy general manager and chief engineer of the Company from July 1999 to March 2001, and chief engineer of the Company from 2001 to 2006. From 2006 to 2009, Mr. Zhang consecutively served as the deputy general manager, chief engineer and the president of the labor union of the Company. From 2009 to 2014, he consecutively served as the deputy chief engineer of Yitai Group Co., Ltd. and the deputy general manager of Yitai Guanglian Coal Chemical Co., Ltd. He acted as the chairman and general manager of Yitai Guanglian Coal Chemical Co., Ltd. from January 2014 to September 2017, and the chairman of Yitai Guanglian Coal Chemical Co., Ltd. from September 2017 to December 2018. He has been acting as the chairman of each of the supervisory committee of Inner Mongolia Yitai Investment Co., Ltd. and Inner Mongolia Yitai Group Co., Ltd. since December 2018. Mr. Zhang has served as the supervisor and chairman of the Supervisory Committee of the Company since March 2019.</p>
Liu Xianghua	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1978. He possesses a bachelor's degree. Mr. Liu worked for Zhundong Railway Company from August 2000 to July 2001. He was the deputy director for administrative affairs of Zhundong Railway Company from July 2001 to October 2002 and was the office director in administrative department of Zhundong Railway Company from November 2002 to February 2004. Mr. Liu was the head secretary of the general manager office of group company from March 2004 to August 2005. He was the deputy director of the general manager office of group company from September 2005 to December 2005. He was the deputy director of the general manager office of the Company from January 2006 to November 2010. He was the office director of the board of directors of Yitai Group from December 2010 to February 2012. He has been the secretary of the board of directors of Inner Mongolia Yitai Group Co., Ltd. since March 2012. He was the office director of the board of directors of Inner Mongolia Yitai Group Co., Ltd. from January 2013 to October 2016. He also was the general manager of the administrative department of the Company from November 2016 to September 2017. He has been acting as the office director of the board of directors of Inner Mongolia Yitai Group Co., Ltd. since September 2017. He has been the supervisor of the Company since May 2017.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
Zhang Wei	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Zhang was born in 1982 and aged 38. She was graduated from Tongji University and obtained a master's degree in management. She is a certified public accountant and a certified tax agent. She worked at Ernst & Young Huaming LLP from September 2007 to April 2010. She worked at Evalueserve Business Consulting Co., Ltd. (易唯思商務諮詢有限公司) from April 2010 to May 2010. She served as the chief accountant and deputy director-level accountant of the audit department of Inner Mongolia Yitai Group Co., Ltd. from July 2010 to December 2012; the deputy director-level accountant and deputy director-level auditor of the audit and supervision department of Inner Mongolia Yitai Group Co., Ltd. from January 2013 to December 2013; the deputy director-level auditor of the audit and supervision department of the Company from January 2014 to March 2015; the deputy director-level accountant in system management of the financial management center of Inner Mongolia Yitai Group Co., Ltd. from April 2015 to December 2016; and the deputy general manager of the investment management department of the Company from December 2016 to June 2018. She has served as the director of the audit and supervision department of the Company since June 2018, a supervisor of Inner Mongolia Yitai Group Co., Ltd. and a supervisor of the Company since January 2020.</p>
Li Cailing	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Li was born in 1975 and possessed a postgraduate degree. She is also a senior accountant, a certified tax agent and a certified public accountant. Ms. Li worked in Ordos Group Company (鄂爾多斯集團公司) from June 1995 to January 1998. She once held the positions of Head of Auditing Department and Deputy Director in Inner Mongolia Zhonglei Accounting Firm (內蒙古中磊會計事務所) from February 1998 to July 2005 and she worked in the Finance Department of the Company from August 2005 to February 2012. She was the director of the Financial Information Section of the Finance Department (財務部財務資訊科) of the Company from March 2012 to July 2013. She was an accountant of deputy director level in the Finance Department of the Company from August 2013 to November 2014. She was the deputy director of the finance department of Inner Mongolia Yitai Group Co., Ltd. from December 2014 to March 2015. She has been the deputy director of the financial management center of the Company from April 2015 to December 2018, the deputy general manager of the financial management department of Inner Mongolia Yitai Group Co., Ltd. since December 2018 and the supervisor of the Company since May 2017.</p>
Jia Zheyu	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Jia was born in 1982. She graduated from the Siyuan College of Xi'an Jiaotong University with a bachelor's degree in law. She joined the Company in July 2007; served as the business head of the legal affairs office of the general manager office of the Company from February 2012 to April 2015; the contract business specialist of the legal affairs office of the general manager office of the Company from April 2015 to May 2017; and the senior manager in legal affairs of the Capital Operation and Compliance Management Department of the Company from May 2017 to 23 December 2020. She has served as the deputy general manager of the Capital Operation and Compliance Management Department of the Company since 23 December 2020, and a supervisor of the Company since December 2020.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
Wang Yongliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1963 and possessed a master's degree and was granted the qualification of Level 2 Lawyer. He was a member of Ikochao League correctional division from August 1985 to December 1986, a teacher in Ikochao League Politics & Law School from December 1986 to March 1990, the deputy head of the correctional division and office of the judicial department of Ikochao League from March 1990 to April 1996, the head of economic business department of Ikochao League Law Firm from April 1996 to March 2001. Mr. Wang has been acting as the director of Inner Mongolia Ikochao League Law Firm since March 2001. Mr. Wang is the vice chairman of the Inner Mongolia Autonomous Region Lawyers Association and the chairman of Erdos Lawyers Association. Mr. Wang has been acting as an independent supervisor of our Company since February 2011.
Wu Qu	Gender: Male. Ethnicity: Han ethnicity. Mr. Wu was born in 1965 and possessed a bachelor's degree. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company (伊克昭盟東勝食品工業公司) from July 1986 to October 1994, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998, the finance manager of Ordos Rongze Food Co., Ltd. (鄂爾多斯榮澤食品有限責任公司) from December 1998 to October 2000. Mr. Wu has been serving as the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd. (內蒙古東審會計師事務所有限責任公司) since July 2001 and an independent supervisor of the Company since February 2011.
Bai Shibang (白士邦)	Gender: Male. Ethnicity: Han ethnicity. Mr. Bai was born in 1969 and possessed a bachelor's degree. He worked in Yimeng Coal Company from September 1994 to March 1998; he acted as the deputy spot chief of the Dadijing Mine in Yitai Group from March 1998 to February 1999; the deputy head of Nalinmiao Mine Kaida Mine of Yitai Group from February 1999 to July 1999; the chief of the Security Technology Division of Industrial Development Company from July 1999 to December 2000; the deputy head of the Nalinmiao Mine of Industrial Company from December 2000 to April 2001; the deputy head of Nalinmiao Mine from April 2001 to December 2001; the head of Wangjiapo Mine of Production Technology Department from December 2001 to February 2002; the head of Wangjiapo Mine of Production Technology Department from February 2002 to August 2005; the deputy director of the Suancigou Mine Construction Project Office from August 2005 to March 2007; the deputy general manager of Yitai Guanglian Coal Chemical Co., Ltd. from March 2007 to April 2007; the deputy head of the Suancigou Mine of Department of Coal Production from April 2007 to March 2008; the deputy general manager and chief engineer of Yitai Jingyue Suancigou Mining Co., Ltd. from March 2008 to October 2008; the deputy general manager of Yitai Jingyue Suancigou Mining of Production Department of Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from November 2008 to June 2009; the head of Nalinmiao Mine No. 2 Mine of Production Department of Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from June 2009 to June 2011; the head of Talahao Mine of Inner Mongolia Yitai Coal Co., Ltd. from June 2011 to July 2017; and the general manager of the Coal Production Management Department of Inner Mongolia Yitai Coal Co., Ltd. from July 2017 to November 2019. Mr. Bai has been serving as the chief engineer of the Company since November 2019.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
Zhao Like (趙立克)	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhao was born in 1982 and possessed a bachelor's degree. He worked in Shandong Longkou Lihai Mining Co., Ltd. (山東龍口柳海礦業有限公司) from July 2004 to December 2005 and the Suancang Safety Supervision Station of the Safety Supervision Department from March 2006 to April 2007. He served as the director of comprehensive business of Safety Supervision Department from April 2007 to July 2009; the head of Kaida Mine Safety Supervision Station of Inner Mongolia Yitai Coal Co., Ltd. from August 2009 to August 2012; the vice director of Safety Supervision and Quality Control Department of Inner Mongolia Yitai Coal Co., Ltd. from August 2012 to March 2013; the deputy director of Safety Supervision Station of Yitai Guanglian Coal Chemical Co., Ltd., the Safety and Quality Control Department of Inner Mongolia Yitai Coal Co., Ltd. from March 2013 to July 2013; the director of the Safety Supervision Station of Yitai Guanglian Coal Chemical Co., Ltd., the Safety and Quality Control Department of Inner Mongolia Yitai Coal Co., Ltd. from July 2013 to January 2014; the safety deputy head of Hongjingta Mine No.1 mine of Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from January 2014 to September 2014; the general manager and head of Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司), the Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from October 2014 to March 2015; the safety deputy general manager of the Department of Coal Production of Inner Mongolia Yitai Coal Co., Ltd. from March 2015 to January 2016; the deputy general manager of Coal Production Management Department of Inner Mongolia Yitai Coal Co., Ltd. from January 2016 to November 2016; the head of Kaida Mine of Inner Mongolia Yitai Coal Co., Ltd. from November 2016 to December 2017; and the general manager and head of Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. from January 2018 to November 2019. He has been the deputy manager of the Company since November 2019.</p>
Zhao Xin	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Zhao was born in 1981, and she holds a doctoral degree. Ms. Zhao graduated from Inner Mongolia University of Finance and Economics with a bachelor's degree in management in July 2003 and graduated from Capital University of Economics and Business with a master's degree in management in July 2008. In July 2012, Ms. Zhao graduated from Chinese Academy of Social Sciences with a doctoral degree in management. Ms. Zhao joined the Securities Department of the Company in August 2008. She served as the head of the Information Disclosure Sector under the Securities Department of the Company from December 2010 to June 2013. She served as the vice director of the Securities Department of the Company from July 2013 to March 2015. Ms. Zhao has served as the securities affairs representative of the Company from August 2013 to March 2015 and she has been the director of Investor Relation and Management Department of the Company since March 2015. She was appointed as secretary to the Board of the Company from April 2015 to December 2020, joint company secretary from April 2015 to April 2018, the company secretary from April 2018 to January 2021 and the general manager of Capital and Compliance Management Department of the Company from June 2018 to December 2020.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (Continued)

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

Names	Biographies
He Peixun	Gender: Male. Ethnicity: Han ethnicity. Mr. He was born in 1986 and possesses a bachelor's degree in law. He graduated from Inner Mongolia University in July 2009. He worked in the general manager office in the Company from July 2009 to December 2009. He worked in the Securities Department of the Company from January 2010 to May 2012. He was the director for security business in the Securities Department of the Company from June 2012 to July 2013. He was the business director of the Securities Department of the Company from August 2013 to April 2015. He was the business manager in the Investor Relations and Management Department of the Company from May 2015 to October 2016; the intermediate business manager in the Investor Relations and Management Department of the Company from November 2016 to December 2017; the deputy director of the Investor Relations and Management Department of the Company from December 2017 to June 2018; the deputy general manager of Capital and Compliance Management Department of the Company from June 2018 to December 2020; the secretary to the Board and general manager of Capital and Compliance Management Department since December 2020; the supervisor of Inner Mongolia Yitai Investment Co., Ltd. since June 2017; and the supervisor of the Company from May 2017 to December 2020.

(II) Share incentives granted to the directors and senior management during the reporting period

Not applicable

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

(I) Particulars concerning positions held in shareholders' entities

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

(II) Particulars concerning positions held in other entities

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

Decision-making procedure for the remuneration of the Directors, supervisors and senior management	The remuneration for the Directors, supervisors and senior management is proposed to the Board by the Remuneration and Appraisal Committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and supervisors will be proposed to the general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.
Basis for determination on the remuneration of the Directors, supervisors and senior management	The remuneration of Directors and senior management of the Company is on an annual basis. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is comprehensively determined according to the operational scale, profitability and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. Basic annual salary of Directors and senior management is paid on a monthly basis and annual performance salary is paid upon year end assessment.
Particulars about remuneration actually paid to Directors, supervisors and senior management	Allowances and remuneration for the Directors, supervisors and senior management, which is calculated based on the allowance amount of independent Directors determined in general meeting, and the remuneration for the Directors, supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company on an annual or monthly basis after withholding individual income tax.
Total remuneration actually obtained by the Directors, supervisors and senior management as a whole at the end of the reporting period	RMB14.3909 million

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

Name	Position	Change	Reason for change
Zhao Xin	Secretary to the Board	Resigned	Resignation
He Peixun	Secretary to the Board	Appointed	Work adjustment
He Peixun	Supervisor	Resigned	Resignation
Jia Zheyu	Supervisor	Elected	Work adjustment

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

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

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

As at 31 December 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

Unit: Share

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr. Zhang 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 31 December 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

(I) Information on employees

Number of in-service employees in the parent company	1,766
Number of in-service employees in major subsidiaries	3,569
Total number of in-service employees	5,335
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	454

Specialty composition Category	Headcount
Production	2,093
Sales	1,910
Technician	513
Finance	184
Administration	635
Total	<u>5,335</u>

Education level Category	Headcount
Postgraduate	214
Undergraduate	2,485
College graduate and secondary technical school	1,894
Below secondary technical school	742
Total	<u>5,335</u>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

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

(II) Remuneration Policy

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

(III) Training Program

In light with the Company's business development needs, employees' career development channels and the law of key talent growth, a talent training system of "classified development and hierarchical empowerment" is established. In the process of construction, the Company focused on the two goals of "creating a healthy and sustainable talent supply chain that adapt to the Company's development" and "ensuring training is oriented towards solving management and business development problems" to gradually form two lines of classified development in leadership and professionalism. In particular, a leadership hierarchical system was established by programs such as "excellent shift leader special training camp (卓越班組長特訓營)", "excellent management project (卓越管理項目)", "intelligent operation intermediate courses (智勝經營進階班)", "intelligent operation advanced courses (智勝經營高階班)" from bottom to top; professionalism hierarchical system is based on the five-hierarchy model of talent growth of junior, intermediate, advanced, senior, and expert. According to the quality models of different hierarchies, the corresponding courses are matched to achieve hierarchical empowerment of talent growth, thereby promoting the improvement of organizational capabilities.

(IV) Subcontracting Information

Not applicable



CORPORATE GOVERNANCE

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

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

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

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

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

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

CORPORATE GOVERNANCE (Continued)

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

Session of the meeting	Convening date	Resolutions of the meeting	Status of resolutions	Enquiry index of the designated website for the publication of the proposals	Dates of publication of the resolutions
The first extraordinary general meeting in 2020 (the "first EGM in 2020") (Note 1)	6 March 2020	<ol style="list-style-type: none"> To consider and approve the resolution in relation to the Coal Mines Overall Entrusted Management Agreements entered into by the Company and its holding subsidiaries, respectively; and To consider and approve the resolution in relation to the Supplemental Agreements to the Coal Mines Overall Entrusted Management Agreements entered into by the Company and its holding subsidiaries, respectively. 	All passed	http://www.hkexnews.hk http://www.sse.com.cn	06 March 2020 07 March 2020
Annual general meeting for 2019 (the "2019 AGM") (Note 2)	8 May 2020	<ol style="list-style-type: none"> To consider and approve the financial report of the Company for the year 2019; To consider and approve the report of the Board for the year 2019; To consider and approve the report of the supervisory committee of the Company for the year 2019; To consider and approve the performance report of the independent directors of the Company for the year 2019; To consider and approve the profit distribution plan of the Company for the year 2019; To consider and approve the Company's capital expenditure in 2020; To consider and approve the appointment of financial audit institutions of the Company for the year 2020; To consider and approve the appointment of internal control audit institution of the Company for the year 2020; To consider and approve the provision of guarantee by the Company for commercial acceptance bill financing business of its certain holding subsidiaries; To consider and approve the provision of guarantee by the Company for its holding subsidiaries. To consider and approve the entrusted wealth management with idle self-owned funds of the Company. To consider and approve the Directors' remuneration of the eighth session of the Board of the Company. To consider and approve the supervisors' remuneration of the eighth session of the Supervisory Committee of the Company. To consider and approve the proposal regarding the proposed amendments to the Rules of Procedures for the Shareholders' General Meeting. 	All passed	http://www.hkexnews.hk http://www.sse.com.cn	08 May 2020 09 May 2020

CORPORATE GOVERNANCE (Continued)

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

Session of the meeting	Convening date	Resolutions of the meeting	Status of resolutions	Enquiry index of the designated website for the publication of the proposals	Dates of publication of the resolutions
		15. To consider and approve the resolution relating to the general mandate to the Board for the issuance of H shares			
		16. To consider and approve the proposal relating to the proposed amendments to the Articles of Association.			
		17. To consider and approve the executive Directors of the eighth session of the Board of the Company:			
		17.1 To consider and approve the appointment of Mr. Zhang Jingquan as an executive Director of the Company.			
		17.2 To consider and approve the appointment of Mr. Liu Chunlin as an executive Director of the Company.			
		17.3 To consider and approve the appointment of Mr. Ge Yaoyong as an executive Director of the Company.			
		17.4 To consider and approve the appointment of Mr. Zhang Dongsheng as an executive Director of the Company.			
		17.5 To consider and approve the appointment of Mr. Liu Jian as an executive Director of the Company.			
		17.6 To consider and approve the appointment of Mr. Lv Guiliang as an executive Director of the Company.			
		17.7 To consider and approve the appointment of Mr. Lv Junjie as an executive Director of the Company.			
		18. To consider and approve the independent non-executive Directors of the eighth session of the Board of the Company:			
		18.1 To consider and approve the appointment of Mr. Zhang Zhiming as an independent non-executive Director of the Company.			
		18.2 To consider and approve the appointment of Mr. Huang Sujian as an independent non-executive Director of the Company.			
		18.3 To consider and approve the appointment of Mr. Wong Hin Wing as an independent non-executive Director of the Company.			
		18.4 To consider and approve the appointment of Ms. Du Yingfen as an independent non-executive Director of the Company.			
		19. To consider and approve the supervisors of the eighth session of the Supervisory Committee of the Company:			
		19.1 To consider and approve the appointment of Mr. Zhang Zhenjin as a shareholder representative supervisor of the Company.			

CORPORATE GOVERNANCE (Continued)

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

Session of the meeting	Convening date	Resolutions of the meeting	Status of resolutions	Enquiry index of the designated website for the publication of the proposals	Dates of publication of the resolutions
		<p>19.2 To consider and approve the appointment of Mr. Liu Xianghua as a shareholder representative supervisor of the Company.</p> <p>19.3 To consider and approve the appointment of Mr. Wang Yongliang as an independent supervisor.</p> <p>19.4 To consider and approve the appointment of Mr. Wu Qu as an independent supervisor.</p>			
The second extraordinary general meeting in 2020 (the "second EGM in 2020") (Note 3)	16 December 2020	<p>1. To consider and approve the proposal relating to the estimation of the Company for the maximum of daily related party transactions (B shares) for 2021-2023</p> <p>2. To consider and approve the proposal relating to the estimation of the Company for the maximum of daily Continuing Connected Transactions (H shares) for 2021-2023</p> <p>2.1 To consider and approve the Continuing Connected Transaction of products provided by Yitai Group and/or its subsidiaries to the Company and/or its subsidiaries under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services</p> <p>2.2 To consider and approve the Continuing Connected Transaction of products provided by Yitai Investment to the Company and/or its subsidiaries under Yitai Investment Framework Agreement on Purchase and Sale of Products and Services</p> <p>2.3 To consider and approve the Continuing Connected Transaction of deposit services provided by Yitai Finance to the Company and/or its subsidiaries under the Financial Services Framework Agreement.</p>	All passed	http://www.hkexnews.hk http://www.sse.com.cn	<p>16 December 2020</p> <p>17 December 2020</p>

Notes:

1. For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 6 March 2020.
2. For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 8 May 2020.
3. For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 16 December 2020.

CORPORATE GOVERNANCE (Continued)

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

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

	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Attendance of Board meeting(s)				Whether or not he has been absent in person for two consecutive times	Attendance rate of Board meetings (%)	Attendance in general meeting(s)	
			Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence			Times/ Number of attendance in general meetings	Attendance rate of general meetings (%)
Zhang Jingquan 張晶泉	No	10	10	5	0	0	No	100	3/3	100
Liu Chunlin 劉春林	No	10	9	5	0	0	No	90	3/3	100
Ge Yaoyong 葛耀勇	No	10	10	5	0	0	No	100	3/3	100
Zhang Dongsheng 張東升	No	10	10	5	0	0	No	100	3/3	100
Liu Jian 劉劍	No	10	10	5	0	0	No	100	3/3	100
Lv Guiliang 呂貴良	No	10	10	5	0	0	No	100	3/3	100
Lv Junjie 呂俊傑	No	10	10	5	0	0	No	100	3/3	100
Zhang Zhiming 張志銘	Yes	10	10	5	0	0	No	100	3/3	100
Huang Sujian 黃速建	Yes	10	10	5	0	0	No	100	3/3	100
Wong Hin Wing 黃顯榮	Yes	10	10	5	0	0	No	100	3/3	100
Du Yingfen 杜瑩芬	Yes	10	10	5	0	0	No	100	3/3	100

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

Number of Board meetings convened during the year	10
Of which:	
Number of meetings held by teleconference	5
Number of meetings held both on-site and via teleconferencing	5

CORPORATE GOVERNANCE *(Continued)*

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

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

During the reporting period, the Company's independent non-executive directors has no disagreement on the proposals put forward by the Board, nor those put forward apart from those of the meetings of the Board held by the Company for the year.

(III) Others

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

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

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



CORPORATE GOVERNANCE (Continued)

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

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

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

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

CORPORATE GOVERNANCE *(Continued)*

VII. CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

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

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

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

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

The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with all the applicable Code Provisions as set out in the CG Code.

Directors’ and Supervisors’ Securities Transactions

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

Specific enquiry has been made to all the directors and supervisors and all directors and supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

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

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



CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Board of Directors

During the year ended 31 December 2020 and up to the date of this report, the Board of the Company comprises the following directors:

Executive Directors:

Zhang Jingquan
Liu Chunlin
Ge Yaoyong
Zhang Dongsheng
Liu Jian
Lv Guiliang
Lv Junjie

Independent Non-executive Directors:

Zhang Zhiming
Huang Sujian
Wong Hin Wing
Du Yingfen

The biographical information of the directors are set out in the section headed “Directors, Supervisors, Senior Management and Employees” on pages 127 to 130 of this report.

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

Chairman and General Manager

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

Independent Non-executive Directors

During the year ended 31 December 2020, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

CORPORATE GOVERNANCE *(Continued)*

VII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Non-executive Directors and Directors' Re-election

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2020, the following directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Event/Topic <small>note</small>
Executive Directors	
Zhang Jingquan	1,3,4,5
Liu Chunlin	3,4,5
Ge Yaoyong	3,4,5
Zhang Dongsheng	3,4,5
Liu Jian	1,3,4,5
Lv Guiliang	1,3,4,5
Lv Junjie	3,4,5
Independent non-executive Directors	
Zhang Zhiming	2
Huang Sujian	—
Wong Hin Wing	—
Du Yingfen	—

Notes:

- The training courses for the directors, supervisors and senior management of the listed companies in the district for the year of 2020 organized by China Securities Regulatory Commission, Inner Mongolia Branch (內蒙古證監局);
- Follow-up training of independent directors organized by Shanghai Stock Exchange;
- Online training on enterprise publicity and public emotions under new circumstances organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司);
- Online training on study of the Securities Law from the perspective of a listed company organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司);
- Online training on management strategies under enterprise crises organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司).

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

CORPORATE GOVERNANCE *(Continued)*

VII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board Committees

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

Strategy Committee

The Strategy Committee currently comprises a total of 11 members, being 7 Executive Directors, namely Zhang Jingquan (Chairman), Liu Chunlin, Ge Yaoyong, Zhang Dongsheng, Liu Jian, Lv Guiliang and Lv Junjie, and 4 Independent non-executive Directors, namely Zhang Zhiming, Huang Sujian, Wong Hin Wing and Du Yingfen.

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

The responsibilities of the Strategy Committee include, among others:

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

The Strategy Committee held 3 meetings during the year. Among the 3 meetings, 2 meetings were held to review the coal mines overall entrusted management agreements entered into by the Company and its holding subsidiaries of the Company, and the remaining one meeting was held to review capital expenditure for the year 2020.

Audit Committee

The Audit Committee currently comprises a total of 4 members, all being Independent non-executive Directors, namely Du Yingfen (Chairman), Zhang Zhiming, Huang Sujian and Wong Hin Wing.

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

The Audit Committee held 5 meetings to review the Group's annual financial results and reports, interim results, quarterly results, internal control and risk management systems, appointment of external auditors and internal audit institutions, review of related party transactions and continuing connected transactions, establishment of entrusted wealth management by the use of idle capital of the Company and the supplemental agreement of the sale and leaseback agreement etc.

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



CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Jingquan, Liu Chunlin and Liu Jian, and 4 Independent non-executive Directors, namely Du Yingfen, Huang Sujian (Chairman), Zhang Zhiming and Wong Hin Wing.

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

The Remuneration and Appraisal Committee held 2 meetings during the year to review and make recommendation to the Board on the remuneration of the directors of the eighth session of the Board and the senior management, the remuneration policy and structure, and the evaluation of the performance of the directors and senior management of the Company.

Nomination Committee

The Nomination Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Jingquan, Liu Chunlin and Liu Jian, and 4 Independent non-executive Directors, namely Du Yingfen, Huang Sujian, Zhang Zhiming (Chairman) and Wong Hin Wing.

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

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and national and industrial experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. For summary of the Board diversity policy, please refer to the content in page 52 of Section V – Other Disclosures under “Reports of Directors” of this report.

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

CORPORATE GOVERNANCE *(Continued)*

VII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Nomination Committee *(Continued)*

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

The Nomination Committee held 5 meetings during the year to review the structure, size and composition of the Board and the independence of the independent non-executive directors of the Company, to consider and recommend to the Board on the appointment of chairman, executive directors and independent non-executive directors of the eighth session of the Board and the general manager, deputy manager, chief financial officer, board secretary/company secretary, chief engineer and representative of securities affairs of the Company.

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

Production Committee

The Production Committee currently comprises a total of 5 members, being 3 Executive Directors, namely Zhang Jingquan (Chairman), Ge Yaoyong and Liu Jian, and 2 Independent non-executive Directors, namely Du Yingfen and Huang Sujian.

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

The responsibilities of the Production Committee include, among others:

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

The Production Committee held 1 meeting during the year to review 2020 annual production plan of the Company.

CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Corporate Governance Functions

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

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

Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2020 is set out in the table below:

Name of Director	Attendance/Number of meetings							Annual general meeting	Other general meetings (if any)
	Board	Nomination committee	Remuneration and Appraisal committee	Audit committee	Production Committee	Strategy Committee			
Zhang Jingquan	10/10	5/5	2/2	N/A	1/1	3/3	1/1	2/2	
Liu Chunlin	9/10	5/5	2/2	N/A	N/A	3/3	1/1	2/2	
Ge Yaoyong	10/10	N/A	2/2	N/A	1/1	3/3	1/1	2/2	
Zhang Dongsheng	10/10	N/A	N/A	N/A	N/A	3/3	1/1	2/2	
Liu Jian	10/10	2/2	N/A	N/A	N/A	3/3	1/1	2/2	
Lv Guiliang	10/10	N/A	N/A	N/A	N/A	3/3	1/1	2/2	
Lv Junjie	10/10	3/3	N/A	N/A	1/1	3/3	1/1	2/2	
Zhang Zhiming	10/10	5/5	2/2	5/5	N/A	3/3	1/1	2/2	
Huang Sujian	10/10	5/5	2/2	5/5	1/1	3/3	1/1	2/2	
Wong Hin Wing	10/10	5/5	2/2	5/5	N/A	3/3	1/1	2/2	
Du Yingfen	10/10	5/5	2/2	5/5	1/1	3/3	1/1	2/2	

Apart from regular Board meetings, the Chairman also held meetings with the Independent Non-executive Directors without the presence of other Directors during the reporting period.

CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 175 to 176 of this annual report.

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

Senior management's remunerations

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of 3 Senior Management (excluding Directors and Supervisors) by bands for the year ended 31 December 2020 is set out below:

Remuneration bands	Number of individuals
RMB1 million and below	1
RMB1 million to RMB2 million	1
RMB2 million to RMB3 million	1

CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Auditors' Remuneration

An analysis of the remuneration paid to the external oversea auditors of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service category	Fees paid/payable
Audit Services	RMB4.55 million
Non-audit services	RMB nil

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

Risk Management and Internal Controls

During the year under review, the Board conducted one review of the effectiveness of the risk management and internal control systems of the Group, covering all material aspects of internal control, including internal control, operational control and compliance control for the year ended 31 December 2020. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is responsible for the risk management and internal control systems, and reviewed the effectiveness on such systems. Details as follows:

1. The Company established a sound internal control system, (i) Audit Committee was set up under the Board to be responsible for the communication, inspection and supervision on external audit, reviewing and monitoring the financial control, internal control and risk management systems; and to ensure the establishment of an effective internal control system by which the management fulfils their duty; and to study the substantive investigation results for internal control and responses to such results from the management, on a voluntary basis or based on the appointment of the Board; (ii) the in-house audit department of the Company is in charge of the organization and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; (iii) the internal control and assessment group is in charge of the organisation and assessment of the detailed internal control and is accountable to the Board.

CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Risk Management and Internal Controls (Continued)

2. In order to further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardised and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.
3. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the 2020 Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司2020年內部控制評價方案》). Please refer to Appendix II 2020 Internal Control Self-Assessment Report of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司2020年內部控制自我評價報告》) for the details of internal control.
4. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the Guidelines on Disclosure of Inside Information published by the Securities and Future Commission in June 2012, and established special agency and appointed special personnel being responsible for registration and management of insiders, also set up internal management files for insiders management which subject to regular updating. Meanwhile, regular trainings have been conducted by the Group engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

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

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

In 2020, centering on five internal control elements of financial monitoring, risk assessment, compliance monitoring and communication and regulation, the Group implemented comprehensive inspection of the effectiveness of the Company's internal control system in 2020, including mechanisms for communication with and feedback from auditors on statutory audit work. Through the assessment of the Group's internal control system by the Audit Committee and the internal control department, the Board held that within the reporting period, no material failure or weakness was found in respect of risk monitoring. In addition, the Group had a complete internal control system covering corporate governance, operation, investment, finance, administration and human resources, and the internal control system could play its effective role.



CORPORATE GOVERNANCE *(Continued)*

VII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Risk Management and Internal Controls *(Continued)*

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

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

Joint Company Secretaries

Ms. Zhao Xin has resigned from the positions of (i) the company secretary of the Company; (ii) the authorized representative (the “**Authorized Representative**”) of the Company as required under Rule 3.05 of the Rules Governing the Listing of Securities on Stock Exchange and (iii) the agent for acceptance of service of process and notices on behalf of the Company in Hong Kong as required under Rule 19A.13(2) of the Listing Rules, with effect from 29 January 2021.

Mr. He Peixun has been appointed as the joint company secretary of the Company, the Authorized Representative and the agent for acceptance of service of process and notices on behalf of the Company in Hong Kong as required under Rule 19A.13(2) of the Listing Rules; and Mr. Wong Wai Chiu has been appointed as the joint company secretary and the authorized representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong as required under Part 16 of the Companies Ordinance and the alternative Authorized Representative, with effect from 29 January 2021.

During the reporting period, Ms. Zhao Xin, the Company Secretary, has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Dividend Policy

According to paragraph 16.15 of the Company's Articles of Association, profit distribution policies of the Company are specified as follows:

- (1) Subject to conditions, interim profit distribution may be made by the Company;
- (2) Specific conditions and ratios for distributing cash dividend by the Company: If the Company's profit for the year and its total unappropriated profit are positive, the Company may distribute dividend in cash and the profit to be distributed in cash. The Company may distribute dividend in cash per annum not less than 10% of distributable profit for the year, and profit distributed cumulatively in cash in the last three years should not less than 30% of average distributable profit in the recent three years. Taking into account features of the industries where the Company operates, its development stage, business model, profit level and whether it has significant capital expenditure plans, the Company shall make sure that cash dividends to be distributed represent at least 40% of the profit distribution;
- (3) Specific conditions for distributing dividends in shares by the Company: Where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all shareholders of the Company as a whole, provided that the above conditions of cash dividend are fully met, the Company may propose dividend distribution in shares;
- (4) Profit shall be distributed in cash at least one time for every 3 consecutive years. When the company distributes profits, cash dividends is in preference to the share dividend.

The dividends paid by the Company shall be declared in RMB, and shall be paid to holders of domestic legal person's shares in RMB, paid to holders of domestically-listed foreign shares in US dollars, and paid to holders of H shares in Hong Kong dollars. The applicable exchange rate shall be the average closing rate for the US dollars and RMB and the average closing rate for the Hong Kong dollars and RMB announced by the People's Bank of China at the first business day on which the relevant resolution is passed at the shareholders' general meeting. Any amount paid upon any shares before a call is made shall bear interest thereon. However, the shareholder is not entitled to any dividends of such prepaid share capital declared subsequently.

Shareholders' Rights

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



CORPORATE GOVERNANCE (Continued)

VII. CORPORATE GOVERNANCE PRACTICES (Continued)

Convening an Extraordinary General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

Shareholders may call the Company at (86) 477-8565732 for any assistance.

CORPORATE GOVERNANCE *(Continued)*

VII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Communication with Shareholders and Investors

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

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

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

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

During the year under review, the Company adjusted the existing related notification procedures for the general meeting and other contents under the Articles of Association in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Special Provisions of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (Guo Han [2019] No. 97) and other relevant laws and regulations and relevant regulatory requirements and in combination of the actual situation of the Company. Such amendments were considered and approved at the 2019 annual general meeting convened on 8 May 2020. Currently, the effective date for the Articles of Association is 8 May 2020, which has been published at the website of the Company and Hong Kong Stock Exchange.

RELEVANT INFORMATION ON CORPORATE BOND

I. OVERVIEW OF CORPORATE BONDS

Unit: yuan Currency: RMB

Name of corporate bond	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2018 (first tranche)	18 Yitai 01	143673	7 June 2018	8 June 2021	1,500,000,000	6	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 payment 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 payment registration date.	Shanghai Stock Exchange
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (first tranche)	19 Yitai 01	155306	4 April 2019	4 April 2024	500,000,000	4.9	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount of the bonds held by the investors till close-up of the payment registration date.	Shanghai Stock Exchange

RELEVANT INFORMATION ON CORPORATE BOND (Continued)

I. OVERVIEW OF CORPORATE BONDS (Continued)

Unit: yuan Currency: RMB

Name of corporate bond	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (second tranche)	19 Yitai 02	155494	2 July 2019	2 July 2024	1,000,000,000	4.75	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount of the bonds held by the investors till close-up of the payment 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 payment registration date.	Shanghai Stock Exchange

Interest payment in respect of bonds

The Company has completed the interest payment on “18 Yitai 01”, “18 Yitai 02”, “19 Yitai 01”, “19 Yitai 02” and “19 Yitai 03” for 2020.

RELEVANT INFORMATION ON CORPORATE BOND *(Continued)*

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

18 Yitai 01, 18 Yitai 02, 19 Yitai 01, 19 Yitai 02 and 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

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, 19 Yitai 01, 19 Yitai 02 and 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

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

The proceeds raised from public issuance of 18 Yitai 01, 18 Yitai 02, 19 Yitai 01, 19 Yitai 02 and 19 Yitai 03 were used for disclosing the bonds. As at 31 December 2020, proceeds raised from 18 Yitai 01, 18 Yitai 02, 19 Yitai 01, 19 Yitai 02, 19 Yitai 03 were utilized in full.

RELEVANT INFORMATION ON CORPORATE BOND *(Continued)*

IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a credit rating on bonds “18 Yitai 01” of the Company, and the credit rating of this tranche of bonds was adjusted to AAA; the credit rating of the Company was AAA with stable outlook. Golden Credit Rating International Co., Ltd. conducted a credit rating on bonds “18 Yitai 02”, “19 Yitai 01”, “19 Yitai 02” and “19 Yitai 03” of the Company, and the credit ratings of this tranche of bonds were all adjusted to AAA; the credit rating of the Company was AAA with stable outlook.

In line with the schedule of follow-up rating, Dagong Global Credit Rating Co., Ltd. will carry out a periodical follow-up rating on bonds 18 Yitai 01 within 2 months after release of the announcement of annual report and during the period of existence of the bonds of this tranche and further conduct unscheduled follow-up rating according to the relevant situations within the period of existence of the bonds of this tranche. Golden Credit Rating International Co., Ltd. will carry out a periodical follow-up rating on bonds 18 Yitai 02, 19 Yitai 01, 19 Yitai 02 and 19 Yitai 03 within 2 months after release of the announcement of annual report and during the period of existence of the bonds of this tranche and further conduct unscheduled follow-up rating according to the relevant situations within the period of existence of the bonds of this tranche. If the Company publishes its annual report on 31 March 2021, Dagong Global Credit Rating Co., Ltd. and Golden Credit Rating International Co., Ltd. are required to issue a follow-up rating report before 31 May. The rating results will be disclosed on the website of the Shanghai Stock Exchange in which the corporate bonds of this tranche are listed.

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

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

VI. MEETING OF CORPORATE BONDHOLDERS

Not applicable

RELEVANT INFORMATION ON CORPORATE BOND (Continued)

VII. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGERS

Within the period of existence of the bonds of this tranche aforementioned, Haitong Securities Co., Ltd., the bonds trustee manager conscientiously complied with the agreement to the Bonds Trustee Management Agreement (《債券受託管理協議》) and conducted a continuous follow-up to the Company's rating, management and use of proceeds raised from the bonds, and condition of capital repayment with interest of the Company. Haitong Securities Co., Ltd. also supervised the Company to perform the obligations set out in the prospectus and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders. The Trustee Management Business Report during the reporting period is expected to be disclosed by the trustee manager in three months upon the disclosure of the Annual Report of the Company. For specific details of the report, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

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

Unit: yuan Currency: RMB

Major indicator	2020	2019	Increase or decrease as compared with the same period of last year (%)	Reasons for change
EBITDA	4,166,265,712.08	9,892,906,417.42	-57.89	Mainly due to the provisions for the impairment loss of assets during the period, which results in the decrease in profits.
Liquidity ratio	1.16	1.43	-0.27	
Quick ratio	1.07	1.30	-0.23	
Gearing ratio (%)	49.61	52.52	-2.91	
EBITDA ratio	0.12	0.24	-0.12	Mainly due to the provisions for the impairment loss of assets during the period, which results in the decrease in EBITDA.
Times interest earned	1.07	3.51	-2.43	Mainly due to the provisions for the impairment loss of assets during the period, which results in the decrease in profits.
Cash interest coverage ratio	4.88	4.58	0.30	
EBITDA times interest earned	2.18	4.46	-2.28	Mainly due to the provisions for the impairment loss of assets during the period, which results in the decrease in EBITDA.
Loan repayment rate (%)	100	100	-	
Interest payment rate (%)	100	100	-	

RELEVANT INFORMATION ON CORPORATE BOND *(Continued)*

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

Except for corporate bonds, there were no other bonds or debt financing instruments during the reporting period.

X. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totaled RMB46,896,950,000 and the credit limit was RMB27,298,378,100. The credit available was RMB19,598,571,900.

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

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

XII. MAJOR EVENTS OF THE COMPANY AND THEIR IMPACTS ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

Not applicable



AUDIT REPORT

Da Hua Shen Zi [2021] No. 004671

I. AUDIT OPINION

We have audited the financial statements of Inner Mongolia Yitai Coal Co., Ltd. (hereafter abbreviated as the “Yitai Coal Company” or the “Company”), which comprise the consolidated balance sheet and balance sheet of the parent company as at 31 December 2020, and the consolidated income statement and income statement of the parent company, consolidated cash flow statement and cash flow statement of the parent company, and consolidated statement of changes in shareholders’ equity and consolidated statement of changes in shareholders’ equity of the parent company, and relevant notes to the financial statements in 2020.

In our opinion, the financial statements attached below give a fair view of the consolidated financial position of the Company and the parent company as at 31 December 2020, and of its consolidated financial performance and cash flows of the Company and the parent company in 2020 in accordance with the Accounting Standards for Business Enterprises in all material aspects.

II. BASIS FOR OPINION

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of the audit report. We are independent of the Company in accordance with the Certified Public Accountants of China’s Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

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

We determined the following matters as the key audit matters that need to be discussed in the audit report.

- 1. Impairment on long-term assets of coal-related chemical projects**
- 2. Recognition of revenue from sales of coal and coal chemicals**

III. KEY AUDIT MATTERS (Continued)

2. Recognition of revenue from sales of coal and coal chemicals (Continued)

(I) Impairment on long-term assets of coal-related chemical projects

1. Description of the matter

For the accounting policies on long-term asset impairment of the Company, please refer to Note IV. Principal Accounting Policies and Accounting Estimates: (XXV) Impairment on long-term assets. For the carrying amount of long-term assets of coal-related chemical projects, please refer to Note XV. Explanation on Other Significant Events – (II) Segment information: 3. Financial information of the reporting segments.

As of 31 December 2020, the carrying amount of long-term assets of coal-related chemical projects of the Company was RMB26,635,547,600, accounting for 31.13% of the total assets; during the current period, the Company made impairment loss provision of RMB3,077,954,900 for the long-term assets of the 2.0 Mtpa coal-to-oil project under construction of Xinjiang Energy to be suspended (as detailed in Note XV Construction in Progress under VI. Notes to Major Items of the Consolidated Financial Statements). Due to the significant amount of long-term assets of coal-related chemical projects, and the sign of asset impairment and impairment test involving basic assumptions, parameter settings and amount of impairment provision, all rely on significant judgments and estimates made by the management, which could be subject to error or potential management bias. Therefore, we identified the impairment on long-term assets of coal-related chemical projects as a key audit matter.

2. How our audit addressed the key audit matter

We have performed the following key audit procedures to address the impairment on long-term assets of coal-related chemical projects:

- (1) Understand, evaluate and test the effectiveness of the design and implementation of key internal controls related to asset impairment, and evaluate whether the internal controls are effective;
- (2) Review the management's relevant documents on the judgment of the sign of impairment on long-term assets of coal-related chemical projects, and evaluate whether the management's major judgments are reasonable and sufficient;
- (3) For impairment test on long-term assets of coal-related chemical projects in the current period, the Company engaged an expert to evaluate the long-term assets of coal-related chemical projects. In the current period, we re-checked the evaluation report issued by the expert on the impairment of coal-related chemical projects, which mainly cover the following:



AUDIT REPORT *(Continued)*

III. KEY AUDIT MATTERS *(Continued)*

2. Recognition of revenue from sales of coal and coal chemicals *(Continued)*

(I) Impairment on long-term assets of coal-related chemical projects *(Continued)*

2. How our audit addressed the key audit matter *(Continued)*

Evaluate the competency, professionalism and objectivity of the expert as engaged by the management;

Evaluate the appropriateness of the impairment test methods selected by the expert for different groups of asset through comparing the models and methods used by the expert for impairment test to the assumptions of the management;

Evaluate the correlation and reasonableness of the assumptions and methods used and original data relied on by the expert, and whether they are consistent with the assumptions and methods used by the management through comparing data assumptions such as future product prices, forecasted output, forecasted costs and capital expenditures used by management for impairment testing, to price forecast periods, design capacity and forecasted output and future production plans, design production costs and actual production costs, follow-up capital investment, upgrading spending of the Company and etc. issued by relevant institutions.

Evaluate the work results of the expert and the correlation and reasonableness of its conclusions.

Evaluate the reasonableness of the impairment provision made by the Company.

Based on the audit work performed, we believe that the evidence we have obtained supports the management's significant accounting estimates and judgments regarding the impairment on long-term assets of coal-related chemical projects.

III. KEY AUDIT MATTERS (Continued)

2. Recognition of revenue from sales of coal and coal chemicals (Continued)

(II) Recognition of revenue from sales of coal and coal chemicals

1. Description of the matter

For the accounting policies on revenue of the Company, please refer to Note IV. Principal Accounting Policies and Accounting Estimates: (XXXII) Revenue; for the carrying amount of revenue, please refer to Note 45. Operating income and operating cost under Note VI. Notes to Major Items of the Consolidated Financial Statements.

The Company's revenue in 2020 was RMB33,790,579,600, down by 17.44% as compared with the same period of last year, mainly for coal sales, chemical products sales, and freight services. Among them, the revenue of coal sales and chemical products sales for the current period was RMB27,541,234,600 and RMB4,821,060,100, respectively, down by 17.01% and 19.28% compared with the same period of last year, respectively.

The generation and integrity of sales revenue from coal and coal-related chemicals will have a great impact on the operating results of the Company, as the Company takes revenue as one of its key performance indicators and there may be risks associated with revenue recognition. Therefore, we identified the recognition of revenue from sales of coal and coal chemicals as a key audit matter.

2. How our audit addressed the key audit matter

We have performed the following key audit procedures to address the recognition of revenue from sales of coal and coal chemicals:

- (1) Understand, evaluate and examine the effectiveness of the design and implementation of key internal controls related to revenue, and evaluate whether the internal controls are effective.
- (2) Review whether the revenue recognition conditions and methods meet the requirements of the Accounting Standards for Business Enterprises and whether they are consistent in the previous and subsequent periods.
- (3) Implement the analytical procedures, mainly including comparing and analyzing the sales revenue of the current period with the sales revenue and sales budget of the previous period, analyzing whether the sales revenue and its composition are abnormal, and analyzing the causes of abnormal changes; calculating the gross profit margin of important products, comparing and analyzing with the previous period's data, and reviewing whether there is any abnormality; comparing the fluctuations of various types of sales revenue in each month of the current period, and analyzing whether there is any abnormality in the change trend; comparing the gross profit margin of important products in this period with the same industry, and reviewing whether there is any abnormality.



AUDIT REPORT *(Continued)*

III. KEY AUDIT MATTERS *(Continued)*

2. Recognition of revenue from sales of coal and coal chemicals *(Continued)*

(II) Recognition of revenue from sales of coal and coal chemicals *(Continued)*

2. How our audit addressed the key audit matter *(Continued)*

- (4) Inquire about the market prices of major products, obtain pricing documents for the Company's major products, review whether the selling prices of the major products are consistent with the market trend, and review the fairness of the pricing of related transactions.
- (5) Extract a certain number of billing vouchers, review whether the entry date, product name, quantity, amount and so on are consistent with the sales contract, shipping voucher, quality inspection report and sales invoice.
- (6) Extract a certain number of shipping vouchers, review whether the inventory delivery date, quantity, amount and so on are consistent with the sales contract, accounting voucher, quality inspection report and sales invoice.
- (7) Combined with the letter certification procedures for the accounts receivable, select the major customers to confirm the sales in the current period.
- (8) Implement sales revenue cut-off test.

Based on the audit work performed, we believe that the evidence we have obtained supports the management's judgments on the Company's revenue from sales of coal and coal chemicals.

IV. OTHER INFORMATION

The management of Yitai Coal Company is responsible for the other information. The other information comprises the information included in the 2020 annual report of Yitai Coal Company, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Yitai Coal Company is responsible for preparing of the financial statements that give a fair view in accordance with the Accounting Standards for Business Enterprises, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management of Yitai Coal Company is responsible for assessing Yitai Coal Company's ability to continue as a going concern, disclosure of matters regarding going concern (where applicable), and using the going concern basis of accounting unless the management either intends to liquidate Yitai Coal Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Yitai Coal Company's reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yitai Coal Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yitai Coal Company to cease to continue as a going concern.



AUDIT REPORT *(Continued)*

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT *(Continued)*

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Yitai Coal Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, the PRC

Chinese Certified Public Accountant: (Project Partner)
Gong Xinping

Chinese Certified Public Accountant: Zhao Xi

30 March 2021

CONSOLIDATED BALANCE SHEET

At 31 December 2020

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

Unit: yuan Currency: RMB

Assets	Note VI	31 December 2020	31 December 2019
Current assets:			
Cash and bank balance	Note 1	12,235,897,104.62	16,463,635,973.62
Trading financial assets	Note 2	2,011,120.00	716,960.00
Notes receivable	Note 3		25,209,394.48
Accounts receivable	Note 4	1,280,175,866.98	1,535,983,331.86
Financing receivable	Note 5	2,071,600.00	
Prepayments	Note 6	573,875,955.11	658,150,464.92
Other receivables	Note 7	502,459,431.63	591,148,197.21
Including: Interests receivable			
Dividends receivable		60,000,000.00	31,101,623.02
Inventories	Note 8	1,256,228,988.62	2,084,901,592.16
Non-current assets due within one year			
Other current assets	Note 9	765,304,428.89	1,390,137,429.52
Total current assets		<u>16,618,024,495.85</u>	<u>22,749,883,343.77</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2020

Assets	Note VI	31 December 2020	31 December 2019
Non-current assets:			
Long-term equity investments	Note 10	9,760,538,789.99	9,720,274,594.36
Investments in other equity instruments	Note 11	7,257,982,731.72	7,342,219,463.31
Other non-current financial assets	Note 12	1,571,136,033.21	938,546,351.20
Investment property	Note 13	690,286,105.94	509,672,558.86
Fixed assets	Note 14	31,539,509,938.70	33,117,715,931.75
Construction in progress	Note 15	11,264,401,667.07	14,313,979,729.73
Productive biological assets			
Oil and gas assets			
Right-of-use assets	Note 16	44,453,181.22	39,290,050.66
Intangible assets	Note 17	3,234,890,864.17	2,954,647,981.17
Development expenditure	Note 18		1,424,043.26
Goodwill			
Long-term deferred expenses	Note 19	2,166,704,910.77	2,272,013,184.03
Deferred income tax assets	Note 20	717,582,752.56	406,130,804.84
Other non-current assets	Note 21	694,092,566.11	52,672,404.00
Total non-current assets		<u>68,941,579,541.46</u>	<u>71,668,587,097.17</u>
Total assets		<u>85,559,604,037.31</u>	<u>94,418,470,440.94</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2020

Liabilities and shareholders' interests	Note VI	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings	<i>Note 22</i>	1,000,000,000.00	2,550,000,000.00
Trading financial liabilities	<i>Note 23</i>	2,034,720.00	3,035,060.00
Derivative financial liabilities			
Notes payable	<i>Note 24</i>	1,296,438,553.80	878,795,526.24
Accounts payable	<i>Note 25</i>	2,164,149,682.62	2,820,890,520.24
Advances	<i>Note 26</i>	2,155,213.74	
Contract liabilities	<i>Note 27</i>	507,734,000.67	434,754,040.95
Employee benefits payable	<i>Note 28</i>	266,511,151.48	430,128,007.84
Taxes payable	<i>Note 29</i>	731,787,487.12	498,186,869.47
Other payables	<i>Note 30</i>	1,379,398,220.73	2,053,058,831.46
Including: Interests payable		176,159,479.01	177,856,169.80
Dividends payable			114,920,000.00
Non-current liabilities due within one year	<i>Note 31</i>	7,404,723,929.29	6,240,244,930.63
Other current liabilities	<i>Note 32</i>	65,924,584.16	9,411,068.49
Total current liabilities		<u>14,820,857,543.61</u>	<u>15,918,504,855.32</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2020

Liabilities and shareholders' interests	Note VI	31 December 2020	31 December 2019
Non-current liabilities:			
Long-term borrowings	Note 33	23,373,656,681.61	26,137,387,560.56
Bonds payable	Note 34	2,429,992,674.65	5,872,769,550.23
Including: Preference shares			
Perpetual bonds			
Lease liabilities	Note 35	9,795,893.40	6,915,082.45
Long-term payables	Note 36	491,000,000.00	522,700,000.03
Long-term employee benefits payable			
Projected liabilities	Note 37	612,897,208.93	526,848,461.52
Deferred income	Note 38	76,635,745.32	72,909,354.93
Deferred income tax liabilities	Note 20	631,131,366.95	532,425,167.19
Other non-current liabilities			
Total non-current liabilities		<u>27,625,109,570.86</u>	<u>33,671,955,176.91</u>
Total liabilities		<u>42,445,967,114.47</u>	<u>49,590,460,032.23</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2020

Liabilities and shareholders' interests	Note VI	31 December 2020	31 December 2019
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	<i>Note 39</i>	3,254,007,000.00	3,254,007,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	<i>Note 40</i>	4,578,059,266.49	4,577,897,866.65
Less: Treasury shares			
Other comprehensive income	<i>Note 41</i>	1,089,867,679.40	1,138,559,569.59
Special reserve	<i>Note 42</i>	191,254,433.25	212,715,747.06
Surplus reserve		1,634,024,476.72	1,634,024,476.72
Undistributed profit	<i>Note 44</i>	22,313,812,056.60	24,109,769,760.65
Total owners' equity (or shareholders' equity)			
attributable to the parent company		33,061,024,912.46	34,926,974,420.67
Minority interests		10,052,612,010.38	9,901,035,988.04
Total owners' equity (or shareholders' equity)		<u>43,113,636,922.84</u>	<u>44,828,010,408.71</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>85,559,604,037.31</u>	<u>94,418,470,440.94</u>

Legal representative: Zhang Jingquan Person in charge of accounting: Lv Guiliang
Head of accounting department: Ning Yu

BALANCE SHEET OF THE PARENT COMPANY

At 31 December 2020

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

Unit: yuan Currency: RMB

Assets	Note XVI	31 December 2020	31 December 2019
Current assets:			
Cash and bank balance		3,765,915,961.31	7,707,006,501.16
Trading financial assets			716,960.00
Derivative financial assets			
Notes receivable	Note 1		10,000,000.00
Accounts receivable	Note 2	498,688,217.88	802,646,386.37
Financing receivable		10,000,000.00	
Prepayments		280,799,408.17	257,928,245.57
Other receivables	Note 3	9,447,785,727.14	11,147,729,102.84
Including: Interests receivable			
Dividends receivable		60,000,000.00	315,080,000.00
Inventories		630,455,486.32	1,390,895,873.10
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		7,264,020.66	29,920,365.79
Total current assets		<u>14,640,908,821.48</u>	<u>21,346,843,434.83</u>

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 31 December 2020

Assets	Note XVI	31 December 2020	31 December 2019
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	Note 4	22,532,429,637.03	23,447,140,731.25
Investments in other equity instruments		5,803,275,453.24	5,910,390,074.12
Other non-current financial assets		12,159,778.32	15,152,594.04
Investment property		668,748,674.60	486,950,309.32
Fixed assets		3,629,888,170.18	4,093,281,120.77
Construction in progress		13,267,158.01	42,805,682.01
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		782,485,888.12	738,178,042.33
Development expenditure			
Goodwill			
Long-term deferred expenses		999,842,644.55	1,057,503,027.15
Deferred income tax assets		673,402,821.88	193,550,752.04
Other non-current assets			2,000,000.00
Total non-current assets		<u>35,115,500,225.93</u>	<u>35,986,952,333.03</u>
Total assets		<u>49,756,409,047.41</u>	<u>57,333,795,767.86</u>

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 31 December 2020

Liabilities and shareholders' interests	Note XVI	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings		1,000,000,000.00	2,350,000,000.00
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		124,886,677.55	180,665,148.84
Accounts payable		2,119,300,706.42	1,870,523,531.61
Advances		297,147.14	
Contract liabilities		664,162,196.27	414,758,099.15
Employee benefits payable		83,341,351.45	140,583,452.97
Taxes payable		320,178,784.26	232,347,636.99
Other payables		587,938,976.16	902,587,149.07
Including: Interests payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		5,416,520,900.18	3,353,925,000.00
Other current liabilities		88,720,405.16	9,411,068.49
Total current liabilities		10,405,347,144.59	9,454,801,087.12

BALANCE SHEET OF THE PARENT COMPANY *(Continued)*

At 31 December 2020

Liabilities and shareholders' interests	Note XVI	31 December 2020	31 December 2019
Non-current liabilities:			
Long-term borrowings		10,294,700,000.00	12,497,575,000.00
Bonds payable		2,429,992,674.65	5,872,769,550.23
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			1,700,000.03
Long-term employee benefits payable			
Projected liabilities		464,179,701.60	456,129,770.22
Deferred income		1,734,999.98	1,440,000.00
Deferred income tax liabilities		479,080,175.65	503,418,894.57
Other non-current liabilities			
Total non-current liabilities		<u>13,669,687,551.88</u>	<u>19,333,033,215.05</u>
Total liabilities		<u>24,075,034,696.47</u>	<u>28,787,834,302.17</u>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		3,254,007,000.00	3,254,007,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,475,231,932.09	1,475,066,906.63
Less: Treasury shares			
Other comprehensive income		1,006,806,178.34	1,087,142,143.99
Special reserve		92,717,922.90	159,878,281.51
Surplus reserve		1,634,024,476.72	1,634,024,476.72
Undistributed profit		18,218,586,840.89	20,935,842,656.84
Total owners' equity (or shareholders' equity)		<u>25,681,374,350.94</u>	<u>28,545,961,465.69</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>49,756,409,047.41</u>	<u>57,333,795,767.86</u>

Legal representative: Zhang Jingquan Person in charge of accounting: Lv Guiliang
Head of accounting department: Ning Yu

CONSOLIDATED INCOME STATEMENT

January to December 2020

Unit: yuan Currency: RMB

Item	Note VI	Year 2020	Year 2019
I. Total operating revenue	Note 45	33,790,579,585.88	40,929,038,913.56
Of which: Revenue from operations		33,790,579,585.88	40,929,038,913.56
II. Total operating cost		30,905,966,982.25	35,246,566,610.51
Of which: Operating cost	Note 45	25,294,388,310.69	28,556,238,232.38
Tax and surcharges	Note 46	1,319,087,469.35	1,666,182,318.28
Selling expenses	Note 47	1,167,425,223.43	1,262,305,679.84
Administrative expenses	Note 48	1,133,776,431.45	1,533,482,437.08
Research and development costs	Note 49	310,944,898.11	629,247,375.35
Finance costs	Note 50	1,680,344,649.22	1,599,110,567.58
Of which: Interest expenses		1,768,520,877.56	1,724,778,997.84
Interest income		97,209,757.95	135,294,988.48
Add: Other income	Note 51	83,921,661.90	102,973,075.09
Investment income (loss is represented by “-”)	Note 52	275,492,216.18	304,782,374.68
Of which: Gains from investments in associates and joint ventures		164,982,849.09	260,976,465.11
Gains from derecognition of financial assets measured at amortised costs			
Gains from changes in fair value (loss is represented by “-”)	Note 53	335,878,295.75	67,937,194.65
Credit impairment loss (loss is represented by “-”)	Note 55	-21,709,901.58	-3,025,782.92
Asset impairment loss (loss is represented by “-”)	Note 54	-3,209,285,264.78	-32,328,166.71
Gains from disposal of assets (loss is represented by “-”)	Note 56	3,230,234.66	7,274,870.13
III. Profit from operations (loss is represented by “-”)		352,139,845.76	6,130,085,867.97
Add: Non-operating income	Note 58	12,098,781.31	64,737,068.26
Less: Non-operating expense	Note 59	86,285,682.52	140,998,676.37

CONSOLIDATED INCOME STATEMENT *(Continued)*

January to December 2020

Item	Note VI	Year 2020	Year 2019
IV. Total profit (total loss is represented by “-”)		277,952,944.55	6,053,824,259.86
Less: Income tax expenses	Note 60	823,852,724.61	1,246,691,401.32
V. Net profit (net loss is represented by “-”)		-545,899,780.06	4,807,132,858.54
(I) Classified on a going concern basis			
1. Net profit from continuing operations (net loss is represented by “-”)		-545,899,780.06	4,807,132,858.54
2. Net profit from discontinued operations (net loss is represented by “-”)			
(II) Classified according to the ownership			
1. Net profit attributable to the shareholders of the parent company (net loss is represented by “-”)		-657,055,254.05	3,789,312,908.34
2. Profit or loss on minority interests (net loss is represented by “-”)		111,155,473.99	1,017,819,950.20
VI. Net other comprehensive income after taxes		-36,101,577.20	-584,053,901.21
(I) Net other comprehensive income attributable to owners of the parent company after taxes		-48,691,890.19	-569,357,302.14
1. Other comprehensive income that cannot be reclassified to profit and loss		-46,880,577.17	-569,854,777.26
(1) Remeasuring changes of defined benefit plans			
(2) Other comprehensive income that cannot be converted into profit or loss under the equity method			
(3) Changes in fair value of other equity instrument investments		-46,880,577.17	-569,854,777.26
(4) Changes in fair value of the enterprise’s own credit risk			
2. Other comprehensive income that will be reclassified to profit or loss		-1,811,313.02	497,475.12
(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) Amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedging reserves			
(6) Exchange differences on translation of foreign currency financial statements		-1,811,313.02	497,475.12
(7) Others			
(II) Net other comprehensive income attributable to minority shareholders after taxes		12,590,312.99	-14,696,599.07

CONSOLIDATED INCOME STATEMENT (Continued)

January to December 2020

Item	Note VI	Year 2020	Year 2019
VII. Total comprehensive income		-582,001,357.26	4,223,078,957.33
(I) Total comprehensive income attributable to the owners of the parent company		-705,747,144.24	3,219,955,606.20
(II) Total comprehensive income attributable to minority shareholders		123,745,786.98	1,003,123,351.13
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		-0.20	1.16
(II) Diluted earnings per share (RMB/share)			

Legal representative: Zhang Jingquan Person in charge of accounting: Lv Guiliang
Head of accounting department: Ning Yu

INCOME STATEMENT OF THE PARENT COMPANY

January to December 2020

Unit: yuan Currency: RMB

Item	Note XVI	Year 2020	Year 2019
I. Revenue from operations	Note 5	24,074,080,120.72	32,231,192,116.65
Less: Operating cost		20,802,620,014.61	26,080,298,702.81
Tax and surcharges		694,831,660.30	1,090,690,357.24
Selling expenses		125,410,266.59	95,095,705.09
Administrative expenses		663,377,531.92	904,637,619.24
Research and development costs		48,364,352.06	328,315,914.26
Finance costs		752,180,083.01	1,077,748,786.79
Of which: Interest expenses		797,446,242.22	1,152,352,322.70
Interest income		55,320,166.02	80,081,797.32
Add: Other income		7,948,517.03	2,293,366.92
Investment income (loss is represented by “-”)	Note 6	401,411,262.35	1,055,376,204.19
Of which: Gains from investments in associates and joint ventures		161,887,559.24	249,681,811.40
Gains from derecognition of financial assets measured at amortised costs			
Net gains on exposure hedging (loss is represented by “-”)			
Gains from changes in fair value (loss is represented by “-”)		1,123,073.04	716,960.00
Credit impairment loss (loss is represented by “-”)		-1,875,273,399.27	3,000,000.00
Asset impairment loss (loss is represented by “-”)		-1,273,085,287.24	
Gains from disposal of assets (loss is represented by “-”)		4,114,470.02	685,751,968.64
II. Profit from operations (loss is represented by “-”)		-1,746,465,151.84	4,401,543,530.97
Add: Non-operating income		2,685,122.88	43,674,365.18
Less: Non-operating expense		67,057,857.63	109,651,844.58
III. Total profit (total loss is represented by “-”)		-1,810,837,886.59	4,335,566,051.57
Less: Income tax expenses		-232,484,520.64	807,887,905.36
IV. Net profit (net loss is represented by “-”)		-1,578,353,365.95	3,527,678,146.21
(I) Net profit from continuing operations (net loss is represented by “-”)		-1,578,353,365.95	3,527,678,146.21
(II) Net profit from discontinued operations (net loss is represented by “-”)			

INCOME STATEMENT OF THE PARENT COMPANY (Continued)

January to December 2020

Item	Note XVI	Year 2020	Year 2019
V. Net other comprehensive income after taxes		-80,335,965.65	-536,683,285.62
(I) Other comprehensive income that cannot be reclassified to profit and loss		-80,335,965.65	-536,683,285.62
1. Remeasuring changes of defined benefit plans			
2. Other comprehensive income that cannot be converted into profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments		-80,335,965.65	-536,683,285.62
4. Changes in fair value of the enterprise's own credit risk			
(II) Other comprehensive income that will be reclassified to 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. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserves			
6. Exchange differences on translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		-1,658,689,331.60	2,990,994,860.59
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative: Zhang Jingquan Person in charge of accounting: Lv Guiliang
 Head of accounting department: Ning Yu

CONSOLIDATED CASH FLOW STATEMENT

January to December 2020

Unit: yuan Currency: RMB

Item	Note VI	Year 2020	Year 2019
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		38,869,814,506.30	47,044,216,433.30
Refunds of taxes		41,559,184.62	2,213,686.17
Other cash received relating to operating activities	Note 61.1	279,898,137.41	1,064,833,123.18
Sub-total of cash inflow from operating activities		39,191,271,828.33	48,111,263,242.65
Cash paid for goods purchased and services rendered		26,190,059,493.88	32,021,876,193.42
Cash paid to and on behalf of employees		1,321,004,329.74	1,599,030,807.87
Taxes paid		4,023,696,535.84	6,154,812,678.46
Other cash paid relating to operating activities	Note 61.2	916,458,234.38	1,854,688,175.76
Sub-total of cash outflow from operating activities		32,451,218,593.84	41,630,407,855.51
Net cash flow from operating activities		6,740,053,234.49	6,480,855,387.14
II. Cash flow from investing activities:			
Cash received upon disposal of investments		595,599,517.35	71,097,022.14
Cash received from return on investments		254,483,952.51	40,778,093.17
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		63,108,219.25	32,090,005.47
Net cash received upon disposal of subsidiaries and other operating entities			1,197.37
Other cash received relating to investing activities	Note 61.3	656,998,737.93	
Sub-total of cash inflow from investing activities		1,570,190,427.04	143,966,318.15
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,691,318,822.98	1,132,130,964.41
Cash paid for investments		894,863,719.72	1,213,876,010.21
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities	Note 61.4	670,040,000.00	87,001,001.00
Sub-total of cash outflow from investing activities		3,256,222,542.70	2,433,007,975.62
Net cash flow from investing activities		-1,686,032,115.66	-2,289,041,657.47

CONSOLIDATED CASH FLOW STATEMENT (Continued)

January to December 2020

Item	Note VI	Year 2020	Year 2019
III. Cash flow from financing activities:			
Cash received from investments		6,919,714.00	1,320,286.00
Of which: Cash received by subsidiaries from minority shareholders' investments		6,919,714.00	1,320,286.00
Cash received from borrowings		7,027,371,243.47	11,045,700,000.00
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities		<u>7,034,290,957.47</u>	<u>11,047,020,286.00</u>
Cash repayments of debts		13,362,747,607.35	11,979,827,782.86
Cash payments for dividend and profit distribution or interest repayment		3,046,286,786.10	4,192,508,732.46
Of which: Dividend and profit paid by subsidiaries to minority shareholders		15,484,000.00	402,639,442.98
Other cash paid relating to financing activities	Note 61.5	<u>340,813,029.37</u>	<u>106,618,690.80</u>
Sub-total of cash outflow from financing activities		<u>16,749,847,422.82</u>	<u>16,278,955,206.12</u>
Net cash flow from financing activities		<u>-9,715,556,465.35</u>	<u>-5,231,934,920.12</u>
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates			
V. Net increase in cash and cash equivalents		-4,661,535,346.52	-1,040,121,190.45
Add: Balance of cash and cash equivalents at the beginning of the period	Note 62.4	<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>11,292,510,611.23</u>	<u>15,954,045,957.75</u>

Legal representative: Zhang Jingquan Person in charge of accounting: Lv Guiliang
 Head of accounting department: Ning Yu

CASH FLOW STATEMENT OF THE PARENT COMPANY

January to December 2020

Unit: yuan Currency: RMB

Item	Note XVI	31 December 2020	31 December 2019
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		26,673,927,217.88	35,185,153,441.34
Refunds of taxes			
Other cash received relating to operating activities		<u>154,615,740.40</u>	<u>368,882,150.53</u>
Sub-total of cash inflow from operating activities		<u>26,828,542,958.28</u>	<u>35,554,035,591.87</u>
Cash paid for goods purchased and services rendered		20,252,777,837.30	28,838,150,433.62
Cash paid to and on behalf of employees		422,358,721.54	539,471,683.30
Taxes paid		2,023,894,117.22	3,806,093,470.43
Other cash paid relating to operating activities		<u>402,827,871.13</u>	<u>720,998,556.88</u>
Sub-total of cash outflow from operating activities		<u>23,101,858,547.19</u>	<u>33,904,714,144.23</u>
Net cash flow from operating activities		<u>3,726,684,411.09</u>	<u>1,649,321,447.64</u>
II. Cash flow from investing activities:			
Cash received upon disposal of investments		4,141,186,010.80	3,430,787,388.79
Cash received from return on investments		633,946,526.08	528,035,595.63
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		42,083,557.95	41,127,033.07
Net cash received upon disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities		<u>1,170,409,204.76</u>	<u>373,134,307.34</u>
Sub-total of cash inflow from investing activities		<u>5,987,625,299.59</u>	<u>4,373,084,324.83</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		485,457,506.32	286,090,138.09
Cash paid for investments		905,720,000.00	1,381,757,200.00
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities		<u>5,169,730,746.76</u>	<u>4,884,919,560.35</u>
Sub-total of cash outflow from investing activities		<u>6,560,908,253.08</u>	<u>6,552,766,898.44</u>
Net cash flow from investing activities		<u>-573,282,953.49</u>	<u>-2,179,682,573.61</u>

CASH FLOW STATEMENT OF THE PARENT COMPANY (Continued)

January to December 2020

Item	Note XVI	31 December 2020	31 December 2019
III. Cash flow from financing activities:			
Cash received from investments			
Cash received from borrowings		6,850,000,000.00	10,670,700,000.00
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities		6,850,000,000.00	10,670,700,000.00
Cash repayments of debts		11,822,925,000.00	7,721,950,000.00
Cash payments for dividend and profit distribution or interest repayment		2,181,975,237.45	2,829,469,716.40
Other cash paid relating to financing activities		56,258.12	103,223,277.50
Sub-total of cash outflow from financing activities		14,004,956,495.57	10,654,642,993.90
Net cash flow from financing activities		-7,154,956,495.57	16,057,006.10
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates			
V. Net increase in cash and cash equivalents		-4,001,555,037.97	-514,304,119.87
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		3,676,155,738.44	7,677,710,776.41

Legal representative: Zhang Jingquan Person in charge of accounting: Lv Guiliang
Head of accounting department: Ning Yu

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

January to December 2020

Unit: yuan Currency: RMB

Item	Year 2020											Total owners' equity		
	Equity attributable to owners of the parent company													
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Other equity instruments	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Others	Sub-total
I. Closing balance of the previous year	3,254,007,000.00	-	-	-	4,577,897,866.65	-	1,138,559,869.59	212,715,747.06	1,634,024,476.72	24,109,789,760.65	-	34,926,974,420.67	9,901,035,988.04	44,828,010,408.71
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of errors in the previous period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Operating balance of the current year	3,254,007,000.00	-	-	-	4,577,897,866.65	-	1,138,559,869.59	212,715,747.06	1,634,024,476.72	24,109,789,760.65	-	34,926,974,420.67	9,901,035,988.04	44,828,010,408.71
III. Changes for the current period (decrease is represented by "-")	-	-	-	-	161,399.84	-	-48,691,890.19	-21,461,313.81	-	-1,795,957,704.05	-	-1,865,949,508.21	151,576,022.34	-1,714,373,485.87
(I) Total comprehensive income	-	-	-	-	-	-48,691,890.19	-48,691,890.19	-	-	-657,055,254.05	-	-705,747,144.24	123,745,786.98	-582,001,357.26
(II) Owners' contribution and capital decrease	-	-	-	-	-3,625.62	-	-	-	-	-	-	-3,625.62	6,917,728.68	6,914,103.06
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-	6,919,714.00	6,919,714.00

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

January to December 2020

Item	Year 2020										Total owners' equity	
	Equity attributable to owners of the parent company											
	Other equity instruments			Less:			Other comprehensive income			Sub-total	Minority interest	
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			Undistributed profit
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-3,625.62	-	-	-	-	-	-	-	-5,610.94
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-1,138,902,450.00	-	-1,154,386,450.00
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-1,138,902,450.00	-	-1,154,386,450.00
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-forward of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to capital (or share capital) from capital reserve	-	-	-	-	-	-	-	-	-	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

January to December 2020

Item	Year 2020											Total owners' equity		
	Equity attributable to owners of the parent company													
	Paid-in capital (or share capital)	Other equity instruments			Less:			Other comprehensive income			General risk reserve		Undistributed profit	Others
	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Minority interests	Total owners' equity	
2. Transfer to capital (or share capital) from surplus reserve	-			-	-	-	-	-	-	-	-	-	-	
3. Surplus reserve for making up losses	-			-	-	-	-	-	-	-	-	-	-	
4. Changes in defined benefit plans carried forward to retained earnings	-			-	-	-	-	-	-	-	-	-	-	
5. Other comprehensive income carried forward to retained earnings	-			-	-	-	-	-	-	-	-	-	-	
6. Others	-			-	-	-	-	-	-	-	-	-	-	
(V) Special reserve						-21,461,313.81					-21,461,313.81	36,396,506.68	14,935,192.87	
1. Appropriation in the current period						457,432,588.52					457,432,588.52	149,241,503.84	606,674,092.36	
2. Utilisation in the current period						478,893,902.33					478,893,902.33	112,844,997.16	591,738,899.49	
(VI) Others				165,025.46							165,025.46	-	165,025.46	
IV. Closing balance of the current period	3,254,007,000.00			4,578,059,266.49		191,254,433.25	1,634,024,476.72	22,313,812,066.60	33,061,024,912.46	10,052,612,010.38	43,113,636,922.84	-	43,113,636,922.84	

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

January to December 2020

Item	Year 2019											
	Equity attributable to owners of the parent company											
	Paid-in capital (or share capital)	Other equity instruments	Less:	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Unistributed profit	Others	Sub-total	Minority interests	Total owners' equity
I. Closing balance of the previous year	3,254,007,000.00	-	-	1,707,916,871.73	57,087,245.53	1,634,024,476.72	-	24,331,543,771.03	-	33,207,467,047.43	9,344,915,159.33	42,552,382,206.76
Add: Changes in accounting policies	-	-	-	-	-	-	-	-530,718.73	-	-530,718.73	-	-530,718.73
Correction of errors in the previous period	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Operating balance of the current year	3,254,007,000.00	-	-	1,707,916,871.73	57,087,245.53	1,634,024,476.72	-	24,331,013,052.30	-	33,206,836,228.70	9,344,915,159.33	42,551,851,488.03
III. Changes for the current period (decrease is represented by "-")	-	-	-	-569,357,302.14	155,628,501.53	-	-	-221,243,291.65	-	1,720,098,091.97	556,120,828.71	2,276,158,920.68
(I) Total comprehensive income	-	-	-	-569,357,302.14	-	-	-	3,789,312,908.34	-	3,219,955,606.20	1,083,123,351.13	4,223,078,957.33
(II) Owners' contribution and capital decrease	-	-	-	-	-	-	-	-	-	-28,542,515.76	297,36,687.88	1,194,172.12
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	-	-	-7,092.73	1,255,223.38	1,248,130.65

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

January to December 2020

Item	Year 2019													
	Equity attributable to owners of the parent company										Total owners' equity			
	Paid-in capital (or share capital)	Other equity instruments	Less:	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		Minority interests		
	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Minority interests	Total owners' equity
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-28,535,423.03	-	-	-	-	-	-	-	-28,535,423.03	28,481,464.50	-53,958.53
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-1,627,003,500.00	-	-1,627,003,500.00	-517,559,442.98	-2,144,562,942.98
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-1,627,003,500.00	-517,559,442.98	-2,144,562,942.98
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-forward of owners' equity	-	-	-	2,383,552,689.99	-	-	-	-	-	-	-	-	-	-
1. Transfer to capital (or share capital) from capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer to capital (or share capital) from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

January to December 2020

Item	Year 2019														
	Equity attributable to owners of the parent company														
	Paid-in capital (or share capital)	Other equity instruments	Less:	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Minority interests	Total owners' equity			
	Preference shares	Perpetual bonds	Others	Treasury shares	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Minority interests	Total owners' equity
3. Surplus reserve for making up losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	2,383,552,690.99	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation in the current period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	3,254,007,000.00	-	-	-	4,577,897,866.65	-	1,138,559,569.59	212,715,747.06	1,634,024,476.72	-	24,109,769,760.65	-	34,926,974,420.67	9,901,035,988.04	44,828,010,408.71

Legal representative: Zhang Jingquan

Person in charge of accounting: Lv Guliang

Head of accounting department: Ning Yu

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

January to December 2020

Item	Year 2019							Total owners' equity			
	Paid-in capital (or share capital)	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profit
I. Closing balance of the previous year	3,254,007,000.00				1,475,066,906.63		1,623,825,429.61	57,087,245.53	1,634,024,476.72	19,035,168,010.63	27,079,179,069.12
Add: Changes in accounting policies											
Correction of errors in the previous period											
Others											
II. Opening balance of the current year	3,254,007,000.00				1,475,066,906.63		1,623,825,429.61	57,087,245.53	1,634,024,476.72	19,035,168,010.63	27,079,179,069.12
III. Changes for the current period											
(I) Total comprehensive income							-536,683,285.62	102,791,035.98		1,900,674,646.21	1,466,782,396.57
(II) Owners' contribution and capital decrease							-536,683,285.62			3,527,678,146.21	2,990,994,860.59
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amounts of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution										-1,627,003,500.00	-1,627,003,500.00
1. Appropriation of surplus reserve											
2. Distributions to owners (or shareholders)										-1,627,003,500.00	-1,627,003,500.00

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

January to December 2020

Item	Year 2019							Total owners' equity	
	Paid-in capital (or share capital)	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income		
3. Others									
(IV) Internal carry-forward of owners' equity									
1. Transfer to capital (or share capital) from capital reserve								102,791,035.98	
2. Transfer to capital (or share capital) from surplus reserve								495,715,025.76	
3. Surplus reserve for making up losses								392,923,989.78	
4. Changes in defined benefit plans carried forward to retained earnings									
5. Other comprehensive income carried forward to retained earnings							1,087,142,143.99		
6. Others					1,475,066,906.63				
(V) Special reserve							159,878,281.51		
1. Appropriation in the current period									
2. Utilisation in the current period									
(VI) Others									
IV. Closing balance of the current period	3,254,007,000.00				1,475,066,906.63		1,087,142,143.99	20,935,842,656.84	28,545,961,465.69

Head of accounting department: Ning Yu

Person in charge of accounting: Lv Guiliang

Legal representative: Zhang Jingquan

NOTES TO THE FINANCIAL STATEMENTS

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 on the Shanghai Stock Exchange in the same year under the stock abbreviation of “Yitai B Share” (stock code: 900948). The Company was listed on the Hong Kong Stock Exchange in July 2012 under the stock abbreviation of “Yitai Coal” (stock code: 3948). The unified social credit code of the Company is 911506006264024904.

After years of issuing bonus share, selling new shares, increasing share capital and issuing new shares, by 31 December 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 in issue totaled 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 headquarters: 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) 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 for Issue

These financial statements were approved for issue by all directors of the Company on 30 March 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the period, 34 entities were consolidated in the consolidated financial statements, which include:

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	Ulanqab Yitai Coal Sales 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
8	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
9	Jungar Banner 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
10	Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	Subsidiary of controlling subsidiary	Two	61.21	61.21
11	Inner Mongolia Yitai Zhundong Jintai Storage and Transportation Co., Ltd. (內蒙古伊泰准東 金泰儲運有限責任公司)	Subsidiary of controlling subsidiary	Two	51.00	51.00
12	Inner Mongolia Yitai 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
13	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
14	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Controlling subsidiary	One	90.20	90.20
15	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Controlling subsidiary	One	90.27	90.27
16	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Controlling subsidiary	One	90.20	90.20
17	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
18	Hangjin Banner Xinnuo Municipal Construction and 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)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

No.	Name of Subsidiary	Type of Subsidiary	Grade	Shareholding Percentage (%)	Percentage of Voting Rights (%)
19	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
20	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
21	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
22	Yitai Chemical (Shanghai) Co., Ltd. (伊泰化學(上海)有限公司)	Subsidiary of controlling subsidiary	Two	100.00	100.00
23	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
24	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
25	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
26	Yitai Shanxi Coal Transportation and Sales Co., Ltd. (伊泰(山西)煤炭運銷有限責任公司)	Wholly-owned subsidiary	One	100.00	100.00
27	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
28	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
29	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
30	Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)	Wholly-owned subsidiary	One	100.00	100.00
31	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
32	Inner Mongolia Yitai Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司)	Wholly-owned subsidiary	One	100.00	100.00
33	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
34	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	98.33	98.33

NOTES TO THE FINANCIAL STATEMENTS (Continued)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- 1. Subsidiaries, entities with special purpose, and operating entities that form its control right by way of trusteeship or being a lessee, etc. that 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 being a lessor, etc. that were no longer 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)	Cancelled
Inner Mongolia Yitai Nalinmiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災害治理有限公司)	Cancelled
Inner Mongolia Yitai Jungar Coal Transportation and Sales Co., Ltd. (內蒙古伊泰准格爾煤炭運銷有限責任公司)	Cancelled

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 Company carried out recognition and measurement on actual transaction and event basis in accordance with the requirements of the Accounting Standards for Business Enterprises – Basic Standards (《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, Interpretations of Accounting Standards for Business Enterprises and relevant stipulations (hereafter collectively referred as “ASBEs”) issued by the Ministry of Finance, and prepared the financial statements in combination with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reports (revised in 2014) issued by the China Securities Regulatory Commission (CSRC).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

(II) Sustainability

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

(III) Book-keeping Basis and Measurement Principle

The Company adopts the accrual basis as the basis of book-keeping in accounting. Except for financial instruments classified as measured at fair value (as detailed in Note X), these financial statements have been prepared on historical cost basis. In case of asset impairment, the corresponding impairment provision will be made in accordance with relevant requirements.

Under the historical cost method, assets were measured at the amount of cash or cash equivalents paid or the fair value of the consideration given at the time of purchase. Liabilities were measured at the amount of proceeds or assets actually received due to a present obligation assumed, or the contractual amount of the present obligation assumed, or the amount of cash or cash equivalents expected to be paid to settle the liabilities in the ordinary course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether the fair value is observable or estimated using valuation technique, fair value measurement and disclosure in these financial statements are determined on such a basis.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Specific Accounting Policies and Accounting Estimates Indication

1. The Company formulated specific accounting policies and accounting estimates according to the characteristics of its actual production and operation, mainly including fair value measurement of financial instruments (Note IV/(XI)), provision method for expected credit losses on accounts receivable (Note IV/(XII)), valuation method of inventory (Note IV/(XIII)), provision for inventory depreciation (Note IV/(XIII)), depreciation method of fixed assets and determination of depreciation rate (Note IV/(XIX)), amortisation method of intangible assets (Note IV/(XXIV)), impairment method of long-term assets (Note IV/(XXV)), etc.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(I) Specific Accounting Policies and Accounting Estimates Indication *(Continued)*

2. The Company continually evaluates the principal accounting estimates and key assumptions applied based on historical experience and other factors, including the reasonable expectations on future events. Any material changes in the following principal accounting estimates and key assumptions may significant impact the carry value of assets and liabilities in subsequent accounting years:
- (1) Fair value of financial assets: Certain financial assets of the Company are measured at fair value in the financial statements. In estimating the fair value of an asset, the Company preferentially uses market-observable data to the extent it is available. If market-observable data is not available, the Company will set up an internal evaluation group or engage a qualified third party valuer for performing the evaluation. The Company's finance department and evaluation group will work closely with the qualified external valuer to determine appropriate valuation techniques and inputs of relevant models. The Company has made a best estimate of the fair value of such part of assets. However, the continuous impacts brought by the COVID-19 pandemic have caused market fluctuations, which may impact certain assets of the Company and in turn give rise to material uncertainties of the fair value estimation during the year.
 - (2) Expected credit losses on accounts receivable: For accounts receivable provided for expected credit losses by using impairment matrix, the Company determines the corresponding loss provision ratio for various types of accounts receivable with shared risk characteristics based on the internal credit ratings. The impairment matrix is determined based on the Company's historical credit loss experience and by considering the reasonable and supportable forward-looking information that is available without undue cost or effort. As at 31 December 2020, the Company has re-assessed historical credit loss rates and considered the changes in forward-looking information. The amount of such expected credit loss provision will vary with the estimates of the Company.
 - (3) Estimate of inventory depreciation: On the balance sheet date, the Company measures inventories at the lower of cost and net realizable value. Calculation of net realizable value requires use of assumptions and estimates. Any changes in selling prices of products in the future will affect the estimate of net realizable value of inventories. Such difference will affect provision for inventory depreciation.
 - (4) Estimate of long-term asset impairment: The management of the Company judges whether a long-term asset is impaired by assessing and analysing mainly from following aspects: ① whether the events that affect the impairment of the asset have occurred; ② whether the present value of the cash flows expected to be obtained from the continual use or disposal of the asset is lower than the book value of the asset; and ③ whether the important assumptions used in the present value of expected future cash flows are appropriate. Any changes in the relevant assumptions used by the Company for determining the impairment, such as the assumptions on profitability, discount rate and growth rate used in the present value of future cash flow method, may have a significant impact on the present value used in the impairment test and lead to the impairment of the above long-term asset of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(I) Specific Accounting Policies and Accounting Estimates Indication *(Continued)*

2. *(Continued)*

- (5) Expected service life and expected net residual value of fixed assets: The estimates of expected service life and expected net residual value of fixed assets of the Company are based on the historical actual service life and actual net residual value of fixed assets with similar nature and function. During the use of the fixed assets, the service life and expected net residual value of fixed assets may be materially impacted by the economic environment, technical environment and other environments where they are located. If there is any discrepancy between the estimates of service life and net residual value of fixed assets with the previous estimates, the management will make adjustments thereto as appropriate.
- (6) Income tax: The Company is subject to enterprise income tax in several regions. There are many transactions and events for which the ultimate tax treatment is uncertain during the ordinary course of business. Significant judgment is required from the Company in determining the provision for income tax expenses in each region. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amounts of income tax expenses and deferred income tax in the period in which such determination is made. In addition, the reversal of deferred income tax assets depends on whether the Company is able to generate sufficient future taxable income against which deductible temporary differences can be utilised. If the future profitability deviates from relevant estimate, an adjustment shall be made to the value of deferred income tax assets, which, in turn, may impact the financial position and operating results of the Company.
- (7) Estimate of coal reserve: Coal reserve is estimate of the quantity of coal that can be economically and legally extracted from the Company's mining areas. In order to calculate coal reserve, estimates and assumptions are required about a certain range of geological, technical and economic factors, including outputs, grades, production techniques, recovery rates, mining costs, transport costs, commodity demands and commodity prices.

Estimating the quantity and grade of reserve requires the data on shape, volume and depth of mining areas to be derived by analysing geological data, such as drilling samples. This process requires complex and difficult geological judgments and calculations to interpret the data.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(I) Specific Accounting Policies and Accounting Estimates Indication *(Continued)*

2. *(Continued)*

Estimate of reserve may change from period to period, because the economic assumptions used to estimate reserve change from period to period, and because additional geological data is generated during the course of operations. Changes in estimate of reserve may affect the Company's operating results and financial position in a number of ways, including: ① asset's carrying amount may be affected due to changes in expected future cash flows; ② there may be changes in the depreciation and amortisation as calculated based on the units of production method or calculated based on the useful life of assets and included in profit or loss; ③ Changes in estimate of reserve may impact the expected timing and costs required for decommissioning, site restoration, environment governance and other present obligations, which therefore leads to a change in carry amount of projected liabilities; ④ the carrying amount of deferred income tax assets may change due to changes in estimate of the likely recovery of tax benefits.

(8) Estimate of mine geological environment restoration, land reclamation and decommissioning obligations: Mine geological environment restoration, land reclamation and decommissioning obligations are determined by the Group based on its past experience and best estimate of future expenditure and by considering the existing relevant laws and regulations, and discounting the expected expenditure to its present value. As the current coal mining activities proceed with obvious impacts on the land and environment in the future, estimate of relevant cost may be subject to modification from time to time.

(9) Stripping cost: Accounting of stripping cost is based on the management's estimate about whether the stripping cost incurred corresponds to the future economic benefits. Such estimate may be affected by changes in actual geological conditions and coal reserve as well as changes in the future mining plan of the management.

(II) Statement of Compliance with 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 flows and other related information during the reporting period.

(III) Accounting Period

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

(IV) Operating Cycle

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(V) 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.

(VI) Accounting for Business Combinations under Common Control and Not under Common Control

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

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

2. Business combinations under common control

The assets and liabilities acquired by the Company in the business combination are measured at the carrying amount of the assets and liabilities (including goodwill resulting from the acquisition of the merged party by the ultimate controlling party) of the merged party in the combined financial statements of the ultimate controlling party at the combination 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 for the combination (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 will be made to the retained earnings.

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

For those which 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 they are not a package transaction, the capital reserve is adjusted on the date of obtaining the control for the difference between the initial investment cost of the long-term equity investment and the sum of 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 will be 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 accounted for 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.

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 the current profit or loss.

The difference between the combination cost over 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 on a step-by-step basis, 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 using 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 held and the carrying amount as well as the accumulative changes in fair value originally included in other comprehensive income shall be transferred, in full, to the current investment income on the combination date.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

4. Related expenses incurred for the combination

The audit fee, legal service fee, assessment, consulting and other intermediary fees as well as other directly related expenses incurred for the business combination are recognised in the current profit or loss as incurred; transaction costs of issuing equity securities for the business combination, which can be directly attributable to the equity transaction, are deducted from equity.

(VII) Preparation of Consolidated Financial Statements

1. Scope of consolidation

The scope of consolidation 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. Consolidation procedure

The Company prepares consolidated financial statements based on the financial statements of the Company and each of its subsidiaries 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 flows of the enterprise group.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Consolidation procedure *(Continued)*

The share of owners' equity, net current profit and loss and comprehensive income for the period belonging to minority shareholders of a subsidiary is separately listed under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income under the consolidated income statement. The difference between the current loss shared by the minority shareholders of the subsidiary and the minority shareholders' share of the owners' 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.

(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 from the beginning of the combination period to the end of the reporting period are included in the consolidated income statement; and the cash flows of the subsidiary or business from the beginning of the combination period to the end of the reporting period are included in the consolidated cash flow statement, and the relevant items of the comparative statements are adjusted, as if the reporting entity after the combination 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 status 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 are recognised during the period from later of the date on acquiring the original equity and the date when the combining party and the combined party are 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 flows of the subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Consolidation procedure *(Continued)*

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

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

(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 of the subsidiary or business from the beginning of the period 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 remeasures 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 original subsidiary has continued to calculate from the date of purchase or the merger on the basis of the original shareholding ratio and the goodwill, is included in investment income in the period of loss of control. Other comprehensive income related to the original subsidiary's equity investment or other changes in owners' 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)*

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

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

2. Consolidation 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 multiple transactions 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 the equity investment 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 disposal of the equity investment in a subsidiary until the loss of control is not a package transaction, it shall be treated according to the relevant policies on partial disposal of the equity investment in the subsidiary without losing control before loss of 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)*

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

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

2. Consolidation 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 the 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 will be 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 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.

(VIII) 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, legal form of the joint venture arrangements, 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 reached 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:

- (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 of the outputs related to the joint arrangement, and the settlement of the liabilities in the arrangement continues to rely on the support of the joint venture.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Accounting methods for joint operations

The Company recognises the following items related to the Company in the share of interest in the joint operations, 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 shares;
- (3) recognition of the proceeds from the sales of their share of the outputs of the joint operations;
- (4) recognition of the income generated by the joint operations as a result of the sales of the outputs based on their shares;
- (5) recognition of the expenses incurred separately and recognition of the expenses incurred in the joint operations according to their shares.

The Company invests or sells assets to the joint operations (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 operations before the assets are sold to a third party by joint operations. 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 such 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 operations 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 operations and assumes the liabilities related to the joint operations, they will still be accounted for according to the above principles. Otherwise, they shall be accounted for in accordance with the relevant ASBEs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) 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.

(X) Foreign Currency Business and Translation of Foreign Currency Statements

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 recording currency.

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

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date; except for the "undistributed profits" under owners' equity, 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 statements 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 the overseas operation, the translation difference of foreign currency statements 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 part of the equity of an overseas operation which is an associate or a joint venture, the translation difference of the foreign currency statements 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)*

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

(XI) 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 an irrevocable choice of measuring at fair value through other comprehensive income at the initial recognition. The Company only reclassifies all affected financial assets when changing the business model of financial assets.

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

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

2. Basis for recognition of financial instruments

(1) *Financial assets measured at amortised cost*

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

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

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

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

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

(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 which are a contingent consideration as recognised in the business combination not under common control of the Company are classified as financial assets at fair value through profit or loss.

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

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

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

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

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

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

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

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

At 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 accounting mismatches can be eliminated or significantly reduced.
- 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 report to key management personnel on this basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial Instruments (Continued)

2. Basis for recognition of financial instruments (Continued)

(5) Financial liabilities measured at amortised cost

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

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

3. Initial measurement of financial instruments

The financial assets or financial liabilities of the Company are initially measured at fair value. The related transaction costs of financial assets and financial liabilities at fair value through profit or loss are directly recognised in profit or loss. The related transaction costs of other categories of 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 initial recognition, if the fair value of a financial asset or 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 trading price is deferred. After the initial recognition, the deferred difference is recognised as a 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

4. Subsequent measurement of financial instruments

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 rate method.
- (3) deduction of accrued loss provision (for financial assets only).

Except for financial assets, gains or losses on financial liabilities that are measured at amortised cost and do not belong to any part of the hedging 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 rate method.

When the Company initially recognises a financial liability and designates it at fair value through profit or loss according to stipulations of standards, the changes in the fair value of the financial liability 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 asset has 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)*

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

(XI) Financial Instruments *(Continued)*

5. Derecognition of financial instruments *(Continued)*

(2) *Derecognition conditions of financial liabilities*

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

6. Recognition basis and measurement for transfer of financial assets

In the event of transfer of financial assets, the Company assesses the extent to which it retains the risks and rewards of ownership of the 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 from or retained in the transfer are separately recognised as assets or liabilities.
- (2) If almost all the risks and rewards of ownership of financial assets are retained, the financial assets shall continue to be recognised.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

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

- (3) If there is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (i.e., other than (1) and (2) of this article), then depending on whether or not they retain control over financial assets:
- ① if the control over the financial assets is not retained, the financial assets are derecognised and the rights and obligations arising from or retained in the transfer are separately recognised as assets or liabilities.
 - ② if the control over 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 above, the principle of substance over form is adopted. The Company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets:

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

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

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

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

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

The fair value of financial assets or financial liabilities with active market is determined by active market quotations; active market quotations include quotations that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies 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.

The 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 uses relevant observable inputs where possible. Unobservable inputs are used where the relevant observable inputs are not available or are impracticable.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

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

- (3) For financial assets that have been purchased or generated with credit impairment, loss provision is recognised only for the cumulative changes in lifetime expected credit losses after the initial recognition on the balance sheet date. On each balance sheet date, the amount of changes 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 also recognised as an impairment gain.
- (4) Except for the provision for loss of financial instruments in item (3) of this article, 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 instruments 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 instruments, 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 instruments 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 instruments 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 instruments is less than 12 months, the expected duration), which are part of the lifetime expected credit losses.

In making the relevant assessment, 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 instruments, that is the recognition of the lifetime expected credit losses, 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)*

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

(XI) 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 all of the following conditions are met, the net amount offset by each other is presented 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 settle the financial liabilities at the same time.

(XII) Accounts Receivable

The Company makes provision for losses on all receivables based on the amount of lifetime expected credit losses. Based on the actual loss rate of accounts receivable in previous years and the judgment on 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 after considering forward-looking information.

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)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Inventory

1. Classification of inventory

Inventory refers 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 inventory 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 inventory and its 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 products produced minus the estimated cost till 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 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, have the same or similar end use or purpose and that are difficult to measure separately from other projects, they 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)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) 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.

(XIV) Contract Assets and Contract Liabilities

The Company has the right to receive the consideration for the transfer of goods to the customers. 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 on 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.

(XV) 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 all of the following conditions:

- (1) The cost is directly related to a current or expected contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), costs clearly to be 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XV) Contract Costs *(Continued)*

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, if the book value is higher than the difference between the remaining consideration expected to be received by the Company for transfer of the goods related to the assets and the estimated cost of transferring the relevant goods, the excess should be depreciated and confirmed as an asset impairment loss.

(XVI) 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 all of the following conditions as held for sale:

- (1) The components can be sold immediately under their 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 such components. If it requires approval by the shareholders as required, it has obtained the approval of the general meeting of shareholders or the corresponding authority;
- (3) The enterprise has signed an irrevocable transfer agreement with the transferee;
- (4) The transfer will be completed within one year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Assets Classified as Held for Sale (Continued)

2. Accounting method 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 costs of disposal, 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 over the estimated net residual value after adjustment is included in the current profit or loss as impairment loss of the assets. 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.

(XVII) Long-term Equity Investment

1. Determination of investment cost

- (1) For the long-term equity investment formed by 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 this 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 necessary 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 its own 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 does 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Long-term Equity Investment (Continued)

1. Determination of investment cost (Continued)

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.

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 at the time of acquiring the investment, the Company recognises the current investment income according to its share of 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 respectively, 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 owners' 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 owners' equity.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XVII) 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 bear, 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 virtually 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 projected 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, and the reduction of book balance of the recognised projected liabilities and recovery of other long-term equity that virtually constitutes a net investment in the investee and carrying amount of long-term equity investment as opposite to the order above, the Company shall restore the investment income.

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

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

If 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 over it due to additional investment and otherwise, its initial investment cost shall be the sum of the fair value of the equity investment originally held in accordance with the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” and new investment cost after being accounted for under the equity method.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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 after being accounted for under the equity method.

If the initial investment cost accounted for under 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 accounting to cost method accounting*

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 after being accounted for under the 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 changes originally included in other comprehensive income are transferred to current profit or loss when the cost method is adopted.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

(3) *Equity method accounting 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 accounted for 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 losing 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*

Where 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 significant influence on the investee, the equity method is adopted for accounting, and the remaining equity is deemed to be adjusted under the equity method when it is acquired.

(5) *Cost method to fair value measurement*

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

4. Disposal of long-term equity investment

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 of, the part that is originally included in the other comprehensive income is accounted for in the same proportion based on the same basis as the investee directly disposes of the relevant assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

If the terms, conditions and economic impact of each transaction on disposal of the equity investment in a 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:

- (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 cannot exert joint control or significant influence over the investee, it shall be accounted for 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 corresponding to the disposed long-term equity investment 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 will be adjusted; when the control of the subsidiary is lost, the remaining equity shall be remeasured 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 the original subsidiary has continuously calculated from the date of purchase calculated based on the original shareholding, is 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

5. Judging criteria for joint control and significant influence

If the Company collectively controls an arrangement with other parties in accordance with the relevant agreement, and the activity decision that has a significant impact on the return of the arrangement needs to be unanimously 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 interests of the joint operation and conducts accounting treatment in accordance with the relevant ASBES.

Significant influence 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 influence on the investee under one or more of the following situations and taking into account all facts and circumstances: (1) it is represented on the board of directors or similar authorities of the investee; (2) it involves in the formulation of financial and operating policy of the investee; (3) it has important transactions with the investee; (4) it dispatches management personnel to the investee; (5) it provides key technical information to the investee.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) 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-built investment property is composed of the necessary 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 buildings for rental use adopt the same depreciation policy as the fixed assets of the Company, and the land use rights for rental are 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 rental earning 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.

(XIX) 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 all of 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 assets can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Fixed Assets (Continued)

2. Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost. In particular, 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 assets 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 their 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.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation of fixed assets is accrued over the estimated useful life based on its recorded value less the estimated net 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, the estimated net residual value and the depreciation method of the fixed assets are reviewed. If there is a difference from the original estimate, corresponding adjustments will be made.

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

Category	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%

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XIX) Fixed Assets *(Continued)*

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

(2) Subsequent expenditures on fixed assets

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

(3) Disposal of fixed assets

When a fixed asset is disposed of or no economic benefit is expected to result from its use or disposal, the fixed asset is derecognised. The amount of disposal income from sale, transfer, retirement or damage of the fixed asset after deducting its book value and related taxes is included into the current profit or loss.

(XX) Construction in Progress

1. Initial measurement of construction in progress

The self-built construction in progress of the Company is measured at the actual cost, which is determined by the necessary 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 construction in progress is classified into projects when in accounting.

2. Criteria for and time point of construction in progress to convert into fixed asset

The total expenditure incurred before the construction in progress project is constructed to reach the intended usable condition shall be recorded as the book value of the fixed assets. For the construction in progress built which has reached the intended usable condition, but has not yet completed the final accounts, since the date of reaching expected use condition, according to the project budget, cost or actual project costs, it shall be converted into fixed assets at the estimated value, and fixed assets shall be depreciated in accordance with the depreciation policy of the Company for 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)*

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

(XXI) Borrowing Costs

1. Recognition principle for 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 profit or loss.

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 available for intended use or sale.

Borrowing costs begin to capitalise when all of the following conditions are met:

- (1) Assets expenditure has occurred, including expenditure incurred in the form of cash payment, transfer of non-cash assets or assuming of 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 assets to reach the intended use or saleable status have started.

2. Capitalisation period of borrowing costs

The period of capitalisation refers to the period from the point of time when the borrowing costs are capitalised to the point of time where the capitalisation is stopped, excluding the period during which the borrowing costs are suspended from capitalisation.

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

When a part of the assets purchased or produced that meet the capitalisation conditions are completed and can be used alone, such part of the assets shall stop capitalisation of borrowing costs.

Where each part of the assets purchased or produced is completed separately, but must wait until the whole is completed or can be sold externally, the capitalisation of the borrowing costs shall be stopped when the assets are completed as a whole.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXI) Borrowing Costs *(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 shall continue to be capitalised if the acquisition or production of assets eligible for capitalisation is necessary 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 acquisition or production of assets is resumed.

4. Calculation for capitalisation amount of borrowing costs

Interest charges on special borrowings (excluding interest income on unused borrowings deposited in the bank, or investment income on temporary investment) and their ancillary expenses shall be capitalised before the assets purchased or produced that meet the capitalisation conditions are ready for intended use or sale.

The amount of capitalised interest on general borrowings is calculated by the weighted average of the excess portion of the accumulative asset expenditures over the special borrowings multiplied by the capitalisation rate of general borrowings. The capitalisation rate is determined based on the weighted average interest rate of general borrowings.

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

(XXII) Charity Biological Assets

1. Classification of biological assets

All of the biological assets of the Company are charity biological assets, which represent the biological assets that primarily serve the purposes of prevention and protection of the environment, including forests for the purposes of wind-breaking and sand fixation, prevention of soil erosion, conservation of water supply, etc.

A biological asset is recognised if it meets all of the following conditions:

- (1) An enterprise possesses or controls this biological asset as a result of past transaction or event;
- (2) The economic benefits or service potentials concerning this biological asset are likely to flow into the enterprise;
- (3) The cost of this biological asset can be measured reliably.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXII) Charity Biological Assets *(Continued)*

2. Initial measurement of biological assets

The biological assets acquired by the Company are measured at their acquisition cost. The cost of externally purchased biological assets consists of the purchase price, the relevant taxes, freights, insurance premiums and other expenses that are directly attributable to the purchase of the assets. The cost of self-cultivated charity biological assets shall be determined by the essential expenses incurred prior to crown closure, such as afforestation fees, tending costs, forest protection fees, costs of forest operating facilities, seed testing fees, survey and design fees, and share of any indirect costs. For biological assets contributed by investors, their cost shall be determined by the value stipulated in the investment contract or agreement, except for the value stipulated in the contract or agreement is not fair.

3. Subsequent measurement of biological assets

Charity biological assets shall not be depreciated. As charity biological assets cannot generate economic benefits, it is not necessary to depreciate them.

No provision shall be made for impairment losses on charity biological assets. As charity biological assets are held for the purposes of prevention and protection of the environment, which is non-operating in nature, no provision will be made for impairment losses thereon.

(XXIII) 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) lease payments made before or at the beginning of the lease term, and deduction of the relevant amount of rental incentives if any;
- 3) initial direct expenses incurred by the Company;
- 4) expected costs to be incurred by the Company for dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the state agreed in the lease terms (excluding costs incurred for the production of inventory).

After the beginning of the lease term, the Company adopts the cost model for subsequent measurement of the right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXIII) Right-of-use Assets *(Continued)*

If it is reasonably certain to obtain the ownership of the leased assets 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 not reasonably certain to obtain the ownership of the leased assets at the expiration of the lease term, the Company shall depreciate the leased assets within the shorter of the lease term and the remaining useful life of the leased assets. For the right-of-use assets with impairment provision, depreciation shall be calculated based on the book value after deduction of impairment provision in accordance with the above principles in future periods.

(XXIV) 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 assets to expected usage. If payment for the purchase price of intangible assets is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible assets 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, its initial measurement cost includes the fair value of the waived creditor's rights and taxes and other costs directly attributable to bringing the asset to expected usage. The difference between the fair value of the waived creditor's rights and the carrying amount shall be recognised in profit or loss for the period.

The book value of intangible asset received in exchange for non-monetary asset is based on the fair value of the asset surrendered and relevant taxes payable, provided that the exchange of 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 relevant taxes payable, and no profit or loss is recognised.

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

The cost of an internally developed intangible asset includes 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)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) 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 useful life and indefinite useful life.

(1) Intangible assets with a limited useful life

Intangible assets with a limited useful life are depreciated using straight line method over the term during which they bring economic benefits to the Company. The estimated life and basis for the intangible assets with a limited useful life are as follows:

Item	Estimated useful life	Basis
Software	3 years, 5 years or 10 years	Contract term or useful life
Land use rights	10 years-50 years	Years permitted by land use certificate
Resource assets – mine exploration rights	Yield	Mineable reserves
Resource assets – others	15 years-50 years	Useful life
Patented technology	15 years	Useful life
Road use rights	18 years-20 years	Useful life

The useful life and depreciation method of intangible assets with a limited useful life are reassessed at the end of each period. If there is a difference from the original estimate, corresponding adjustments will be made.

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

(2) Intangible assets with an 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 an indefinite useful life. At the end of this year, there is no intangible asset with an indefinite useful life in the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXIV) 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 capitalisation of expenditure in the development stage

The expenditure of an internal research and development project in the development stage is recognised as an intangible asset when meeting all of the following conditions:

- (1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- (2) With an intention to complete the intangible asset and to use or sell it;
- (3) The way the intangible asset generates economic benefits can prove the existence of a market for the products produced using the intangible asset or a market for the intangible asset itself, and if the intangible asset will be used internally, its usefulness can be proven;
- (4) Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset, and having the ability to use or sell the intangible asset;
- (5) Expenditure 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 at the time of occurrence. The development expenditures which have been included in the profit or loss in the previous periods will not be recognised as an asset in the future period. The capitalised expenditures in the development phase are shown in 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)*

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

(XXV) Impairment on Long-term Assets

On the balance sheet date, the Company determines whether there may be a sign of impairment on long-term assets. If there is a sign of impairment on 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 to which the asset belongs.

The estimated recoverable amount of an asset is the higher of its fair value less the cost of disposal and the present value of the expected future cash flow of the asset.

The measurement results of recoverable amount show that when the recoverable amount of an long-term asset is lower than its book value, the book value of the long-term asset is reduced to its recoverable amount. The reduced amount is recognised as an impairment loss on the asset and included in the current profit or loss, at the same time, asset impairment provision will be made accordingly. Asset impairment loss shall not be reversed during the subsequent accounting period once recognised.

After the asset impairment loss is recognised, the depreciation or amortisation expenses of the impaired assets will be adjusted accordingly in the future period, so that the assets' book value after adjustment (deducting the estimated net residual value) will be systematically apportioned over the remaining useful life of the assets.

No matter whether there is any sign of impairment or not, the impairment test is carried out every year for goodwill and intangible assets with an indefinite useful life arising from an enterprise merger.

In the impairment test of goodwill, the book value of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise merger. When taking an impairment test on the relevant asset group or portfolio of asset group containing goodwill, if there is a sign of impairment on the asset group or portfolio of asset group related to the goodwill, the Company first calculates the recoverable amount after testing the asset group or portfolio of asset group which does not contain the goodwill for impairment, and then compares it with the related book value to recognise the corresponding impairment loss. Next, the Company conducts an impairment test on the asset group or portfolio of asset group which contains the goodwill and compares the book value of the related asset group or portfolio of asset group (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of the related asset group or portfolio of asset group is lower than the book value, the Company will recognise the impairment loss of goodwill.

(XXVI) Long-term Deferred Expenses

1. Amortisation method

Long-term deferred expenses refer to expenses that have already been spent by the Company, but shall be apportioned in the current period and the future periods and the benefit period is over 1 year. Long-term deferred expenses are amortised in benefit period.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXVI) Long-term Deferred Expenses *(Continued)*

2. Amortisation year

- (1) The fixed asset improvement expenditure rented by lease is amortised on average according to the shorter of the remaining lease term 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.

(XXVII) 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, post-employment benefits, termination 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 required to be fully paid by the Company within 12 months after the end of the annual reporting period in which the employees render relevant services. During the accounting period in which the employees render services, the Company recognises the short-term remuneration payable as liabilities and includes the same in related asset costs or expenses according to the object which benefits from the services rendered by employees.

2. Post-employment benefits

Post-employment benefits refer to various forms of remuneration and benefits other than short-term remuneration and termination benefits provided by the Company after the retirement of employees or termination of labour relationship with the Company in exchange for the services rendered by employees.

Defined contribution plan of the post-employment benefits mainly refers to the social basic endowment insurance, unemployment insurance, etc. 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 defined contribution plan is recognised as a liability and included in the current profit or loss or related asset costs.

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXVII) Employee Remuneration *(Continued)*

3. Termination benefits

Termination benefits refer to the compensation paid to an employee when the Company terminates the employment relationship with the employee before the expiry of the employment contract or provides compensation as an offer to encourage the employee to accept voluntary redundancy. The Company recognises the liabilities arising from the compensation paid to terminate the employment relationship with employees and includes the same in the current profit or loss at the earlier date of the following: 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 Company recognises the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.

The Company provides internal 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 an internal retired employee from the day when the internal retirement arrangement begins till 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 recognition conditions of termination benefits are met, the Company will recognise 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 as liabilities and include the same in the current profit or loss in one time. Changes in actuarial assumptions of internal retirement benefits and differences arising from the adjustment of welfare standards are included in current profit or loss when incurred.

4. Other long-term employee benefits

Other long-term employee benefits refer 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 employees provide 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 related asset costs. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Projected Liabilities

1. Basis for recognition of projected liabilities

The Company will recognise projected liabilities if the obligation relating to contingent matters meets all of the following conditions:

This obligation is a present obligation assumed by the Company;

The fulfillment of this obligation will probably cause the outflow of economic benefits from the Company;

The amount of this obligation can be measured reliably.

2. Measurement method of projected liabilities

The initial measurement of projected liabilities of the Company is based on the best estimate of the expenditure required for the performance of the related present obligations.

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

The best estimate is determined in different situations 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.

Where there is not a continuous range (or interval) of the required expenditure, or there is a continuous range, but the probability of the occurrence of all the results in the range is different, if the contingencies involve a single project, the best estimate is determined by the amount which is most likely to occur; if the contingencies involve a number of projects, the best estimate is determined based on various possible results and related probability calculation.

If all or part of the expenses of the Company required to settle projected liabilities are expected to be compensated by a third party and it is basically certain to receive the amount of compensation, it is independently recognised as an asset. The amount of compensation recognised will not exceed the book value of the projected liabilities.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) 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 lease payments, the Company adopts the interest rate implicit in the lease as the discount rate. If it is impossible to determine the interest rate implicit in the lease, the incremental borrowing rate of the Company shall be used as the discount rate. Lease payments include:

- 1) Fixed payments and substantive fixed payments after deducting the relevant amount of lease incentives;
- 2) Variable lease payments depending on an index or rate;
- 3) Where the Company reasonably determines that the option will be exercised, the amount of the lease payment includes the exercise price of purchase 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 term at a fixed discount rate and includes the same in the profit or loss of the current period or the related asset costs.

Variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the related asset costs when they actually occur.

(XXX) Share-based Payment

1. Category of share-based payment

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXX) Share-based Payment *(Continued)*

2. Recognition method of fair value of equity instrument

For options and other equity instruments granted by the Company with an active market, the fair value is determined at the active market quotations. For options and other equity instruments granted by the Company 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 target 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 of the equity instruments at the date of grant, 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 parties satisfy the non-market conditions in all of 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.

4. Relevant accounting treatment for implementation, amendment and termination of share-based payment plan

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. For those exercisable immediately after the grant, they shall be included in the relevant costs or expenses at the fair value of equity instruments at the grant date with an increase in capital reserve accordingly. For those exercisable only after provision of services or satisfaction of prescribed performance conditions within the vesting period, on each balance sheet date within the vesting period, the Company will recognise the services received in the current period in related costs or expenses and capital reserves at the fair value of equity instruments on the grant date based on the best estimate of the number of exercisable equity instruments. After the vesting period, relevant costs or expenses and total owners' equity which have been recognised will not be adjusted.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXX) Share-based Payment *(Continued)*

4. Relevant accounting treatment for implementation, amendment and termination of share-based payment plan *(Continued)*

Cash-settled share-based payments are calculated by the fair value of liabilities assumed in accordance with the Company's shares or other equity instruments. For those exercisable immediately after the grant, they shall be included in the relevant costs or expenses at the fair value of the liabilities assumed by the Company at the grant date with an increase in liabilities accordingly. For cash-settled share-based payments exercisable only after provision of services or satisfaction of prescribed performance conditions within the vesting period, on each balance sheet date within the vesting period, the Company will recognise the services received in the current period in costs or expenses and corresponding liabilities at the amount of fair value of the liabilities assumed by the Company based on the best estimate of the number of exercisable equity instruments. At each balance sheet date and the settlement date prior to the settlement of relevant liabilities, the fair value of the liabilities 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 reverse. 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.

(XXXI) Preference Shares, Perpetual Bonds and Other Financial Instruments

In accordance with the provisions of the Financial Instruments Standards, the financial instruments or their components issued by the Company are classified into financial liabilities or equity instruments on the basis of the contractual terms of preference shares, perpetual bonds and other financial instruments and their economic nature instead of only the legal form, together with the definition of financial liabilities and equity instruments on initial recognition:

1. The Company classifies 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;

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXI) Preference Shares, Perpetual Bonds and Other Financial Instruments *(Continued)*

1. The Company classifies the financial instruments issued as financial liabilities when one of the following conditions is satisfied: *(Continued)*

- (3) The non-derivative instrument contract which must or may be settled through the enterprise's own equity instruments 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 instruments, except for the derivative instrument contract based on which the enterprise will exchange a fixed amount of its own equity instruments for a fixed amount cash or other financial assets.

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

- (1) The financial instruments have no contractual obligations 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 instruments will or may be settled through the enterprise's own equity instruments, they are a non-derivative instrument that includes no contractual obligations to deliver a variable number of its own equity instruments; or a derivative instrument that will be settled only by enterprise's exchanging a fixed amount of its own equity instruments for a fixed number of cash or other financial assets.

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 shall be deducted from equity;

Regarding financial instruments classified as financial liabilities, their interest expense or dividend payout should be taken as borrowing costs in principle, 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)*

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

(XXXII) 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 services rendered;
- 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 provision of 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 contract with customer. 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)*

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

(XXXII) 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)*

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

(XXXII) 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 repurchase 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)*

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

(XXXII) 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 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 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 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 contract consideration is amortised using an effective interest rate 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 certain 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 a right to payment for performance completed to date throughout the contract term.

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 amount of costs incurred until it can reasonably measure the outcome of the performance obligation.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXII) Revenue *(Continued)*

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

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

The specific accounting policies related to the main activities of the Company's revenue 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 via 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 via 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXII) Revenue *(Continued)*

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

(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 over a certain period of time, the Company recognises the revenue according to the transportation unit price as required and the distance after the provision of relevant transportation businesses.

(XXXIII) 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 income.

Government subsidies related to assets are obtained by the Company for the purposes of acquiring, constructing or otherwise forming long-term assets. Government subsidies related to income 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 is expected to receive the financial support funds at the end of the period, the amount receivable is recognised as government subsidies. Otherwise, the government subsidy is recognised upon actual 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 the current profit or loss directly.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXIII) 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 life of the constructed or purchased assets;

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

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

Government subsidies related to the discount interest received from policy-related preferential loans offset 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; if there is balance of relevant deferred income, it shall be written down to the book balance of relevant deferred income, and the excess is included in the current profit or loss; where there is no relevant deferred income, it shall be directly included in the current profit or loss.

(XXXIV) Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets and deferred income 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 income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when it is expected to recover such assets or settle 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, and deductible losses and taxes can be carried forward to subsequent years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in a transaction with the following features are not recognised:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Deferred Income Tax Assets and Deferred Income Tax Liabilities (Continued)

1. Criteria for recognition of deferred income tax assets (Continued)

- (1) the transaction is not a business combination;
- (2) neither the accounting profit or the taxable income or deductible losses will be 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) a transaction or event arising from non-business combination, and neither the accounting profit or the taxable income (or deductible losses) will be 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 temporary difference can be controlled and the temporary difference is probably not reversed in a foreseeable future.

3. When all of 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 income tax assets and deferred income 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 income tax assets and current income tax liabilities 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 assets or liabilities are expected to be recovered or settled.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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 method

- (1) The hedging relationship only consists of eligible hedging instruments and hedged items.
- (2) At the beginning of hedging, the Company officially designates hedging instruments and hedged items, and prepares 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.

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 its 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXV) Hedge Accounting *(Continued)*

2. Method of fair value hedge accounting

- (1) Gains or losses from hedging instruments are included in the current profit or loss. If the hedging instruments are hedged on a non-trading equity instrument investment (or its component) that is selected to be measured at fair value through other comprehensive income, the gains or losses from the hedging instruments are included in other comprehensive income.
- (2) The gains or losses resulting from the hedged risk exposure of the hedged items are included in 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 through other comprehensive income, the gain or loss resulting from the hedged risk exposure is included in the current profit or loss, and its book value has been measured at fair value with no adjustment required; if the hedged item is a non-trading equity instrument investment (or its component) that the company chooses to measure at fair value through other comprehensive income, the profit or loss resulting from the hedged risk exposure is included in other comprehensive income, and its book value has been measured at fair value, with no adjustment required.

If the hedged item is an unrecognised confirmed commitment (or part of it), the cumulative changes in fair value due to the hedged risk after the hedging relationship designated are recognised as an asset or liability, and the relevant gain or loss is included in profit or 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 amortised cost, the adjustment to the book value of the hedged item is amortised at the effective interest rate recalculated on the amortisation date and is included in the current profit or 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 through other comprehensive income, the accumulated recognised hedging gains or losses are amortised in the same manner and are included in the current profit and loss, but the book value of the financial asset (or its component) is not adjusted.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXV) Hedge Accounting *(Continued)*

3. Method of cash flow hedge 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 in 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 changes 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 in 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 which is invalid for hedging (that is, other gains or losses after deducting other comprehensive income) is included in 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 recognise 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 in 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 hedge reserve originally recognised in other comprehensive income is transferred out and included in the current profit or loss in the same period in which the expected cash flow of the hedge affects 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 in the current profit or loss when the loss is expected to be irrecoverable.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXV) Hedge Accounting *(Continued)*

4. Overseas operation net investment hedging

The overseas operation 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 instruments, which is an effective hedging, shall be included in other comprehensive income.

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

- (2) The part of gains or losses generated by hedging instruments, which is 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 or been sold, or the contract has been terminated or exercised.
- (3) There is no longer an economic relationship between the hedged item and the hedging instrument, or among the value changes caused by the economic relationship between the hedged item and the hedging instrument, 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 apply to hedging accounting.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXV) **Hedge Accounting** *(Continued)*

6. Fair value selection of credit risk exposure

When using credit derivative instruments that are measured at fair value through profit or loss to manage the credit risk exposure of the financial instrument (or its component), it is designated as a financial instrument measured at fair value through profit or loss at the time of initial recognition of the financial instrument (or its component) 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 the financial instrument (such as borrowers or loan commitment holders) is consistent with the subject of credit derivatives;
- (2) The repayment level of the financial instrument is consistent with that of the instrument to be delivered under the terms of credit derivatives.

(XXXVI) **Lease**

For a contract which has existed before the initial execution date, the Company does not re-evaluate whether it is a lease or contains a lease at the initial execution date, and does not adopt the accounting policies below for the contract which is not identified as containing 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 contains a lease. If one party to 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 contains a lease.

1. Spin off of lease contracts

When the contract contains a number of separate leases, the Company will split the contract into separate leases for accounting individually.

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 lease standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for business enterprises.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXVI) 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) Such 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 such two or more contracts depends on the pricing or performance of other contracts.
- (3) The right-of-use assets transferred by such two or more contracts together constitute a separate lease.

3. Accounting treatment for the Company as a lessee

On the commencement date of lease term, the Company recognises right-of-use assets and lease liabilities for leases, in addition to short-term leases and low-value asset 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 is a new asset.

The Company recognises right-of-use assets and lease liabilities for leases other than short-term leases and low-value asset leases.

4. Accounting treatment for the Company as a lessor

(1) *Classification of leases*

The Company divides leases into financial leases and operating leases on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all of the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operating leases refer to leases other than financial leases.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXVI) **Lease** *(Continued)*

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

(1) *Classification of leases (Continued)*

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease:

- 1) At the expiry 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 transferred, the lease term accounts for the majority of the life of the leased assets.
- 4) On the commencement date of the lease, the present value of the lease receipts 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, it 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)*

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

(XXXVI) Lease *(Continued)*

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

(2) Accounting treatment for financial leases

On the commencement date of lease term, the Company recognises the financial lease receivable on the financial leases and derecognises the financial lease assets.

When the initial measurement of the financial lease receivable is made, the book value of the financial lease receivable is the sum of the unsecured balance and the present value of lease receipts that have not yet been received at the beginning of the lease term discounted at the interest rate implicit in the lease. The lease receipts include:

- 1) Fixed payments and substantive fixed payments after deducting the relevant amount of lease incentives;
- 2) Variable lease payments depending on an index or rate;
- 3) In the case of reasonably determining that the lessee will exercise the purchase option, the lease receipts include the exercise price of purchase option;
- 4) If the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receipts include the amount to be paid by the lessee in exercising the option to terminate the lease;
- 5) Guarantee residual value provided to the lessor by the lessee, the party concerned with the lessee and an independent third party with financial capacity to fulfill the guarantee obligation.

The Company calculates and recognises the interest income for each period of the lease term based on the fixed interest rate implicit in the lease, and the variable lease payments which are obtained and not included in the net rental investment amount are included in the profit or loss of the period when they actually occur.

(3) Accounting treatment for operating leases

The Company adopts the straight line method or other systematic and reasonable method to recognise the lease receipts from operating leases as rental income during each period of the lease term. 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 term, and shall be recorded in the profit or loss of the current period. Variable lease payments obtained in connection with operating leases that are not incorporated in the lease receipts shall be incorporated in the profit or loss of the period when they actually occur.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXVI) **Lease** *(Continued)*

5. **Sale-leaseback**

(1) *Accounting treatment for the Company as both seller and lessee*

If the transfer of assets in the sale-leaseback transaction belongs to a sale, the Company shall measure the right-of-use assets 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 recognise 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 accounting purposes. At the same time, the relevant sales gains or losses are adjusted according to fair value.

If the transfer of assets in the sale-leaseback transaction does not belong to a sale, the Company shall continue to recognise the transferred assets and at the same time recognise a financial liability at an amount equal to the transfer income.

(2) *Accounting treatment for the Company as both buyer and lessor*

If the transfer of assets in the sale-leaseback transaction belongs to a sale, the Company shall account for it as the purchase of assets and treat the lease of assets in accordance with the lease 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 the lessee for accounting purposes. At the same time, rent income is adjusted according to market price.

If the transfer of assets in the sale-leaseback transaction does not belong to a sale, the Company shall recognise a financial asset at an amount equal to the transfer income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXVII) 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/tonne and surface mines provided at RMB5.00/tonne. Safety expenses for transportation enterprises of the Company 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)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXVIII) 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.

V. TAXATION

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

1. Turnover tax and surcharges

Category of tax	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%, 20.00%, 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 surcharges	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)	RMB2/m ³
Environmental tax (air pollution)	Sewage equivalent	RMB2.4/equivalent of pollution
Farmland occupation tax	Farmland actually occupied	RMB25/m ² , RMB22/m ² , RMB27/m ²

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. TAXATION (Continued)

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

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 for 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 institutions
Other subsidiaries	25.00%	

3. Real estate tax

The tax rate of real estate tax is 1.20% based on 70.00% of the original value of real estate, or 12.00% based on rental income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. TAXATION (Continued)

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

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 for the western development

According with the relevant requirements of the Announcement of the State Taxation Administration on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Development Strategy (Announcement [2012] No. 12 of State Taxation Administration), from 1 January 2011 to 31 December 2020, for enterprises located in the western region whose main business belongs to the scope of the Catalogue of Encouraged Industries in Western Region and whose main business income accounts for more than 70.00% of their total income in the current year, they are levied enterprise income tax at 15.00% after the application made by the enterprises and the examination and verification of the competent tax authorities. On 20 August 2014, the Catalogue of Encouraged Industries in Western Region has been approved and promulgated by the State Council, and has taken 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 the 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.

According with the relevant requirements of the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policy for the Western Development (Announcement [2020] No. 23 of State Taxation Administration), from 1 January 2021 to 3 December 2030, for enterprises in encouraged industries located in the western region, they will be levied enterprise income tax at 15%. The enterprises in encouraged industries referred to herein are the enterprises whose main business belongs to the scope of the Catalogue of Encouraged Industries in Western Region and whose main business income accounts for more than 60% of their total income. On 8 January 2021, the Catalogue of Encouraged Industries in Western Region (2020 Version) has been approved and promulgated by the State Council, and has taken effect from 1 March 2021. Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) and 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), the subsidiaries of the Company, belong to the encouraged industries in the Catalogue of Encouraged Industries in Western Region (2020 Version) (National Development and Reform Commission Order No. 40), and are expected to be levied enterprise income tax at 15.00% from 1 January 2021 to 3 December 2030.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Taxation Administration 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 Taxation Administration 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 Chemical Co., Ltd. will be levied enterprise income tax at 15.00% within three years (2019-2021) after the certification of hi-tech enterprise in 2019.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. TAXATION (Continued)

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

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

On 25 March 2014, the Preferential Policies and Catalogue of Enterprise Income Tax Hengqin New District, Guangdong, Pingtan Comprehensive Pilot Zone, Fujian, and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen has been approved and promulgated by the State Council, and has taken 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), a 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 is levied enterprise income tax at 15.00% from 2017 to 2020.

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	1,443,941.53	1,012,542.40
Deposits at banks	11,291,066,669.70	15,953,033,415.35
Other monetary funds	943,386,493.39	509,590,015.87
Total	12,235,897,104.62	16,463,635,973.62
Of which: Total amount deposited abroad	133,761,566.09	145,850,781.62

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 1. Monetary funds (Continued)

The breakdown of restricted monetary funds is as follows:

Item	Closing balance	Opening balance
Deposit of bank acceptance bills	754,585,229.54	476,369,585.15
Environmental deposit	149,881.28	19,670,922.02
Coal mine risk deposit		10,547,467.03
Wage guarantee for workers	3,008,926.61	3,002,041.67
Special fund for mine geologic environment governance	185,642,455.96	
Total	943,386,493.39	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 31 December 2020, the closing balance of the special fund for mine geologic environment governance was RMB185,642,455.96.

Note 2. Trading financial assets

Item	Closing balance	Opening balance
Subtotal of financial assets at fair value through profit or loss	2,011,120.00	716,960.00
Derivative financial assets	2,011,120.00	716,960.00
Total	2,011,120.00	716,960.00

Explanation: Trading financial assets at the end of the period were gains on changes in futures of RMB2,011,120.00.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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 (%)	Loss provision Amount	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

3. No notes receivable that provided expected credit losses on single basis during the current period

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 3. Notes receivable (Continued)

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: Nil
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)

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

Note 4. Accounts receivable

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	1,255,962,719.50	1,492,967,487.59
1 to 2 years	21,512,757.11	1,680,152.45
2 to 3 years		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	24,247,138.90	44,548,538.79
Sub-total	1,320,849,654.46	1,558,323,217.78
Less: Bad debts provision	40,673,787.48	22,339,885.92
Total	1,280,175,866.98	1,535,983,331.86

2. Disclosure of accounts receivable by type

Type	Carrying balance		Closing balance		Carrying value
	Amount	Percentage (%)	Loss provision Amount	Percentage (%)	
Accounts receivable that provided expected credit losses on single basis	40,990,921.85	3.10	40,673,787.48	99.23	317,134.37
Accounts receivable that provided expected credit losses on portfolio basis	1,279,858,732.61	96.90			1,279,858,732.61
Of which: Customers with extremely low credit risk	1,279,858,732.61	96.90			1,279,858,732.61
Total	1,320,849,654.46	100.00	40,673,787.48	3.08	1,280,175,866.98

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 4. Accounts receivable (Continued)

2. Disclosure of accounts receivable by type (Continued)

Continued:

Type	Carrying balance		Opening balance		Carrying value
	Amount	Percentage (%)	Loss provision 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	<u>1,558,323,217.78</u>	<u>100.00</u>	<u>22,339,885.92</u>	<u>1.43</u>	<u>1,535,983,331.86</u>

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
Dongying Haifeng Petrochemical Co., Ltd. (東營海豐石油化工有限公司)	19,017,038.95	18,699,904.58	98.33%	Expected to be partially unrecoverable
Total	<u>40,990,921.85</u>	<u>40,673,787.48</u>	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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	1,279,858,732.61		
Total	<u>1,279,858,732.61</u>		

Continued:

Portfolio	Accounts receivable	Closing balance Loss provision	Percentage (%)
Customers with extremely low credit risk	1,535,983,331.86		
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.

3. During the current period, loss provision made was RMB18,699,904.58, 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
Kaifeng Air Separation Group Co., Ltd. (開封空分集團有限公司)	<u>366,003.02</u>	Bank acceptance bills

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 4. Accounts receivable (Continued)

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 (%)
First	162,374,619.63	12.29
Second	124,830,324.59	9.45
Third	85,985,516.27	6.51
Fourth	78,530,462.78	5.95
Fifth	77,220,542.06	5.85
Total	<u>528,941,465.33</u>	<u>40.05</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)

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

Note 5. Receivables financing

1. Classification of receivables financing

Item	Closing balance
Bank acceptance bills with a high credit rating	<u>2,071,600.00</u>
Total	<u><u>2,071,600.00</u></u>

2. Endorsed or discounted receivables financing that are not mature on balance sheet date at the end of the period

Item	Amount derecognized at the end of the period
Bank acceptance bills	<u>16,793,238.47</u>
Total	<u><u>16,793,238.47</u></u>

Note 6. Prepayments

1. Presentation of prepayments by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	469,728,996.45	81.85	575,316,540.44	87.42
1 to 2 years	56,966,903.28	9.93	60,829,689.65	9.24
2 to 3 years	37,147,884.80	6.47	12,920,596.12	1.96
Over 3 years	10,032,170.58	1.75	9,083,638.71	1.38
Total	<u>573,875,955.11</u>	<u>100.00</u>	<u>658,150,464.92</u>	<u>100.00</u>

Explanation: At the end of the period, the balance of prepayments for equipment of the Company to Northern Heavy Industry Group Co., Ltd was RMB4,520,000.00. According to the bankruptcy reorganization plan, the expected recoverable amount was RMB1,144,000.00, with the provision of impairment loss during the period of RMB3,376,000.00.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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
	37,052,600.40	2 to 3 years	
	1,643,614.70	Over 3 years	
Second	22,000,000.00	1 to 2 years	Goods not yet available
Third	7,841,677.60	Over 3 years	Service not yet available
Fourth	4,307,620.50	1 to 2 years	Demolition not yet complete
Fifth	500,000.00	1 to 2 years	Service not yet available
Total	<u>103,374,888.00</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	38,594,636.50	6.73	2020	Demolition not yet complete
	30,029,374.80	5.23	2019	
	37,052,600.40	6.46	2018	
	1,643,614.70	0.29	2017	
Second	85,258,899.28	14.86	2020	Service not yet available
Third	42,902,389.57	7.48	2020	Service not yet available
Fourth	35,817,223.22	6.24	2020	Service not yet available
Fifth	26,555,745.76	4.63	2020	Service not yet available
Total	<u>297,854,484.23</u>	<u>51.92</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	60,000,000.00	31,101,623.02
Other receivables	442,459,431.63	560,046,574.19
Total	502,459,431.63	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)	60,000,000.00	30,000,000.00
HuaXia Monetary Fund B (華夏貨幣B基金)	–	1,101,623.02
Total	60,000,000.00	31,101,623.02

(II) Other receivables

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	214,835,364.54	370,791,364.41
1 to 2 years	100,630,325.53	106,539,759.35
2 to 3 years	74,037,194.65	92,353,782.12
3 to 4 years	62,894,878.60	400,000.00
4 to 5 years	100,000.00	
Over 5 years		141,784.00
Sub-total	452,497,763.32	570,226,689.88
Less: Bad debts provision	10,038,331.69	10,180,115.69
Total	442,459,431.63	560,046,574.19

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of other receivables by type

Type	Carrying balance		Closing balance Loss provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that provided expected credit losses on single basis	13,058,201.69	2.89	10,038,331.69	76.87	3,019,870.00
Other receivables that provided expected credit losses on portfolio basis	439,439,561.63	97.11			439,439,561.63
Of which: Customers with extremely low credit risk	439,439,561.63	97.11			439,439,561.63
Total	452,497,763.32	100.00	10,038,331.69	2.22	442,459,431.63

Type	Carrying balance		Opening balance Loss provision		Carrying value
	Amount	Percentage (%)	Amount	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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of other receivables by type (Continued)

Explanations on type of other receivables:

- (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	—	

- (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	439,439,561.63		
Total	439,439,561.63		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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 (Continued)

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.

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		1,665,650.20	8,372,681.49	10,038,331.69

4. No loss provision made or recovered by the Company for other receivables during the current period

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables (Continued)

(II) Other receivables (Continued)

5. Write-off of other receivables during the current period

Item	Write-off amount
Actual write-off of other receivables	141,784.00

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		141,784.00			

6. Other receivables by nature of amount

Item	Closing balance	Opening balance
Intercourse funds	84,335,356.94	170,657,551.17
Security	353,885,172.60	351,566,069.73
Advances	1,538,770.25	36,765,959.25
Employee borrowing	11,172,301.45	6,353,243.32
Deposit	1,474,995.50	4,883,866.41
Others	91,166.58	
Total	452,497,763.32	570,226,689.88

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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	Deposits	43,119,165.00	1 to 2 years	9.53	
		22,360,740.00	2 to 3 years	4.94	
		38,511,115.00	3 to 4 years	8.51	
Second	Futures deposits	100,243,194.50	Within 1 year	22.15	
Third	Futures deposits	41,632,146.00	Within 1 year	9.20	
Fourth	Deposits	34,056,711.50	1 to 2 years	7.53	
Fifth	Intercourse funds	13,599,999.33	1 to 2 years	3.01	
		16,906,780.82	2 to 3 years	3.74	
Total		310,429,852.15		68.61	

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)

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

Note 8. Inventories

1. Classification of inventories

Item	Carrying balance	Closing balance	Carrying value	Carrying balance	Opening balance	Carrying value
		Provision for decline in value of inventories			Provision for decline in value of inventories	
Finished goods	830,937,966.07	9,549,310.96	821,388,655.11	1,388,660,044.46	1,308,579.51	1,387,351,464.95
Raw materials	496,672,374.11	61,836,159.60	434,836,214.51	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	1,327,614,459.18	71,385,470.56	1,256,228,988.62	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	8,240,731.45					9,549,310.96
Raw materials	32,760,578.15	29,078,643.45			3,062.00		61,836,159.60
Total	34,069,157.66	37,319,374.90			3,062.00		71,385,470.56

Note 9. Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	761,360,108.12	1,369,995,486.14
Enterprise income tax prepaid	3,943,692.67	19,997,199.42
Others	628.10	144,743.96
Total	765,304,428.89	1,390,137,429.52

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

Note 10. Long-term equity investments

Investee	Opening balance	Added investment	Decrease in investment	Investment profits and losses recognised under equity method	Increase/decrease in the current period				Closing balance	Closing balance of impairment provisions
					Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision for impairment		
I. Joint Ventures										
Oros Yitai Water Co., Ltd. (鄂尔多斯伊泰水务有限责任公司)	52,206,305.29			381,143.55						52,587,448.84
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)	3,045,552.78			-63,182.31						2,982,370.47
Inner Mongolia Yitai Galu Mining Co., Ltd. (内蒙古伊泰锡盟矿业有限责任公司)	472,330,140.71			316,472.71						472,646,613.42
Sub-total	527,581,998.78			634,433.95						528,216,432.73
II. Associates										
Inner Mongolia Yitai Torgda Coal Co., Ltd. (内蒙古伊泰同建煤炭有限责任公司)	151,525,919.89			11,178,094.20						162,704,014.09
Inner Mongolia Yitai Finance Co., Ltd. (内蒙古伊泰财务有限公司)	586,674,416.54			80,246,333.86		-112,000,000.00				554,921,350.40
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰医药科技开发有限公司)										

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 10. Long-term equity investments (Continued)

Investee	Opening balance	Added investment	Decrease in investment	Investment profits and losses recognised under equity method	Increase/decrease in the current period				Closing balance	Closing balance of impairment provisions
					Adjustment to comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision for impairment		
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限公司)	561,754,470.07			3,154,892.10	165,025.46	-3,763,678.92		561,310,708.71		
Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華源酒業有限公司)	14,416,418.29			-492,320.71				13,924,097.58		
Oros Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊成煤田滅火工程有限公司)	18,580,112.72			-18,580,112.72						
Oros Tendi Huan Mine Equipment Co., Ltd. (鄂爾多斯市天地華源礦機裝備有限公司)										
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰聯華煤化有限公司)	7,744,382,280.54			86,106,782.11		-30,000,000.00		7,800,489,062.65	250,288.45	
Oros Gongguyangta Storage and Transportation Co., Ltd. (鄂爾多斯市公湖錫塔運有限公司)	72,716,645.24			147,485.57		-9,120,000.00		63,744,130.81		
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古巨吉化工有限公司)	42,662,332.29			2,566,660.73				45,228,993.02		
Shangshi Growth Acceleration (Hainan) Venture Capital Fund Partnership (Limited Partnership) (尚誠成長加速(海南)創業基金合夥企業(有限合夥))		30,000,000.00						30,000,000.00		
Sub-total	9,192,692,595.58	30,000,000.00		164,348,415.14	165,025.46	-154,883,678.92		9,232,322,357.26	250,288.45	
Total	9,720,274,594.36	30,000,000.00		164,982,849.09	165,025.46	-154,883,678.92		9,760,538,789.99	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)

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

Note 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)	484,000,000.00	506,000,000.00
Mengji Railway Co., Ltd.	1,040,000,000.00	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)	20,802,731.72	24,865,939.10
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	45,000,000.00	52,000,000.00
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	2,555,000,000.00	2,755,000,000.00
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	1,803,000,000.00	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	101,180,000.00	101,060,000.00
Other non-transactional equity instrument investment		31,293,524.21
Total	<u>7,257,982,731.72</u>	<u>7,342,219,463.31</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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	1,509,422.72	284,000,000.00			
Mengji Railway Co., Ltd.	Non-transactional equity instrument investment	88,265,498.17		1,660,045,000.00		
Haoji Railway Co., Ltd. (浩吉鐵路股份有限公司)	Non-transactional equity instrument investment					
Qinhuangdao Port H Share (秦皇島港H股)	Non-transactional equity instrument investment			58,435,178.35		
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Non-transactional equity instrument investment			27,000,000.00		
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	Non-transactional equity instrument investment		2,022,200,000.00			
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	Non-transactional equity instrument investment		937,713,000.00			
China National Coal Exchange Co., Ltd. (全國煤炭交易中心有限公司)	Non-transactional equity instrument investment					
Industrial and Commercial Bank of China Limited	Non-transactional equity instrument investment	4,200,000.00	1,180,000.00			
Other non-transactional equity instrument investment	Non-transactional equity instrument investment					
Total		93,974,920.89	3,245,093,000.00	1,745,480,178.35		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 12. Other non-current financial assets

Item	Closing balance	Opening balance
Sub-total of other non-current financial assets at fair value through profit or loss	1,571,136,033.21	938,546,351.20
Transactional equity instrument investment	109,337,689.72	
Fund investment	1,461,798,343.49	938,546,351.20
Total	<u>1,571,136,033.21</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 RMB302,325,919.3 in the current period over the previous period, and an increase in fair value changes by RMB330,263,762.71 in the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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	44,291,094.43	44,291,094.43
Provision or amortisation	38,668,478.40	38,668,478.40
Transfer from fixed assets	5,622,616.03	5,622,616.03
3. Decrease during the period		
4. Closing balance	300,616,767.95	300,616,767.95
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	690,286,105.94	690,286,105.94
2. At the beginning of the period	509,672,558.86	509,672,558.86

2. Investment properties with pending certificates of ownership

Item	Carrying value	Reason for pending certificates of ownership
Hohhot Huafu Shijia	119,346,333.74	Still under processing
Wanbo Plaza House (3/F)	29,302,454.69	Still under processing
Wanbo Plaza House (4/F)	32,626,653.00	Still under processing
Wanbo Plaza House (5/F)	32,672,307.30	Still under processing
Total	213,947,748.73	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 13. Investment properties

3. Rental income

Item	2020	2019
Rental income from investment properties	<u>20,959,242.39</u>	<u>18,097,548.18</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 31 December 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	<u>16,011,670.70</u>	<u>10,123,226.17</u>	<u>4,254,654.74</u>	<u>3,874,714.34</u>	<u>3,826,026.84</u>	<u>9,631,646.01</u>	<u>47,721,938.79</u>

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	<u>18,144,393.46</u>	<u>16,860,186.68</u>	<u>9,561,724.33</u>	<u>4,067,168.40</u>	<u>3,931,400.90</u>	<u>13,662,131.99</u>	<u>66,227,005.75</u>

Note 14. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	<u>31,539,509,938.70</u>	33,117,655,432.50
Fixed assets in liquidation		60,499.25
Total	<u>31,539,509,938.70</u>	<u>33,117,715,931.75</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 14. Fixed assets

(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	1,809,751,280.81	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	769,424,146.42		75,300,717.42			4,666,895.14	235,722,104.66	44,111,584.23	1,129,227,447.87
Acquisition	38,510,497.55		66,781,864.96			4,666,895.14	152,286,257.59	37,027,654.64	299,275,169.88
Transfer from construction in progress	730,913,648.87		8,518,852.46				83,435,847.07	6,864,641.59	829,732,989.99
Other additions								219,288.00	219,288.00
3. Decrease during the period	249,352,460.33		59,945.00			32,983,485.53	193,930,665.98	55,269,881.67	530,595,898.51
Disposal or scrapping	23,447,818.82		59,945.00			32,983,485.53	95,018,768.85	55,269,881.67	206,779,299.87
Transfer to investment properties	224,904,641.51								224,904,641.51
Other decreases									
4. Closing balance	10,778,286,544.87	403,461,134.65	1,864,992,653.23	659,143,070.91	11,797,367,273.26	191,794,924.09	18,547,844,304.11	1,344,876,753.39	45,707,788,658.51
II. Accumulated depreciation									
1. Opening balance	2,166,582,946.75	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	901,083,203.88	13,031,750.51	71,860,888.41	32,735,841.77	278,314,579.60	10,681,508.24	481,756,291.49	151,650,342.55	1,941,113,606.45
Provision	901,083,203.88	13,031,750.51	71,860,888.41	32,735,841.77	278,314,579.60	10,681,508.24	481,756,291.49	151,650,342.55	1,941,113,606.45
3. Decrease during the period	14,203,966.29		12,181.24			22,875,181.08	52,186,353.94	59,260,397.62	148,538,090.17
Disposal or scrapping	8,581,350.26		12,181.24			22,875,181.08	52,186,353.94	59,260,397.62	142,915,464.14
Transfer to investment properties	5,622,616.03								5,622,616.03
4. Closing balance	3,023,462,184.34	331,393,275.71	545,296,222.41	349,402,830.86	2,442,716,128.50	153,435,616.43	5,786,145,533.39	879,759,193.15	13,511,610,984.79
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	279,122,131.35					28,611.11	98,888,660.23	6,191,544.53	384,230,947.22
Provision	51,344,102.16					28,611.11	93,218,660.23	41,088.74	144,632,462.24
Transfer from construction in progress	227,778,029.19						5,670,000.00	6,150,455.79	239,598,484.98
3. Decrease during the period			29,370.34						29,370.34
Scrapping			29,370.34						29,370.34
4. Closing balance	546,850,375.04	34,200.00	2,078,777.30	2,575,566.81		28,611.11	98,888,660.23	6,191,544.53	656,647,735.02
IV. Carrying amount									
1. At the end of the period	7,207,973,985.49	72,033,658.94	1,437,617,653.52	307,164,673.24	9,354,651,144.76	38,330,696.55	12,662,810,110.49	458,828,015.71	31,539,509,998.70
2. At the beginning of the period	7,682,903,688.34	85,065,409.45	1,434,194,817.93	339,900,515.01	9,632,965,724.36	54,480,225.21	13,148,477,263.59	588,667,802.61	33,117,655,432.50

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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 value
Houses and buildings	23,979,454.06	3,563,245.81	–	20,416,208.25
Mechanical equipment	367,536,121.79	209,411,085.37	77,078,031.59	81,047,004.83
Transportation equipment	415,384.61	394,615.39	–	20,769.22
Other equipment	18,403,819.74	11,309,459.71	1,054,262.74	6,040,097.29
Total	<u>410,334,780.20</u>	<u>224,678,406.28</u>	<u>78,132,294.33</u>	<u>107,524,079.59</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>1,020,880,532.90</u>	Still in processing
Total	<u>1,020,880,532.90</u>	

(II) Fixed assets in liquidation

Item	Closing balance	Opening balance
Equipment to be liquidated	–	60,499.25
Total	–	<u>60,499.25</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 15. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	9,607,557,793.31	12,670,180,946.90
Construction materials	1,656,843,873.76	1,643,798,782.83
Total	<u>11,264,401,667.07</u>	<u>14,313,979,729.73</u>

(I) Construction in progress

1. Construction in progress

Item	Carrying balance	Closing balance Impairment provision	Carrying value
Construction in progress	12,634,891,220.95	3,027,333,427.64	9,607,557,793.31
Total	<u>12,634,891,220.95</u>	<u>3,027,333,427.64</u>	<u>9,607,557,793.31</u>

Continued:

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	<u>12,909,779,431.88</u>	<u>3,027,333,427.64</u>	<u>9,607,557,793.31</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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 decreases during the period	Closing balance
Yili Energy-1 million tonnes coal-to-oil project	5,195,171,432.63	65,744,113.62			5,260,915,546.25
Xinjiang Energy-2 million tonnes coal-to-oil project	4,633,643,625.62	101,360,325.87	111,174,380.06		4,623,829,571.43
Yitai Mining- Auxiliary mining project	957,319,414.89	61,387,075.42	113,910,403.91		904,796,086.40
Coal-to-oil-2 million tonnes indirect coal-to-liquids conversion project	729,512,601.30	64,130,917.85			793,643,519.15
Dama railway	561,193,154.68	2,527,569.80			563,720,724.48
Other projects	832,939,202.76	377,605,547.98	718,558,609.93	4,000,367.57	487,985,773.24
Total	12,909,779,431.88	672,755,550.54	943,643,393.90	4,000,367.57	12,634,891,220.95

Continued:

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	1,540,191,022.16	49,535,660.79	5.42	Loan, others
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, others
Yitai Mining- Auxiliary mining project	262,886.65	40.89	40.89	203,552,203.59	32,131,323.04	7.52	Loan, others
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, others
Dama railway	329,500.00	19.77	19.77				Self-owned fund
Other projects				61,578,109.92			others
Total	-	-	-	3,280,742,125.52	140,856,591.87	-	-

Explanation 1: 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)

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

Note 15. Construction in progress (Continued)

(I) Construction in progress (Continued)

3. Provision made for impairment of construction in progress during the current reporting period

Name of project	Amount of provisions during the period	Reason
Xinjiang Energy-2 million tonnes coal-to-oil project	3,027,333,427.64	Recoverable amount is expected to be less than the carrying value
Total	<u>3,027,333,427.64</u>	

Explanation 1: Upon further detailed calculation and analysis on assets of Xinjiang Energy, the Company was of opinion that suspension of Ganquanbao 2 Mtpa Project will result in impairment on some assets of Xinjiang Energy. The impairment amount in the individual financial statements of Xinjiang Energy is as follows:

Unit: RMB'0,000

No.	Item	Carrying value	Assessed value	Amount of impairment
1	Houses and buildings	13,924.80	8,873.23	-5,051.58
2	Fixed assets			
	Machinery equipment	1.91	1.89	-0.02
3	Electronic equipment	27.48	16.94	-10.54
4	Construction in progress			
	Civil works	359,264.03	74,814.26	-284,449.77
5	Equipment installation projects	49,762.60	17,270.21	-32,492.39
6	Total	422,980.83	100,976.52	-322,004.31

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

Note 15. Construction in progress *(Continued)*

(I) Construction in progress *(Continued)*

3. Provision made for impairment of construction in progress during the current reporting period *(Continued)*

Reasons for impairment of various assets:

1. Houses and buildings

We adopted the replacement cost method to evaluate the houses and buildings, and recalculated them by re-budgeting method and based on the completion settlement documents and main material price information published on the relevant website for inquiring the project cost. We also recalculated the preliminary and other expenses, and capital cost according to the investment size and reasonable construction period. Upon calculation, the boiler room and 1# shift dormitory have been impaired due to: (1) apportionment of a large amount of the amortised investment in the pre-transfer fixed property by the Company, and the preliminary and other expenses and capital cost re-calculated based on the effective asset size was less than the Company's apportionment; (2) a low utilization rate of partially completed houses and buildings as a result of the proposed suspension of the project by the property holders for protecting the interests of all shareholders. From the perspective of the utilization of existing assets and the contribution of assets, it deviated greatly from the original design functions and goals. In view of this, the corresponding depreciation factors have been taken into account in calculating the residue ratio.

2. Machinery equipment

The Company purchased 2 marble machines and 4 sewage pumps in December 2020. Since the depreciation commences from one month after such purchase, and the equipment has already been put into use in conducting this assessment, as such, we considered the impact of the corresponding residue ratio in calculating the valuation, thereby resulting in impairment.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

Note 15. Construction in progress *(Continued)*

(I) Construction in progress *(Continued)*

3. Provision made for impairment of construction in progress during the current reporting period *(Continued)*

3. Electronic equipment

- (1) The Company purchased 3 scanners in December 2020 and they have been put into use. Since the depreciation commences from one month after such purchase, we considered the corresponding residue ratio in calculating the valuation, thereby resulting in impairment;
- (2) The Company depreciated the aluminum plate piercing pressed-word, rose golden word at 20 years, and the economic life used in this evaluation was calculated with reference to the evaluation life standard, and its economic life was lower than the Company's accrued life, resulting in impairment.

4. Civil works

- (1) The Company has invested a total of RMB227 million in the construction of the production area (including: underground pipe network, temporary facilities, process equipment and public works). The property owner proposed to suspend the project from the perspective of protecting the interests of all shareholders., and part of the investment has become invalid assets without recovery value, so the evaluated value was zero;
- (2) The Company has conducted on-site investigation of the completed real estate (large items workshop, 1#, 2# general chemical warehouse, 3# grease product warehouse, 4# labor insurance instrument warehouse, 5# (large items warehouse, 6# comprehensive warehouse, dangerous chemicals warehouse, guard room and car garage), road facilities remaining listing in the item of construction in progress, this part of the building (structure) has reached the usable state, we considered the residue ratio and depreciation factors in this evaluation, resulting in impairment;
- (3) We have conducted an overall assessment of the corresponding assets merged into the fixed assets – the item of houses and buildings of some items (main office building, boiler room, 1# shift dormitory) under construction in progress – the item of civil works, the evaluated value of which was zero;

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

Note 15. Construction in progress *(Continued)*

(I) Construction in progress *(Continued)*

3. Provision made for impairment of construction in progress during the current reporting period *(Continued)*

4. Civil works *(Continued)*

(4) The civil works declared by the Company include deferred expenses and capital costs totaling RMB2.509 billion (this part of the expenses was separately listed in the civil works schedule, of which: the total deferred expenses were RMB964 million, and the borrowing interest was RMB1.546 billion), and such expenses were the actual cost accumulatively incurred during the infrastructure construction period of the Company.

We use the replacement cost method to evaluate the current effective assets based on the detailed assets. The replacement cost, deferred expenses and capital cost of the corresponding construction and installation projects have been incorporated in the value of the replacement cost. The carrying value of effective assets was RMB3.082 billion. Upon calculation, the total amount of amortized deferred expenses and asset costs was RMB185 million. As the deferred expenses and capital costs have been separately calculated in the current and effective individual asset details, in order to avoid repeated evaluations, the deferred expenses and capital costs separately listed in the civil works schedule were evaluated as zero. For invalid assets, its carrying value was RMB491 million, the evaluated value of which was zero. The total amount of deferred expenses and capital costs was RMB2.509 billion. Upon evaluation, the estimated value was RMB185 million, with an impairment of RMB2.324 billion.

For the calculation of capital costs, in particular, the borrowing rate was calculated based on the loan prime rate (LPR) promulgated by the National Interbank Funding Center with authorization; the reasonable construction period was determined based on the comprehensive analysis of the forecast of project's reasonable construction period in the Feasibility Study Report of the Company and combined with the current effective asset investment size. For the preliminary and other expenses, we used the current effective asset investment size as the base of calculation, and recalculated according to or refer to the relevant industry policy standards.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

Note 15. Construction in progress *(Continued)*

(I) Construction in progress *(Continued)*

3. *Provision made for impairment of construction in progress during the current reporting period (Continued)*
5. Equipment installation
 - (1) For the infrastructure construction in progress of the Company, as the suspension of project, part of the pre-installed production equipment (outer parts of Fischer-Tropsch reactor of RMB233 million and 220kv external network transmission project of RMB15.8 million) have been classified as invalid assets, the evaluated value of which was recognized at its recoverable net value; (2) For part of the equipment installed in the Company, we evaluated it according to the fixed assets method through taking into account the impact of the corresponding residue ratio and depreciation factors, resulting in impairment; (3) The installation cost of the internal parts of Fischer-Tropsch reactor by the Company was a total of RMB30 million. As the installation cost has been invalid to the Company, the evaluated value of which was zero.

Explanation 2: As of 31 December 2020, the Company has offset a total of RMB14,208.82 of entrusted loan interest provided by the parent company to Xinjiang Energy in preparing the consolidated statement (the item was construction in progress). According to the Accounting Standard for Business Enterprises No. 8 – Asset Impairment, the amount of asset impairment is determined based on the recoverable amount less its carrying value. The entrusted loan interest provided by the parent company to Xinjiang Energy is unrealised internal transaction gains and losses at the consolidation level, which reduced the carrying value of construction in progress, resulting in a decrease of RMB14,208.82 in carrying value of construction in progress of Xinjiang Energy at the consolidation level as compared with that in the individual financial statements. Therefore, as at the end of the period, in preparing the consolidated statement, the Company offset the aforesaid unrealised internal transaction gains and losses (capitalization interest) against asset impairment losses of RMB142,088,200, and the impairment amount of Xinjiang Energy's construction in progress at the consolidation level after offset was RMB3,027,333,400.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 15. Construction in progress (Continued)

(II) Construction materials

Item	Closing balance	Opening balance
Construction materials	968,371,180.25	962,925,228.95
Equipment not yet installed	688,472,693.51	680,873,553.88
Total	1,656,843,873.76	1,643,798,782.83

Note 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	9,299,383.41	9,299,383.41
Lease	9,299,383.41	9,299,383.41
3. Decrease during the period	—	—
4. Closing balance	52,163,660.99	52,163,660.99
II. Accumulated depreciation		
1. Opening balance	3,574,226.92	3,574,226.92
2. Addition during the period	4,136,252.85	4,136,252.85
Provision	4,136,252.85	4,136,252.85
3. Decrease during the period	—	—
4. Closing balance	7,710,479.77	7,710,479.77
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	44,453,181.22	44,453,181.22
2. At the beginning of the period	39,290,050.66	39,290,050.66

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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	49,794,869.80	339,171,677.22	21,410,835.71	10,539,882.17	-	420,917,264.90
Acquisition	49,794,869.80	225,261,273.31	19,986,792.45	10,539,882.17	-	305,582,817.73
Transfer from construction in progress	-	113,910,403.91	-	-	-	113,910,403.91
Transfer from development expenditure	-	-	1,424,043.26	-	-	1,424,043.26
3. Decrease during the period	8,848,086.92	41,207,581.00	-	219,743.35	-	50,275,411.27
Disposal and scrapping	8,848,086.92	41,207,581.00	-	219,743.35	-	50,275,411.27
4. Closing balance	1,926,192,121.27	1,641,624,162.16	324,719,536.84	138,716,252.41	213,842,927.52	4,245,095,000.20
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	39,143,007.20	56,603,303.87	20,114,959.82	5,921,112.58	4,700,945.32	126,483,328.79
Provision	39,143,007.20	56,603,303.87	20,114,959.82	5,921,112.58	4,700,945.32	126,483,328.79
3. Decrease during the period	1,799,404.18	22,504,792.08	-	112,566.36	-	24,416,762.62
Disposal and scrapping	1,799,404.18	22,504,792.08	-	112,566.36	-	24,416,762.62
4. Closing balance	313,230,869.17	353,702,483.64	68,162,657.96	121,125,293.54	148,868,659.17	1,005,089,963.48
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	672,790.64	10,994,804.90	-	-	-	11,667,595.54
Disposal and scrapping	672,790.64	10,994,804.90	-	-	-	11,667,595.54
4. Closing balance	4,221,384.55	892,788.00	-	-	-	5,114,172.55
IV. Carrying amount						
1. At the end of the period	1,608,739,867.55	1,287,028,890.52	256,556,878.88	17,590,958.87	64,974,268.35	3,234,890,864.17
2. At the beginning of the period	1,604,463,897.05	1,012,168,501.19	255,261,002.99	13,079,366.27	69,675,213.67	2,954,647,981.17

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 17. Intangible assets (Continued)

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

Item	Carrying value	Reason for pending certificates of ownership
Land use rights	92,327,116.49	Still under processing
Total	92,327,116.49	

Explanation 1: Resource assets – Purchase for this period increased by RMB225,261,200, with detailed reasons as follows:

1. Pursuant to the requirements of Notice on Loss Compensation for Domestic Assets Regarding the Violation of Laws and Regulations in Coal Resource Area of Jungar Banner [Zhun Guo Zi No. (06)], Suancigou Mining has repaid the value of mining rights of RMB33,672,000 in 2020. 2. Amounts of RMB125,286,100, RMB24,137,300 and RMB42,165,800 were paid by Suancigou Mine, Baijialiang Mine and Yili Mining for the minning rights during the period, respectively.

Note 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	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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	195,546,279.67	334,765,945.32	-	2,104,010,872.71
Water rights fees	8,494,641.96		1,529,365.51	-	6,965,276.45
Others	20,288,003.71	51,190,434.45	15,749,676.55	-	55,728,761.61
Total	<u>2,272,013,184.03</u>	<u>246,736,714.12</u>	<u>352,044,987.38</u>	-	<u>2,166,704,910.77</u>

Note 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	442,710,993.57	74,074,013.90	415,397,658.13	70,162,565.44
Provision for assets impairment	666,704,352.47	162,947,030.82	534,491,064.57	133,622,766.14
Deferred earnings and others	292,457,529.08	68,348,314.61	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	665,461,612.36	164,667,647.23	871,813,341.94	150,991,817.19
Deductible losses	1,563,356,013.11	244,604,144.65	-	-
Fair value changes	23,600.00	5,900.00	-	-
Total	<u>3,642,456,905.99</u>	<u>717,582,752.56</u>	<u>2,032,742,116.79</u>	<u>406,130,804.84</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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	1,516,982,707.66	365,842,711.56	1,553,272,989.05	380,332,423.26
Accelerated depreciation of fixed assets	632,480,078.78	151,110,098.64	608,370,975.72	152,092,743.93
Commissioning loss	21,411,306.60	5,352,826.65	—	—
Unrealised loss of internal transaction	2,365,520.10	591,380.03	—	—
Undistributed gains of partnership	432,937,400.29	108,234,350.07	—	—
Total	<u>2,606,177,013.43</u>	<u>631,131,366.95</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	53,959,354.92	57,259,354.93
Provision for assets impairment	3,148,114,860.92	87,787,496.34
Deductible loss	<u>815,092,249.80</u>	<u>993,825,546.58</u>
Total	<u>4,017,166,465.64</u>	<u>1,138,872,397.85</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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	47,227,344.02	297,392,883.92
2023	98,178,092.94	202,474,084.86
2024	113,871,336.40	199,847,506.29
2025	465,362,000.07	27,444,784.06
2026	—	16,312,839.80
2027	—	25,896,385.04
2028	—	11,309,418.04
2029	—	41,335,994.99
Total	<u>815,092,249.80</u>	<u>993,825,546.58</u>

Note 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
Charity biological asset	127,729,009.47	—
Others	791,060.73	—
Input tax expected to be deducted over one year	514,900,091.91	—
Total	<u>694,092,566.11</u>	<u>52,672,404.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 22. Short-term borrowings

1. Classification of short-term borrowings

Item	Closing balance	Opening balance
Credit borrowings	1,000,000,000.00	2,350,000,000.00
Guaranteed borrowings	—	200,000,000.00
Total	<u>1,000,000,000.00</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.

Note 23. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	2,034,720.00	3,035,060.00
Of which: Derivative financial liabilities	<u>2,034,720.00</u>	<u>3,035,060.00</u>
Total	<u>2,034,720.00</u>	<u>3,035,060.00</u>

Explanation: At the end of the period, the thermal coal futures business floated a loss of RMB2,034,720.00.

Note 24. Notes payable

Type	Closing balance	Opening balance
Bank acceptance bills	742,520,909.86	573,723,379.71
Commercial acceptance bills	<u>553,917,643.94</u>	<u>305,072,146.53</u>
Total	<u>1,296,438,553.80</u>	<u>878,795,526.24</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 25. Accounts payable

1. Disclosure by aging

Item	Closing balance	Opening balance
Within 1 year	2,051,975,036.65	2,661,286,334.06
1 to 2 years	68,599,735.62	119,108,842.84
2 to 3 years	17,706,430.86	6,926,954.66
Over 3 years	25,868,479.49	33,568,388.68
Total	<u>2,164,149,682.62</u>	<u>2,820,890,520.24</u>

2. Disclosure by nature of amount

Item	Closing balance	Opening balance
Coal purchasing payable	422,873,991.01	456,017,311.21
Materials and equipment payable	874,665,957.90	1,134,652,537.78
Mining and mining works payable	719,782,667.80	847,869,715.53
Freight payable	65,107,964.28	124,445,080.48
Maintenance fee payable	8,170,418.62	55,974,438.06
Others	73,548,683.01	201,931,437.18
Total	<u>2,164,149,682.62</u>	<u>2,820,890,520.24</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 25. Accounts payable (Continued)

3. Significant accounts payable with the aging over one year

Name of entity	Closing balance	Reason for unrepayment or carrying over
First	4,344,261.18	Outstanding payment period
Second	3,605,821.59	Outstanding payment period
Third	3,488,799.50	Outstanding payment period
Fourth	2,932,986.38	Outstanding payment period
Fifth	2,751,553.99	Outstanding payment period
Total	17,123,422.64	

Note 26. Advances

1. Advances

Item	Closing balance	Opening balance
Advances of land transfer fee	919,310.00	—
Advances of asset disposal	930,756.60	—
Others	305,147.14	—
Total	2,155,213.74	—

2. Significant advances with the aging over 1 year: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 27. Contract liabilities

1. Contract liabilities

Item	Closing balance	Opening balance
Contract liabilities relating to sales contract	<u>507,734,000.67</u>	<u>434,754,040.95</u>
Total	<u>507,734,000.67</u>	<u>434,754,040.95</u>

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

Explanation: 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 31 December 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.

Note 28. Employee benefits payable

1. Presentation of employee benefits payable

Item	Opening balance	Addition during the period	Decrease during the period	Closing balance
Short-term remuneration	420,678,229.41	1,078,528,333.44	1,240,635,395.51	258,571,167.34
Post-employment – Defined contribution plan	9,449,778.43	77,142,624.29	78,652,418.58	7,939,984.14
Termination benefits	–	175,482.00	175,482.00	–
Total	<u>430,128,007.84</u>	<u>1,155,846,439.73</u>	<u>1,319,463,296.09</u>	<u>266,511,151.48</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 28. Employee benefits payable (Continued)

2. Presentation of short-term remuneration

Item	Opening balance	Addition during the period	Decrease during the period	Closing balance
Salary, bonus, allowances and subsidies	402,337,929.54	926,301,499.44	1,084,004,473.16	244,634,955.82
Employee welfare		42,580,794.17	42,580,794.17	-
Social insurance	3,833,641.94	35,165,867.60	35,829,480.51	3,170,029.03
Of which: Basic medical insurance	2,974,842.04	27,277,900.51	27,769,878.17	2,482,864.38
Work injury insurance	365,368.77	2,602,367.43	2,686,583.45	281,152.75
Maternity insurance	493,431.13	5,285,599.66	5,373,018.89	406,011.90
Housing fund	4,118,094.54	52,114,147.11	52,083,932.15	4,148,309.50
Union expenses and employees education expenses	10,388,563.39	22,366,025.12	26,136,715.52	6,617,872.99
Total	420,678,229.41	1,078,528,333.44	1,240,635,395.51	258,571,167.34

3. Presentation of defined contribution plan

Item	Opening balance	Addition during the period	Decrease during the period	Closing balance
Basic retirement insurance	7,636,409.30	58,909,334.09	60,085,610.22	6,460,133.17
Unemployment insurance	290,123.13	1,815,906.04	1,904,128.20	201,900.97
Enterprise annuity payment	1,523,246.00	16,417,384.16	16,662,680.16	1,277,950.00
Total	9,449,778.43	77,142,624.29	78,652,418.58	7,939,984.14

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%, and the individual contribution ratio is 2.00%. As of 31 December 2020, there is no significant change in annuity plan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 29. Taxes payable

Item of tax	Closing balance	Opening balance
Price adjustment funds	—	67,775.40
Value-added tax	144,326,586.79	242,130,573.24
Enterprise income tax	450,237,294.91	122,036,670.32
Resources tax	109,579,225.22	100,380,989.91
City maintenance and construction tax	7,148,529.66	5,477,037.22
Withholding tax	1,079,584.65	2,464,101.38
Education surcharge	4,183,310.37	2,927,521.30
Individual income tax	4,170,461.68	6,741,771.67
Foundation for water works	2,581,779.89	3,962,000.56
Local education surcharge	2,801,365.02	1,964,171.79
Stamp duty	3,160,123.88	3,795,830.77
Property tax	—	124,771.62
Water resources tax	853,443.00	248,920.00
Environmental tariff	383,711.29	5,853,996.79
Land use tax	—	10,737.50
Others	1,282,070.76	—
Total	<u>731,787,487.12</u>	<u>498,186,869.47</u>

Note 30. Other payables

Item	Closing balance	Opening balance
Interests payable	176,159,479.01	177,856,169.80
Dividends payable	—	114,920,000.00
Other payables	1,203,238,741.72	1,760,282,661.66
Total	<u>1,379,398,220.73</u>	<u>2,053,058,831.46</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 30. Other payables (Continued)

(I) Interests payable

Item	Closing balance	Opening balance
Interest on long-term borrowings with interest payments by installment and principal payments at due	49,412,312.34	60,595,917.54
Interest on corporate bonds	117,277,777.78	115,917,293.93
Interest payable on short-term borrowings	9,469,388.89	1,342,958.33
Total	176,159,479.01	177,856,169.80

Explanation: 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	—
Total	—	114,920,000.00	

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 30. 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	760,497,394.89	1,109,017,147.95
Deposits and margins	354,058,156.07	336,105,083.27
Coal pipe fee		10,936,586.60
Payment of house purchasing		229,154,919.60
Others	88,683,190.76	75,068,924.24
Total	<u>1,203,238,741.72</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	103,000,000.00	Deposits
Second	63,091,176.91	Undue
Third	43,469,922.07	Undue
Fourth	36,000,000.00	Undue
Fifth	29,859,615.51	Undue
Total	<u>275,420,714.49</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 31. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	3,886,099,835.14	5,907,745,320.07
Bonds payable due within one year	3,480,945,900.13	—
Lease liabilities due within one year	5,978,193.97	332,499,610.56
Long-term payables due within one year	31,700,000.05	—
Total	<u>7,404,723,929.29</u>	<u>6,240,244,930.63</u>

Note 32. Other current liabilities

Item	Closing balance	Opening balance
Taxation to be written off	65,924,584.16	9,411,068.49
Total	<u>65,924,584.16</u>	<u>9,411,068.49</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 33. Long-term borrowings

1. Classification of long-term borrowings

Type of borrowings	Closing balance	Opening balance
Guaranteed borrowings	16,644,756,516.75	18,434,132,880.63
Credit borrowings	10,615,000,000.00	13,611,000,000.00
Less: Long-term borrowings due within one year	3,886,099,835.14	5,907,745,320.07
Total	<u>23,373,656,681.61</u>	<u>26,137,387,560.56</u>

2. Maturity analysis of long-term borrowings

Maturity	Closing balance	Opening balance
Within 1 year	3,886,099,835.14	5,907,745,320.07
1 to 2 years	8,275,645,792.36	7,044,023,460.21
2 to 5 years	9,670,510,889.25	12,189,247,372.41
Over 5 years	5,427,500,000.00	6,904,116,727.94
Total	<u>27,259,756,516.75</u>	<u>32,045,132,880.63</u>

Note 34. Bonds payable

1. Type of bonds payable

Type of borrowings	Closing balance	Opening balance
Other bonds payable	5,910,938,574.78	5,872,769,550.23
Less: Bonds payable due within one year	3,480,945,900.13	—
Total	<u>2,429,992,674.65</u>	<u>5,872,769,550.23</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 34. Bonds payable (Continued)

2. Changes in bonds payable (excluding financial instruments such as preference 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	Repayment in the period	Closing balance
18 Yitai 01	–	90,750,000.00	3,170,015.04	–	1,498,571,956.49
18 Yitai 02	–	100,385,304.66	17,221,382.34	–	1,982,373,943.62
19 Yitai 01	–	24,568,055.53	3,925,146.62	–	485,543,824.05
19 Yitai 02	–	47,623,431.92	6,767,123.39	–	973,012,598.31
19 Yitai 03	–	47,033,691.74	7,085,357.16	–	971,436,252.31
Total	–	<u>310,360,483.85</u>	<u>38,169,024.55</u>	–	<u>5,910,938,574.78</u>

3. Maturity analysis of bonds payable

Maturity	Closing balance	Opening balance
Within 1 year	3,480,945,900.13	–
1 to 2 years	–	3,460,554,502.73
2 to 5 years	2,429,992,674.65	2,412,215,047.50
Over 5 years	–	–
Total	<u>5,910,938,574.78</u>	<u>5,872,769,550.23</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 35. Lease liabilities

Remaining lease life	Closing balance	Opening balance
Within 1 year	5,978,193.97	341,664,610.56
1 to 2 years	6,696,003.32	2,769,449.81
2 to 3 years	4,106,500.14	3,147,224.76
3 to 4 years	—	1,835,881.11
4 to 5 years	—	—
Over 5 years	—	—
Sub-total of lease payment	16,780,697.43	349,417,166.24
Less: Unrecognised finance costs	1,006,610.06	10,002,473.23
Sub-total of present value of lease payment	15,774,087.37	339,414,693.01
Less: Lease liabilities due within one year	5,978,193.97	332,499,610.56
Total	9,795,893.40	6,915,082.45

Note 36. Long-term payables

1. Classification of long-term payables

Nature of amount	Closing balance	Opening balance
Long-term borrowings from non-financial institutions	522,700,000.05	522,700,000.03
Less: Long-term payables due within one year	31,700,000.05	—
Total	491,000,000.00	522,700,000.03

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 36. Long-term payables (Continued)

2. Maturity analysis of long-term payables

Maturity	Closing balance	Opening balance
Within 1 year	31,700,000.05	—
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	366,000,000.00	396,000,000.00
Total	<u>522,700,000.05</u>	<u>522,700,000.03</u>

Note 37. Estimated liabilities

Item	Closing balance	Opening balance	Formation reason
Reclamation fee	<u>612,897,208.93</u>	<u>526,848,461.52</u>	Provision was made based on the estimation of the management
Total	<u>612,897,208.93</u>	<u>526,848,461.52</u>	

Note 38. 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	6,300,000.00	2,641,817.61	76,566,682.39	See the table 1 below
Government subsidy related to income	854.93	192,000.00	123,792.00	69,062.93	
Total	<u>72,909,354.93</u>	<u>6,492,000.00</u>	<u>2,765,609.61</u>	<u>76,635,745.32</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 38. 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	-	180,000.00	-	1,260,000.00	Relating to assets
Waste steam power generation project	2,875,000.00	-	250,000.00	-	2,625,000.00	Relating to assets
Boiler flue gas desulfurisation project	6,300,000.00	-	400,000.00	-	5,900,000.00	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	575,000.00	-	50,000.00	-	525,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilisation project	4,300,000.00	-	250,000.00	-	4,050,000.00	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	-	216,666.58	-	1,783,333.42	Relating to assets
Large pressure vessel project with an annual capacity of 60,000 tonnes	3,360,000.00	-	1,120,000.00	-	2,240,000.00	Relating to assets
Support funds for concentrated brine zero-emission technological transformation project	1,600,000.00	-	75,000.00	-	1,525,000.00	Relating to assets
Intelligent coal seam mining project	-	500,000.00	25,000.02	-	474,999.98	Relating to assets
Comprehensive waste water zero-discharge project	-	500,000.00	-	-	500,000.00	Relating to income
Subsidy from the Employment Bureau – New apprenticeship project	-	192,000.00	123,792.00	-	68,208.00	Relating to income
The project of optimisation and renovation of overall water treatment and zero-discharge process	-	3,200,000.00	68,669.53	-	3,131,330.47	Relating to assets
The project of oil and gas recycling facilities for intermediate tankage units	-	2,100,000.00	6,481.48	-	2,093,518.52	Relating to assets
Total	72,909,354.93	6,492,000.00	2,765,609.61	-	76,635,745.32	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 39. Share capital

Item	Opening balance	Issuance of new shares	Increase or decrease in the period			Sub-total	Closing balance
			Bonus share	Transfer of capital reserve to ordinary shares	Others		
1. Shares subject to selling restrictions							
(1) Other domestic shares	1,600,000,000.00	-	-	-	-	-	1,600,000,000.00
Including: Shares held by domestic legal persons	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)

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

Note 40. 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		3,625.62	6,256,678,810.74
(2) Effect of business merger under common control	-3,092,292,572.13			-3,092,292,572.13
Sub-total	3,164,389,864.23		3,625.62	3,164,386,238.61
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	165,025.46		-752,936.59
Sub-total	1,413,508,002.42	165,025.46		1,413,673,027.88
Total	<u>4,577,897,866.65</u>	<u>165,025.46</u>	<u>3,625.62</u>	<u>4,578,059,266.49</u>

Explanations:

- In 2020, Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) injected capital of RMB3.00 million to Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司) in cash. Upon completion of such capital increase, Ordos Dama Railway Co., Ltd. was owned as to 61.21% by Inner Mongolia Yitai Zhundong Railway Co., Ltd. As at 31 December 2020, such capital increase has been completed and the Company made an adjustment of RMB-3,625.62 to capital reserve in this regard in preparation of the consolidated financial statements.
- During the period, Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司) increased its capital reserve by RMB569,053.34. Inner Mongolia Jingtai Power Generation Co., Ltd. was owned as to 29.00% by the Company, and therefore an associate of the Company. During the period, RMB165,025.46 was recognised under the equity method in capital reserve – other capital reserve.

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

Note 41. Other comprehensive income

Item	Opening balance	Amount before income tax in the period	Less: Amount included in other comprehensive income in previous periods and transferred to current profit or loss	Less: Amount included in other comprehensive income in previous periods and transferred to financial assets measured at amortised costs in the period	Amount in the period				Less: Carrying forward of changes in re-measurement of defined benefit plan net liabilities or net assets	Closing balance
					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		
I. Other comprehensive income that cannot be subsequently reclassified into profit or loss	1,136,461,300.90	-52,943,207.38	-	-	-18,652,943.20	-46,880,577.17	12,530,312.99	-	1,089,580,723.73	
1.Changes in re-measurement of defined benefit plans	-	-	-	-	-	-	-	-	-	
2.Other comprehensive income that cannot be transferred to profit or loss under equity method	-	-	-	-	-	-	-	-	-	
3.Changes in fair value of investments in other equity instruments	1,136,461,300.90	-52,943,207.38	-	-	-18,652,943.20	-46,880,577.17	12,530,312.99	-	1,089,580,723.73	
4.Changes in fair value of the enterprise's own credit risk	-	-	-	-	-	-	-	-	-	
II. Other comprehensive income that will be subsequently reclassified into profit or loss	2,038,268.69	-1,811,313.02	-	-	-	-1,811,313.02	-	-	266,955.67	
1.Other comprehensive income that can be transferred to profit or loss under equity method	-	-	-	-	-	-	-	-	-	
2.Changes in fair value of other debt investments	-	-	-	-	-	-	-	-	-	
3.Amount of financial assets reclassified into other comprehensive income	-	-	-	-	-	-	-	-	-	
4.Provision for credit impairment of other debt investments	-	-	-	-	-	-	-	-	-	
5.Cash flow hedging reserves	-	-	-	-	-	-	-	-	-	
6.Exchange differences on translation of foreign currency financial statements	2,038,268.69	-1,811,313.02	-	-	-	-1,811,313.02	-	-	266,955.67	
7.Income from package disposal of equity investments in 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	-54,754,520.40	-	-	-18,652,943.20	-48,691,890.19	12,530,312.99	-	1,089,867,679.40	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 42. Special reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safety production fee	<u>212,715,747.06</u>	<u>457,432,588.52</u>	<u>478,893,902.33</u>	<u>191,254,433.25</u>
Total	<u>212,715,747.06</u>	<u>457,432,588.52</u>	<u>478,893,902.33</u>	<u>191,254,433.25</u>

Note 43. Surplus reserve

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

Note: Pursuant to the resolution at the eleventh meeting of the seventh session of the Board of the Company, the 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 44. Undistributed profits

Item	Amount	Extract or allocation proportion (%)
Undistributed profits at the end of the 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	-657,055,254.05	—
Less: Extract for statutory surplus reserve	—	See Note 42 to Note
Ordinary share dividends payable	<u>-1,138,902,450.00</u>	VI. for details
Undistributed profits at the end of the period	<u>22,313,812,056.60</u>	

Note 45. 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 businesses	<u>32,821,442,758.44</u>	<u>24,357,661,465.03</u>	39,947,385,608.99	28,154,838,775.85
Other businesses	<u>969,136,827.44</u>	<u>936,726,845.66</u>	981,653,304.57	401,399,456.53
Total	<u>33,790,579,585.88</u>	<u>25,294,388,310.69</u>	<u>40,929,038,913.56</u>	<u>28,556,238,232.38</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 45. Operating income and operating cost (Continued)

2. Segment information of income

Type of contract	Coal segment	Coal-related chemical segment	Transportation segment	Others	Total
(1) Major operating regions					
Northeast China	91,409,372.36	49,556,403.91	-	-	140,965,776.27
North China	11,045,358,474.72	3,822,144,466.68	480,030,189.48	25,798,237.75	15,373,331,368.63
East China	12,239,999,402.45	809,023,727.20	-	-	13,049,023,129.65
South China	3,770,745,552.48	132,394,144.30	-	-	3,903,139,696.78
Central China	24,108,087.58	232,946,922.27	-	-	257,055,009.85
Northwest China	764,455,213.91	264,587,800.46	-	-	1,029,043,014.37
Southwest China	11,585,503.10	26,436,087.23	-	-	38,021,590.33
Sub-total	27,947,661,606.60	5,337,089,552.05	480,030,189.48	25,798,237.75	33,790,579,585.88
(2) Major product types					
Coal	27,541,234,617.79	-	-	-	27,541,234,617.79
Chemical products	-	4,821,060,100.01	-	-	4,821,060,100.01
Freight	-	-	410,848,347.35	-	410,848,347.35
Others products disclosed in revenue from principal businesses	-	18,834,830.39	16,549,773.06	12,915,089.84	48,299,693.29
Others products disclosed in revenue from other businesses	406,426,988.81	497,194,621.65	52,632,069.07	12,883,147.91	969,136,827.44
Sub-total	27,947,661,606.60	5,337,089,552.05	480,030,189.48	25,798,237.75	33,790,579,585.88
(3) Revenue recognition time					
Goods – coal (transfer at a certain point in time)	See (XXXI) Revenue under Note IV. Principal Accounting Policies and Accounting Estimates for details				
Goods – chemical products (transfer at a certain point in time)	See (XXXI) Revenue under Note IV. Principal Accounting Policies and Accounting Estimates for details				
Service – freight (provision during a certain period of time)	See (XXXI) Revenue under Note IV. Principal Accounting Policies and Accounting Estimates for details				
Sub-total					

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 46. Taxes and surcharges

Item	Amount in current period	Amount in previous period
Resources tax	967,536,707.73	1,138,720,240.14
City construction tax	87,750,015.38	113,508,353.11
Education surcharges	47,520,156.18	61,421,002.22
Local education surcharges	31,680,104.74	40,544,735.63
Property tax	29,260,572.40	33,492,620.15
Land use tax	69,313,862.56	52,086,973.09
Stamp duty	32,759,075.16	37,514,469.55
Vehicle and vessel use tax	302,156.88	271,284.26
Water resources tax	4,621,288.58	11,801,859.36
Environmental tax	22,178,814.28	25,834,748.94
Farmland occupation tax	—	112,446,239.00
Others	26,164,715.46	38,539,792.83
Total	<u>1,319,087,469.35</u>	<u>1,666,182,318.28</u>

Note 47. Cost of sales

Item	Amount in current period	Amount in previous period
Port charges	952,043,215.20	1,101,117,334.30
Payroll	75,400,346.92	89,709,454.75
Depreciation and amortisation	34,533,602.79	15,682,521.06
Operating expenses	7,699,027.44	12,071,484.33
Travel expenses	3,179,524.18	4,138,326.94
Transportation and loading service fee	59,474,523.83	9,333,707.88
Leasehold charges	2,287,374.28	1,765,886.39
Utilities	465,717.29	376,876.56
Maintenance fee	3,255,145.45	7,398,123.17
Others	29,086,746.05	20,711,964.46
Total	<u>1,167,425,223.43</u>	<u>1,262,305,679.84</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 48. Administrative expenses

Item	Amount in current period	Amount in previous period
Payroll	503,757,043.75	692,805,983.16
Depreciation and amortisation	200,314,471.78	213,186,574.37
Service fee	47,306,967.44	59,522,053.98
Travel expenses	9,247,005.79	28,832,996.59
Operating expenses	67,972,273.11	81,000,126.91
Greening property management expenses	55,307,763.08	67,327,632.07
Office expenses	10,194,598.09	12,167,651.82
Audit and consulting fee	36,222,467.72	48,923,956.03
Maintenance fee	17,996,565.76	74,702,455.88
Insurance fee	17,826,665.49	21,790,994.51
Design fee	5,053,447.45	18,874,218.74
Technical service fee	47,818,475.67	41,410,825.22
Others	114,758,686.32	172,936,967.80
Total	<u>1,133,776,431.45</u>	<u>1,533,482,437.08</u>

Note 49. R&D expenditure

Item	Amount in current period	Amount in previous period
Rentals	12,422,474.94	95,740,019.80
Payroll	118,412,870.69	240,750,157.22
Materials consumption	136,779,976.81	167,625,611.13
Depreciation and amortisation	38,525,344.38	52,865,532.41
Service fee	—	9,337,850.00
Repair and maintenance fee	325,390.94	802,420.80
Utilities	3,726,787.42	55,819,368.73
Travel expenses	—	17,095.69
Others	752,052.93	6,289,319.57
Total	<u>310,944,898.11</u>	<u>629,247,375.35</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 50. Finance costs

Type	Amount in current period	Amount in previous period
Interest expenses	1,768,520,877.56	1,724,778,997.84
Less: Interest income	97,209,757.95	135,294,988.48
Exchange gain or loss	5,058,577.88	4,927,014.55
Commission charges	3,974,951.73	4,699,543.67
Total	<u>1,680,344,649.22</u>	<u>1,599,110,567.58</u>

Note 51. Other gains

1. Breakdown of other gains

Item	Amount in current period	Amount in previous period
Government subsidy	82,631,983.88	96,751,495.35
Tax handling fee refund	1,289,678.02	969,092.11
Additional deduction for input tax	—	5,252,487.63
Total	<u>83,921,661.90</u>	<u>102,973,075.09</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 51. 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	24,023,000.00	38,111,998.50	Relating to income
Xiyingsi coal storage plant treatment and dust suppression project	–	50,000.00	Relating to assets
Hongyi Mine airtight cylinder coal storage warehouse project	180,000.00	180,000.00	Relating to assets
Government subsidy from Jungar Banner Technology Bureau	–	2,200,000.00	Relating to income
Waste steam power generation project	250,000.00	250,000.00	Relating to assets
Boiler flue gas desulfurisation project	400,000.00	400,000.00	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	50,000.00	50,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilisation project	250,000.00	250,000.00	Relating to assets
High-tech Award	–	500,000.00	Relating to income
Additional funds of science and technology innovation award issued by Jungar Banner Finance Bureau	–	251,600.00	Relating to income
Special fund subsidy for operations of environmental protection facilities of excellent enterprises	–	300,000.00	Relating to income
Special fund for independent innovation industry development in Nanshan District – Sub-fund for economic development	–	66,300.00	Relating to income
Supportive development fund and incentive fund	14,030,000.00	16,885,000.00	Relating to income
Ordos Zhundong Science and Technology Innovation Award in 2019	–	843,600.00	Relating to income
Financial support funds	12,746,002.01	27,602,000.01	Relating to income
Incentives for innovative talents and high-level talents in Ordos	–	500,000.00	Relating to income
Incentives for staff innovation studios in Ordos	–	10,000.00	Relating to income
Large pressure vessel project with an annual capacity of 60,000 tonnes	1,120,000.00	1,120,000.00	Relating to assets
Enterprise smart security information platform management system construction project	–	300,000.00	Relating to income
Support funds for concentrated brine zero-emission technological transformation project	75,000.00		Relating to assets
Qianhai Enterprise Support Funds	5,329,700.00	5,000,000.00	Relating to income
Unemployment insurance subsidy for job stabilisation of enterprises	3,153,434.98	1,219,371.80	Relating to income
Refund of the special account for the payment managed by Yuepu Town People's Government, Baoshan District, Shanghai	1,580,000.00	370,000.00	Relating to income
R&D subsidy from Tianjin University	–	194,485.04	Relating to income
Bonus from China Merchants	63,776.89	50,000.00	Relating to income

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 51. Other gains (Continued)

2. Government subsidy included in other gains (Continued)

Item	Amount in current period	Amount in previous period	Relating to assets/ Relating to income
Employment incentives for attracting Jungar Banner registered residence labour by local enterprises	-	10,000.00	Relating to income
Subsidy from the Market Supervision and Administration Bureau of Jungar Banner	-	37,140.00	Relating to income
Intelligent coal seam mining project	25,000.02	-	Relating to assets
Bonus for Innovation and Operating Skills Competition	51,500.00	-	Relating to income
High-tech Award	1,992,000.00	-	Relating to income
Incentives for scientific research and innovation	3,679,200.00	-	Relating to income
R&D funds for coal indirect liquefaction process	216,666.58	-	Relating to assets
Talent subsidy	168,589.59	-	Relating to income
The project of optimisation and renovation of overall water treatment and zero-discharge process	68,669.53	-	Relating to assets
Port construction subsidy from Tianjin Maritime Bureau of the PRC	16,140.80	-	Relating to income
Subsidy from the Employment Bureau – New apprenticeship project	123,792.00	-	Relating to income
Yitai integrated intelligent coal chemical management project	1,480,000.00	-	Relating to income
Government training subsidy	136,380.00	-	Relating to income
Subsidy for staff education expenses	260,000.00	-	Relating to income
The project of oil and gas recycling facilities for intermediate tankage units	6,481.48	-	Relating to assets
Import Expo subsidy from Jungar Banner Industrial and Technology Bureau	3,000.00	-	Relating to income
Subsidy for excellent and model enterprises in terms of intelligent property rights from the Market Supervision and Administration Bureau of the Autonomous Region	100,000.00	-	Relating to income
Unemployment insurance subsidy from Ordos Finance Bureau in 2019	11,053,650.00	-	Relating to income
Total	82,631,983.88	96,751,495.35	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 52. 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	-5,459,434.41	25,422,372.16
Gain on long-term equity investments under equity method	164,982,849.09	260,976,465.11
Gain on investment in other equity instruments during the period of holding	93,974,920.89	1,344,147.91
Investment gain on disposal of long-term equity investments		-1,322.50
Investment gain on held-for-trading financial assets	21,993,880.61	17,040,712.00
Total	275,492,216.18	304,782,374.68

Note 53. 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	334,877,955.75	67,250,814.65
Gain or loss on change in fair value of trading financial liabilities	1,000,340.00	686,380.00
Total	335,878,295.75	67,937,194.65

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 54. Loss on asset impairment

Item	Amount in current period	Amount in previous period
Inventory depreciation loss	37,319,374.90	—
Impairment loss on fixed assets	144,632,462.24	—
Impairment loss on construction in progress	3,027,333,427.64	—
Impairment loss on other long-term assets	—	32,328,166.71
Total	<u>3,209,285,264.78</u>	<u>32,328,166.71</u>

Note 55. Loss on credit impairment

Item	Amount in current period	Amount in previous period
Bad debt loss	<u>21,709,901.58</u>	<u>3,025,782.92</u>
Total	<u>21,709,901.58</u>	<u>3,025,782.92</u>

Note 56. Gain on disposal of assets

Item	Amount in current period	Amount in previous period
Gains or losses on disposal of fixed assets	2,487,573.45	7,274,870.13
Gains or losses on disposal of intangible assets	<u>742,661.21</u>	—
Total	<u>3,230,234.66</u>	<u>7,274,870.13</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 57. Government subsidy

1. Government subsidy recognised in the current period

Project name	Relating to assets/Relating to income	Opening balance of deferred income related to government subsidy	Government subsidy recognised 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 desulfurisation 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 utilisation project	Relating to assets	4,300,000.00	–
Infrastructure subsidy	Relating to assets	50,458,500.00	–
R&D subsidy from 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	–
Support funds for concentrated brine zero-emission technological transformation project	Relating to assets	1,600,000.00	–
Intelligent coal seam mining project	Relating to assets	–	500,000.00
Comprehensive waste water zero-discharge project	Relating to income	–	500,000.00
Subsidy from the Employment Bureau – New apprenticeship project	Relating to income	–	192,000.00
The project of optimisation and renovation of overall water treatment and zero-discharge process	Relating to assets	–	3,200,000.00
The project of oil and gas recycling facilities for intermediate tankage units	Relating to assets	–	2,100,000.00
Special funds for financial support	Relating to income	–	24,023,000.00
High-tech Award	Relating to income	–	–
Supportive development fund and incentive fund	Relating to income	–	14,030,000.00
Financial support funds	Relating to income	–	12,746,002.01

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 57. Government subsidy (Continued)

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

Project name	Relating to assets/Relating to income	Opening balance of deferred income related to government subsidy	Government subsidy recognised in the current period
Qianhai Enterprise Support Funds	Relating to income	–	5,329,700.00
Unemployment insurance subsidy for job stabilisation of enterprises	Relating to income	–	3,153,434.98
Refund of the special account for the payment managed by Yuepu Town People's Government, Baoshan District, Shanghai	Relating to income	–	1,580,000.00
Bonus from China Merchants	Relating to income	–	63,776.89
Award for Innovation and Operating Skills Competition	Relating to income	–	51,500.00
High-tech Award	Relating to income	–	1,992,000.00
Incentives for scientific research and innovation	Relating to income	–	3,679,200.00
Talent subsidy	Relating to income	–	168,589.59
Port construction subsidy from Tianjin Maritime Bureau of the PRC	Relating to income	–	16,140.80
Yitai integrated intelligent coal chemical management project	Relating to income	–	1,480,000.00
Government training subsidy	Relating to income	–	136,380.00
Subsidy for staff education expenses	Relating to income	–	260,000.00
Import Expo subsidy from Jungar Banner Industrial and Technology Bureau	Relating to income	–	3,000.00
Subsidy for excellent and model enterprises in terms of intelligent property rights from the Market Supervision and Administration Bureau of the Autonomous Region	Relating to income	–	100,000.00
Unemployment insurance subsidy from Ordos Finance Bureau in 2019	Relating to income	–	11,053,650.00
Total		72,909,354.93	86,358,374.27

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 57. Government subsidy (Continued)

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

Project name	Government subsidy included in other income in the current period	Closing balance of deferred income related to government subsidy
Hongyi Mine airtight cylinder coal storage warehouse project	180,000.00	1,260,000.00
Waste steam power generation project	250,000.00	2,625,000.00
Boiler flue gas desulfurisation project	400,000.00	5,900,000.00
High temperature slurry bed Fischer-Tropsch process project	50,000.00	525,000.00
Fischer-Tropsch process water comprehensive utilisation project	250,000.00	4,050,000.00
Infrastructure subsidy	–	50,458,500.00
R&D subsidy from Tianjin University	–	854.93
R&D funds for coal indirect liquefaction process	216,666.58	1,783,333.42
Large pressure vessel project with an annual capacity of 60,000 tonnes	1,120,000.00	2,240,000.00
Support funds for concentrated brine zero-emission technological transformation project	75,000.00	1,525,000.00
Intelligent coal seam mining project	25,000.02	474,999.98
Comprehensive waste water zero-discharge project	–	500,000.00
Subsidy from the Employment Bureau – New apprenticeship project	123,792.00	68,208.00
The project of optimisation and renovation of overall water treatment and zero-discharge process	68,669.53	3,131,330.47
The project of oil and gas recycling facilities for intermediate tankage units	6,481.48	2,093,518.52
Special funds for financial support	24,023,000.00	–
High-tech Award	–	–
Supportive development fund and incentive fund	14,030,000.00	–
Financial support funds	12,746,002.01	–
Qianhai Enterprise Support Funds	5,329,700.00	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 57. Government subsidy (Continued)

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

Project name	Government subsidy included in other income in the current period	Closing balance of deferred income related to government subsidy
Unemployment insurance subsidy for job stabilisation of enterprises	3,153,434.98	-
Refund of the special account for the payment managed by Yuepu Town People's Government, Baoshan District, Shanghai	1,580,000.00	-
Bonus from China Merchants	63,776.89	-
Award for Innovation and Operating Skills Competition	51,500.00	-
High-tech Award	1,992,000.00	-
Incentives for scientific research and innovation	3,679,200.00	-
Talent subsidy	168,589.59	-
Port construction subsidy from Tianjin Maritime Bureau of the PRC	16,140.80	-
Yitai integrated intelligent coal chemical management project	1,480,000.00	-
Government training subsidy	136,380.00	-
Subsidy for staff education expenses	260,000.00	-
Import Expo subsidy from Jungar Banner Industrial and Technology Bureau	3,000.00	-
Subsidy for excellent and model enterprises in terms of intelligent property rights from the Market Supervision and Administration Bureau of the Autonomous Region	100,000.00	-
Unemployment insurance subsidy from Ordos Finance Bureau in 2019	11,053,650.00	-
Total	82,631,983.88	76,635,745.32

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 58. 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	–	1,581,741.77	–
Including: Gain on scrapping of fixed assets	–	1,581,741.77	–
Penalty and confiscatory income	9,387,428.79	19,773,801.00	9,387,428.79
Others	2,711,352.52	43,381,525.49	2,711,352.52
Total	12,098,781.31	64,737,068.26	12,098,781.31

Note 59. 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	6,751,174.51	26,269,929.18	6,751,174.51
Including: Loss on scrapping of fixed assets	6,751,174.51	26,269,929.18	6,751,174.51
Expenditure on public welfare donations	45,338,761.10	81,600,188.23	45,338,761.10
Expenditure on penalties	8,203,703.58	29,392,142.69	8,203,703.58
Others	25,992,043.33	3,736,416.27	25,992,043.33
Total	86,285,682.52	140,998,676.37	86,285,682.52

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 60. Income tax expenses

1. Table of income tax expenses

Item	Amount in current period	Amount in previous period
Current income tax expenses	1,017,945,529.37	942,653,865.75
Deferred income tax expenses	-194,092,804.76	304,037,535.57
Total	<u>823,852,724.61</u>	<u>1,246,691,401.32</u>

2. Adjustment of accounting profits and income tax expenses

Item	Amount in current period
Total profits	277,952,944.55
Income tax expenses calculated at statutory/applicable tax rates	69,488,236.14
Impact of different tax rates applied to subsidiaries	62,851,673.81
Impact of adjustment of income tax of previous periods	40,620,184.97
Impact of income tax credit	-2,123,027.83
Impact of non-deductible costs, expenses and losses	18,791,655.08
Impact of utilising deductible temporary differences or deductible losses on deferred income tax assets unrecognised in previous periods	-86,611,971.24
Impact of deductible temporary differences or deductible losses on deferred income tax assets unrecognised in current period	886,076,649.24
Impact of applicable tax rate movements on deferred income tax assets	-65,042,197.53
Impact of non-taxable income	-64,150,835.37
Additional deduction for R&D expenditure	-36,047,642.66
Income tax expenses	<u>823,852,724.61</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 61. 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	97,208,084.93	135,294,988.48
Revolving fund, warranty premium and deposit	121,362,186.03	806,679,988.50
Government subsidy	49,229,085.14	101,551,784.16
Others	12,098,781.31	21,306,362.04
Total	<u>279,898,137.41</u>	<u>1,064,833,123.18</u>

2. Other cash payments relating to operating activities

Item	Amount in current period	Amount in previous period
Revolving fund, quality guarantee deposit, warranty premium, etc.	385,016,291.10	1,103,923,953.38
Travel expenses	12,426,529.97	32,971,323.53
Operating expenses	75,671,300.55	90,874,197.12
Expenditure on public welfare donations	45,338,761.10	80,710,470.00
R&D expenditure	270,267,854.48	335,087,811.10
Others	127,737,497.18	211,120,420.63
Total	<u>916,458,234.38</u>	<u>1,854,688,175.76</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 61. Notes to the cash flow statement (Continued)

3. Other cash receipts relating to investing activities

Item	Amount in current period	Amount in previous period
Futures deposits received	656,998,737.93	—
Total	656,998,737.93	—

4. Other cash payments relating to investing activities

Item	Amount in current period	Amount in previous period
Futures deposits paid	670,040,000.00	87,001,001.00
Total	670,040,000.00	87,001,001.00

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, etc. directly paid for bond issue	56,258.12	103,223,277.50
Lease related payments	340,756,771.25	2,635,113.30
Total	340,813,029.37	106,618,690.80

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 62. 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	-545,899,780.06	4,807,132,858.54
Add: Provision for impairment of assets	3,230,995,166.36	35,353,949.63
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	1,954,486,947.81	1,951,449,988.60
Amortisation of intangible assets	109,357,421.70	109,636,583.58
Amortisation of long-term deferred expenses	352,044,987.38	423,077,985.28
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-3,230,234.66	-7,274,870.13
Losses from scrapping of fixed assets ("-" for gains)	6,751,174.51	24,688,187.41
Losses from changes in fair value ("-" for gains)	-335,878,295.75	-67,937,194.65
Finance costs ("-" for gains)	1,768,520,877.56	1,724,778,997.84
Investment losses ("-" for gains)	-275,492,216.18	-304,782,374.68
Decrease in deferred income tax assets ("-" for increase)	-311,451,947.72	268,028,674.20
Increase in deferred income tax liabilities ("-" for decrease)	117,359,142.96	36,008,861.37
Decrease in inventories ("-" for increase)	791,356,290.64	-743,881,336.48
Decrease in operating receivables ("-" for increase)	401,310,394.17	320,131,581.56
Increase in operating payables ("-" for decrease)	-520,176,694.23	-2,095,556,504.93
Others		
Net cash flow from operating activities	6,740,053,234.49	6,480,855,387.14
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt 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	11,292,510,611.23	15,954,045,957.75
Less: Opening balance of cash	15,954,045,957.75	16,994,167,148.20
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-4,661,535,346.52	-1,040,121,190.45

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 62. Supplementary information of the cash flow statement (Continued)

2. No payment of consideration for acquisition of subsidiaries in the current period
3. No disposal of subsidiaries in the current period
4. Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	11,292,510,611.23	15,954,045,957.75
Of which: Treasury cash	1,443,941.53	1,012,542.40
Bank deposits that can be used for payment at any time	11,291,066,669.70	15,953,033,415.35
II. Cash equivalents		
Of which: Wealth management products due within three months		
III. Balance of cash and cash equivalents at the end of the period	11,292,510,611.23	15,954,045,957.75

Note 63. The assets whose ownership or right-of-use is restricted

Item	Balance	Cause for the restriction
Monetary funds	943,386,493.39	For details of the bank acceptance bill deposit, guarantee deposit and environmental protection deposit, please see Note 1 to this Note VI.
Total	943,386,493.39	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 64. 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	22,714,814.60	6.5249	148,211,893.78
HKD	5,481,942.56	0.8416	4,613,602.86
Long-term borrowings (including those due within one year)	—	—	—
Including: KWD	<u>2,683,100.00</u>	<u>21.4529</u>	<u>57,560,275.99</u>

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 31 December 2020: USD1 = RMB6.5249.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

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

1. 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 and Administration Bureau of Jungar Banner, Ordos. A wholly-owned subsidiary was added to the scope of consolidation in the current period.
2. During the current period, the Company completed the liquidation and cancellation of a wholly-owned subsidiary, Inner Mongolia Yitai Energy Chemical Co., Ltd. (內蒙古伊泰能源化工有限公司). A wholly-owned subsidiary was removed from the scope of consolidation in the current period.
3. During the current period, the Company completed the liquidation and cancellation of a wholly-owned subsidiary, Inner Mongolia Yitai Jungar Coal Transportation and Sales Co., Ltd. (內蒙古伊泰准格爾煤炭運銷有限責任公司). A wholly-owned subsidiary was removed from the scope of consolidation in the current period.
4. During the current period, the Company completed the liquidation and cancellation of a wholly-owned subsidiary, Inner Mongolia Yitai Nalinmiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災害治理有限公司). A wholly-owned subsidiary was removed from the scope of consolidation in the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 (%)		
				Direct	Indirect	Acquisition method
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	-	A subsidiary acquired through business combination under common control
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	Ordos	Majjata Village, Haji Gaole Township, Jungar Banner	Coal mining	52.00	-	A subsidiary acquired through establishment or investment
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Shanghai	Lingshi Road, Shanghai	Sales of coal	100.00	-	A subsidiary 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	Sales of coal	100.00	-	A subsidiary acquired through establishment or investment
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Shenzhen	Room 201, Block A, No. 1, Qianwan Road 1, Qianhai Shenzhen-Hong Kong Cooperative District, Shenzhen	Sales of coal	100.00	-	A subsidiary 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	-	A subsidiary acquired through establishment or investment
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Ulanqab	Xinghe Miaoliang Coal Logistics Park, Ulanqab	Sales of coal	100.00	-	A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Huzhuan 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	-	A subsidiary 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	-	61.21	A subsidiary acquired through business combination not under common control
Inner Mongolia Yitai Zhundong Jintai Storage and Transportation Co., Ltd. (內蒙古伊泰准東金泰儲運有限責任公司)	Ordos	Warm Water Township, Jungar Banner	Storage of goods	-	51.00	A subsidiary acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 (%)		
				Direct	Indirect	Acquisition method
Jungar Banner Huzhun Ruyi Logistics Co., Ltd. (准格爾旗呼准如意物流有限責任公司)	Ordos	Guanniuju, East Kongdai Village, Dalu Town, Jungar Banner	Storage and loading of goods	-	51.00	A subsidiary 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	-	A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Petrochemical Equipment Co., Ltd. (內蒙古伊泰石化裝備有限責任公司)	Ordos	Dalu New District, Jungar Banner	Manufacturing	-	83.89	A subsidiary 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, Chabuhaer County, Yili, Xinjiang	Coal technology development	90.20	-	A subsidiary 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, Chabuhaer County	Investment	90.27	-	A subsidiary acquired through establishment or investment
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Urumqi	Room 1512, No. 1 Weitai South Road, Urumqi Economic and Technological Development Zone	Consultation	90.20	-	A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Ordos	Xini South Road, 109 National North Road, Xini Town, Hangjin Banner	Chemical production	61.15	-	A subsidiary acquired through establishment or investment
Hangjin Banner Xinnuo Municipal Construction and 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	A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Ningeng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	Ordos	Dugui Tala Industrial Park, Hangjin Banner, Ordos	Coal-related chemical	-	51.00	A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	Ordos	Dongsheng District, Ordos	Sales of oil and chemicals	90.20	-	A subsidiary 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	A subsidiary acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 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		A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Railway Investment Co., Ltd. (內蒙古伊泰鐵路投資有限責任公司)	Ordos	Jiefang, No. 14 South Yimei Road, Dongsheng District, Ordos, Inner Mongolia Autonomous Region	Railway investment	100.00	-		A subsidiary acquired through establishment or investment
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限責任公司)	Qinhuangdao	No. 225 Haining Road, Beidaihe District, Qinhuangdao, Hebei Province	Sales of coal	100.00	-		A subsidiary acquired through establishment or investment
Yitai Shanxi Coal Transportation and Sales Co., Ltd. (伊泰(山西)煤炭運銷有限責任公司)	Taiyuan	Room 210-4, 2/F, Zizhengyuan Building B, No. 46 Jingyuan Road, Private District, Taiyuan	Sales of coal	100.00	-		A subsidiary acquired through establishment or investment
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)	Chongqing	2-1, Unit 3, Building 2, No. 53 Gangcheng West Road, Jiangbei District, Chongqing	Research and development	60.00	-		A subsidiary acquired through establishment or investment
Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	Ordos	Dongsheng District, Ordos	Test for coal quality and oil	100.00	-		A subsidiary acquired through business combination under common control
Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信聿投資管理合夥企業(有限合夥))	Xiaoshan District, Hangzhou, Zhejiang Province	Xianghu Financial Town, Xiaoshan District, Hangzhou, Zhejiang Province	Fund investment	100.00	-		A subsidiary 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	-		A subsidiary acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 (%)		
				Direct	Indirect	Acquisition method
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	-	A subsidiary 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	Dailuta Village, Nalin Taohai Town, Yijin Holo Banner, Ordos	Coal mining	100.00	-	A subsidiary 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	-	A subsidiary acquired through establishment or investment
GQC Yitai Jiuyou Investment Management Partnership (Limited Partnership) (共青城伊泰久友投資管理合夥企業(有限合夥))	Jiujiang, Jiangxi Province	Gongqingcheng Private Equity Fund Innovation Park, Jiujiang, Jiangxi Province	Investment in project, management and industry	-	98.33	A subsidiary acquired through establishment or investment
Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海臨港伊泰供應鏈有限公司)	Shanghai	Room 3278, Building 2, Lane 1800, Xinyang Highway, Fengxian District, Shanghai	Supply chain management	100.00	-	A subsidiary acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 subsidiary	Minority shareholder's shareholding proportion (%)	Profit and loss attributable to the minority shareholders in the current period	Dividends declared to be distributed 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	-7,151.78	-980.00	122,816.18
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	72,146.36		398,133.34
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	27.34	5,203.29	-568.40	224,582.45
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	38.85	-21,620.25		215,193.59

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

3. Main financial information for significant non-wholly-owned subsidiaries

Unit: RMB'0,000

Name of subsidiary	Current assets	Non-current assets	Closing 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)	28,921.48	333,914.70	362,836.18	27,126.18	108,562.68
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)	543,323.64	349,186.46	892,510.10	51,585.15	63,065.65
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	25,971.54	1,191,593.43	1,217,564.97	64,346.79	359,992.90
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	253,697.52	1,387,477.32	1,641,174.84	268,384.87	1,083,378.04

Continued:

Name of subsidiary	Current assets	Non-current assets	Opening balance		
			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)	51,530.13	330,433.89	381,964.02	71,427.06	39,401.00
Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	360,513.51	355,897.59	716,411.10	39,153.58	4,188.24
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
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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

3. Main financial information for significant non-wholly-owned subsidiaries (Continued)

Name of subsidiary	Operating income	Amount in current period		
		Net profit	Total comprehensive income	Cash flow 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)	77,339.78	-14,861.79	-14,861.79	2,654.24
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)	391,554.54	150,304.92	150,304.92	160,210.26
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	155,084.68	18,954.08	23,558.65	24,226.67
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	439,053.95	-59,897.98	-59,897.98	49,778.12

Continued:

Name of subsidiary	Operating income	Amount in previous period		
		Net profit	Total comprehensive income	Cash flow 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)	96,541.90	-3,247.16	-3,247.16	18,177.77
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	385,592.68	177,222.72	177,222.72	184,552.61
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	223,339.52	51,236.97	46,450.16	112,980.17
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	522,358.14	14,675.64	14,675.64	98,620.31

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 venture or associate	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工有限責任公司)	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)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

2. Key financial information of significant joint ventures

Item	Closing balance/ Amount in 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	24,091,746.22	78,119,639.76
Of which: Cash and cash equivalents	12,873,552.94	78,096,444.42
Non-current assets	89,185,151.63	922,969,450.49
Total assets	113,276,897.85	1,001,089,090.25
Current liabilities	5,955,573.70	355,206.23
Non-current liabilities	—	—
Total liabilities	5,955,573.70	355,206.23
Minority interests	—	—
Equity attributable to shareholders of the parent company	107,321,324.15	1,000,733,884.02
Net assets calculated by proportion of shareholding	52,587,448.84	472,646,613.42
Adjusting items	—	—
– Goodwill	—	—
– Internal transaction unrealised profit	—	—
– Others	—	—
Book value of equity investments in joint ventures	52,587,448.84	472,646,613.42
Fair value of equity investments with public offer	—	—
Operating income	11,218,193.28	—
Financial costs	-78,964.61	-1,127,119.65
Income tax expenses	109,793.42	246,836.66
Net profit	768,553.93	684,558.15
Net profit of discontinued operations	—	—
Other comprehensive income	—	—
Total comprehensive income	768,553.93	684,558.15
Dividends received by the Company from joint ventures in the current period	—	—

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

2. Key financial information of significant joint ventures (Continued)

Continued:

Item	Opening balance/ Amount in 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 equivalents	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 interests	—	—
Equity attributable to shareholders of the parent company	106,543,480.19	1,000,063,816.88
Net assets calculated by proportion of shareholding	52,206,305.29	472,330,140.71
Adjusting items	—	—
– Goodwill	—	—
– Internal transaction unrealised profit	—	—
– Others	—	—
Book value of equity investments in joint ventures	52,206,305.29	472,330,140.71
Fair value of equity investments with public offer	—	—
Operating income	13,433,675.84	—
Financial costs	-41,318.66	-315,858.93
Income tax expenses	—	1,973.72
Net profit	2,470,681.11	63,885.21
Net profit of discontinued operations	—	—
Other comprehensive income	—	—
Total comprehensive income	2,470,681.11	63,885.21
Dividends received by the Company from joint ventures in the current period	4,144,856.28	—

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

3. Key financial information of significant associates

Item	Closing balance/Amount in 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	10,395,325,013.70	145,488,147.95	1,912,077,038.65
Non-current assets	728,561.69	4,287,612,205.17	43,843,454,729.46
Total assets	10,396,053,575.39	4,433,100,353.12	45,755,531,768.11
Current liabilities	9,008,750,199.72	951,279,376.26	1,688,298,025.10
Non-current liabilities	—	1,546,266,808.88	5,064,788,429.75
Total liabilities	9,008,750,199.72	2,497,546,185.14	6,753,086,454.85
Minority interests	—	—	—
Equity attributable to shareholders of the parent company	1,387,303,375.67	1,935,554,167.98	39,002,445,313.26
Net assets calculated by proportion of shareholding	554,921,350.40	561,310,708.71	7,800,489,062.65
Adjusting items	—	—	—
– Goodwill	—	—	—
– Internal transaction unrealised profit	—	—	—
– Others	—	—	—
Book value of equity investments in associates	554,921,350.40	561,310,708.71	7,800,489,062.65
Fair value of equity investments with public offer	—	—	—
Operating income	323,170,210.88	695,664,029.96	2,458,624,809.74
Net profit	200,617,334.67	12,000,164.85	629,332,366.71
Net profit of discontinued operations	—	—	—
Other comprehensive income	—	—	—
Total comprehensive income	200,617,334.67	12,000,164.85	629,332,366.71
Dividends received by the Company from associates in the current period	112,000,000.00	3,763,678.92	30,000,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

3. Key financial information of significant associates (Continued)

Continued:

Item	Opening balance/Amount in previous period		
	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務 有限公司)	Inner Mongolia 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	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 interests	—	—	—
Equity attributable to shareholders of the parent company	1,466,686,041.00	1,937,084,379.56	38,721,911,402.70
Net assets 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	—	—	—
– Others	—	—	—
Book value of equity investments 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	334,141,588.16	778,521,460.71	2,885,153,141.38
Net profit	243,534,883.80	70,272,873.44	590,548,247.32
Net profit of discontinued operations	—	—	—
Other comprehensive income	—	—	—
Total comprehensive income	243,534,883.80	70,272,873.44	590,548,247.32
Dividends received by the Company from associates in the current period	—	—	30,000,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Item	Closing balance/ Amount in current period	Opening balance/ Amount in previous period
Total book value of investments in associates	318,583,605.97	302,926,981.21
Total amount of the following items calculated by proportion of shareholding		
Net profit	17,587,050.83	68,444,940.12
Other comprehensive income		
Total comprehensive income	17,587,050.83	68,444,940.12

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 venture or associate	Accumulated unrecognised loss in previous period	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, less the net assets of the former subsidiary attributable to the Company since the acquisition date as calculated based on its original shareholding percentage in that subsidiary, is recognised as the investment income for the period when the loss of control occurred. The long-term equity investment is carried forward to reducing by RMB8,035,937.21. As of 31 December 2020, the accumulated unrecognised loss was RMB6,033,758.58.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

(III) Equity in joint arrangements or associates *(Continued)*

7. **The Company has no unrecognised commitment related to investments in joint ventures.**
8. **The Company has no contingent liabilities related to investments in joint ventures or associates.**

(IV) **The Company has no structuring subject out of the scope of consolidated financial statements.**

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENT (Continued)

(I) Credit risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties. The management has developed proper credit policies and continuously monitors credit risk exposures.

The Company has adopted the policy of transacting with creditworthy counterparties only. In addition, the Company evaluates the credit qualification of customers and sets up corresponding credit term based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Company monitors the balances and recovery of bills and accounts receivable, and contract assets on a continual basis. As for bad credit customers, the Company will use the written reminders, shorten the credit term or cancel the credit term to ensure that the Company is free from material credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure adequate expected credit loss provision is made for relevant financial assets.

The Company's other financial assets include currency funds and other receivables. The credit risk relating to these financial assets arises from the default of counterparties, but the maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet. The Company does not provide any other guarantee that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited with financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses caused by the default by these institutions. The Company's policy is to control the amount deposited with these famous financial institutions based on their market reputation, operating size and financial background, to limit the credit risk amount of any single financial institution.

As a part of its credit risk asset management, the Company assesses the credit loss of receivables using expected credit loss.

As of 31 December 2020, the book balance and expected credit losses of related assets are as follows:

Item	Book balance	Loss provision
Accounts receivables	1,320,849,654.46	40,673,787.48
Receivable financing	2,071,600.00	—
Prepayments	577,251,955.11	3,376,000.00
Other receivables	452,497,763.32	10,038,331.69
Total	<u>2,352,670,972.89</u>	<u>54,088,119.17</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 31 December 2020, the financial liabilities owned by the Company are presented as undiscounted contractual cash flows on the remaining contract period as follows:

Item	Within 1 month	1-3 months	3 months-1 year	Closing balance			Total
				1-2 year(s)	2-5 years	Over 5 years	
Short-term borrowings	3,032,874.67	5,870,080.00	1,005,951,209.61	-	-	-	1,014,854,164.28
Trading financial liabilities	2,034,720.00	-	-	-	-	-	2,034,720.00
Notes payable	-	-	1,296,438,553.80	-	-	-	1,296,438,553.80
Accounts payable	-	-	2,164,149,682.62	-	-	-	2,164,149,682.62
Other payables	-	-	1,379,398,220.73	-	-	-	1,379,398,220.73
Long-term borrowings	611,706,146.94	296,417,393.03	4,138,537,767.35	9,190,814,740.74	11,019,586,955.59	5,964,661,344.44	31,221,724,348.09
Bonds payable	26,608,333.33	51,500,000.00	3,679,875,000.00	120,652,777.78	2,677,368,055.56	-	6,556,004,166.67
Lease liabilities	498,182.83	996,365.66	4,483,645.47	6,696,003.32	4,106,500.15	-	16,780,697.43
Long-term payables	2,238,295.94	1,041,863.01	34,696,205.48	35,894,000.00	110,362,000.00	391,469,500.00	575,701,864.43
Total	646,118,553.71	355,825,701.70	13,703,530,285.06	9,354,057,521.84	13,811,423,511.30	6,356,130,844.44	44,227,086,418.05

Item	Within 1 month	1-3 months	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)

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 31 December 2020, the carrying amounts in RMB equivalent of the Company’s financial assets and liabilities denominated in foreign currencies are summarized below:

Item	USD	Closing balance		Total
		HKD	KWD	
Foreign currency financial assets:				
Monetary funds	148,211,893.78	4,613,602.86	–	152,825,496.64
Sub-total	148,211,893.78	4,613,602.86	–	152,825,496.64
Foreign currency financial liabilities:				
Short-term borrowings	–	–	–	–
Long-term borrowings due within one year	–	–	16,445,792.36	16,445,792.36
Long-term borrowings	–	–	41,114,483.63	41,114,483.63
Sub-total	–	–	57,560,275.99	57,560,275.99

Item	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	160,198,077.39	3,408,333.87	–	163,606,411.26
Foreign currency financial liabilities:				
Short-term borrowings	–	–	–	–
Long-term borrowings due within one year	–	–	17,640,701.02	17,640,701.02
Long-term borrowings	–	–	61,742,415.50	61,742,415.50
Sub-total	–	–	79,383,116.52	79,383,116.52

- (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)

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 31 December 2020, the Company's long-term interest-bearing debts are mainly the floating rate contracts denominated in RMB, with a contract value of RMB27,259,756,516.75. See Note VI. (31) and (33) for details.

(2) Sensitivity analysis:

As of 31 December 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 RMB124,320,586.66, including a decrease or an increase by approximately RMB125,951,003.33 in total profit for the year, and an increase or a decrease by RMB1,630,416.67 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)*

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 31 December 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

X. FAIR VALUE (Continued)

(II) Fair value measurement at the end of the period

1. Sustained fair value measurement

Item	Fair value at the end of the period			Total
	Level 1	Level 2	Level 3	
Trading financial assets	2,011,120.00	–	–	2,011,120.00
Investment in other equity instruments	20,802,731.72	101,180,000.00	7,136,000,000.00	7,257,982,731.72
Other non-current financial assets	–	–	1,571,136,033.21	1,571,136,033.21
Total assets	22,813,851.72	101,180,000.00	8,707,136,033.21	8,831,129,884.93
Trading financial liabilities	2,034,720.00	–	–	2,034,720.00
Total liabilities	2,034,720.00	–	–	2,034,720.00

Item	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)

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		Fair value hierarchy	Valuation Technique and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	31 December 2020 (RMB)	31 December 2019 (RMB)				
Financial assets at fair value through profit or loss – futures contract	2,011,120.00	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	2,034,720.00	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	20,802,731.72	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		Fair value hierarchy	Valuation Technique and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	31 December 2020 (RMB)	31 December 2019 (RMB)				
Financial assets at fair value through other comprehensive income – preference shares	101,180,000.00	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)

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
	31 December 2020 (RMB)	31 December 2019 (RMB)				
Financial assets at fair value through other comprehensive income – unlisted equity investments	7,136,000,000.00	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	1,571,136,033.21	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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Item	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	61,640,322.98	92,933,847.19
Additions		363,966,242.28	363,966,242.28
Change in fair value	-49,000,000.00	330,263,762.71	281,263,762.71
Closing balance	7,136,000,000.00	1,571,136,033.21	8,707,136,033.21

(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)

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	Register capital (RMB'0,000)	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)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Information on the Company's joint ventures and associates

Refer to (III) 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
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)	Associate
Ordos Gonggouyangta Storage and Transportation Co., Ltd.	Associate
Ordos Tiandi Huarun Mine Equipment Co., Ltd.	Associate
Ordos Yitai Water Co., Ltd.	Joint venture
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
Inner Mongolia Jingtai Power Generation 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
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Associate
Inner Mongolia Yuanji Chemical Co., Ltd.	Associate

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd. Beijing Yitai Lingnong Technology Co., Ltd. (北京伊泰領農科技有 限公司)	A company controlled by the related natural person Indirect subsidiary of the parent company
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited Guangbo Huitong Finance Leasing Company Limited Guangdong Power Industry Fuel Co., Ltd.	Indirect subsidiary of the parent company Indirect subsidiary of the parent company Subsidiary of a controlling shareholder of a subsidiary's shareholder
Keling Environmental Protection Co., Ltd. Mengji Railway Co., Ltd. Inner Mongolia Jinglong Power Generation Co., Ltd.	Subsidiary of the parent company Joint stock company Wholly-owned subsidiary of the shareholder of a subsidiary
Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd. Inner Mongolia Jingtai Environmental Technology Co., Ltd.(內蒙古 晶泰環境科技有限責任公司)	Controlling shareholder of a subsidiary's shareholder A company controlled by the related natural person
Inner Mongolia Mengtai Buliangou Coal Co., Ltd. Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd. Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Shareholder of a subsidiary Indirect subsidiary of the parent company Subsidiary of the parent company
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2 Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Branch of the parent company Wholly-owned subsidiary of the parent company
Inner Mongolia Yitai Eco-agriculture Co., Ltd. Inner Mongolia Yitai Pastoral Technological Innovation Incubator Service Limited	Subsidiary of the parent company Indirect subsidiary of the parent company
Inner Mongolia Yitai Western Coal Co., Ltd. Inner Mongolia Yitai New Energy Development Co., Ltd. Inner Mongolia Yitai Information Technology Co., Ltd. Inner Mongolia Yitai Impression Flowers Co., Ltd. Inner Mongolia Yitai Real Estate Co., Ltd. Inner Mongolia Machine Equipments Complete Co., Ltd.	Subsidiary of the parent company Indirect subsidiary of the parent company Legal person with related natural person as director Indirect subsidiary of the parent company A company controlled by the related natural person A company controlled by the related natural person
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. Yigudao (Beijing) Food Marketing Co., Ltd. Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch Yitai Group (Hongkong) Co., Ltd.	Shareholder of a subsidiary Indirect subsidiary of the parent company Indirect subsidiary of the parent company Indirect subsidiary of the parent company Wholly-owned subsidiary of the parent company
Synfuels China Engineering Holdings Co., Ltd. Synfuels China Inc. Synfuels China Inner Mongolia Technology Institute Co., Ltd. Synfuels China Inner Mongolia Co., Ltd.	Indirect subsidiary of the parent company Subsidiary of the parent company Indirect subsidiary of the parent company Indirect subsidiary of the parent company

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(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.**
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.	4,495.49	3,864.03
Inner Mongolia Machine Equipments Complete Co., Ltd.	Supervision services	4,463.77	354.42
Synfuels China Inner Mongolia Co., Ltd.	Catalysts	26,746.79	24,021.04
Synfuels China Engineering Holdings Co., Ltd.	Equipment and technical services, etc.	8,948.49	6,198.63
Inner Mongolia Yitai Group Co., Ltd.	Coal	244,602.92	289,537.38
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	Coal	52,967.23	22,221.93
Keling Environmental Protection Co., Ltd.	Treatment of hazardous waste	1,907.90	2,091.71
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Greening services and agricultural by-products	621.72	5.16
Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	Agricultural by-products		122.2
Inner Mongolia Yitai Western Coal Co., Ltd.	Coal	559.97	20,071.57
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity	2,907.70	2,814.77
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Agricultural by-products	590.35	0.78
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Agricultural by-products		2.53
Mengji Railway Co., Ltd.	Transportation services	45,969.13	81,542.68
Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Technical services	0.49	0.79

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Yitai Tongda Coal Co., Ltd.	Coal		179.96
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	233.99	6.04
Yigudao (Beijing) Food Marketing Co., Ltd.	Agricultural by-products		43.78
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Agricultural by-products		9.01
Inner Mongolia Yitai Real Estate Co., Ltd.	Fixed assets and property services	61.29	21,829.34
Synfuels China Inc.	Technical services	7.55	
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Coal and fixed assets	9.95	
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Flowers	187.59	
Beijing Yitai Lingnong Technology Co., Ltd. (北京伊泰領農科技有限公司)	Agricultural by-products	113.87	
Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	Transportation and maintenance services	4,138.73	5,940.57
Inner Mongolia Yitai Finance Company Limited	Fixed assets	0.85	
Ordos Yitai Water Co., Ltd.	Industrial water	1,121.82	1,316.03
Total		<u>400,657.59</u>	<u>482,176.93</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, leasing services, etc.	2,245.48	11,765.2
Inner Mongolia Jingtai Power Generation Co., Ltd.	Coal and oil products	20,764.42	25,042.56
Synfuels China Inner Mongolia Co., Ltd.	Chemical products, oil products, etc.	619.05	806.82
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Transportation services	14,718.65	13,576.47
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Equipment leasing	464.19	1,474.83
Keling Environmental Protection Co., Ltd.	Common media, electricity, oil products, etc.	151.07	423.23
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Electricity and fixed assets	1,673.65	1,450.32
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Oil products, assets, etc.	17.99	22.21
Inner Mongolia Jinglong Power Generation Co., Ltd.	Coal	4,885.28	6,857.23
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity charges, heating charges, etc.	21.62	21.11
Synfuels China Inc.	Catering and accommodation services	40.35	24.22
Inner Mongolia Yitai Investment Co., Ltd.	Legal services	9.43	9.43
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Common media and heating Charges	14.77	26.62
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	21,834.37	11,867.11
Inner Mongolia Yitai Real Estate Co., Ltd.	Fixed assets, materials and lease	8.24	
Inner Mongolia Yitai Information Technology Co., Ltd.	Fixed assets	5.81	
Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	Coal and oil products	33.03	17.81
Guangdong Power Industry Fuel Co., Ltd.	Coal	80,495.12	84,392.85

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	Project management charges and chemical equipment	623.94	92.28
Inner Mongolia Yitai Group Co., Ltd.	Service management charges, vehicle leasing and materials	169.23	
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Fixed assets and materials	9.08	
Inner Mongolia Yitai Finance Company Limited	Fixed assets	1.68	
Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Raw materials	1.09	
Inner Mongolia Yitai Western Coal Co., Ltd.	Materials and equipment	0.50	
Total		<u>148,808.04</u>	<u>157,870.29</u>

4. There was no related entrusting business in the Company.

5. There was no related contracting business in the Company.

6. Related party leasing

(1) The Company acts as a lessee

Name of lessor	Type of leased assets	Rental expenses recognized in the current period	Rental expenses recognized in the last period
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	Equipment	3,291,666.67	7,500,000.00
Guangbo Huitong Finance Leasing Company Limited	Equipment	3,950,000.00	9,000,000.00
Total		<u>7,241,666.67</u>	<u>16,500,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

6. Related party leasing (Continued)

(1) The Company acts as a lessee (Continued)

- 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.

(2) The Company acts as a lessor

Name of lessee	Type of leased assets	Rental expenses recognized in the current period	Rental expenses recognized in the last period
Inner Mongolia Yitai Real Estate Co., Ltd.	Houses and buildings	2,755,193.88	—
Keling Environmental Protection Co., Ltd.	Houses and buildings	692,024.29	—
Inner Mongolia Yitai Information Technology Co., Ltd.	Houses and buildings	55,045.87	—
Total		<u>3,502,264.04</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

Item	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	132,456,096,025.79	132,530,057,692.23	<u>7,604,329,520.68</u>	29,304,692.06
Loans from the Finance Company	<u>4,350,000,000.00</u>	<u>2,700,000,000.00</u>	<u>2,950,000,000.00</u>	<u>4,100,000,000.00</u>	<u>155,632,083.33</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.	<u>500,000,000.00</u>	2019.11.28	2021.11.26	No
Total	<u>1,000,000,000.00</u>			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.	299,000,000.00	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.	23,275,000.00	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.	649,875,000.00	2018.12.27	2021.12.25	No
Inner Mongolia Yitai Group Co., Ltd.	495,000,000.00	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.	18,700,000.00	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
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.	198,000,000.00	2020.2.28	2025.1.23	No
Inner Mongolia Yitai Group Co., Ltd.	181,000,000.00	2020.09.30	2025.9.30	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	108,368,000.00	2014.3.25	2028.3.25	No
Inner Mongolia Yitai Group Co., Ltd.	8,457,800.00	2014.3.25	2028.3.25	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	12,277,606.29	2006.5.17	2024.1.15	No
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	168,387,200.00	2012.12.12	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.	23,132,400.00	2014.11.19	2025.10.22	No
Inner Mongolia Yitai Group Co., Ltd.	40,022,435.47	2020.9.30	2025.9.30	No
Total	4,665,585,041.76			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Item	Amount in the current period	Amount in the previous period
Total remuneration of directors, supervisors and key management personnel	1,452.59	2,329.92

(2) Remuneration of Directors and Supervisors

The remuneration of Directors and Supervisors of the Group in 2020 are as follows:

Executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Jingquan	2.40	154.66	102.80	4.23	264.09
Liu Chunlin	2.40	-	-	-	2.40
Lv Junjie	2.40	98.34	42.42	4.23	147.38
Zhang Dongsheng	2.40	-	-	-	2.40
Ge Yaoyong	2.40	-	-	-	2.40
Liu Jian	2.40	115.44	50.03	4.23	172.09
Lv Guiliang	2.40	93.47	25.29	4.23	125.40

Continued:

Independent non-executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Wong Hinwing	25.00	-	-	-	25.00
Zhang Zhiming	20.00	-	-	-	20.00
Huang Sujian	20.00	-	-	-	20.00
Du Yingfen	20.00	-	-	-	20.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

Continued:

Supervisors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Zhenjin	1.20	–	–	–	1.20
Liu Xianghua	1.20	–	–	–	1.20
Li Cailing	1.20	–	–	–	1.20
He Peixun	1.20	25.23	8.17	4.20	38.80
Jia Zheyu	–	21.30	8.39	3.36	33.05
Zhang Wei	1.10	53.98	13.30	4.23	72.61
Wang Yongliang	10.00	–	–	–	10.00
Wu Qu	10.00	–	–	–	10.00

The remuneration of Directors and Supervisors of the Group in 2019 are as follows:

Executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Donghai	–	235.62	178.64	3.20	417.46
Liu Chunlin	–	2.40	–	–	2.40
Lv Guiliang	–	100.42	92.17	3.80	196.39
Zhang Dongsheng	–	2.40	–	–	2.40
Ge Yaoyong	–	2.40	–	–	2.40
Wang Sanmin	–	91.02	97.50	3.20	191.72
Lv Junjie	–	96.71	79.69	3.80	180.20
Liu Jian	–	103.95	78.10	3.80	185.85

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

Continued:

Independent non-executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Yu Youguang	11.18	–	–	–	11.18
Zhang Zhiming	20.00	–	–	–	20.00
Huang Sujian	20.00	–	–	–	20.00
Wong Hinwing	25.00	–	–	–	25.00
Du Yingfen	8.82	–	–	–	8.82

Continued:

Supervisors	Fees	Salaries and allowances	Bonus	Pension	Total
Jia Xiaolan	–	53.83	13.24	2.80	69.87
Wang Yongliang	–	10.00	–	–	10.00
Wu Qu	–	10.00	–	–	10.00
Liu Xianghua	–	1.20	–	–	1.20
Li Cailing	–	1.20	–	–	1.20
He Peixun	–	25.26	7.70	3.60	36.56
Zhang Zhenjin	–	1.20	–	–	1.20

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

(3) Five highest paid employees

The remuneration of the five highest paid employees of the Group in 2020, which included 1 Director and 4 individuals (the five highest paid employees of the Group in 2019 included 1 Director and 4 individuals) are as follows:

Item	2020	2019
Salaries and allowances	549.22	732.8
Bonus	797.54	764.58
Pension	20.83	14.17
Total	<u>1,367.59</u>	<u>1,511.55</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)	Number of employees in 2020	Number of employees in 2019
HKD2,500,001 to HKD3,000,000	1	—
HKD3,000,001 to HKD3,500,000	2	3
HKD3,500,001 to HKD4,000,000	1	—
HKD4,000,001 to HKD4,500,000	—	1
Total	<u>4</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Item	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.	-	-	23,305,980.65	-
	Inner Mongolia Jingtai Power Generation Co., Ltd.	28,423,167.03	-	25,123,364.02	-
	Syntuels China Inner Mongolia Co., Ltd.	5,748,616.71	-	5,106,839.83	-
	Inner Mongolia Yuanji Chemical Co., Ltd.	77,220,542.06	-	30,962,651.88	-
	Syntuels China Engineering Holdings Co., Ltd.	4,282,150.00	-	19,083,550.00	-
	Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	-	-	1,454,506.36	-
	Ordos Gonggouyangta Storage and Transportation Co., Ltd.	738,929.56	-	2,315,607.23	-
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	4,702.92	-	45,263.75	-
	Inner Mongolia Yitai Group Co., Ltd.	40,000.00	-	-	-
	Keling Environmental Protection Co., Ltd.	826,883.37	-	-	-
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	2,042.46	-	-	-
	Guangdong Power Industry Fuel Co., Ltd.	36,296,509.05	-	114,391,279.10	-
	Inner Mongolia Jinglong Power Generation Co., Ltd.	-	-	5,841,746.40	-
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	3,131,215.41	-	-	-
	Inner Mongolia Mengtai Bulliangou Coal Co., Ltd.	18,550,451.77	-	-	-
Prepayments					
	Mengji Railway Co., Ltd.	-	-	14,867,731.03	-
	Inner Mongolia Yitai Information Technology Co., Ltd.	-	-	6,000,000.00	-
	Syntuels China Engineering Holdings Co., Ltd.	-	-	17,525,003.00	-
	Inner Mongolia Machine Equipments Complete Co., Ltd.	4,767,080.53	-	34,267,815.31	-
Other receivables					
	Ordos Tiandi Huarun Mine Equipment Co., Ltd.	8,372,681.49	8,372,681.49	8,372,681.49	8,372,681.49
	Ordos Gonggouyangta Storage and Transportation Co., Ltd.	475,161.89	-	565,739.08	-
	Syntuels China Inner Mongolia Co., Ltd.	-	-	9,192.73	-
	Syntuels China Engineering Holdings Co., Ltd.	210,328.02	-	210,328.02	-
	Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd.	937,371.29	-	-	-
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	-	-	6,568.80	-
	Syntuels China Inc.	10,000,000.00	-	10,000,000.00	-
	Inner Mongolia Yitai Eco-agriculture Co., Ltd.	-	-	2,403.80	-
	Inner Mongolia Yuanji Chemical Co., Ltd.	-	-	15,300.00	-
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	18,156.18	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Item	Related party	Closing balance	Opening balance
Notes payable			
	Synfuels China Inner Mongolia Co., Ltd.	85,030,000.00	35,150,000.00
	Synfuels China Engineering Holdings Co., Ltd.	16,818,083.00	-
Accounts payable			
	Inner Mongolia Yitai Information Technology Co., Ltd.	149,276.53	1,124,189.30
	Inner Mongolia Machine Equipment Complete Co., Ltd.	-	97,927.41
	Inner Mongolia Yitai Group Co., Ltd.	261,216,280.29	115,710,440.00
	Ordos Yitai Water Co., Ltd.	11,218,193.28	13,160,283.84
	Inner Mongolia Yitai New Energy Development Co., Ltd.	2,462,296.84	-
	Synfuels China Engineering Holdings Co., Ltd.	11,712,874.17	58,756,532.40
	Synfuels China Inner Mongolia Co., Ltd.	58,179,717.03	87,610,068.76
	Keling Environmental Protection Co., Ltd.	2,584,471.97	1,161,583.50
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	13,023,873.37	-
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	27,466,822.16	-
Other payables			
	Inner Mongolia Yitai Information Technology Co., Ltd.	2,297,892.70	1,863,279.97
	Inner Mongolia Machine Equipments Complete Co., Ltd.	10,246,741.34	598,803.10
	Synfuels China Engineering Holdings Co., Ltd.	49,376,428.53	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.	1,317,833.13	1,020.60
	Inner Mongolia Yitai Real Estate Co., Ltd.	-	229,154,919.60
	Yitai Group (Hongkong) Co., Ltd.	-	15,803,729.38
	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.	4,063,363.41	-
	Inner Mongolia Yitai Group Co., Ltd.	7,215.50	-
	Inner Mongolia Yitai Western Coal Co., Ltd.	250.80	-
	Mengji Railway Co., Ltd.	179,948.50	-
	Inner Mongolia Yuanji Chemical Co., Ltd.	34,000.00	-
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	61,486.49	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

Item	Related party	Closing balance	Opening balance
Contract liabilities			
	Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	-	9,494,526.20
	Baotou Luhe Coal Coking Transportation and Distribution Co., Ltd.	-	1,266,897.74
	Synfuels China Inner Mongolia Co., Ltd.	51,000.00	1,645.00
	Inner Mongolia Yuanji Chemical Co., Ltd.	6,285.03	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	1,326.10
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	44,920.96	467,847.00
	Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	135,651.59	130,076.80
	Inner Mongolia Yitai Impression Flowers Co., Ltd.	23,323.89	
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)

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	2021	2020
Capital expenditures approved by the Board	258,412.81	312,534.72

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'0,000)	Progress
Inner Mongolia Beilian Electric Energy Development Co. Ltd. ("Bei Energy Company")	Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限公司)("Suancigou")	Infringement disputes	Ordos Intermediate People's Court	15,869.62	Waiting for judicial decision

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

On 1 April 2020, Bei Energy Company initiated a proceeding against Suancigou Company, details of which are set out as follows: Bei Energy Company considered that it was the owner of Jingtian mining rights in Dongping, Zhungeqier and obtained the Mining Resources Exploration License (《礦產資源勘查許可證》) on 31 December 2005. In 2006, Suancigou commenced its construction on the special railway line of Suancigou, a branch of which passed through Dongping Jingtian resulting in the overlaying on coal resources in Dongping Oilfield. As a result, the coal resources under that overlaying part cannot be developed and utilized. As reviewed and confirmed by the experts of Department of Land and Resources of Inner Mongolia Autonomous Region (內蒙古自治區國土資源廳), the special railway line of Suancigou has overlaid the coal resources in Dongping Jingtian with an overlaid amount of 34,801,800 tonnes or a minimum exploitable amount of 27,841,440 tonnes. Bei Energy Company is required to make a payment of not less than RMB158,696,200 to regain aforementioned amount of resources reserve under the current market condition. Suancigou, the defendant, considered that approval procedures for the construction of its special railway line project was conducted earlier than Bei Energy Company obtaining the mine exploration rights, and that Bei Energy Company did not possess the mine exploration rights when it was handling the application and approval procedures for overlaying and when competent authorities issued their review opinions on the overlaying, and therefore, it was not subject to any overlaying compensation or indemnity. Even though Bei Energy Company is entitled to claim for overlaying compensation or indemnity, the computation used by Bei Energy Company, the plaintiff, for the overlaying compensation or indemnity does not comply with the standard set out in relevant documents. This case was ended by the court on 6 November 2020, and it is waiting for judicial decision currently.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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)*

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 31 December 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.

XIV.POST-BALANCE SHEET DATE EVENT

(I) Profit distribution:

As a result of the impact brought by COVID-19 pandemic and a large amount of provisions for impairment of assets by Xinjiang Energy (a controlling subsidiary of the Company), the net profit attributable to the owners of the parent company for the year ended 31 December 2020 amounted to RMB-657,055,254.05 as set out in the audited consolidated statements for the year 2020 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. After the Company took into full consideration of comprehensive factors such as the results performance in 2020, future profitability, and shareholder investment returns, the Board recommended a cash dividend of RMB2.26 (tax inclusive) per 10 shares, calculated by the total share capital of 3,254,007,000 shares, to be paid to all shareholders. The total dividends to be distributed are RMB735,405,582.00. This resolution is subject to the submission to the general meeting of the Company for consideration.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XIV. POST-BALANCE SHEET DATE EVENT (Continued)

(II) Proposal relating to the suspension of the Yitai Ganquanbao 2 Mtpa Coal-to-oil Pilot Project of Yitai Xinjiang Energy Co., Ltd.

On 24 March 2021, the Company convened the first 2021 extraordinary general meeting to consider and approve the Resolution on the Proposal Relating to the Suspension of the Yitai Ganquanbao 2 Mtpa Coal-to-oil Pilot Project of Yitai Xinjiang Energy Co., Ltd.

Based on the cautious judgement on the macro-economy and industry trend and in light of the actual situation, the Company will suspend the Yitai Ganquanbao 2 Mtpa Coal-to-oil Pilot Project (“Ganquanbao 2 Mtpa Project”) of Xinjiang Energy. For the assets that have been formed in the preliminary preparation stage of the Ganquanbao 2 Mtpa Project of Xinjiang Energy, based on the principle of optimizing utilization and minimizing losses, the Company intends to dispose of them by following ways: allocate and dispose of the reusable equipment assets (including process packages); consider transferring and leasing the real estate assets; consider as asset losses for assets that have clearly no use value. The suspension of the Ganquanbao 2 Mtpa Project of Xinjiang Energy will lead to signs of impairment of some assets. According to the further specific calculation and analysis on assets of Xinjiang Energy conducted by the Company, provisions for impairment losses of Xinjiang Energy’s assets will be RMB3,220,043,100 (presented in the single statement).

(III) Disposal of assets to Inner Mongolia Zhongtai Energy Co., Ltd.

Each of the Company, Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (“Suancigou Mining”), Inner Mongolia Yitai Baoshan Coal Co., Ltd. (“Baoshan Coal”) and Inner Mongolia Yitai Dadi Coal Co., Ltd. (“Dadijing Mine”) entered into Asset Transfer Contract (“Transfer Contact”) with Inner Mongolia Zhongtai Energy Co., Ltd. (“Zhongtai Energy”) to transfer certain fixed assets, turnover materials and other assets of Suancigou Mining, Baoshan Coal, Dadijing Mine, Talahao Mine, Hongjingta Mine No.1, Kaida Mine and Nalinmiao Mine No. 2 (“Subject Assets”) to Zhongtai Energy.

According to the asset assessment report, the assessed value of Subject Assets is RMB879,001,200 as of 31 May 2020 (i.e. assessment reference date). In respect of the depreciation from assessment reference date to actual transaction date, the final determined transaction amount will be RMB813,370,800 (tax exclusive). The effect of these transferred assets to the total profits of the Company in 2021 will be approximately RMB160,000,000. The purposes of this transaction are to reduce the Company’s assets and capital utilisation, to improve the level of asset management, to lower idle assets of the coal production sector and to stimulate the activity of Zhongtai Energy, an entrusted company, to reduce costs. This transaction is in line with the development strategies of the Company without influencing the normal operation of the Company’s principal businesses, which benefits the utilisation of the existing assets of the Company, enhances cash flows of the Company and strengthen the liquidity of the Company’s assets but with no prejudice to the interests of the Company and all Shareholders.

(IV) Except for the above matters, the Company has no other post-balance sheet date event.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Annuity Plan

The main contents and material changes of the annuity plan can be found in Note 28. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS (Continued)

(II) Segment information (Continued)

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.

3. Financial information of the reporting segments

Unit of amount: RMB'0,000

Item	Closing balance/Amount in the current period					Total
	Coal segment	Coal-related chemical segment	Transportation segment	Others	Elimination	
I. Operating revenue	2,838,208.38	538,007.19	155,084.68	2,579.82	-154,822.11	3,379,057.96
Of which: revenue from external transactions	2,794,766.16	533,708.96	48,003.02	2,579.82	-	3,379,057.96
Revenue from intersegment transactions	43,442.22	4,298.23	107,081.66	-	-154,822.11	-
II. Operating expenses	2,350,089.60	583,789.88	124,276.80	6,364.47	-141,958.52	2,922,562.23
Of which: income from investment in associates and joint ventures	16,188.75	294.78	14.75	-	-	16,498.28
Impairment loss of assets	10,721.44	326,586.90	-	-	-14,208.82	323,099.52
Depreciation and amortization expenses	105,065.41	92,488.42	49,180.03	388.09	-1,290.91	245,831.04
III. Total profit (loss)	429,985.92	-459,053.52	13,981.57	32,163.21	10,718.11	27,795.29
IV. Income tax expenses	96,168.67	-19,928.90	-4,972.51	805.88	10,312.13	82,385.27
V. Net profits (losses)	333,817.25	-439,124.61	18,954.08	31,357.32	405.98	-54,589.98
VI. Total assets	6,261,793.94	3,086,241.66	1,217,564.97	284,546.03	-2,294,186.20	8,555,960.40
VII. Total liabilities	2,510,868.92	2,316,260.78	359,992.90	73,300.30	-1,015,826.19	4,244,596.71
VIII. Other significant non-monetary items						
1. Capital expenditure	85,340.52	50,271.24	18,753.37	-	-1,930.10	152,435.03

Explanation: Long-term assets of coal chemical projects include fixed assets, construction in progress and intangible assets. The carrying value of long-term assets was RMB26,635,547,600 in total at the end of the period, representing 31.13% of total assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. (內蒙古伊泰能源有限公司, “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 pandemic

Since the outbreak of the COVID-19 pandemic (“COVID-19 Pandemic”) 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 pandemic, and donated to Hubei province in a timely manner during the Spring Festival. In order to ensure pandemic prevention and production, the Company and its branches resumed work on 10 February 2020 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 Pandemic 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 Pandemic, 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)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

Note 1. Notes receivable

1. Category of notes receivable

Item	Closing balance	Opening balance
Bank acceptance bills	—	10,000,000.00
Commercial acceptance bills	—	—
Total	<u>—</u>	<u>10,000,000.00</u>

2. Presentation of expected credit losses on notes receivable

Category	Book balance		Opening balance		Opening balance
	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	<u>10,000,000.00</u>	<u>100.00</u>	<u>—</u>	<u>—</u>	<u>10,000,000.00</u>
Total	<u>10,000,000.00</u>	<u>100.00</u>	<u>—</u>	<u>—</u>	<u>10,000,000.00</u>

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)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 1. Notes receivable (Continued)

4. Notes receivable for which expected credit losses are provided with credit risk characteristics

Portfolio	Opening balance Book balance
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.

5. There was no provision, recovery or reversal of loss provision during the period
6. There was no notes receivable actually written off during the period
7. Notes receivable pledged by the Company at the end of the period: Nil
8. Endorsed or discounted bills receivable that are not mature on balance sheet date at the end of the period: Nil
9. 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 obligations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI.EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Closing balance	Opening balance
Within 1 year	498,688,217.88	800,966,233.92
1 to 2 years	—	1,680,152.45
2 to 3 years	—	—
3 to 4 years	—	—
4 to 5 years	—	—
Over 5 years	—	—
Sub-total	498,688,217.88	802,646,386.37
Less: Bad debts provisions	—	—
Total	<u>498,688,217.88</u>	<u>802,646,386.37</u>

2. Disclosure of classification of accounts receivable

Category	Book balance		Closing balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that provided expected credit losses on single basis					
Accounts receivable that provided expected credit losses on portfolio basis	498,688,217.88	100.00	—	—	498,688,217.88
Of which: customers with extremely low credit risk	498,688,217.88	100.00	—	—	498,688,217.88
Total	<u>498,688,217.88</u>	<u>100.00</u>	<u>—</u>	<u>—</u>	<u>498,688,217.88</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. Accounts receivable (Continued)

2. Account receivables classified disclosure (Continued)

Category	Book balance		Opening balance Impairment provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that provided expected credit losses on single basis					
Accounts receivable 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	802,646,386.37	100.00	-	-	802,646,386.37
Total	802,646,386.37	100.00	-	-	802,646,386.37

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	498,688,217.88	-	-
Total	498,688,217.88	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. Accounts receivable (Continued)

2. Account receivables classified disclosure (Continued)

Portfolio	Accounts receivable	Opening balance Impairment provision	Percentage (%)
Customers with extremely low credit risk	802,646,386.37	—	—
Total	802,646,386.37	—	—

Explanation of recognition basis of the portfolio: clients with good credit and frequent business relationship and amounts with extremely low credit risks after assessment.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. Accounts receivable (Continued)

5. Account receivables from top five debtors by closing balance

Name of entity	Closing balance	Percentage in the closing balance of accounts receivable (%)
First	178,806,025.27	35.86
Second	119,407,458.74	23.94
Third	51,404,022.32	10.31
Fourth	45,826,142.74	9.19
Fifth	43,876,018.59	8.80
Total	<u>439,319,667.66</u>	<u>88.10</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)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. Other receivables

Item	Closing balance	Opening balance
Dividends receivables	60,000,000.00	315,080,000.00
Other receivables	9,387,785,727.14	10,832,649,102.84
Total	9,447,785,727.14	11,147,729,102.84

(I) Dividends receivable

Investee	Closing balance	Opening balance
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	60,000,000.00	30,000,000.00
Inner Mongolia Yitai Huzhun Railway Co., Ltd.	—	285,080,000.00
Total	60,000,000.00	315,080,000.00

(II) Other receivables

1. Disclosure of other receivables by aging

Aging	Closing balance	Opening balance
Within 1 year	5,436,289,156.55	7,264,352,653.06
1 to 2 years	5,710,970,718.30	726,483,789.35
2 to 3 years	63,445,494.65	2,851,850,992.12
3 to 4 years	62,392,088.60	—
4 to 5 years	—	—
Over 5 years	—	—
Sub-total	11,273,097,458.10	10,842,687,434.53
Less: Bad debts provisions	1,885,311,730.96	10,038,331.69
Total	9,387,785,727.14	10,832,649,102.84

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of classification of other receivables

Category	Book balance		Opening balance		Carrying value
	Amount	Percentage	Amount	Loss provision	
		(%)		Percentage	
				(%)	
Other receivables that provided expected credit losses on single basis	4,430,069,237.67	39.30	1,885,311,730.96	42.56	2,544,757,506.71
Other receivables that provided expected credit losses on portfolio basis	6,843,028,220.43	60.70			6,843,028,220.43
Of which: customers with extremely low credit risk	6,843,028,220.43	60.70			6,843,028,220.43
Total	11,273,097,458.10	100.00	1,885,311,730.96	16.72	9,387,785,727.14

Category	Book balance		Opening balance		Carrying value
	Amount	Percentage	Amount	Loss provision	
		(%)		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)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of classification of other receivables (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 provisions	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
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	4,417,011,035.98	1,875,273,399.27	42.46	Expected partly not to be unrecoverable
Total	4,430,069,237.67	1,885,311,730.96	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of classification of other receivables (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 provisions	Percentage (%)
Customers with extremely low credit risk	6,843,028,220.43	—	—
Total	6,843,028,220.43	—	—

Portfolio	Other receivables	Opening balance Impairment provisions	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)

XVI.EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. Other receivables (Continued)

(II) Other receivables (Continued)

3. Loss provision for 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	-	1,665,650.20	8,372,681.49	10,038,331.69
Opening balance during the period	-	-	-	-
Transfer into the phase III	-	-	-	-
Provisions during the period	-	-	1,875,273,399.27	1,875,273,399.27
Recovery or reversal during the period	-	-	-	-
Write-off during the period	-	-	-	-
Other changes during the period	-	-	-	-
Closing balance	-	1,665,650.20	1,883,646,080.76	1,885,311,730.96

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. Other receivables (Continued)

(II) Other receivables (Continued)

4. During the period, impairment provisions were RMB1,875,273,399.27; there was no recovery or reversal of loss provision.
5. There was no other receivables actually written off by the Company during the reporting period:
6. Classification of other receivables by nature

Item	Closing balance	Opening balance
Entrusted loans	—	3,520,000,000.00
Current accounts	11,114,155,040.57	7,190,515,559.16
Margins	150,278,326.45	126,990,756.92
Borrowings of employees	8,645,291.08	5,174,018.45
Deposits	18,800.00	7,100.00
Total	11,273,097,458.10	10,842,687,434.53

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 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 accounts	3,850,088,292.40	Within 1 year	34.15	
		1,650,567,887.22	1-2 years	14.64	
Second	Current accounts	1,316,314,998.82	Within 1 year	11.68	1,875,273,399.27
		3,100,696,037.16	1-2 years	27.51	
Third	Current accounts	61,888,841.78	Within 1 year	0.55	
		339,162,407.63	1-2 years	3.01	
Fourth	Current accounts	166,833,094.16	Within 1 year	1.48	
		217,738,087.10	1-2 years	1.93	
Fifth	Current accounts	177,000,000.00	1-2 years	1.57	
Total		10,880,289,646.27		96.52	

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)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 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	14,318,015,317.28	1,276,720,000.00	13,041,295,317.28	14,022,295,317.28	50,000,000.00	13,972,295,317.28
Investments in associates and joint ventures	9,491,384,608.20	250,288.45	9,491,134,319.75	9,475,095,702.42	250,288.45	9,474,845,413.97
Total	<u>23,809,399,925.48</u>	<u>1,276,970,288.45</u>	<u>22,532,429,637.03</u>	<u>23,497,391,019.70</u>	<u>50,250,288.45</u>	<u>23,447,140,731.25</u>

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 4. Long-term equity investment (Continued)

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
Baoshan coal mine of Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤礦有限公司)	215,447,203.47	215,447,203.47			215,447,203.47		
Suancang coal mine of Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京華蘇杭礦業有限公司)	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輸有限公司)		10,000,000.00		10,000,000.00			
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	50,000,000.00	50,000,000.00			50,000,000.00		50,000,000.00
Inner Mongolia Yitai Huzhuan 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		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 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 Coal-to-Oil Co., Ltd.	1,200,160,000.00	1,200,160,000.00			1,200,160,000.00		
Yitai Yili Energy Co., Ltd. (伊泰伊型能源有限公司)	1,416,140,000.00	1,416,140,000.00			1,416,140,000.00		
Yitai Yili Mining Co., Ltd. (伊泰伊型礦業有限公司)	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	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 Nalimiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災善治理有限公司)							
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限責任公司)							
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰山西煤炭運銷有限責任公司)	50,000,000.00		50,000,000.00		50,000,000.00		
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		

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 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
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰聯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		
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))	955,720,000.00	770,000,000.00	185,720,000.00		955,720,000.00		
GQC Yitai Jiyuou 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)	261,723,477.11	261,723,477.11			261,723,477.11		
Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤業有限公司)	195,000,000.00	25,000,000.00	170,000,000.00		195,000,000.00		
Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	20,000,000.00	20,000,000.00			20,000,000.00		
Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海臨港伊泰供應鏈有限公司)							
Total	14,318,015,317.28	14,022,295,317.28	405,720,000.00	110,000,000.00	14,318,015,317.28	1,226,720,000.00	1,276,720,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 4. Long-term equity investment (Continued)

2. Investments in associates and joint ventures

Investee	Opening balance	Additional investments	Decrease in investments	Changes in the period	
				Gain or loss of investment recognized using equity approach	Adjustments to other comprehensive income
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	-	-	-63,182.31	-
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	-	-	316,472.71	-
Sub-total	475,375,693.49	-	-	253,290.40	-
II. Associates					
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	71,679,843.67	-	-	11,178,094.20	-
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	586,674,416.54	-	-	80,246,933.86	-
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	-	-	3,154,892.10	-
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)	14,416,418.29	-	-	-492,320.71	-
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	-	-	-18,560,112.72	-
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)	-	-	-	-	-
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)	7,744,382,280.54	-	-	86,106,782.11	-
Sub-total	8,999,469,720.48	-	-	161,634,268.84	-
Total	9,474,845,413.97	-	-	161,887,559.24	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI.EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 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)	-	-	-	-	2,982,370.47	-
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)	-	-	-	-	472,646,613.42	-
Sub-total	-	-	-	-	475,628,983.89	-
II. Associates						
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	-	-	-	-	82,857,937.87	-
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	-	-112,000,000.00	-	-	554,921,350.40	-
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)	165,025.46	-3,763,678.92	-	-	561,310,708.71	-
Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華遠酒業有限公司)	-	-	-	-	13,924,097.58	-
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)	-	-	-	-	-	-
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)	-	-	-	-	-	250,288.45
Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)	-	-30,000,000.00	-	-	7,800,489,062.65	-
Sub-total	165,025.46	-145,763,678.92	-	-	9,015,505,335.86	250,288.45
Total	165,025.46	-145,763,678.92	-	-	9,491,134,319.75	250,288.45

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 5. Operating incomes and operating costs

1. Operating incomes and operating costs

Item	Amount in the current period		Amount in the previous period	
	Income	Cost	Income	Cost
Principal businesses	23,500,385,042.32	20,315,937,503.83	31,248,745,890.39	25,621,744,935.86
Other businesses	573,695,078.40	486,682,510.78	982,446,226.26	458,553,766.95
Total	24,074,080,120.72	20,802,620,014.61	32,231,192,116.65	26,080,298,702.81

2. Revenue items and segment information

Category of contract	Coal segment	Others	Total
(1) Main business regions			
Northeast China	88,023,664.43	—	88,023,664.43
North China	8,717,052,249.63	23,064,827.97	8,740,117,077.60
East China	11,981,140,736.82	—	11,981,140,736.82
South China	3,131,285,846.36	—	3,131,285,846.36
Central China	24,108,087.58	—	24,108,087.58
Northeast China	97,819,204.83	—	97,819,204.83
Southwest China	11,585,503.10	—	11,585,503.10
Sub-total	24,051,015,292.75	23,064,827.97	24,074,080,120.72
(2) Main product types			
Coal	23,490,203,362.26	—	23,490,203,362.26
Other products disclosed at income from principal operation		10,181,680.06	10,181,680.06
Other products disclosed at income from principal operation	560,811,930.49	12,883,147.91	573,695,078.40
Sub-total	24,051,015,292.75	23,064,827.97	24,074,080,120.72
(3) Revenue recognition time			
Goods – coal (transferred at a point of time)	See (XXXII) Revenue under Note IV. Principal Accounting Policies and Accounting Estimates for details		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVI.EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 6. Investment income

Item	Amount in the current period	Amount in the previous period
Income from long-term equity investments under equity method	161,887,559.24	249,681,811.40
Income from long-term equity investments under cost method	10,200,000.00	797,550,820.35
Investment income from disposal of trading financial assets	8,704,805.31	2,397,424.77
Investment income received during the period of ownership from investment in other equity instruments	93,974,920.89	1,344,147.91
Investment income from disposal of long-term equity investments	131,233,237.09	-5,453,755.87
Investment income received during the period of ownership from trading financial assets	1,510,739.84	15,939,088.98
Others	-6,100,000.02	-6,083,333.35
Total	<u>401,411,262.35</u>	<u>1,055,376,204.19</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)

XVII. SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss statement of the period

Item	Amount in the current period	Explanation
Profit or loss from disposal of non-current assets	-3,520,939.85	—
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)	83,921,661.90	—
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	21,993,880.61	—
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	330,418,861.34	—

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVII.SUPPLEMENTARY INFORMATION (Continued)

(I) Non-recurring profit and loss statement of the period (Continued)

Item	Amount in the current period	Explanation
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	-67,435,726.70	-
Other profit or loss items falling within the meaning of non-recurring profit or loss	-	-
Less: Impact of income tax	8,703,674.47	-
Less: Impact of minority shareholders' interests (after tax)	3,671,994.69	-
Total	353,368,071.14	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 (%)	Earning per shares	
		Basic earning per share	Diluted earning per share
Net profit attributable to ordinary shareholders of the Company	-1.87	-0.20	/
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	-2.88	-0.31	/

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 31 December 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	31 December 2020 (RMB)	31 December 2019 (RMB)
Net profit attributable to ordinary shareholders	-657,055,254.05	3,789,312,908.34
Number of ordinary shares issued at the end of the year	3,254,007,000.00	3,254,007,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVII.SUPPLEMENTARY INFORMATION (Continued)

(III) Supplementary disclosure of the Group's operating costs classified by nature:

Item	Notes	2020	2019
Cost of sale of commercial goods	Note 45	24,770,253,037.56	27,488,312,086.61
Labor cost	Note 45	524,135,273.13	1,067,926,145.77
Depreciation of fixed assets	Note 14	1,911,682,216.56	1,912,405,702.42
Depreciation of investment properties	Note 13	38,668,478.40	36,462,175.51
Amortisation of intangible assets	Note 17	109,357,421.70	109,636,583.58
Amortisation of long-term unamortized expenses	Note 19	352,044,987.38	423,077,985.28
Depreciation of right-of-use assets	Note 16	4,136,252.85	2,582,110.67
Total depreciation and amortisation		<u>2,415,889,356.89</u>	<u>2,484,164,557.46</u>

(IV) Supplementary disclosure of capital management:

Item	2020/12/31	2019/12/31
Interest-bearing borrowings	28,259,756,516.75	34,595,132,880.63
Long-term bonds	5,910,938,574.78	5,872,769,550.23
Trade and bills payables	3,460,588,236.42	3,699,686,046.48
Financial liabilities at fair value through profit or loss	2,034,720.00	3,035,060.00
Financial liabilities included in other payables and accruals	1,379,398,220.73	2,053,058,831.46
Other borrowings	538,474,087.42	862,114,693.04
Less: Cash and cash equivalents	11,292,510,611.23	15,954,045,957.75
Net debt	28,258,679,744.87	31,131,751,104.09
Equity attributable to equity holders of parent company	33,061,024,912.46	34,926,974,420.67
Gearing ratio	46.08%	47.13%

As at 31 December 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVII. SUPPLEMENTARY INFORMATION (Continued)

(V) Dividend

Item	2020	2019
Ordinary shares dividend	735,405,582.00	1,138,902,450.00
Total	735,405,582.00	1,138,902,450.00

As a result of the impact brought by COVID-19 pandemic and a large amount of provisions for impairment of assets by Xinjiang Energy (a controlling subsidiary of the Company), the net profit attributable to the owners of the parent company for the year ended 31 December 2020 amounted to RMB-657,055,254.05 as set out in the audited consolidated statements for the year 2020 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. After the Company took into full consideration of comprehensive factors such as the results performance in 2020, future profitability, and shareholder investment returns, the Board recommended a cash dividend of RMB2.26 (tax inclusive) per 10 shares, calculated by the total share capital of 3,254,007,000 shares, to be paid to all shareholders. The total dividends to be distributed are RMB735,405,582. This resolution is subject to the submission to the general meeting of the Company for consideration.

APPENDIX I

2020 ANNUAL SOCIAL RESPONSIBILITY REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

REPORT INSTRUCTIONS

Inner Mongolia Yitai Coal Co., Ltd. – 2020 Annual Social Responsibility Report is an annual report which described systematically, Inner Mongolia Yitai Coal Co., Ltd.'s practices of corporate social responsibility, and the acts and performance in pursuit of maximal economic, environmental and social and governance values in 2020 in an objective, standardized, good-faith and transparent principle.

- **Report Subjects**

The report subjects are Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries. For the convenience of expression and reading of this report, “Inner Mongolia Yitai Coal Co., Ltd.” is also referred to as “Yitai”, “the Company” or “our Company” or other titles.

- **Time Period**

The time period covered in this report was from 1 January 2020 to 31 December 2020. Taking into account the continuity and comparability of information disclosed, certain content may be beyond the aforesaid period.

- **Scope of Report**

The scope of this report is Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries.

- **Preparation Basis**

This report was prepared according to Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited, with a reference to Notice on Strengthening the Listed Companies' Social Responsibility Work and Issuing Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies, Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies and Guidelines for Compiling Corporate Social Responsibility Report issued by Shanghai Stock Exchange and Sustainable Development Report Standards (GRI Standards) issued by Global Sustainability Standard Board (“GSSB”).



- **Reporting Principles**

Materiality: Our ESG materiality is determined by the Board, and communication with stakeholders, identification process of substantive issues and the matrix of substantive issues are disclosed in this report.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and source of conversion factors are all explained in the definitions of the report.

Balance: This report shall provide an unbiased picture of the Company's performance during the reporting period and should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment made by the report readers.

Consistency: The statistical methodologies applied to the data disclosed in this report shall be consistent.

- **Data Processing Principle**

The financial data in this report were derived from audited annual report of Inner Mongolia Yitai Coal Co., Ltd. (China accounting standards) and other data from the Company's internal and relevant statistical data. If there is any difference from the annual report, the annual report shall prevail.

- **Availability of the Report**

The Report was prepared in Chinese, and you can download it in electronic form from the website of Inner Mongolia Yitai Coal Co., Ltd. or Shanghai Stock Exchange or the Hong Kong Stock Exchange.

URL:<http://www.sse.com.cn/> or <http://www.hkexnews.hk/> or <http://www.yitaicoal.com/>

- **Contact**

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SPEECH OF SENIOR MANAGEMENT

In 2020, the Company's management personnel at all levels and employees overcame the difficulties together. The COVID-19 pandemic has spread globally and formed disruption on the economic condition. The Company actively responded to the national call by establishing a pandemic leading group, quickly carried out pandemic prevention and control, resumed production and work in an orderly manner, and assisted key pandemic-stricken areas. In strict compliance with the red line of safety and upholding the tenet of environmental protection, the Company continued to integrate the concept of sustainable development into corporate construction; focused on R&D investment, continuously strengthened personnel construction, and improved product quality with scientific and technological innovation results. In 2020, the Company further accelerated its transformation and upgrading to meet opportunities and challenges in a better state and seek new development.

Progress stably and improve product quality

Adhering to the principle of "returning to the origin of quality, focusing on quality improvement, and promoting high-quality development" and focusing on quality and efficiency improvement, the Company has established a strong awareness that "quality is the life of an enterprise" and promoted the stable development of various business by focusing on product quality. In 2020, the Company recorded revenue of RMB33.791 billion, and net profit attributable to the owners of the parent of RMB-657 million. During the year, the Company realized production of commodity coal of 45.6041 million tonnes and sales of coal of 73.2613 million tonnes. In terms of railway sector, the Company cumulatively dispatched 76.81 million tonnes of coal. In terms of coal chemical sector, the Company realized production of oil products and chemicals of 1.3315 million tonnes.

Focusing on technology and cultivating innovative talents

Along the main direction of scientific and technological innovation, the Company accelerated the industrial application of scientific and technological achievements, conducted enterprise-school cooperation projects, and focused on the cultivation of high-level talents. In 2020, Inner Mongolia Yitai Coal-to-oil Co., Ltd. ("Coal-to-oil Company") won the honorary title of "Advanced Group in the Third Session of National Petroleum and Chemical Industry (第三屆全國石油和化學工業先進集體)". In addition, the Company undertook the Research and Engineering Demonstration on Key Technologies of Large-scale Industrialization of Coal Indirect Liquefaction Process (煤間接液化工藝大型工業化關鍵技術研究與工程示範), a major science and technology project in Inner Mongolia Autonomous Region, cultivated 3 outstanding scientific and technological talents including "grassland talents" and "most beautiful scientific and technological workers" in Ordos city, collected 392 internal scientific and technological achievements, and applied for 41 patents and 61 authorized patents.



Strict prevention and control and stick to the red line of safety

In 2020, the Company thoroughly implemented the important instructions and spirits on safety production by General Secretary Xi Jinping, Premier Li Keqiang and other central leaders, comprehensively performed the policy of “safety-foremost with prevention-oriented and comprehensive treatment”, and insisting on the Company’s philosophy of “two would-rathers”, “two authorizations”, “unrelenting, careful and modest”, the Company insisted on a long-term goal, performed well in review and reflection and took various measures. In compliance with relevant laws and regulations, the Company continued to carry out hierarchical evaluation of safety management level and physical examination safety supervision, and through the Company’s safety management responsibility appraisal, clarified that all parties have their own responsibilities and perform their duties with due diligence, strictly implemented the main responsibilities of safety production, which fully reflected the principle of the unity of responsibility, rights and interests, so as to strengthen safety production control and enhance the safety awareness of all employees. During the pandemic, the Company strengthened the management of joint prevention and control of resumption of work and production, effectively promoted the improvement of safety production standards and the continuous and stable improvement of safety production, and effectively safeguarded the life safety of employees.

The Company has put forward new concepts and new ideas of safety culture such as “Four Alls” and “Four Treatments”, adhered to legal operation, and firmly established the principle of life red line. The Company always puts the life safety and health of employees, production safety and property safety of the Company in the first place, and regards safety as an important cornerstone to ensure the Company’s sustainable development and the lifeline for the Company’s survival and development.

Energy conservation, emission reduction, and the pursuit of sustainable development

Guided by the national environmental protection policy, the Company has always adhered to the basic national policy of saving resources and protecting the environment, and regarded the promotion of ecological civilization construction as one of the Company’s strategic goals. The Company has established a sound emission management system. By way of clean production, green mines and tree planting to reduce carbon emissions, the Company is committed to reducing emissions from the source and strictly implemented energy conservation and emission reduction tasks, to strengthen resource management and optimize resource utilization efficiency. In addition, the Company incorporated environmental protection into normalized management, initiated the effectiveness of grassroots environmental protection management, and firmly established a sense of responsibility for environmental protection.

With the joint efforts of the Company’s management and employees, the Company’s environmental protection business has made great progress in 2020, and many of its coal mines have been awarded as pilot units of “Green Mines” by the Ministry of Natural Resources. During the “Thirteenth Five-Year Plan” period, the Company’s various industrial sectors saved standard coal of approximately 56,499.7 tonnes in total, which exceeded the energy-saving target, and reduced energy consumption costs of approximately RMB44.77 million. In the future, the Company will continue to tap its own potential by adhering to the principles and policies of “hundred-year Yitai, green energy, energy saving, efficiency improvement and sustainable development”, with the direction of building “resource-saving and environment-friendly” enterprises.

ABOUT US

Inner Mongolia Yitai Coal Co., Ltd. is a listed company in “B+H” shares markets funded and established exclusively by Inner Mongolia Yitai Group Co., Ltd. The Company was founded in August 1997, and in the same year listed on Shanghai Stock Exchange where its stock is referred to as “Yitai B Shares” (stock code 900948). In July 2012, the Company was listed on Hong Kong Stock Exchange where its stock is referred to as “Yitai Coal” (stock code 03948). At present, the Company has a total share capital of 3,254,007,000 shares, of which, Inner Mongolia Yitai Group Co., Ltd. holds domestic enterprise legal person shares totaling 1.6 billion shares, representing 49.17% of the Company’s total share capital; total circulating B shares of 1.328 billion shares, representing 40.81% of the Company’s total share capital. The Company issued H shares totalling 326,007,000 shares, representing 10.02% of the total share capital.

The Company is a large clean energy enterprise based on coal production, transportation and sale and integrating railway and coal chemical business, and is the largest coal enterprise in the Inner Mongolia Autonomous Region. The Company has abundant coal resource reserve with high quality, and its coal mining is modernized at a very high level. As of the end of December 2020, it has 2.471 billion tonnes of domestic remaining available reserves and 1.537 billion tonnes of exploitable reserves. There are 9 mechanized coal mines in total under operation which are owned directly or controlled by the Company by shareholding. The coal recovery rate of the coal mining areas reaches more than 80% on average. The mechanization of mining reaches 100%.

The Company owns comprehensive road and railway network equipped with infrastructures for coal transportation. Currently, the Company controls 3 main railways under operation by shareholding. Such railways are respectively Zhundong Railway, Huzhun Railway and a special railway line for Suancigou Mine. At the same time, the Company also holds shares in Xin Baoshen Railway (15% shares), Zhunshuo Railway (12.36% shares), Mengji Railway (9% shares), South Ordos Railway (3.9226% shares), and Haoji Railway (2% shares). In addition, the Company has also built highways in high-quality coal enrichment area – Nalinmiao Area, with Caoyang Highway as the main line, and a radiated extension to roads in surrounding 150km mining areas. Over the years, the Company has continuously increased technology and equipment investment in railway management, and its coal collection and transportation capacity has been continuously improved. The transportation network covering the Company’s main mining areas has been continuously enhanced, which has created good conditions for the Company and its surrounding coal transportation.

The Company has the world’s leading indirect coal liquefaction technology. Based on this, the Company deployed construction of a large-scale coal chemical project in Inner Mongolia and Xinjiang. Meanwhile, the Company actively expanded the coal chemical operations, which could also extend the Company’s coal industrial chain, realize industrial transformation and upgrading, and enhance its core competitiveness and consolidate its position in the industry. At present, the Company’s coal-related chemical production units under operation include Coal-to-oil Company and Inner Mongolia Yitai Chemical Co., Ltd. (“Chemical Company”). Among them, Coal-to-oil Company produced 201,200 tonnes of various oil and chemical products in 2020; Chemical Company produced 1,130,300 tonnes of various chemical products in 2020.

TOPIC: FIGHT AGAINST THE PANDEMIC AND OVERCOME DIFFICULTIES

In 2020, the COVID-19 pandemic suddenly swept across the country, causing a serious blow to the economic condition. In face of the pandemic, we have joined hands by hands to overcome difficulties, and strictly implemented protective and control measures, while resuming production and work in an orderly manner to ensure the normal operation of coal production and sales, and provided downstream power companies with a stable coal supply guarantee. In addition, the Company actively assumed social responsibility by donating monetary fund and materials to vigorously support the key pandemic-stricken area and fully support the fight against the pandemic, and was awarded the honor of “National Advanced Private Enterprise in Fighting against the COVID-19 Pandemic”.

Strengthening protection and strict control

During the pandemic, the Company established a pandemic leading group to comprehensively arrange and guide pandemic prevention. All units actively purchased masks, thermometers, disinfectants and other pandemic prevention materials, set up checkpoints and were equipped with infrared body temperature detection equipment, and carried out personnel and vehicle entry and exit registration, body temperature measurement, safety protection, disinfection, and safe dining in accordance with regulations. Coal-to-oil Company and other units have changed employees' centralized dining to scattered meals, packed to take out, and regularly performed disinfection in public areas. The Company has implemented comprehensive protection management through a series of measures, and implemented pandemic prevention and control as required by the higher-level.



Maintaining operation and resuming production and work

As a coal company, one of the important missions during the pandemic is to ensure the normal operation of coal production and sales, and to ensure the stable supply of coal sources for downstream power companies. For the emergency prevention and control materials needed during the pandemic, the office of the Company's pandemic prevention and control leading group immediately collected the material needs of all production units and actively arranged the Company's procurement centre to procure. For the logistics fleet, the pandemic prevention and control team also strictly checked the health condition of its personnel, to ensure the performance of duties diligently.

In addition, in order to fully guarantee the material supply, price stability, and quality safety during the pandemic, the Company strengthened safety management and control during the pandemic, standardized resumption of work and production, organized safety inspections for resumption of work and production during the pandemic, and strengthened joint prevention and control management. For traffic control during the special period of pandemic prevention and control, the Company timely submitted an application to the higher-level department to ensure the smooth passage of material transportation vehicles during the pandemic.

Enthusiastic charity assistance to the pandemic-stricken area

In order to support the pandemic-stricken areas and overcome difficulties together, the Company donated monetary fund and materials to Wuhan, Inner Mongolia and other key pandemic-stricken areas, which was highly recognized by the national and autonomous regional governments.

In order to fight the pandemic, the Company donated monetary fund and materials to many regions in three batches:

The first batch of donations: The Company donated RMB17.45 million to fight against the pandemic, including RMB15 million to the Wuhan Red Cross and RMB2.45 million to Ordos City and various banners.

The second batch of donations: The Company donated materials in value of RMB8.13 million and RMB5.5 million to Wuhan, Inner Mongolia Autonomous Region, Ordos City, Dongsheng District of Ordos City and other banners, respectively.

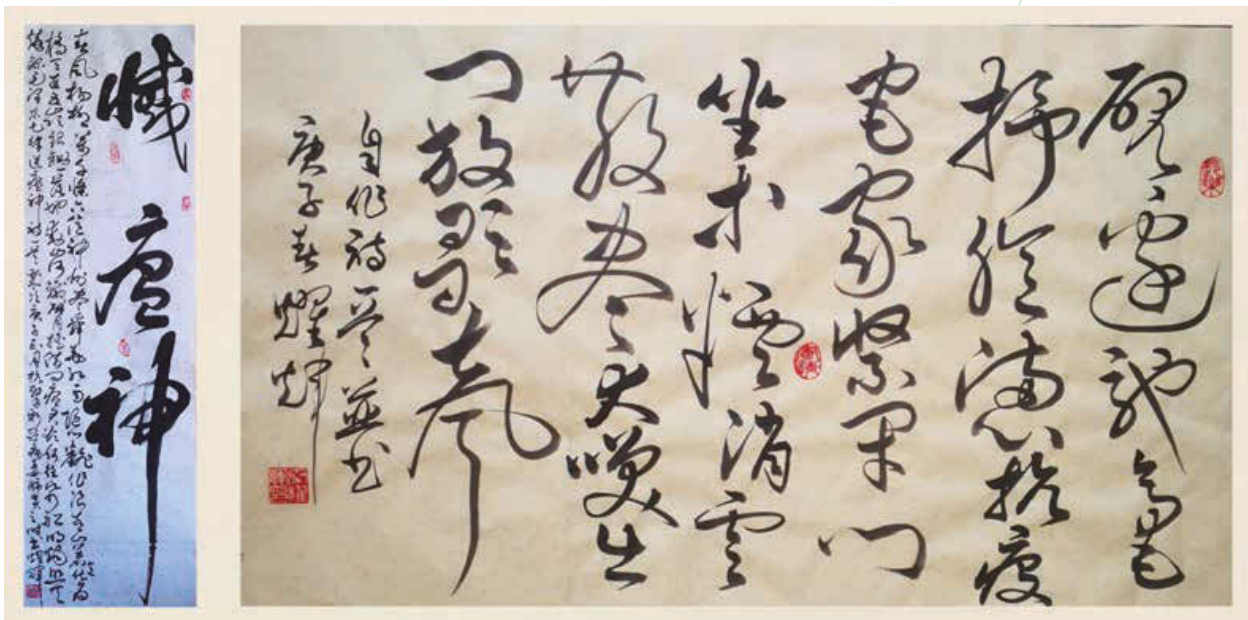
The third batch of donations: The Company donated RMB2 million to support the Inner Mongolia Autonomous Region's Red Cross special project to assist the international pandemic prevention and control.

Employees fight the pandemic conscientiously

In addition to strengthening supervision and fighting the pandemic, the calligraphy and painting enthusiasts of the Staff Federation of Literary and Art Circles also actively participated in anti-pandemic activities to record and praise the efforts of anti-pandemic workers, publicize anti-pandemic work, and inspire all employees.

[Case] Fighting the “pandemic”, impressing emotions through calligraphy and painting—an online exhibition of Yitai employees’ calligraphy and painting works

As the whole country was fighting against the COVID-19 pandemic, the calligraphy and painting enthusiasts of the Yitai Staff Federation of Literary and Art Circles also acted in time to join the “pandemic” prevention in their own way. They put their affectionate pen and ink into the creation of the anti-pandemic theme. The works have bright themes and diverse forms. They cheer for everyone and promote relevant protection knowledge, while praising medical soldiers and front-line workers who stick to their posts. The Yitai spirit of “being enterprising and courageously responsible” prays for the motherland and cheers for Wuhan.

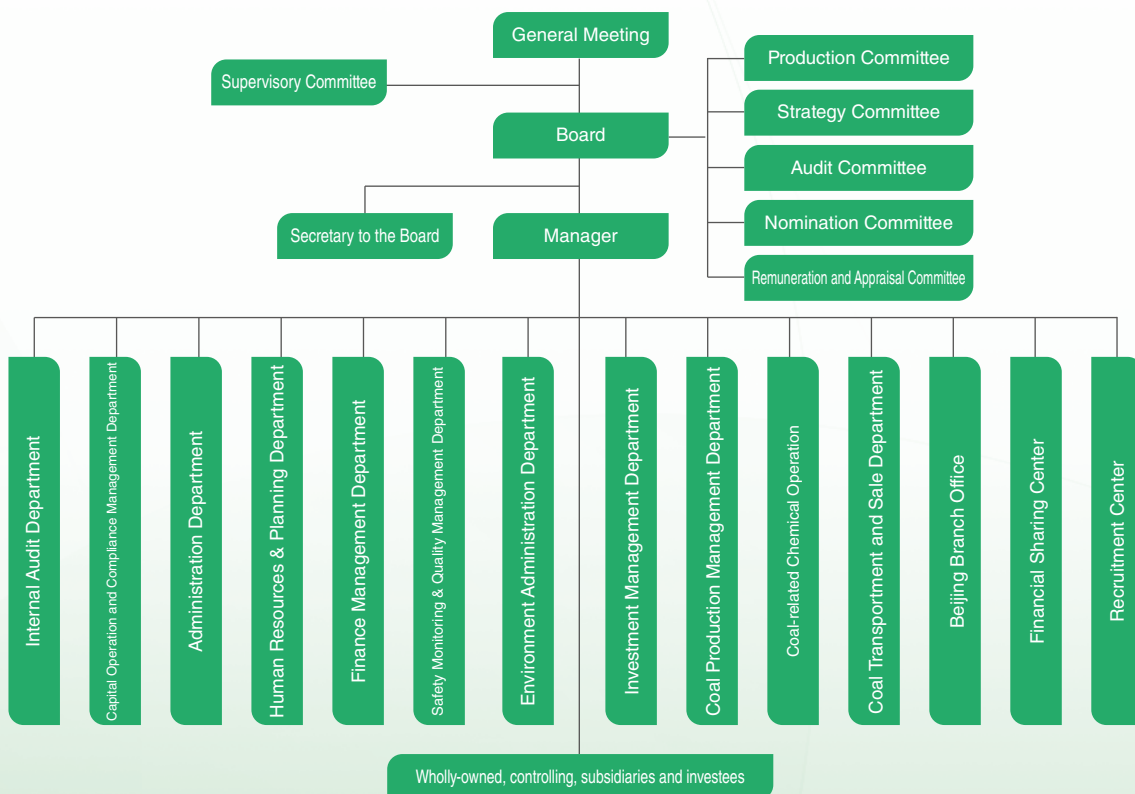


1. Compliance Management

The Company strictly abided by the requirements of the Company Law, Securities Law, and other relevant national laws and regulations, developed and improved its rules and systems to standardize the operation of the Company and ensure its legal and compliant operation, while actively fulfilling its social responsibilities and continuously improving the social responsibility management system.

1.1 Governance and Structure

The Company has continuously improved the Articles of Association and Information Disclosure Management System, and the relevant rules and regulations on corporate governance, etc., and further clarified the duties and boundaries of the governing bodies including the general meetings, the Board, the Supervisory Committee and senior management, to establish a corporate governance mechanism featuring clearing division of rights and responsibilities, each performing its own functions, mutual coordination and effective checks and balances. During the reporting period, the Company disclosed all major information in a timely, accurate, true and complete manner to ensure that all shareholders have equal rights to note. The Company communicated with investors in various forms to effectively deepen communication with investors and enhance the Company's reputation and influence in the capital market.



The Board of the Company highly recognizes the Company's environmental, social and governance related work and is responsible for the environmental, social, governance strategies and reporting, including assessing and determining the Company's environmental, social and governance risks, ensuring that the Company has an effective environmental, social and governance risk management and internal control system, and regularly reviewing the Company's performance and approval of disclosures in the Company's environmental, social and governance reports. This report has also been released after review by the Board of Directors.

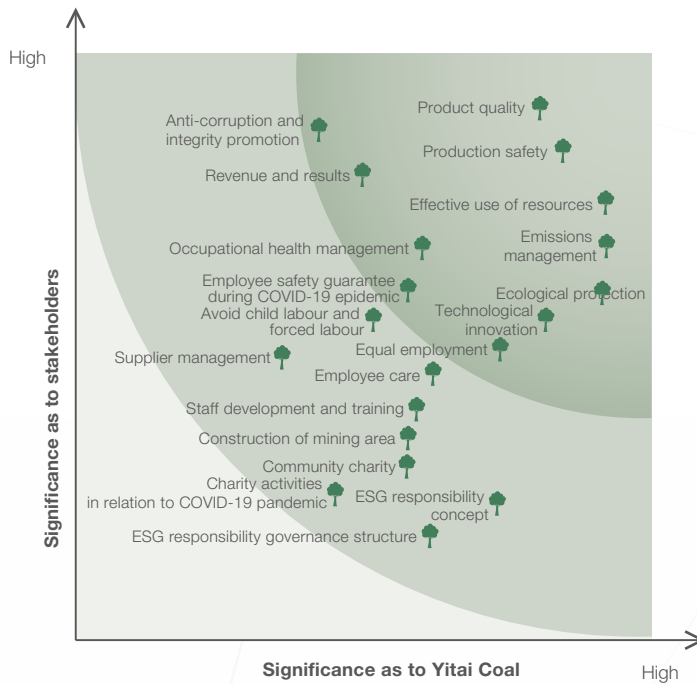
1.2 Communication with Stakeholders

The Company continued to maintain communication with stakeholders, established diversified communication channels, kept on listening to the expectations and demands of stakeholders, and responded promptly to their comments. While operating in compliance with laws and regulations, the Company fulfilled its social responsibilities and created value for stakeholders. From the perspective of sustainable development, the Company organized and formed a stakeholder communication schedule to provide a basis for the Company's substantive issue identification.

Stakeholders	Expectations and Demands	Communication Method	Response
Shareholders	<ul style="list-style-type: none"> – Sustained and stable performance growth – Standard and clean operation – Timely and accurate information disclosure – Responsible investment – ESG responsibility concept – ESG governance structure 	<ul style="list-style-type: none"> – Periodic disclosure – General meeting – Investor investigation – Results presentation – Results roadshow – Telephone meeting 	<ul style="list-style-type: none"> – Stable operation – Timely and effective information disclosure – Investment management
Regulators	<ul style="list-style-type: none"> – Operation safety – Lawful and compliant – Stable tax revenue growth – Serve the local economy – Promote the development of the industry 	<ul style="list-style-type: none"> – Special report – Policy interpretation – Information announcement 	<ul style="list-style-type: none"> – Compliance management – Law-abiding – Pay tax according to laws – Construction of mining area – Railway operation – Technological innovation

Stakeholders	Expectations and Demands	Communication Method	Response
Environment	<ul style="list-style-type: none"> - Compliant pollutant emissions - Save energy and resources - Improve the efficiency in the use of energy - Ecological protection 	<ul style="list-style-type: none"> - Environmental information disclosure - Insight into trend - Technological innovation - Awareness improvement 	<ul style="list-style-type: none"> - Establishment of environmental management system - Emissions management - Effective use of resources - Minimize environmental impact
Employees	<ul style="list-style-type: none"> - Equal employment opportunities - Reasonable salary and welfare - Smooth development channel - Safe and healthy working environment - Employee care - Safety guarantee during the COVID-19 pandemic 	<ul style="list-style-type: none"> - Daily communication - E-mail, website, etc. - Staff congress - Employee activities 	<ul style="list-style-type: none"> - Equal employment - Diversified recruitment - Occupational promotion channel - Training system - Occupational health management - Employee care activities - Pandemic prevention and control measures
Customers	<ul style="list-style-type: none"> - Provide quality-compliance coal and coal chemical products - Stable and efficient railway operation 	<ul style="list-style-type: none"> - Customer visits - Customer service call and E-mail - Mobile platform - Satisfaction questionnaire 	<ul style="list-style-type: none"> - Quality management - Technological innovation
Suppliers and partners	<ul style="list-style-type: none"> - Transparent procurement - Win-win cooperation - Keep commitment 	<ul style="list-style-type: none"> - Partner meeting - Supplier visits - Online service platform 	<ul style="list-style-type: none"> - Supply chain responsibility management - Sunshine procurement - Green procurement
Community	<ul style="list-style-type: none"> - Environmental protection - Response to national policies - Community assistance - Charity activities in relation to COVID-19 pandemic 	<ul style="list-style-type: none"> - Understand community demands and national key projects 	<ul style="list-style-type: none"> - Environmental charity - Targeted poverty alleviation - Charity activities - Volunteer activities - Charity activities in relation to COVID-19 pandemic

The Company forms environmental, social and governance issues based on the actual situation and industry features, and communicates with the stakeholders to evaluate, identify and rank issues in terms of the significance of the issues to stakeholders and the significance of the issues to the environment and society, to form a matrix of major ESG issues of the Company and make key disclosures.



1.3 Integrity Operation

We strictly complied with the Company Law and laws and regulations relating to anti-corruption and anti-bribery. In addition, the Company formulated various provisions and measures such as the Regulation on Strengthening Honesty and Dedication Building and Improving Cadres' Workstyle and the Measures on Strengthening the Assessment of Honesty and Dedication Building and Improving Cadres' Workstyle, which provides system guarantee for the Company's anti-corruption efforts.

During the reporting period, the Company was not aware of any enquiry, notification, or penalty caused by any contravention of laws and regulations on anti-corruption, anti-blackmail, anti-fraud, and anti-money laundering in the place of operation.

Integrity risk prevention and control

- The audit and supervision department actively played a supervisory role, and carried out supervision on the Company's production and operation related links such as personnel recruitment, bidding and spot checks on recruitment and procurement center, and public auction of retired and waste products, so as to ensure the Company's clean operation;
- The Company signed a letter of responsibility for the construction of party style and clean administration with each unit, and implemented the responsibility of party work style and clean administration at all levels to create a sound internal atmosphere.
- The Company attached great importance to the work related to letters and visits and reports to plug management loopholes and guide the construction of a harmonious and stable development environment;
- The Company assisted in carrying out special rectification and self-examination in the field of coal resources, and actively assumed corporate social responsibility.

Integrity education and publicity


- The Company actively promoted the publicity of integrity culture, organized disciplinary inspection cadres to participate in the training and study of the Municipal Commission for Discipline Inspection to improve their ideal awareness, theoretical standards and professional skills, and supervised all units to conduct integrity education for employees, and urged employees to participate in integrity education classes in a timely manner.

2. INDUSTRY CHAIN VALUE

In strict compliance with the Product Quality Law of the People's Republic of China, the Standardization Law of the People's Republic of China, the Measures for the Implementation of Regulations of the PRC for the Administration of Production Licences for Industrial Products, Law on Protection of the Rights and Interests of Consumers of the PRC, and Interim Measures on the Quality Control of Commercial Coal and other laws and regulations and industry standards, the Company strictly controlled product quality, promoted product quality improvement with technological innovation, and improved the supply chain management platform, striving to provide customers with high-quality products and services.

2.1 Guarantee Product Quality

Adhering to the principle of "quality is the life of an enterprise", the Company facilitated the improvement of product quality by using technological innovation and completed various production operations with quality and quantity. In addition, we revised the Quality Control Manual as the management standard of the quality control system of the Company, set up a quality evaluation mechanism to implement positive incentives for product quality control and incorporated product quality into customer satisfaction surveys to provide guarantee for product quality with a complete quality control system.



In 2020, we continued to integrate the process method, PDCA loop model and the “outline” and “core” of risk-based thinking into the Company’s various production and operation activities, and made full use of internal and external audits, special activities, integrated supervision and management, highlighted promotion and implementation and other important measures to ensure the comprehensive coverage, steady operation and application effectiveness of the management system. The Company’s SHQ management system has been continuously and effectively operated for 10 and 19 years, respectively, and is an effective tool and important support for the Company’s occupational health and safety and quality control.

- **Coal product quality control**

Adhering to quality policy, the Company has formulated and strictly implemented the Measures for Coal Quality Management of Inner Mongolia Yitai Coal Co., Ltd., set up “Quality Special Reward (Penalty)” and conducted coal quality management according to the requirement of “quality-based pricing and quality assessment” to ensure the continuous stability of product quality.

In production and operation, we strictly implemented various daily inspections, such as random inspections of car floor samples, to ensure the quality of suppliers’ supplies; coordinated with the dispatching station for transportation and coal allocation to control coal quality; improved train sampling methods and sampling facilities, optimized the sampling of commercial coal, and strengthened the management and assessment of coal production, transportation, storage, and sales.

In addition, in order to perform well in the supervision and management of coal quality, the Company further improved the operation of each laboratory system and maintained the effective operation of the laboratory qualification recognition/certification system. The Company actively improved the level of detection automation and introduced brand-new detection equipment and technologies, such as the use of robot automatic operation systems to detect coal calorific values, and the establishment of a coal quality intelligent evaluation system for cars on the station with functions such as instant warning of coal quality abnormalities. In addition, the Company integrated and optimized the existing quality data platform, and jointly developed and built an integrated information sharing platform with information companies, realized the sharing, query and comparative analysis of quality data online platforms, and promoted the stable development of the Company’s quality control.

- **Quality Management of Coal Chemical Products**

The Company has formulated the Management Measures for Quality of Coal Chemical Segment, Incentive Management Measures for Quality of Coal Chemical Segment, Administrative Measures for Substandard Coal Chemical Products and Administrative Measures for Customer Complaints and Feedback in the Coal Chemical Sector Segment as the basis to improve the quality control system of the coal chemical segment and ensure product quality.

We implemented comprehensive standardized management from raw materials to finished products to ensure the quality of the production process, and relied on a smooth production and sales coordination mechanism to comprehensively control quality issues in the production and sales process, to achieve early warning, timely detection, and timely processing, and strengthen potential risk management. Meanwhile, the Company has built a research, production and sales coordination platform in coal chemical segment, and comprehensively communicated and solved feedback issues from internal and external customers through weekly meetings, WeChat, and the Internet, ensuring timely and effective communication, and fully improving the quality control of coal chemical products. In addition, the Company has established a special quality award for the coal chemical segment, and promoted quality and efficiency enhancement through quarterly evaluation, annual evaluation, and quality improvement and efficiency project awards, to encourages all employees to participate and realizes a value creation-oriented incentive mechanism.

During the reporting period, the Company did not have any recalls of sold or shipped products.

– *Quality System Certification*

During the reporting period, all subsidiaries actively promoted the construction of the quality control system, established and maintained the effective operation of the quality control system.

Among them, the quality control systems of Coal-to-oil Company, Chemical Company and Inner Mongolia Yitai Petrochemical Co., Ltd. (“Petrochemical Company”) have passed the audit and certification of third-party manufacturers. Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (“Ningneng Company”) started the construction of the quality control system in May 2020, and implemented the GB/T19001-2016/ISO 9001:2015 Quality Control System Requirements.

– *Quality technical improvement measures*

The Company has adopted a number of quality technical improvement measures to effectively improve product quality, such as Chemical Company’s refining/cracking first-line quality optimization, Coal-to-oil Company’s and Chemical Company’s refined wax filtration technology transformation to improve the chromaticity of refined wax, Coal-to-oil Company’s product quality improvement to increase the softening point of refined wax, Ningneng Company’s tower internals and tower body technical transformations to improve product purity and increase product categories, etc..

– *Ex-factory control measures*

During the delivery process, the Company shall ensure that the product quality is not contaminated and the packaging is not damaged. Liquid products can only be loaded into the truck after the tank truck is qualified in accordance with SH/T0164 “Rules for the Packaging, Storage and Delivery of Petroleum Products”. Product release from the factory strictly implements the Company’s related product quality control system.

2.2 Improvement of Service Quality

The Company has formulated regulations like the Employee Accountability System, the Credit Sales Management System, Management System of Customer, Supplier and Other Related Parties and Gas Station Management System to continuously provide customers with quality products and services, so as to enhance customer experience and communication efficiency.

- **Privacy protection**

The Company actively abides by the Consumer Rights Protection Law of the PRC and other laws and regulations, respects customer privacy, strengthens employee training management, and prevents incidents of customer files and feedback information leakage. For employees who violate the corresponding system, punishments ranging from fines to suspension of work are imposed within the Company based on the severity of the cases. During the reporting period, the Company did not have any case that entered the lawsuit due to violation of customer privacy.

- **Customer communication**

We value customer feedback on products and services, and actively build effective channels for customers to communicate with the Company. The Company adopted an offline and online customer communication feedback and complaint system, which in particular includes key customer talks, customer visits, customer satisfaction survey, online communication, telephone return visits, official website message and WeChat public accounts message. In addition, the Company regularly holds production and sales coordination meetings within coal chemical segment, and arranges sales personnel to pay dynamic attention to delivering customer feedback, quality control personnel of production unit making responses to customer complaints in a timely manner, verifying product quality, and communicating and solving them.

[Case] 2020 Key Customer Symposium of Petrochemical Company and Market Survey

In 2020, Petrochemical Company actively strengthened communication with customers by conducting customer talks and market visits and surveys and listening to customer needs and opinions, so as to improve service quality.

In September 2020, Petrochemical Company invited customers to the Company for communication. The chairman of Petrochemical Company and the deputy general manager in charge of sales conducted one-on-one discussions and exchanges with key customers of the Company's Fischer-Tropsch wax, light and heavy products, and normal heterogeneous products, listened to customers' opinions and suggestions on the Company's products and sales in a timely manner, carefully analyzed the current and subsequent market condition, and discussed and arranged the customer's subsequent procurement plans and cooperation models.

In October 2020, the chairman and general manager of Petrochemical Company conducted a visit and investigation on some key customers at the East China and South China market. In this visit and investigation, we focused on detailed research on the terminal market application, the follow-up industry trend, and the market application of new products and new fields; learnt of the sales team's business capabilities, work efficiency, service quality and customers during cooperation, and conducted in-depth discussions and sincere exchanges on the Company's later product sales policies, customer demands, strategic cooperation and other matters.



Visiting Yitai Ningneng Fine Chemicals Co., Ltd. with customers

2.3 Focusing on Technological Innovation

The Company attaches great importance to technological innovation and development. In compliance with the requirements of documents including the Guiding Opinion on Scientific and Technological Work and the "13th Five-Year Plan" for Technical Work (2016-2020), the Company has formulated the Technology Management System of Inner Mongolia Yitai Coal Co., Ltd., the Management and Incentive System of Technological Achievements of Inner Mongolia Yitai Coal Co., Ltd., Management Measures on Scientific Research Project of Inner Mongolia Yitai Coal Co., Ltd., Evaluation Rules of Technical Management Organization Award of Inner Mongolia Yitai Coal Co., Ltd. and system for intellectual property rights and patent protection, which improved the Company's innovation management, further motivated employees to innovate, and improved technological innovation capabilities.

- **Innovative achievements**

In 2020, focusing on the main line of scientific and technological innovation, the Company accelerated the industrial application of scientific and technological achievements, with a focus on the cultivation of high-level talents, and steadily promoted the Company to develop in a higher-quality and more sustainable manner. In 2020, the Company's technological innovation has achieved a number of results:

Technological Project Results

- In the project on the Research and Engineering Demonstration on Key Technologies of Large-scale Industrialization of Coal Indirect Liquefaction Process (煤間接液化工藝大型工業化關鍵技術研究與工程示範), Chemical Company has achieved good results through the application and demonstration of 1.2 Mtpa indirect coal liquefaction process industrialization project. The improvement of catalysts, reactors and technological processes have increased the energy conversion efficiency by more than 3%; 54 patents were applied and 12 papers were published for the project, and it passed the acceptance review of the Science and Technology Department of Inner Mongolia Autonomous Region in April 2020;
- The Company has carried out a 0.02 Mtpa project to remove olefins to produce high-carbon alcohols. The project performed the first industrial scale-up application of carbonylation reaction through the introduction of cooperation and independent research and development to produce high-carbon alcohols in China. It was completed and put into production in 2020.

Innovative Honor Award

- "Research and Application of Key Technologies for Well Construction in Super Large Coal Mines with Extra Thick and Soft Rock Strata" won the third prize of the Autonomous Region Science and Technology Progress Award;
- "Suancigou Coal Mine Surface Water Control, Treatment, Utilization, Recharge and Eco-environmental Protection Five-in-One Optimization Combination Research" won the third prize of China National Coal Association;
- "F-T Synthetic Oil Non-sulfided Catalyst Hydrorefining Catalytic Technology" won the third prize of Technology Invention Award by China Petroleum and Chemical Industry Federation;
- The Company focused on the training of scientific and technological talents. One employee was awarded the "Grassland Talent" at the city level of Ordos, and two employees were awarded the "Most Beautiful Science and Technology Worker" at the city level of Ordos.

- **Standard setting**

The Company actively participated in the compilation and development of local standards and industry standards, to promote the optimization of industry standards and help to develop and progress. In 2020, the industry standards co-developed or independently developed by the Company are as follows:

- The Company guided the preparation of the local standard DB15T1955-2020 "Product Quality Control Specification for Indirect Coal Liquefaction Enterprises", which has been approved for publication and has begun to be implemented;

- The Company participated in the development of the NB/T10471-2020 “Coal Liquefaction Blended Diesel” industry standard, which has been approved and released and will be implemented in 2021;
- The Company led and participated in the formulation of 5 other industry standards, including “Coal-based Fischer-Tropsch synthesis of mixed olefins (《煤基費托合成混合烯烴》)”, “Coal-based Fischer-Tropsch synthesis of solid waxes (《煤基費托合成固體蠟》)”, “Coal-based Fischer-Tropsch Synthetic Lubricant Base Oil (《煤基費托合成潤滑油基礎油》)”, “Coal-based Fischer-Tropsch Synthetic Soft Wax (《煤基費托合成軟蠟》)” and “Coal-based Fischer-Tropsch Synthetic No. 3 Jet Fuel (《煤基費托合成3號噴氣燃料》)” projects, which are in steady progress.

- **Industry-university cooperation**

In 2020, the Company further vigorously promoted industry-university cooperation by launching a number of industry-university cooperative research projects, to strengthen in-depth research in the technical field, and promote the enhancement of the Company’s product value:

- The Company introduced and trained a post-doctoral fellow with Inner Mongolia University to conduct industry-university-research cooperation on the deep processing technology of stable light hydrocarbon products, to extend the product industry chain, and increase the added value of products;
- The Company conducted research on coal mine equipment lubrication pollution control methods based on oil analysis technology with China University of Mining and Technology to improve production technology;
- The Company conducted research on data platform and performance management for smart factories in the coal chemical segment in cooperation with Shanghai ABB Engineering Co., Ltd. to optimize management methods and improve management efficiency.

- **Intellectual property and patent protection**

The Company values the protection of intellectual property rights and patents. In strict compliance with laws and regulations such as the Copyright Law of the PRC and the Patent Law of the PRC, the Company developed Patent Classification and Hierarchical Administration Measures of Inner Mongolia Yitai Coal Co., Ltd. in addition to Administration Measures for Intellectual Property Rights of Inner Mongolia Yitai Coal Co., Ltd., Measures for the Risk Management of Intellectual Property Rights of Inner Mongolia Yitai Coal Co., Ltd., Management Measures for the Expert Database of Technology and Intellectual Property Right Review of Inner Mongolia Yitai Coal Co., Ltd., Confidentiality Management System of Inner Mongolia Yitai Coal Co., Ltd. and existing intellectual property rights and patent protection system, to further optimize and improve the management of intellectual property rights and patent protection.



The Patent Classification and Hierarchical Administration Measures of Inner Mongolia Yitai Coal Co., Ltd. classify patents based on business segments and technologies, and on this base, patent value is evaluated in aspects of technology, law and market, and patents are divided into core, peripheral and low value level to determine the level of resource input, management process and operation mode, etc., so as to achieve efficient, accurate and targeted patent classification and hierarchical management, and guide the Company's technological innovation.

2.4 Optimize Supply Chain Management

The Company strictly abided by the relevant national laws and regulations such as the Bidding Law of the People's Republic of China, continuously optimized supply chain management, and established a stringent and comprehensive supplier evaluation system, forming a complete supplier process management system. The Company was also committed to strengthening the control of environmental and social risks in the supply chain so as to build a sunshine, green and sustainable supply chain ecosystem.

- **Supplier management**

The Company has formulated the Procurement Management Measures of Inner Mongolia Yitai Coal Co., Ltd., the Supplier Management Measures of Inner Mongolia Yitai Coal Co., Ltd. and other supplier management systems, and established a Material Management Information Platform, to regulate supplier access, supplier supervision, supplier evaluation and carry out supplier management in an orderly and efficient manner.

In terms of supplier access, we require suppliers to comply with relevant national and regional laws and regulations, supplier management rules and other requirements, and stipulate their establishment years. Key equipment and spare parts suppliers are generally well-known enterprises in the industry. In terms of supplier supervision, we review self-registered suppliers and suppliers we invited in accordance with established procedures, and implement inspection procedures based on requirements. In terms of supplier evaluation, the system registration process and follow-up review will eliminate unqualified suppliers, and the Company will issue monthly supplier performance announcements and annual evaluation reports based on the inspection results, and implement different measures such as improvement reminders, suspension of cooperation, and termination of cooperation for companies that do not meet the assessment standards.

- **Supply chain environmental and social risk management**

Supply chain environmental and social risk management is of great significance to the Company's normal production activities. In order to ensure the smooth operation of the supply chain, the Company attaches great importance to the qualifications and environmental impact of suppliers, and implements strict review management measures:

Qualification management

- Suppliers shall comply with national laws and regulations on environmental protection, and obtain environmental management system certification or comply with their requirements;
- Suppliers of hazardous chemicals shall obtain corresponding business licenses;
- Pharmaceutical suppliers shall strictly follow the scope of business license review, and are required to sign relevant agreements with transportation companies to control the transportation companies they cooperate with.

Supervision and management

- In the bidding documents, the Company clearly stipulated that energy-saving and consumption-reducing products should be used first, and no mechanical and electrical products eliminated by the state should be used;
- The Company paid further attention to relevant information on the environmental impact of suppliers, and implemented one-vote veto on violations of relevant national laws on the environment and employment;
- The Company supervised suppliers in production and manufacturing through third-party supervision agencies, and conducted production in strict accordance with contracts and agreements to avoid environmental damage.

[Case] 2020 China Petrochemical Industry Procurement and Supply Chain Conference

From 2 to 4 September 2020, the 2020 China Petrochemical Industry Procurement and Supply Chain Conference hosted by China Petroleum and Chemical Industry Federation with Inner Mongolia Yitai Group Co., Ltd. was held in Nanjing, Jiangsu Province. The theme of the conference is sustainable supply chains. Focusing on the main line of supply chain coordination and efficiency enhancement, how to build a dynamic, efficient, symbiotic and shared, multi-party supply chain ecology were discussed at the conference.

Luo Wenzhang, general manager of the Company's recruitment and procurement centre, shared a report entitled "Deepening Procurement Management and Promoting the Sustainable Development of Supply Chains" at the conference and participated in a high-end dialogue with the theme of "creating a co-existing and sharing efficient supply chains". The content of the report and dialogue has been highly recognized by experts, colleagues and suppliers.

In the conference, the Company and high-quality suppliers exchanged views on the key points and difficulties of the cooperation between the two parties, laying a foundation for further good cooperation between the procurement and supplying parties, and quality suppliers were identified at the platform. Many companies have learned about Yitai, which promoted the development of the Company.



3. Safety Development

The Company thoroughly implemented the policy of “safety and prevention as priorities with comprehensive governance”, insisted on the “two would-rathers”, “two authorizations”, “unrelenting, careful and modest” concept, as well as compliance operation to establish a firm view of the red line of life without hesitation. While strictly abiding by laws and regulations related to production safety and occupational health, the Company established a sound safety management system, attached great importance to the occupational health and safety of employees, and earnestly safeguarded the life safety and health rights of employees.

3.1 Safety Operation

In strict compliance with relevant laws and regulations on safety production such as the Safety Production Law of the People’s Republic of China, Special Equipment Safety Law of the People’s Republic of China, the Fire Protection Law of the People’s Republic of China, the Opinions on the Construction of Dual Prevention Mechanism for the Implementation of the Guidelines for Curbing Serious Accidents of the Safety Committee Office of the State Council and the Notice on Comprehensively Strengthening the Work Safety Responsibility System for All Employees of the Safety Committee Office of the State Council, the Company has conscientiously implemented main responsibility of safety production, to ensure the capital investment required for safety production, and further improved the safety management system and strengthened safety production control to enhance the safety awareness of all employees and provide a safe and stable production environment.

During the reporting period, the Company had no accidents involving minor injuries or above, nor accidents involving personal injuries or death or risk-related accidents, and no new cases of occupational diseases.

- **Safety supervision and management**

The Company formulated the Management Measures on Classified Control on Safety Risk, the System of Identifying and Eliminating the Potential Risks in Production, Reward and Punishment Measures for Safety Supervision Leaders, Measures for Graded Rating of Safety Management Level of Production and Business Units, the Safety Responsibility System for All Employees, Safety Operation Technical Regulations, Standardized Management System of Safety Production in Coal Mines, the Management System of the Entrance in Mines, “Three simultaneous” Safety Management System for Construction Project Safety Facilities and Standardized Management System of Safety Production in Coal Mines, and established a safety production management organization system under the safety production management organization led by the Security Committee to implement safety management responsibility of the Company and ensure the orderly operation of the Company’s safety management system.

The Company’s safety supervision in 2020 focused on the “Safety Work Arrangements in 2020 of Inner Mongolia Yitai Coal Co., Ltd.”, and the continuous enhancement of safety management and innovation of safety supervision methods to ensure safe production conditions and implement the main responsibility of safety. In accordance with the “five implementations and five in place” and the requirements of “Three Musts”, the Company performed well in various safety supervision work with a high degree of political awareness and sense of responsibility, and actively promoted the steady development of the Company’s safety production work:

- In compliance with safety production laws and regulations, the Company implemented the main responsibility for safety production, guaranteed safety production investment, improved the safety production responsibility system, and consolidated the standardization of safety production, to promote the work of dual prevention mechanisms, and perfect the safety classification supervision of production and business units under the new situation. The Company continuously carried out hierarchical evaluation of safety management and physical examination safety supervision to strengthen the management of joint prevention and control of resumption of work and production during the pandemic;
- The Company clarified the classified management of production and business units and functional management departments, formulated rewards and punishments for coal mine contractors, revised rewards and punishments for safety production, improved evaluation and assessment standards for coal, chemical, railway, transportation and sales segments, and all levels of the Company have signed management responsibility certificate on occupational health and safety. Based on the classification, the safety production management personnel of various departments, branches and subsidiaries are regularly set safety goals, and the accidents, occupational disease cases and safety management of each unit are evaluated and assessed on a monthly and annual basis, respectively. For departments or individuals that have completed safety goals, monthly safety awards and safety risk mortgage awards will be issued based on the assessment results, which fully represents the principle of the unity of responsibility, rights, and benefits for safe production.

- **Promotion of dual-prevention mechanism**

In order to thoroughly implement the “Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Reform and Development of Work Safety”, the “Notice of the Office of Security Committee under the State Council on Printing and Distributing the Work Guidelines for the Prevention of Major Accidents from Both the Symptoms and the Root Causes”, and the “Opinions of the Office of Security Committee under the State Council on the Implementation of the Guidelines for the Containment of Major Accidents and the Establishment of a Dual Prevention Mechanism”, the Company accurately grasped the characteristics and laws of the Company’s production safety based on its own actual conditions and with reference to the characteristics of the industry. Insisting on risk pre-control, the Company comprehensively implemented the dual prevention mechanism of hierarchical management and control of safety risks and the investigation and management of hidden accidents, and vigorously promoted the scientific, informatization and standardization of accident prevention. From the practical effect of application, it has basically realized overall requirements that “risks are controlled before hidden dangers are formed, and hidden dangers are eliminated before accidents.”

The Company has formulated and continuously optimized scientific safety risk identification procedures and methods in accordance with the types and characteristics of entities, and identified safety risks in production processes, equipment and facilities, operating environments, personnel behaviours and management systems in an all-round and full process, to achieve systematic and comprehensive without omissions, and continuously updated and improved the same.

Two application and demonstration units for dual prevention mechanism informatization platforms have been initially established in 2021, which will provide a powerful reference for the Company to better promote the information construction of dual prevention mechanisms in the future.

- **Safety Culture Cultivation**

The Company has always taken the safety culture concepts such as “two would-rathers”, “two authorizations”, “unrelenting, careful and modest” as the winning magic weapon for the Company to maintain a good safety production record for many years, to which it has been adhered for a long time and implemented in place. Incorporating the “Four Alls” and “Four Treatments” into Yitai’s safety culture concept, it is proposed that “safety accidents can be prevented and controlled”, “Practice and cherish, learn to love and respect others and be a kind person who knows how to introspect”, “Inadequate understanding and inadequate management are the two biggest hidden dangers”, “No matter how good the conditions are, if the management is neglected, earth-shattering accidents will occur” and other new safety concepts, to gradually strengthen the Company’s soft power in safety management.

The Company strictly abided by the national requirements such as the Safety Training Regulations for Production and Management Units, the Safety Training Regulations for Coal Mines, the Notice on Conducting Coal Mine Safety Training and Renovating and Promoting the Quality, insisted on the guidance of General Secretary Xi Jinping’s important expositions on production safety, and regarded safety as an important cornerstone to ensure the Company’s sustainable development and the lifeline of the Company’s survival and development.

In order to promote safety culture cultivation, the Company formulated the Safety Education and Training Management System and an Annual Safety Training Plan, set up a safety training centre to organize a variety of publicity and training activities to encourage employees to actively participate. In addition, the Company gave full play to the publicity and guidance role of platforms such as “Safety and Quality Briefing” and “Yitai Safety” WeChat official account, to encourage employees to actively learn safety production-related knowledge, establish employees’ risk awareness, publicize safety production and safety protection measures, and implement prevent and control measures.

[Case] 2020 Safety Promotion “Consultation Day” Series Events

On 16 June 2020, the Company’s safety committee and Dongsheng District Emergency Management Bureau jointly launched the “Safety Production Month” publicity and consultation day event at the Company’s headquarters building. The Company and various department leaders and employees actively participated in signing and consulting activities, and gave great support to the “Safety Production Month” event. The staff of the Safety Supervision and Quality Control Department answered the questions about the knowledge of safety production to the employees on the spot, and distributed safety production propaganda materials. Taking this safety promotion and consultation day event as an opportunity, the Company has carried out in-depth promotion and publicity of safety knowledge, and has taken safety production promotion as a normal work. It will further carry out publicity and education activities to effectively improve the safety awareness and safety quality of its employees.





3.2 Occupational Health

The Company formulated system documents such as Occupational Health Management System, Administrative Measures for Prevention and Control of Occupational Disease Hazards in Coal Mine Workplaces, Responsibility System for Occupational Disease Prevention and Control, Occupational Health Operating Procedures for the Post, Annual Occupational Health and Safety Targets, Annual Plan and Implementation Scheme of Occupational Disease Prevention and Control and Emergency Rescue Plan for Occupational Disease Hazards Accidents in strict accordance with relevant laws and regulations on occupational health, like the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and by following the 71 industry standards of safe area and safe production regarding occupational health managed by National Health Commission, and improved Organization Component of Occupational Health Management of All Units, Occupational Health Archives of All Units and Archives of Occupational Health Surveillance for Workers, and explicitly stipulated Standard of Labor Protection Equipment for Employees, to ensure a smooth career for employees.

Taking the opportunity of the transition to the new ISO45001 occupational health and safety management system standard, the Company attached great importance to the quality of the standard, and implemented various terms and conditions one by one, achieved the construction of an occupational health and safety management system with a "dual" prevention mechanism and highly integration and interconnected between the quality control system and coal quality management methods. Currently, the Company's occupational health and safety management system has passed the audit and certification of third-party manufacturers.

The Company has always attached great importance to the dissemination and popularization of occupational disease-related knowledge. The Company organizes the publicity of the Law of the People's Republic of China on Prevention and Control of Occupational Diseases on an annual basis to improve the Company's occupational hazard prevention and control management level, enrich employees' knowledge of occupational disease prevention, and achieve the Company's established occupational health and safety goals.

During the reporting period, the Company had no new cases of occupational diseases.

4. ENVIRONMENTAL PROTECTION

The Company has always regarded advancing the construction of ecological civilization as one of its strategic goals. In particular, it upheld the policy of "hundred-year Yitai, green energy, energy saving, efficiency increasing and sustainable development" and always responded to the state-advocated concept of energy saving and environmental protection and green development, with the path of planting trees and reducing carbon in clean production and green mines, thereby striving to build a sustainable coal enterprise featuring "resource saving and environment friendliness".

4.1 Emissions Management

The Company paid close attention to the global climate changes, and actively responded to the state call of combating climate changes and the compulsory limit on total carbon emission in the “13th Five-Year Plan”. It complied with the guidelines of the laws and regulations relating to environmental protection such as the Law on Environmental Protection, the Law on Air Pollution Prevention and Control, the Law on the Prevention and Treatment of Water Pollution, the Law on Prevention and Control of Environmental Pollution by Solid Waste and Soil Pollution Control Law, formulating the Environmental Management Measures, the Measures for Reward and Punishment of Environmental Protection Inspection and Assessment and other related policies, to establish and improve the emission management system, strictly monitor the emission management of all units and refine the emission supervision system.

During the reporting period, the Company did not have any environmental lawsuits due to violation of emissions regulations.

- **Greenhouse Gas Management**

The greenhouse gases emitted by the Company are mainly carbon dioxide, methane and nitrous oxide produced in coal production, coal chemical production and fuel use. During the reporting period, the Company took a series of improvement measures to reduce greenhouse gas emissions from the source:

- Through upgrading the coal-fired boiler flue gas desulfurization and dust removal system, the emission concentration of the boiler flue gas pollutants is reduced to a level below various limits in the Emission Standards of Air Pollutants for Boilers, effectively achieving the emission reduction goal of greenhouse gases, such as boiler smoke, sulfur dioxide and nitrogen oxides;
- Through afforestation and other mining area greening projects, thoroughly implemented carbon sequestration projects, to effectively reduce greenhouse gas emissions.

In addition, as required by the National Carbon Emission Accounting Guide, the Company actively improved carbon emission management organizations and functions, organized and participated in carbon emission management and transaction trainings, and conducted carbon emission data collection and accounting. It has successively completed the 2020 annual greenhouse gas emission report on the 1.20 Mtpa fine chemicals project of each of Coal-to-Oil Company and Chemical Company, which is pending third party verification.

- **Exhaust Gas**

The exhaust gas of the Company is mainly generated from boiler flue gas, loading system exhaust gas, coal dust generated from coal transportation and storage, and dust-containing exhaust gas derived from solid material storage and transportation. According to different types of exhaust gas, the Company formulated corresponding measures to prevent and control exhaust gas pollution:

- Boiler flue gas: The project applied ammonia desulfurization technology for boiler flue gas desulfurization, selective non-catalytic reduction (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 emissions can meet the air pollution emission standards for newly built coal-fired boilers under the Emission Standards of Air Pollutants for Coal-fired Power Plants (GB13223-2011);
- Acid gas: The acid gas produced by the project was sent to sulfur recovery device and treated by the second-stage Claus treatment and ammonia desulfurization process, and the sulfur recovery tail gas was purified again by the ammonia desulfurization process before being discharged into the atmosphere. Therefore, the SO₂ emission concentration meets the requirements of Table 3 under the Emission Standard of Pollutants for Petroleum Refining Industry (GB31570-2015);
- Loading system exhaust gas: Adopting oil and gas recovery facilities for tail gas recovery to reduce emissions of volatile organic compounds; carrying out oil and gas recovery on the stabilizing light hydrocarbon system of the loading bridge with oil and gas recovery efficiency reaching more than 98%;
- Dust-containing exhaust gas: Dust-containing exhaust gas of the project is mainly derived from solid material storage and transportation process. Key locations were equipped with dust collectors and ventilation and dust removal equipment by the Company to reduce dust-containing exhaust gas; the transporting vehicles were covered with crepe, with loading and unloading process being carried out in a fully enclosed space and then transportation by the belt conveyor, and for coal dust generated from such process, adopted the methods of cyclone dust removal and bag dust removal, while the coal yards were equipped with spraying facilities, etc., ensuring the dust content of exhaust gas and dust emission rate comply with the Class II limit standards of the Integrated Emission Standards of Air Pollutants (GB16297-1996).

[Case] Flue Gas Ultra-low Emission Renovation Project of Coal-to-Oil Company

In 2020, Coal-to-Oil Company carried out ultra-low emission renovation for its boiler flue gas treatment. Currently, the main works have been completed, and the project is expected to be completed and commence a trial operation by the end of January 2021. Upon being put into operation, it is expected to cut the emissions of nitrogen oxides and PMs by 70 tonnes and 13 tonnes, respectively. Through this project, Coal-to-Oil Company can reduce flue gas emissions from the source, furthering practicing its responsibilities in environmental protection.

[Case] Jungar Temple, Xiyingzi Dispatching Station Environmental Protection Renovation Projects

The Company planned to invest in the construction of the environmental protection renovation projects of Jungar Temple dispatching station and Xiyingzi dispatching station, to completely seal the open-pit coal storage yards and eliminate dust problems caused by coal transportation, loading and unloading and storage. Currently, the environmental protection renovation project of Xiyingzi dispatching station is under construction, and is expected to be completed at the beginning of 2021. The implementation of such project marks that the Company's coal dispatching process will reach a more environmentally-friendly, efficient and advanced process standard.

- **Hazardous Wastes**

The hazardous waste generated by the Company is mainly waste oil generated during equipment maintenance, waste oil and waste catalyst generated during coal chemical production. In this connection, the Company formulated the Management Measures for Prevention and Control of Pollution by Solid Wastes of Inner Mongolia Yitai Coal Co., Ltd. to refine the requirements for management of hazardous and harmless wastes. During the reporting period, the Company mainly adopted the following measures to manage hazardous wastes:

- The Company reduced the generation of hazardous wastes from the source by optimizing the process and strengthening the management and control of the production process, etc., and enhanced cooperation and technology improvement, in pursuit of resource utilization of hazardous wastes;
- In accordance with the Standards for Pollution Control of Hazardous Waste Storage, the Company established a temporary storage warehouse for hazardous waste which was compliant in all links of site selection, design, operation, safety protection, monitoring and closure, and transferred the hazardous waste to a qualified unit for disposal according to the regulations;
- For solid waste, by reasonable selection and use of raw materials, energy and other resources, and application of advanced production process and equipment, the Company reduced the generation of industrial solid waste and hazardous industrial solid waste, and classified the solid waste for treatment.

[Case] Comprehensive Utilization of Solid Waste Project

The Chemical Company generates a certain amount of filter cake hazardous waste each year. To reduce environmental pollution and achieve comprehensive utilization of hazardous waste, the Company actively explored resource utilization technology and cooperated with relevant party to construct a 0.01 Mtpa filter cake separation project, with completion of 95% of the civil engineering and 98% of the equipment installation.

The implementation of this project enables the Company to effectively enhance its comprehensive utilization of hazardous waste, minimize the environmental pollution caused by hazardous waste and realize “turning waste into treasure” which is conducive to environmental protection.

[Case] Biochemical Sludge Hazard Elimination Project Deliberation

The Chemical Company burned biochemical sludge in coal water slurry and pulverized coal gasifier, and coordinated with scientific research units in feasibility study deliberation, with issuance of respective feasibility study technology deliberation report, which demonstrates it is feasible to burned biochemical sludge in pulverized coal gasifier.

Through this project, the Chemical Company demonstrates the feasibility of burning biochemical sludge, bringing new ideas for treatment of such hazardous waste. Such deliberation, if put into practice in the future, will greatly reduce environmental pollution caused by biochemical sludge waste.

- **Harmless Wastes**

The harmless waste produced by the Company is mainly coal gangue generated during coal mining and coal washing process. During the reporting period, the Company adopted the following measures to strengthen the management of harmless wastes:

- The Company promoted the concept of green coal, and adopted green mining technologies such as small coal pillar mining, minimizing coal gangue generation from the source;
- Coal gangue was reused for power generation, road construction and backfilling, land reclamation, etc., to reduce wastes and consume less resources. The Company has built an ancillary 2×300,000 KW coal gangue power plant in Suancigou Mine to improve the recovery of waste resources such as coal associated gangue. During the year, the Company generated 6.84 million tonnes of coal gangue, all of which had been utilized comprehensively.

[Case] Suancigou Land Reclamation Project

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) has implemented a land reclamation project at Suancigou, with completion of closure and construction of a greening reclamation area.

In strict accordance with the national standards on comprehensive utilization of coal gangue, the Company adopted operation by area, filling by layer, crushing by layer, overburdening by layer, rehabilitation and farm restoration and other treatment process for coal gangue. Fruit trees, pine trees, bushes and ratoons will be planted timely upon overburdening of the top. Currently, 1,500 seedlings have been planted. All of the reclamation areas are equipped with spraying facilities to ensure full coverage of irrigation in the reclamation areas and dust control in spring and winter. Meanwhile, there is designated personnel and water spray vehicle to clean the road for transportation and ensure no dust generated. On the basis of the orchard which has been constructed, the Company has completed the construction of sightseeing platform, large fishing field, hardened roads and other supporting works, and plans to further quality improvement by greenhouse, Mongolian yurt, etc., to create an ecological mining area where the sky is blue, land is green and water is clean.



4.2 Resource Utilization

The Company actively implemented the Energy Conservation Law of the People's Republic of China and the "13th Five-Year Plan" for Comprehensive Energy Saving and Emission Reduction, and formulated related systems such as Environmental Management Measures, to enhance resource management and optimize resource utilization efficiency. We adhered to the clean production concept featuring "control from the source, focus on prevention, control over the whole production process, and realization of unified economic and environmental benefits", sped up the development, promotion and application of highly-efficient generation units, power distribution transformers and other energy-consuming equipment, and eliminated low-efficiency generation units, transformers, wind turbines, water pumps, compressors and other energy-consuming equipment, thereby improving the energy efficiency of key energy-consuming equipment in an all round way, and strictly implementing various energy saving and emission reduction tasks.

At the beginning of 2020, the environmental management committee of the Company issued the Notice on Setting Indicators for Environment/Energy Goals in 2020, which specified the annual energy consumption per unit of production and total energy consumption for each unit, and regarded energy conservation and resource saving as a key task for the year.

- **Energy Conservation Management**

The Company attaches great importance to highly-efficient utilization of resources and lays emphasis on energy conservation and emission reduction. While achieving its business development, the Company boosts its utilization efficiency of resources through implementing effective resource management, and fully realizes its green development and environment-friendly operation. During the "13th Five-Year" period, the Company saved a total of 564.9972 million tonnes of standard coal in all sectors, exceeding the energy conservation target under the "Hundred, Thousand and Ten Thousand Action Plan (百千萬行動計畫)", and reduced energy consumption costs by approximately RMB44.77 million.

During the reporting period, the Company continued to maintain control over the whole production process and strengthened energy conservation management. In particular, the Company prevented the purchase of equipment and processes with high energy consumption and backwardness to save energy from the source; during utilization, all units were required to identify and monitor the main energy-consuming units, conduct comprehensive inspections of the electromechanical equipment in use and in reserve of all units, and timely replace those with high energy consumption and backwardness. Meanwhile, the Company organizes and conducts energy conservation publicity week, low carbon day and other activities on a yearly basis to advocate green office and popularize the concept of energy saving and low carbon.

In addition, during the reporting period, the Company actively implemented the energy conservation and emission reduction work and earnestly achieved highly-efficient utilization of resources through equipment and technology renovation, optimization and innovation:

- The Chemical Company adopted raw coal adhering slag with high ash fusion point in the operation of pulverized coal gasifier, thereby increasing carbon conversion rate while decreasing coal consumption; fly ash in black water decreased, which would mitigate the abrasion of slag water treatment system; water content in fine slag further declined, with less slag produced. From June to August, the Company saved a total of RMB932,156.47 for slag transportation costs and landfill fees;
- The Chemical Company completed frequency conversion energy-saving renovation for Class I and II pump stations of water resource operation device, which, after initial estimation, will save more than RMB0.60 million of electricity charges;
- The Chemical Company made renovation to the propylene compressor anti-surge system. Such renovation completed construction during the suspension for overhaul in May 2020, and completed testing and subsequent acceptance check during the operation. Upon such renovation, approximately 7.5 tonnes of high pressure steam will be saved per hour after calculation;
- The Chemical Company completed technology renovation for sulfur recovery tail gas desulfurization tower, pending debugging in 2021, which expects to reduce sulfur oxide emissions;
- The Coal-to-Oil Company made renovation to the low-temperature methanol washing unit CO₂ tail gas addition separation tank. Upon being put into operation after such technology renovation, 95 tonnes of methanol will be saved annually;
- The Coal-to-Oil Company's steam pumped for gasifier in use is 1.5 MPa. Upon deliberation, during the suspension period, 1.5 MPa saturated steam may be replaced with 0.5 MPa low-temperature steam. Through implementing this project, 1.5 MPa of steam may be saved, and approximately 500 tonnes of standard coal is expected to be saved annually;
- For main steam valves and relevant accessories with internal leakage of steam detected in balancing various steams by the Company, such steam valves will be repaired after overhaul, thereby for the purpose of saving steam, and approximately 655 tonnes of standard coal is expected to be saved annually;
- Ningneng Company made technology renovation for waste heat recovery system of heating furnace, reducing heat waste for the system and achieving stable operation of heating furnace;
- The Company made use of mine water, ventilation air methane, gas drainage, residual heat of air compressor, solar energy, and air energy for heating or cooling according to local conditions to achieve efficient use of low-grade resources.

[Case] Automation Improvement for Boiler Power Distribution System

According to the actual on-site operations, the Chemical Company adopted a plan that a frequency converter may drive a boiler's primary wind turbine, and considered the industrial frequency bypass systems of primary wind turbine frequency converter. Vacuum circuit breaker is adopted for all industrial frequency bypass systems to improve the automation level of boiler power distribution system and reduce labor intensity. Such technology renovation effectively reduced energy consumption and noise. During the year, an accumulation of 15,393,745.75 kWh of electricity was saved.

[Case] Talahao Mine Main Transportation System Variable-frequency Big Data Smart Speed Regulation Renovation Project

In 2020, Talahao Mine introduced a smart speed regulation system, which collects real time coal quantity via an imported radar and makes cloud-based data analysis and feedback to achieve an intelligently preset operating speed for all level conveyors, and resolve the issues of high speed at low load and no load, thereby realizing automated speed regulation of the system. It is expected to save energy by 298.647 tonnes of standard coal annually.

[Case] Renovation for Drive Device of 4-Coal North Belt Conveyor of Suancigou Mine

In November 2020, Suancigou Mine changed the motor of drive device of 4-coal north belt conveyor from the previous 710KW to 500KW. The actual operating power is 218KW, and is reduced by 151KW upon change of motor. It is expected to save energy by 106.8 tonnes of standard coal annually.


[Case] Renovation for Existing Lump Coal Crushing System of Hongjingta Mine No. 1

Hongjingta Mine No. 1 has 6 belt conveyors and 1 crusher in its existing lump coal transportation system with an installed power of 559KW, which has high safety risks with a long transportation distance, high energy consumption and many posts. Upon on-site investigation, research and calculation, it was proposed to renovate the existing lump coal system of Hongjingta Mine No. 1 by installing a crusher under the existing sifting workshop to replace the 7 devices of the existing lump coal transportation system, thereby achieving the results of streamlining the system, cutting costs and mitigating safety risks. After calculation, such renovation for the existing lump coal system may save 1,021,248 kWh of electricity annually.

- **Water Resource Management**

The Company actively implements the National Water Conservation Action Plan. It strengthened water saving management for the whole production process, implemented water use plan and objective management, and vigorously promoted industrial water conservation by technology improvement and water saving measures:

- The Coal-to-Oil Company recycles rainwater to the accident pool, and sends the rainwater collected to the gasification section after preliminary sedimentation treatment as supplement water in the gasification system to reduce the amount of water produced by the gasification system. Through such rainwater recycling for reuse, the Company saved approximately 10,000 m³ of production water annually;

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- The Coal-to-Oil Company conducts preventive inspection and maintenance on sewage treatment, circulating water, desalinated water and reclaimed water, respectively, according to their system attribute. During the overhaul of main production facilities, sewage treatment facility was in normal operation, to avoid effluent discharge of a large amount of sewage in the main system during the overhaul, cumulatively saving approximately 20,000 m³ of effluent water annually, 20,000 m³ of supplement water in the system, and approximately 40,000 m³ of water consumption annually;
 - The Company continues to carry out steam condensate water recovery and utilization project by taking recovery measures such as steam condensation recovery and condensate water return. During the reporting period, all departments and centers were organized to make on-site checks, sort out issues relating to steam recovery project and cope with such issues timely;
 - During the 2020 PRC water week, the Company carried out water-saving publicity activities through electronic screens and building televisions, calling on all employees to save water in daily production and life.

[Case] Energy Conservation Renovation Project of Yimuke Process Condensate System of Chemical Company

The Company recycles energy through process condensate temperature of desalinated water removal device, thereby saving steam for power generation. During the overhaul in May 2020, such project implemented technology renovation, and was put into operation in mid September 2020, and has been in stable operation for three months currently, which has no significant impact on the operation of deaerator. Upon technology renovation, the thermal deaerator saved steam feed by approximately 24 tonnes per hour, with an expected income of RMB108,000 in 2020; and saved secondary circulating water by approximately 3,000 m³ per hour in winter.

Except for adoption of various water saving measures, the Company also issued the Management Measures for Prevention and Control of Water Pollution of Inner Mongolia Yitai Coal Co., Ltd. in 2020, which required to improve water resource utilization rate, adopt quality-based treatment, multi-effect evaporation and other measures for project wastewater, apply clean process to reduce generation of sewage and implement an elimination system for backward process and equipment which causes material water pollution. Through a series of measures, the sewage of the project of the Company reached nearly “zero” discharge, which greatly saved water resources and lowered the water consumption index.

Drainage system	The wastewater discharge system of the project is designed according to the principle of clearing and sewage separation and sewages separation to realise the quality treatment of clean sewage and production wastewater, oily sewage, acidic wastewater and salt-containing wastewater, ensuring that the wastewater quality of the wastewater treatment equipment is qualified, and the operation of the treatment equipment is continuous and stable.
Wastewater treatment and reuse	<p>The Company has successively constructed 18 domestic sewage treatment facilities and 14 mine water treatment facilities. The process wastewater, domestic sewage and initial rainwater of the project are all treated in a sewage treatment plant. In the coal-related chemical field, AO + MBR process is used to treat domestic sewage, while industrial wastewater is treated by coagulation sedimentation, filtration and disinfection processes. For sewage from different sources which meets different discharge standards upon treatment, the Company adopted the following measures:</p> <ul style="list-style-type: none"> – For effluent quality of the sewage treatment plant which reaches the first level requirement of the Integrated Sewage Discharge Standards (GB8978-1996), the effluents enter the reuse water treatment process as supplement water in the production water system; – The clean wastewater such as discharge sewage of chemical water and circulating water enters the reuse water treatment process; – After being treated differently according to the water quality characteristics, effluents are used as supplement water of chemical water and circulating water systems; – If the sewage upon treatment reaches the first level requirement of the Integrated Sewage Discharge Standards and Pollutant Discharge Standards for Coal Industry, all of them will be reused for production, sprinkler dust reduction and greening, saving about 3 million tonnes of fresh water each year.
Evaporation crystallization	The concentrated brine discharged from the wastewater reuse system is sent to the evaporation crystallization system, which consists of three major units including membrane concentration, evaporation pretreatment and three-effect evaporation, and adopts the deep energy “multi-effect countercurrent evaporation + segmentation crystallization process”, to realize the resource utilization of the crystalline salt.

4.3 Ecological Protection

The Company formulated internal systems such as the Environmental Management Measures of Inner Mongolia Yitai Coal Co., Ltd. in strict accordance with the laws and regulations such as the Law of the People's Republic of China on Soil and Water Conservation and the Regulations on Environmental Protection of Mine Geology. The Company also formulated rules for the assessment of 60 work items such as environmental protection, soil and water conservation, ecological construction, energy conservation and emission reduction, established and improved environmental management system, and conducted afforestation projects to actively assume social responsibilities and perform ecological protection responsibilities.

- **Improve environmental management system**

With the national policies on environmental protection as the guide, and advancing the construction of ecological civilization as one of its strategic goals, the Company continues to enhance the construction of environmental management system.

At the leadership level, the Company has set up an environmental management committee, built an environmental management leading group with the Company's chairman as the chief person in charge and attached great importance to enterprise's ecological protection responsibilities to achieve implementation of environmental management from top to bottom at every level; at the system level, the Company has formulated the Environmental Management Measures of Inner Mongolia Yitai Coal Co., Ltd., the Measures for Reward and Punishment of Environmental Protection Inspection and Assessment of Inner Mongolia Yitai Coal Co., Ltd. and other systems, as well as five management measures, namely, the Management Measures for Hazardous Wastes of Inner Mongolia Yitai Coal Co., Ltd., the Management Measures for Prevention and Control of Water Pollution of Inner Mongolia Yitai Coal Co., Ltd., the Management Measures for Prevention and Control of Air Pollution of Inner Mongolia Yitai Coal Co., Ltd., the Management Measures for Ecological Protection of Inner Mongolia Yitai Coal Co., Ltd. and the Management Measures for Prevention and Control of Pollution by Solid Wastes of Inner Mongolia Yitai Coal Co., Ltd., and always insisted on planning, implementation, inspection and review of environmental protection efforts and enterprise production and operation at the same time.

At present, the Company's various industry sectors have passed the ISO14001 environmental management system and ISO50001 energy management system certifications. The two management systems have been combined and operated, and have passed third party review and certification. Such measures further boosted management efficiency, optimized the enterprise's environmental management, and strictly controlled the enterprise's energy consumption. The Company's various new, renovation and expansion projects have strictly implemented the environmental impact assessment system, the environmental protection of construction projects and the "Three-Simultaneity" system of soil and water conservation, and all of the implementation rates have reached 100%.

In order to incorporate environmental protection into normal management, the Company has also set up a special bonus for environmental protection, and encouraged all units to actively participate in environmental protection, assign environmental protection responsibilities to the grass-root level, advocate environmental protection culture and establish the awareness of environmental protection.

- **Practice ecological protection**

In the production process, the Company bears in mind its environmental protection mission. Through organically combing land reclamation and soil and water conservation, the Company strengthened environmental management and protected the ecology of the mining area, so as to earnestly shoulder environmental protection responsibilities and facilitate the construction of green mines. To achieve environmental management objectives, the Company conducted a series of environmental management and governance work:

- In order to strengthen the management of subsidence areas and cracks on the ground, the Company formulated and strictly executed the Management Measures for Subsidence Areas of Inner Mongolia Yitai Coal Co., Ltd. to standardize the acceptance checks, prevent air leakage and fire, and protect the ecology of the mining area, thereby creating a safe production environment;
- The Company conducts ecological environmental protection work by afforestation and soil and water conservation. In Kubuqi desert, Hangjin Banner, the Company has gradually completed the construction of carbon sink forest of 500,000 Mu, afforestation of more than 340,000 Mu, sealing sand cultivation area of about 109,700 Mu, wetland protection area of about 7,100 Mu, sandy governance area of about 47,400 Mu, with windbreak and sand-fixation reaching 860,000 Mu, building a green ecological barrier for Ordos.

Through strict measures for mine ecology and soil and water conservation, the Company has achieved remarkable results. Suancigou Mine, Dadijing Mine and Baoshan Mine under the Company have successively been awarded the “Green Mine” experimental units by the former Ministry of Land and Resources.

5. Employee Care

The Company strictly complied with the Labor Law of the People’s Republic of China, the Employment Promotion Law of the People’s Republic of China, Labor Contract Law of the People’s Republic of China, Law of the People’s Republic of China on Protection of Minors, Implementation Measures for Paid Annual Leave for Employees of Enterprises and other national laws and regulations to fully protect the legitimate rights and interests of employees. We have provided employees with equal employment opportunities, diversified training and learning opportunities, and transparent and effective promotion channels, and actively respond to their expectations and demands to improve their happiness.

5.1 Interests of Employees

The Company developed a series of talent management system including Human Resource Management System of Inner Mongolia Yitai Coal Co., Ltd., Broad Band Salary Plan of Inner Mongolia Yitai Coal Co., Ltd., Employee Performance Management Measures of Inner Mongolia Yitai Coal Co., Ltd., Professional and Technical Talent Career Development Management Measures of Inner Mongolia Yitai Coal Co., Ltd. and Employee Attendance Management Measures of Inner Mongolia Yitai Coal Co., Ltd. to clearly standardize various requirements including employee’s working hours, holidays, remuneration management, communication and feedback, so as to effectively safeguard the rights and interests of employees.

- Working hours and holiday
 - Implementing a working hour system that combines standard working hours, comprehensive working hours and irregular working hours to clarify reasonable working hours.
 - Respecting employees' right to leave, clearly stipulates that in addition to national statutory holidays, employees' holidays also include paid annual leave, sick leave, marriage leave, leave for person affairs, maternity leave and extension leave, off-the-job breastfeeding leave, accompanying leave and funeral leave, and advocating that employees should take full vacations.
- Remuneration management
 - Based on same position equal pay, a salary plan was developed based on post value as the main body and dynamic performance appraisal;
 - Moderately widening the compensation gap among middle managers, between managers and employees, and between management and non-management personnel, reflecting the incentives of the remuneration;
 - Remuneration distribution rights were granted to implement total control and improve the enthusiasm of the production and operation units.
- Staff communication
 - Staff provide management-related rationalization proposals through the OA process or telephone, and the Company will give feedback through the established process after the review, specifying, improving and implementation based on meritocracy such as the proposed entity or individual for implementation, the reward standard and amount;
 - Proposals are collected through the employee representative meetings, and written replies will be given one by one by respective departments under the leading of the labor union after the meeting, and inspection and supervision will be conducted on valuable proposals.

5.2 Equal Employment

The Company adopts a diversified recruitment form that combines annual recruitment plans and irregular recruitment, and uses diversified recruitment channels that combine campus recruitment, social recruitment, and headhunters' recommendations to ensure the overall balance of personnel supply and demand. In the course of recruitment, the Company attaches importance to examining candidates from aspects of compliance, ability and job matching, and resolutely avoids any discrimination on gender, age and other factors. In addition, the Company has formed a talent selection and appointment mechanism including a variety of selection methods, such as regular all-staff post competition and normalized vacant post competition and appointment system selection mechanism under other necessary situations, fully achieving openness, fairness and justice, and guaranteeing equal employment.

We strictly implement the Prohibition of Child Labor Regulations, and definitely prevent the employment of child labor, forced labor and other illegal employment in the Recruitment Management System of Inner Mongolia Yitai Coal Co., Ltd.. In the course of recruitment, the personnel department strictly checks the ID card and relevant valid certificates of candidate, and checks the entry registration form filled by the successful candidate against the certificate. Meanwhile, the Company conducts personnel audits from time to time, actively controls employment risks, and deals with violations in a timely manner.

During this year, the Company did not experience violations such as the use of child labor and forced labor, nor did it have any lawsuits caused by employment issues.

5.3 Employee Growth

In order to build a professional talent team and facilitate the common development of employees and the Company, we developed and implemented the Management Measures of Management Personnel's Selection and Appointment, the Professional and Technical Talent Occupation Development Management Measures, the Functional Business Talent Occupation Development Management Measures, the Skill Operation Talent Occupation Development Management Measures and other talent development management systems.

- Employee training
- For grass-roots employees: Vocational training focusing on all types of professional skills and theories, practices, safety awareness and capacity and supplemented by quality, environmental protection, team building, corporate culture, rules and regulations, etc. have been carried out.
 - For management: According to the principle of “classified development and hierarchical empowerment”, the “excellent shift leader special training camp (卓越班組長特訓營)” has been organized to strengthen the “foundation” of management; “excellent shift leader special training camp of Yitai Chemical (伊泰化工卓越班組長特訓營)” has been carried out to realize the transformation of the team leaders from technical to management; and “intelligent operation intermediate courses (智勝經營進階班)” has been commenced to empower the leadership of middle operators and realize the transformation from management to operation;
 - For new employees: Corporate culture, safety and quality and human resources system have been introduced to new employees, and training has been carried out through centralized training, mentorship and case discussions to allow new employees to be fully familiar with the business content and process of their job, and quickly fit into their work environment.
- Employee development
- Establishing a position management system with job management as the core, covering all employees, and forming four career development channels including management channel, professional technology channel, skill operation channel and functional business channel;
 - Clarifying the job requirements, promotion standards, management authority and other contents of talents at all levels in the form of a system to provide a basis for ensuring the smooth career development of employees;
 - Continuing to promote the “Eagle Nurturing” cultivation plan for employees under the age of 35, and further expanding and improving the talent cultivation mechanism. In 2020, the Eagle Nurturing cultivation plan has completed 6 off-the-job training, 6 quarters of tutor guidance study and feedback summary, and at least 1 temporary post and received training of non-job position.

5.4 Employee Care

The Company focuses on employee welfare, attaches importance to employee care, strives to promote communication among employees and between employees and the Company, and enriches the amateur life and cultural pastimes through a variety of cultural and art training, exchange activities, sports games and other activities.

- **Welfare Security**

The Company adheres to the people-oriented principle and adopts a number of employee care measures to provide employees with welfare security and alleviate their concerns:

- Five insurances, one housing fund and one enterprise annuity: The Company pays retirement insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance, housing fund and enterprise annuity for employees;
- Regular physical examination: The Company arranges a free physical examination for all employees every year, with the coverage rate of employee physical examination of 100%;
- Care for female employees: In 2020, the labor union has purchased “two cancers” insurance for 1,201 female employees, with an insurance amount of RMB420.35 million;
- For employees who have difficulties in living due to illness or accident, the Company has established a relief fund for employees in difficulties to provide certain assistance. According to statistics, a total of 109 employees in difficulties of the Company have received assistance in 2020, with the total amount of assistance of RMB370,000.

- **Cultural and Sports Activities**

The Company attaches great importance to the enriched cultural pastimes of employees. The labor union regularly organizes a variety of cultural and art training and exchange activities to deepen communication among employees. In October 2020, the labor union held the 2020 employee sports meeting, enriching the amateur life of employees.

- **Communication**

The Company actively strengthens two-way communication with employees. From 12 January to 14 January 2020, the Company held the third employee congress and labor union member congress of the fourth session of the Company, actively listening to employees' needs and suggestions, adopting useful proposals, and promoting communication with employees.

[Case] Bringing Cultural and Art to Grassroots – A Glance at Yitai Chemical

In order to proactively respond to the call of “Civilization in New Times (新時代文明實踐)” and implement the requirements of “To the Masses (到人民中去)” cultural and art volunteer activities of the Ordos Federation of Literary and Art Circles and art and creation activity of “Playing the Role of Culture and Art in Poverty Alleviation (發揮文藝作用助力脫貧攻堅)”, on 8 September 2020, the Company brought “Culture and Art to Grassroots” activity to Yitai Chemical, and gathered together with the calligraphers and painters of Ordos Literary and Art Volunteers’ Association and Hangjin Banner Federation of Literary and Art Circles to carry out various art activities with a variety of contents and forms such as photography, calligraphy, traditional Chinese painting and art appreciation, showing brilliant art and fruitful achievements with exquisite calligraphy and painting filled with depositing fragrance spreading out from ink.

The successful holding of this cultural activity at the grassroots has enriched the amateur cultural life of the colleagues in Yitai Chemical. Such activities not only enable employees to learn cultural and art knowledge, improve their aesthetic appreciation ability, but also make them sincerely feel the years of refinement in culture of Yitai and the unique charm of traditional art.



6. SOCIAL CHARITY

The Company promotes social charity and gives back to the society in a variety of ways: putting charity into practice and serving the community through actively participating in charity; targeted poverty alleviation and ecological construction to form a virtuous circle; absorbing talents and providing jobs to alleviate employment pressure. The Company never forgets what makes us today through actively shouldering corporate social responsibility, and organizes employees to participate in related activities for delivering love, contributing to the construction of a harmonious society.

6.1 Poverty Alleviation

By following national policy guidelines, the Company actively participates in regional poverty alleviation, and provides targeted poverty alleviation by voluntary activities and paired assistance to help local people alleviate poverty and improve their living standards.

- The grassroots units of the Company have actively taken part in the battle against poverty of “hundred enterprises to help hundred villages”, and assisted a total of 29 villages and towns, and the total amount of assistance funds reached RMB27,110,000;

- The Company transferred 1 million acres of land in Jirigelantu Town on the edge of Kubuqi desert and Yihewususumu (伊和烏素蘇木) for the construction of carbon sink forest, with the payment of a total of RMB27,568,700 in land transfer fees, which directly helped 57 farmers and herdsmen alleviate poverty. Since 2012, carbon sink forests project of the Company has successively started to enjoy forest rights subsidies from the government. The Company has donated all the subsidies of RMB14.00 million to local farmers and herdsmen for production and construction, directly alleviating poverty of 78 farmers and herdsmen in 2 administrative villages in Inner Mongolia.

6.2 Employment Promotion

While developing, the Company actively assumes social responsibilities through helping promote local employment, so as to effectively help local people master a skill and improve their quality of life.

In the construction of the carbon sink forest in Jirigelantu Town on the edge of Kubuqi desert and Yihewususumu (伊和烏素蘇木), the Company has given priority to engaging neighboring farmers and herdsmen, and implemented the assistance measure of labor skills training, and transferred the results of labor training into the income of poverty-stricken household in a timely manner through labor export. At the afforestation and desertification control stage, the Company has planted more than 40 afforestation plots, and solved the employment of more than 4,000 farmers and herdsmen. Meanwhile, the Company has provided employment opportunities for the children of surrounding herdsmen who are college students, and arranged employment for more than 200 neighboring herdsmen and their children. In addition, the Company will give priority to enter into cooperation agreements with the labor service companies where various cleaning projects including mining site and chemical project plants, afforestation projects and ground hardening projects are located, to use its best endeavour to help poverty-stricken farmers and herdsmen to find jobs, realizing an effective interaction between poverty alleviation of farmers and herdsmen and ecological construction.

KEY PERFORMANCE TABLE

Name of indicator	Unit	2020	2019	2018
SO ₂ emission	(tonne)	374.25	363.19	370.80
NO _x emission	(tonne)	950.15	939.83	869.93
Flue gas emission	(tonne)	108.05	119.01	127.32
Total wastewater discharge ¹	(m ³)	0	0	0
Scope I. Direct greenhouse gas emission	(ten thousand tonnes CO ₂ e)	1,428.42	1,519.96	1,242.46
Scope II. Indirect greenhouse gas emission	(ten thousand tonnes CO ₂ e)	64.18	93.26	88.59
Total greenhouse gas emission – Coal sector	(ten thousand tonnes CO ₂ e)	634.22	635.16	587.38
Total greenhouse gas emission – Coal-to-chemicals sector	(ten thousand tonnes CO ₂ e)	844.70	957.62	725.44
Total greenhouse gas emission – Coal transportation and sales sector	(ten thousand tonnes CO ₂ e)	13.68	20.44	18.24
Total greenhouse gas emission	(ten thousand tonnes CO ₂ e)	1,492.60	1,613.22	1,331.05
Greenhouse gas emissions per RMB10,000 operating income	(tCO ₂ e/RMB'0,000)	4.42	3.94	3.40
Hazardous waste produced- Waste machinery oil	(tonne)	168.87	164.79	136.56
Hazardous waste produced – Waste catalysts	(tonne)	268.18	163.16	146.00
Hazardous waste produced – Carnallite	(tonne)	149.94	247.62	5,828.10
Hazardous waste produced – Total	(tonne)	586.99	575.57	6,110.66

Name of indicator	Unit	2020	2019	2018
Total gasification ash/fly ash produced	(ten thousand tonnes)	132.38	152.08	132.92
Boiler slag produced	(ten thousand tonnes)	31.68	29.84	31.18
Coal gangue produced	(ten thousand tonnes)	683.98	715.36	636.25
Total electricity consumption	(GWh)	987.48	1,308.17	1,225.37
Total gasoline consumption	(ten thousand litre)	32.86	29.90	28.33
Total diesel oil consumption	(ten thousand litre)	7,252.14	196.43	175.72
Natural gas consumption	(m ³)	0	0	0
Coal consumption	(ten thousand tonnes)	147.72	157.23	157.07
Purchased heat consumption ²	(MKJ)	0	0	112,487.56
Raw coal consumption	(ten thousand tonnes)	513.64	540.67	419.52
Comprehensive energy consumption	(ten thousand tonnes of standard coal)	611.07	547.72	465.82
Energy consumption per RMB10,000 operating income	tonne standard coal/RMB'0,000)	1.81	1.34	1.19
Total water consumption	(ten thousand tonnes)	885.17	1,079.14	1,023.16
Water consumption per RMB10,000 operating income	(tonne/RMB'0,000)	2.62	2.64	2.61
Wastewater utilization rate in coal mining	(%)	100	100	100
Wastewater reutilization rate in coal mining	(%)	94.5	100	91.30
Average coal recovery rate of mining areas	(%)	84	87	83
Special investment in environmental protection	(RMB'00 million)	10.02	8.63	7.41
Total number of employee		5,345	6,169	6,280
Total number of employees by gender	Male	4,397	5,148	5,228
	Female	948	1,021	1,052
Number and percentage of employees by employment type	Full-time	5,345	6,169	6,280
	Part-time	0	0	1,266
Number and percentage of employees by age	Below 30	1,239	1,598	1,941
	31-40	2,429	2,579	2,362
	41-50	1,143	1,394	1,451
	Above 50	534	598	526
Number and percentage of employees by region	Within Inner Mongolia	3,944	4,552	4,483
	Autonomous Region			
	Outside Inner Mongolia	1,401	1,617	1,797
	Autonomous Region			
Annual turnover rate ³	(%)	20	3	6
Number of work-related injury accidents		0	0	0
Number of work-related injuries (fatalities)		0	0	0
Number of working days absented due to work-related injuries	(loss of working days counted on the basis of every 200,000 working hours)	0	0	0
Number of safety education training		72	213	196
Participants of safety education training		3,043	9,131	9,579
Number of safety emergency drills		35	25	24

Name of indicator	Unit	2020	2019	2018
Participants of safety emergency drills		1,650	1,539	1,686
Number of management staff with safety production and management ability assessment certificates		219	322	360
Number of technical staff with certified safety engineer certificate		73	143	127
Occupational disease physical examination coverage rate	(%)	100	100	100
Number of additional employees with occupational diseases		0	0	0
Employee physical examination rate	(%)	100	100	100
Special physical examination rate of female employees	(%)	100	100	100
Total number of employee training		340	515	489
Total participants of employee training	(ten thousand personnel)	0.94	1.42	1.22
Percentage of employees trained	(%)	100	100	-
Average employee training hours	(hour/employee)	53	80	-
Training expenditures	(RMB'0,000)	500	800	800
Total number of suppliers		938	901	994
Number of suppliers within Inner Mongolia Autonomous Region		216	190	211
Number of suppliers outside Inner Mongolia Autonomous Region		722	711	783
Number of manufacturers who passed environmental social investigation		640	657	724
Manufacturer audit coverage rate	(%)	100	100	100
Recalls in products sold or shipped		0	0	0
Total customer complaints during the reporting period		0	0	0
Investment in research and development	(RMB'00 million)	3.11	6.29	8.63
Ratio of research and development expenses to operating income	(%)	0.92	1.54	2.20
Total number of R&D team		590	897	1,632
Number of utility patents applied		41	73	77
Number of invention patents applied		0	65	34
Number of utility patents obtained		54	57	72
Number of invention patents obtained		7	7	3
Session of voluntary activities conducted		20	25	25
Participants of voluntary activities		500	558	600
Hour of voluntary activities	(hour)	3,600	4,018	4,320
Number of people benefiting from voluntary activities		800	1,000	1,000
Donations to external parties made by the Company	(RMB'0,000)	4,533.88	8,160.02	2,918.41

Note:

1. The wastewater generated in the production process of the Company is concentrated brine, which is discharged into the park of Tianhe Water Company through the concentrated brine pipe network of the park and is uniformly treated.
2. The Company used boilers instead of purchased heat for heating in 2020.
3. Employee turnover rate increased due to the adjustment on the production, operation and organization of the Company.
4. In light of the actual situation of the Company's production and operation and regulatory requirements, the Company has further optimised the statistic standards and scope for environmental data and simultaneously updated data of previous year.

APPENDIX II

2020 ANNUAL INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

To All Shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and corresponding with guidance and other regulatory requirements concerning the internal control (“Enterprise Internal Control Regulatory Systems”), and considering internal control system and evaluation methods of the Company and based on day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2020 (the reference date of the Internal Control Assessment Report).

I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulatory Systems, it is the responsibility of the Board of the Company to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Assessment Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control mechanism by the Board. The management shall be responsible for organizing and leading the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company's operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial report and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.

II. RESULTS OF INTERNAL CONTROL ASSESSMENT

1. Whether There is Any Material Deficiencies in the Internal Control over Financial Reporting of the Company, as at the Reference Date of the Internal Control Assessment Report

Yes No

2. Results of Internal Control Assessment over Financial Reporting

Effect No Effect

According to the identification of material deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no material deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulatory Systems and relevant requirements.

3. Whether Material Deficiencies in Internal Control over Non-Financial Reporting Had Been Discovered

Yes No

According to the Company's identification of material deficiencies in the internal control over non-financial reporting, as at the reference date of the Internal Control Assessment Report, the Company had discovered no material deficiencies in the internal control over non-financial reporting.

4. The Factors Affecting the Assessment Results of the Effectiveness of Internal Control from the Reference Date to the Issuance Date of the Internal Control Assessment Report

Applicable Not Applicable

From the reference date to the issuance date of the Internal Control Assessment Report, there is no occurrence of such factors that may affect the assessment results of the effectiveness of the internal control.

5. Whether the Auditing Opinions on Internal Control are Consistent with the Company's Assessment Results of the Effectiveness of Internal Control over Financial Reporting

Yes No

6. Whether the Material Deficiencies in Internal Control over Non-financial Reporting Disclosed by the Internal Control Audit Report are Consistent with those Disclosed by the Company's Internal Control Assessment Report

Yes No

III. DETAILS OF INTERNAL CONTROL ASSESSMENT

(I). Scope of Internal Control Assessment

The Company determined the main enterprises, business and matters and high-risk fields covered in the assessment scope based on the risk-oriented principle.

- 1. Main Enterprises Covered in the Assessment Scope: Headquarters of the Company, 12 subsidiaries and 5 branches.**
- 2. Percentage of the Enterprises Covered in the Assessment Scope:**

Index	Percentage (%)
The percentage of the total assets of the enterprises covered in the assessment scope accounting for the total assets shown in the Company's consolidated financial statements	93.61
The percentage of the total revenues of the enterprises covered in the assessment scope accounting for the total revenues shown in the Company's consolidated financial statements	90.68

- 3. Main Business and Matters Covered in the Assessment Scope Include:**

Organization structure, human resources, fund management, procurement business, asset management, production management, sale management, investment management, engineering management, budget management, tax administration, cost and expense management and contract management, etc.

- 4. High-risk Fields Focused on Mainly Include:**

Risk of asset management, procurement risk, risk of sales and collection, risk of contract management, risk of fund management.

- 5. The Above Enterprises, Business, Matters and High-Risk Fields Covered in the Assessment Scope Cover the Main Aspects of the Company's Operation and Management, Is There Any Major Omission**

Yes No

- 6. Is There Any Statutory Exemption**

Yes No

- 7. Statement on Other Matters**

Nil

(II). Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies

The Company organized and carried out the internal control assessment on the basis of Enterprise Internal Control Regulatory Systems and related management system of the Company.

1. Is there any adjustment of the specific identification criteria of deficiency in internal control compared to the criteria last year

Yes No

According to the identification requirements of the Enterprise Internal Control Regulatory Systems on material deficiency, important deficiency and ordinary deficiency, considering factors including the Company's size, industrial characteristics, risks and preference and risk tolerance, etc., the Board of the Company distinguished between the internal control over financial reporting and the internal control over non-financial reporting, and researched and determined specific identification criteria applicable for the deficiencies of the Company's internal control, which was consistent with the previous years.

2. Identification criteria for deficiencies in internal control over financial reporting

Quantitative criteria for identifying deficiencies in internal control over financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for Important Deficiency	Quantitative Criteria for Ordinary Deficiency
Potential misstatement as a percentage of total assets or pre-tax profits	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 1% (including 1%) of the total assets, or more than 5% (including 5%) of pre-tax profits, the deficiency will be identified as a material deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 0.5% (including 0.5%) but less than 1% of the total assets, or more than 3% (including 3%) but less than 5% of pre-tax profits, the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be less than 0.5% of the total assets or less than 3% of pre-tax profits, the deficiency will be identified as an ordinary deficiency.

Statement:

Nil

Qualitative criteria for identifying deficiencies in internal control over financial reporting:

Magnitude of Deficiency	Qualitative Criteria
Material Deficiency	Re-report of previously published financial statements to reflect the correction of misstatement caused by error or fraud; the failure of audit committee to supervise the Company's external financial reporting and internal control over financial reporting; detection of any degree of fraud involving senior management; the failure of the management to correct the important deficiencies reported to it after a reasonable period of time.
Important Deficiency	Internal control deficiency in unconventional or nonsystematic transaction; internal control deficiency in the selection of generally accepted accounting principles and the application of accounting policy; internal control deficiency in related party transactions and major restructuring will be identified as an ordinary deficiency important Deficiency.
Ordinary Deficiency	Pursuant to the relevant regulations of the Company, the internal control which does not constitute material deficiency or important deficiency will be identified as an ordinary deficiency.

Statement:

Nil

3. Identification criteria for deficiencies in internal control over non-financial reporting

Quantitative criteria for identifying deficiencies in internal control over non-financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for Important Deficiency	Quantitative Criteria for Ordinary Deficiency
Property loss amount	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB10 million, the deficiency will be identified as a material deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB1 million but less than RMB10 million (including RMB10 million), the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to less than RMB1 million (including RMB1 million), the deficiency will be identified as an ordinary deficiency.

Statement:

Nil

Qualitative criteria for identifying deficiencies in internal control over non-financial reporting:

Magnitude of Deficiency	Magnitude of Deficiency
Material Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company's official external disclosure and also negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as a material deficiency.
Important Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by state departments but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an important deficiency.
Ordinary Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by the governmental departments under provincial level (including provincial level) but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an ordinary deficiency.

Statement:

Nil

(III). Identification and Rectification of Internal Control Deficiencies

1. Identification and rectification of deficiencies in internal control over financial reporting

1.1. Material deficiency

Whether the Company had material deficiencies in internal control over financial reporting during the reporting period

Yes No

1.2. Important deficiency

Whether the Company had important deficiency in internal control over financial reporting during the reporting period

Yes No

1.3. Ordinary deficiency

For ordinary deficiencies in the internal control over financial reporting that were found during the reporting period, the Company had taken corresponding rectification measures or formulated corresponding rectification plans.

1.4. *After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓ No

1.5. *After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓ No

2. Identification and rectification of deficiencies in internal control over non-financial reporting

2.1. Material deficiencies

Whether the Company had discovered any material deficiency in the internal control over non-financial reporting during the reporting period

Yes ✓ No

2.2. Important deficiency

Whether the Company had discovered any important deficiency in the internal control over non-financial reporting during the reporting period

Yes ✓ No

2.3. Ordinary deficiency

For ordinary deficiencies in the internal control over non-financial reporting that were found during the reporting period, the Company has taken corresponding rectification measures or formulated corresponding rectification plans.

2.4. *After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓ No

2.5. *After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓ No

The background of the page features a large, semi-transparent image of an industrial facility, likely a coal processing plant or refinery, with numerous towers, pipes, and structures. The image is tinted in shades of green and white, blending into the overall green and white color scheme of the report. The facility is shown from an elevated perspective, with various levels and structures visible.

IV. STATEMENT ON OTHER IMPORTANT ISSUES ON INTERNAL CONTROL

1. Rectification of Deficiency in Internal Control Last Year

Applicable Not applicable

2. Operation of Internal Control during the Year and Improvement Direction Next Year

Applicable Not applicable

During the reporting period, the Company did not have other internal control information that may have a significant impact on investors' understanding of internal control self-evaluation reports, evaluation of internal control or investment decisions. In the future, the Company will continue to improve the internal control system, standardize the implementation of internal control systems, strengthen internal control supervision and inspection, and promote the healthy and sustainable development of the Company.

3. Statement on Other Important Issues

Applicable Not applicable



内蒙古伊泰煤炭股份有限公司
INNER MONGOLIA YITAI COAL CO., LTD.*

