



内蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 3948



Interim Report **2021**

*For identification purposes only

IMPORTANT NOTICE

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

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

- VI. **During the reporting period, the Company did not have any non-operational funds appropriated by controlling shareholders and their connected parties.**
- VII. **During the reporting period, the Company did not provide external third-party guarantees in violation of stipulated decision-making procedures.**
- VIII. **In this report, there was no circumstance where more than half of the Directors of the Company could not warrant the truthfulness, accuracy and completeness of the interim report disclosed.**
- IX. **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. Relevant risks and countermeasures have been described in details in Item V "OTHER DISCLOSURES" under Section III "REPORT OF THE BOARD OF DIRECTORS" in this report for your review.

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



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SECTION I DEFINITIONS

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

DEFINITIONS OF FREQUENTLY-USED TERMS

Company or the Company	Inner Mongolia Yitai Coal Co., Ltd.* (內蒙古伊泰煤炭股份有限公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai (Group) Hong Kong Co., Ltd. (伊泰(集團)香港有限公司)
Suancigou Mine	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)



SECTION I DEFINITIONS (Continued)

DEFINITIONS OF FREQUENTLY-USED TERMS (CONTINUED)

Baijialiang Mine	Inner Mongolia Yitai Coal Co., Ltd. Baijialiang Mine (內蒙古伊泰煤炭股份有限公司白家梁煤礦)
Yili Mining	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)
Huzhun Railway Company	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)
Yitai Chemical	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Coal-to-oil Company	Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)
Yili Energy	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Yili Mining	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)
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)

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS

I. CORPORATE INFORMATION

Chinese name of the Company	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰B股/伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO., LTD*
English abbreviation	IMYCC/Yitai Coal
Legal representative	Zhang Jingquan
Members of the Board	<i>Executive Directors</i> Zhang Jingquan (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Dongsheng Liu Jian Lv Guiliang (resigned on 16 July 2021) Lv Junjie <i>Independent non-executive Directors</i> Zhang Zhiming (vacated office on 8 June 2021) Huang Sujian Wong Hin Wing Du Yingfen E Erdun Tao Ketao (appointed on 8 June 2021)
Members of the Strategy Committee	Zhang Jingquan (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Dongsheng Liu Jian Lv Junjie Zhang Zhiming (vacated office on 8 June 2021) Huang Sujian Wong Hin Wing Du Yingfen E Erdun Tao Ketao (appointed on 8 June 2021)
Members of the Audit Committee	Du Yingfen (<i>Chairman</i>) Zhang Zhiming (vacated office on 8 June 2021) Huang Sujian Wong Hin Wing E Erdun Tao Ketao (appointed on 8 June 2021)
Members of the Nomination Committee	E Erdun Tao Ketao (<i>Chairman</i>) (appointed on 8 June 2021) Zhang Jingquan Liu Chunlin Liu Jian Zhang Zhiming (vacated office on 8 June 2021) Huang Sujian Wong Hin Wing Du Yingfen

* For identification purposes only



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

I. CORPORATE INFORMATION *(CONTINUED)*

Members of the Remuneration and Appraisal Committee	Huang Sujian <i>(Chairman)</i> Zhang Jingquan Liu Chunlin Liu Jian Zhang Zhiming (vacated office on 8 June 2021) Wong Hin Wing Du Yingfen E Erdun Tao Ketao (appointed on 8 June 2021)
Members of the Production Committee	Zhang Jingquan <i>(Chairman)</i> Ge Yaoyong Liu Jian Huang Sujian Du Yingfen
Members of the Supervisory Committee	Zhang Zhenjin <i>(Chairman, resigned on 8 July 2021)</i> Zhang Wei <i>(Chairman, appointed on 8 July 2021)</i> Liu Xianghua Jia Zheyu Li Cailing (resigned on 1 April 2021) Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin He Peixun
Alternative Authorized Representative	Wong Wai Chiu
Joint Company Secretaries	He Peixun Wong Wai Chiu

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

II. CONTACT PERSONS AND CONTACT METHODS

	Board Secretary	Securities Affairs Representative
Name	He Peixun	Li Yuejia
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565732	0477-8565729
Facsimile	0477-8565415	0477-8565415
E-mail	hepeixun@ir-yitaicoal.com	liyuejia@ir-yitaicoal.com

III. BASIC INFORMATION

Registered address	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
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	40th Floor, Dah Sing Financial Center, 248 Queen's Road East, Wanchai, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BASIC INFORMATION ON THE COMPANY’S SHARES

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

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VI. OTHER RELEVANT INFORMATION

		B share/Domestic	H share/Overseas
Auditor	Name	Da Hua Certified Public Accountants (Special General Partnership)	Da Hua Certified Public Accountants (Special General Partnership)
	Address	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 OF THE COMPANY

(I) Key Business Data

Unit: million tonnes

Major Accounting Data	From January to June 2021	From January to June 2020	Increase/decrease (%)
Coal production	20.18	22.63	-10.83
Coal sales volume	31.86	34.70	-8.18
Of which: Local sales at mines	6.74	8.63	-21.90
Local sales at loading facilities	3.13	4.52	-30.97
Sales via direct rail access	0.44	1.67	-73.65
Sales at ports	21.55	19.88	8.40
Railway transport volume:	41.49	39.09	6.14
Coal-related chemical production	0.70	0.59	18.64

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

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

(II) Major Accounting Data

Unit: yuan Currency: RMB

Major Accounting Data	During the reporting period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Revenue	20,138,984,087.03	15,396,345,301.75	30.80
Net profit attributable to shareholders of the listed company	2,631,459,722.78	733,187,389.47	258.91
Net profit after non-recurring profit or loss attributable to shareholders of the listed company	2,531,854,045.74	556,259,984.12	355.16
Net cash flow from operating activities	4,475,123,049.94	2,947,904,154.97	51.81

	End of the reporting period	End of last year	Increase or decrease as compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	34,907,638,858.44	33,061,024,912.46	5.59
Total assets	85,801,262,341.01	85,559,604,037.31	0.28

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

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

(III) Major Financial Indicators

Major Financial Indicators	During the reporting period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year(%)
Basic earnings per share (RMB/share)	0.81	0.23	252.17
Basic earnings per share after deduction of non-recurring gain and loss (RMB/share)	0.78	0.17	358.82
Weighted average return on net assets (%)	7.58	2.05	Increased by 5.53 percentage points
Weighted average return on net assets after deduction of non-recurring gain and loss (%)	7.29	1.55	Increased by 5.74 percentage points

SECTION II CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VIII. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Unit: yuan Currency: RMB

Non-recurring profit and loss items	Amount
Gains/(losses) from disposal of non-current assets	14,085,531.40
Government grants charged in the profit or loss for the current period (except for those closely related to the ordinary operation and gained constantly at a fixed amount or quantity according to certain standard based on state policies)	28,860,509.91
Profit or loss from investment or management of assets by the others	65,684,976.84
Investment incomes from financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, gain/(loss) on changes in the fair value from derivative financial liabilities, disposals of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities and other equity investments, except for effective hedging business related to normal operating of the Company	23,492,534.73
Other non-operating income and expenses other than the above-mentioned items	2,243,996.86
Impact of minority shareholders' interests	-15,693,008.19
Impact of income tax	-19,068,864.51
Total	99,605,677.04

SECTION III REPORT OF THE BOARD OF DIRECTORS

I. INDUSTRY IN WHICH THE COMPANY OPERATES AND PRINCIPAL ACTIVITIES DURING THE REPORTING PERIOD

The Company is a large-scale clean energy enterprise integrating railway and coal-related chemical industry with coal production, transportation and sales as the basis. The Company directly owns and controls a total of 9 mechanized coal mines in operation. As a major product of the Company at present, environment-friendly and quality thermal coal mainly serves as fuel coal for various industries in the downstream of the coal industry including thermal power, construction materials and chemicals. At present, the Company generally controls three railways in operation, namely the Zhundong Railway, Huzhun Railway and a special railway line for Suancigou Mine. At the same time, the Company also holds 15% equity interests in Xin Baoshen Railway, 12.36% equity interests in Zhunshuo Railway, 9% equity interests in Mengji Railway, 3.9226% equity interests in the South Ordos Railway and 2% equity interests in Haoji Railway, respectively. In addition, the Company has built the mine roads of 150 km covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area, forming a coal transport network consisting of railway, highway and collection and transportation stations. 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 and formed a relatively strong ability to ensure transportation capacity, which created good conditions for coal transport of the Company and the peripheral area. The Company was committed to developing clean coal technologies, increasing added value of its products, extending coal industry chain, and speeding up industrial transformation and upgrade to deploy large coal chemical projects in Inner Mongolia and Xinjiang area by relying on world-leading indirect coal liquefaction technology.

The year 2021 is the first year implementing the "14th Five-Year Plan". Driven by the positive economic development, coal demand across the country has risen. However, restricted by multiple factors such as security check, dual supervision of environmental protection, and limited import coal quotas, domestic thermal coal prices fluctuate greatly and the average price far exceeds the level of the same period in previous years. The overall coal market price increased sharply. At the same time, continuous vaccination has promoted the recovery of the world economy, making the growth of crude oil demand more optimistic. The sharp rise in crude oil prices has formed a strong support for the prices of coal chemical products. However, high coal prices have a great impact on the cost of coal chemical industry.



SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As the largest local coal enterprise in Inner Mongolia, the Company has an overall competitive advantage over its peers by boosting its scale, improving quality and efficiency, optimizing industrial structure and enhancing financial strength after 24 years of development. The Company's footprint covers East China, South China, North China, Northeast China, Central China and other areas, and the Company has also forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy consumers with an eye to mutual benefits and win-win scenarios, achieving relatively high brand effect. The Company has abundant coal reserves, superior mining conditions, modern mining technology and sustained opportunities for integration of internal and external resources. Meanwhile, the Company has always kept coal production and operation as its principal business, creating new profit growth point in railway and coal-to-chemicals, which will be beneficial to the long-run stable development for its own.

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

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

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

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

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

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

III. DISCUSSION AND ANALYSIS ON OPERATION

(I) Discussion and Analysis on Operation

In the first half of 2021, as the national economy continued to pick up and the demand for industrial electricity was steadily increasing, China's thermal power generation and coal demand in downstream industries continued to rise, while the major coal production areas were subject to the influences of safety inspections, insufficient production potential for green mine construction, and insufficient land for open-pit coal mines, the output of coal enterprises has been drastically reduced. In light of the tight coal supply and demand in the first half of 2021 and the rising coal prices, the Company resolutely implemented the national work requirements for energy security, strengthened the coordination of production, transportation and sales, and actively responded to new environment and challenges. The production and operation tasks in the first half have been completed.

As of the end of the reporting period, the Company recorded total asset of RMB85.801 billion, revenue of RMB20.139 billion and net profit attributable to owners of the parent company of RMB2.631 billion in the first half of 2021. In the first half of 2021, the Company produced 20.1771 million tonnes of commodity coal and sold 31.8615 million tonnes of coal. In terms of railway sector, the Company cumulatively dispatched 41.4942 million tonnes of coal. In terms of coal chemical sector, the Company produced 699,700 tonnes of oil products and chemicals.

As to coal production, during the reporting period, the Company formulated overall planning for the overall coal mine trusteeship operation and management improvement, asset and equipment configuration optimization, technical management and service upgrade, comprehensive operation and management work enhancement and so on, striving to improve production technology management, guidance and service standards.

As to coal transportation and sales, during the reporting period, the Company optimized its customer structure, actively supplemented coal sources by way of trading, and prioritized the delivery of key areas and key long-term agreements in light of the "dual control" of the power industry and China's increased environmental protection efforts. Meanwhile, the Company further adjusted the contract structure to maintain the unobstructed sales channel and enhance the Company's ability to withstand market risks.

As to coal chemical sector, during the reporting period, the Company actively carried out costs reduction and benefits creation and other efforts through refined management on top of maintaining the safe and stable operation of the equipment, enhanced the cost competitiveness of the coal chemical sector; improved the construction of smart factories to help promote the digital and information transformation of the coal chemical sector. While exploring new technologies and new process routes, the Company strengthened technology and intellectual property management to protect its own core competitiveness.



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

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

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

As to safety and environmental protection, during the reporting period, the Company firmly established the concept of safety development, adhered to the safety production policy of “safety-foremost with prevention-oriented and comprehensive treatment”, improved safety management and control systems, performed thoroughly safety production responsibilities, and made every effort to ensure the safe supply of energy relying on technological progress and management improvement; meanwhile, the Company continued to promote ecological construction and energy conservation and emission reduction to accelerate the construction of environmental protection projects, accelerate energy conservation and environmental protection transformation, enhance the awareness of green environmental protection and guide all employees to practice green and low-carbon production and lifestyle.

(II) Business Outlook*

In the second half of 2021, with the continued recovery of the macro economy, the daily consumption of power plants continued to operate at a high level, coupled with the peak summer and winter coal storage, the willingness of power plants to replenish the storage in the later period remained strong, and the fundamental demand for thermal coal was well supported. The safety and environmental protection on the supply side has gradually stabilized. With China’s regulation of commodity prices, thermal coal prices in the second half of 2021 are expected to return to rationality under policy pressures and fundamental support.

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

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

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis on the Principal Business

1. Analysis on changes in items of the financial statements

Unit: 0'000 yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period of last year	Change (%)
Operating revenue	2,013,898.41	1,539,634.53	30.80
Operating cost	1,358,620.20	1,147,951.11	18.35
Cost of sales	50,013.19	54,948.43	-8.98
Management expenses	59,950.53	46,476.14	28.99
Finance costs	73,752.59	84,316.05	-12.53
Research and development costs	11,160.20	17,208.99	-35.15
Net cash flow from operating activities	447,512.30	294,790.42	51.81
Net cash flow from investing activities	-34,804.73	-89,900.23	-61.29
Net cash flow from financing activities	-290,844.25	-455,409.34	-36.14

Explanation on reasons for change in operating revenue: mainly due to the increase in operating revenue of each sector during the current period.

Explanation on reasons for change in research and development costs: mainly due to research and development of coal mine's production procedure conducted by entrusted parties themselves as a result of the entrustment of safe production and technical management business of coal mine in April of last year.

Explanation on reasons for change in net cash flow from operating activities: mainly due to the increase in sales receivables during the current period.

Explanation on reasons for change in net cash flow from investing activities: mainly due to the decrease in fixed assets established during the current period.

Explanation on reasons for change in net cash flow from financing activities: mainly due to the later payment of dividends during the current period as compared to that of last year.

2. Detailed Description of the Major Changes in the Company's Business Type, Profit Composition or Source of Profit in the Period

During the reporting period, there have been no major changes in the profit composition or source of profit of the Company.

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the Principal Business (Continued)

3. Principal business by segments

Unit: 0'000 yuan Currency: RMB

Item	Closing balance/amount in the current period					Total
	Coal segment	Coal-related chemical segment	Transportation segment	Others	Elimination	
I. Operating revenue	1,674,118.48	336,393.98	84,306.07	1,441.27	-82,361.39	2,013,898.41
Including: Revenue						
from external transactions	1,646,721.91	336,160.81	29,574.42	1,441.27	-	2,013,898.41
Revenue from intersegment transactions	27,396.57	233.17	54,731.65	-	-82,361.39	0.00
II. Operating expenses	1,250,780.03	333,677.80	59,535.13	3,506.99	-81,322.20	1,566,177.75
Including: Income from investment in associates and joint ventures	13,398.98	21.73	269.28	-32.20	-	13,657.79
Impairment loss of assets	522.98	994.19	-	-	-	1,517.17
Depreciation and amortization expenses	56,360.76	45,036.39	25,217.27	169.20	-492.13	126,291.49
III. Total profit (loss)	429,592.10	-43,587.93	17,833.22	2,696.53	-6,988.48	399,545.44
IV. Income tax expenses	71,828.96	418.24	2,978.75	192.77	-650.00	74,768.72
V. Net profit (loss)	357,763.14	-44,006.17	14,854.47	2,503.76	-6,338.48	324,776.72
VI. Total assets	6,394,966.44	3,010,181.88	1,203,141.71	289,162.57	-2,317,326.37	8,580,126.23
VII. Total liabilities	2,486,001.31	2,281,432.39	331,937.02	74,963.93	-1,151,829.88	4,022,504.77
VIII. Other significant non-monetary items	-	-	-	-	-	-
1. Capital expenditure	16,454.87	8,170.36	2,908.91	0.01	-	27,534.15

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on the Principal Business (Continued)

4. Principal business by region

Unit: 0'000 yuan Currency: RMB

Region	Operating revenue	Increase/decrease in operating revenue compared to last year (%)
Northeast China	26,364.70	1,053.27
North China	626,615.90	-6.09
East China	878,262.19	71.73
South China	256,271.96	14.01
Central China	34,787.07	645.57
Northwest China	138,969.13	107.03
Southwest China	5,286.22	206.28
Total	1,966,557.17	32.95

(II) Analysis on assets and liabilities

1. Information on Assets and Liabilities

Unit: 0'000 yuan

Item	Closing balance for the period	Closing balance for the period over the total assets (%)	Closing balance for last period	Closing balance for last period over the total assets (%)	Percentage of change in closing balance for the period compared to last period (%)	Explanation
Cash at bank and on hand	1,302,352.72	15.18	1,223,589.71	14.30	6.44	
Inventories	116,715.91	1.36	125,622.90	1.47	-7.09	
Investment property	68,538.48	0.80	69,028.61	0.81	-0.71	
Long-term equity investments	991,829.12	11.56	976,053.88	11.41	1.62	
Fixed assets	2,998,949.94	34.95	3,153,950.99	36.86	-4.91	
Construction in progress	1,131,433.24	13.19	1,126,440.17	13.17	0.44	
Right-of-use assets	4,127.25	0.05	4,445.32	0.05	-7.16	
Contract liabilities	38,483.05	0.45	50,773.40	0.59	-24.21	
Long-term borrowings	2,367,280.68	27.59	2,337,365.67	27.32	1.28	

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on Assets and Liabilities (Continued)

1. Information on assets and liabilities (Continued)

Item	Closing balance for the period	Closing balance for the period over the total assets (%)	Closing balance for last period	Closing balance for last period over the total assets (%)	Percentage of change in closing balance for the period compared to last period (%)	Explanation
Short-term borrowings	-	-	100,000.00	1.17	-100.00	Mainly due to the return of short-term borrowings in the current period
Lease liabilities	674.93	0.01	979.59	0.01	-31.10	Mainly due to the payment of lease liabilities in the current period
Trading financial assets	3,154.25	0.04	201.11	0.00	1,468.42	Mainly due to the increase in floating profits of futures
Notes receivable	28.33	0.00	-	-	100.00	Mainly due to the increase in bank acceptance bills
Accounts receivable	175,411.20	2.04	128,017.59	1.50	37.02	Mainly due to the increase in loans receivable
Financing receivables	-	-	207.16	0.00	-100.00	Mainly due to the decrease in bank acceptance bills of accepting banks with relatively high credit level
Other receivables	131,538.02	1.53	50,245.94	0.59	161.79	Mainly due to the increase in payables for asset transfer
Notes payable	78,704.24	0.92	129,643.86	1.52	-39.29	Mainly due to the decrease in payables for bank acceptance bills at the end of the period
Prepayments	111.71	0.00	215.52	0.00	-48.17	Mainly due to the decrease in prepayments for land transfer fee
Staff remuneration payable	13,810.70	0.16	26,651.12	0.31	-48.18	Mainly due to the payment of year-end bonus of previous year in the current period
Taxes payable	103,963.09	1.21	73,178.75	0.86	42.07	Mainly due to the increase in payables for value-added tax, enterprise income tax, etc.
Other payables	189,527.63	2.21	137,939.82	1.61	37.40	Mainly due to the increase in dividends payable

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on Assets and Liabilities (Continued)

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

Unit: yuan Currency: RMB

Item	Balance	Reasons for restriction
Cash at bank and on hand	512,383,340.98	Bank acceptance bill guarantee, guarantee deposit and environment protection guarantee deposited at banks.
Total	<u>512,383,340.98</u>	

(III) Analysis on Investment

1. Overall analysis on external equity investment

(1) Material non-equity investment

Securities investment

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (in ten thousand yuan)	Shareholdings (share)	Carrying amount at the end of the period (in ten thousand yuan)	Percentage of total securities investment at the end of the period (%)	Profit or loss in the reporting period (in ten thousand yuan)
1	Stock	3369	QHD PORT	7,923.79	19,013,000.00	2,151.57	100	/
		Total		7,923.79	19,013,000.00	2,151.57	100	/

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on Investment (Continued)

1. Overall analysis on external equity investment (Continued)

(1) Material non-equity investment (Continued)

Shareholding in non-listed financial entities

Name of the investee	Initial investment (in ten thousand yuan)	Carrying amount at the end of the period (in ten thousand yuan)	Profit and loss during the reporting period (in ten thousand yuan)	Accounting item	Source of shareholding
Mianyang Technology Property Investment Fund LP (綿陽科技城產業投資基金(有限合夥))	1,215.98	670.15	-545.83	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	65,593.52	2,574.67	Other non-current financial assets	Capital contribution
Zhuhai Rongyu Investment Center LP (珠海鎔聿投資中心(有限合夥))	18,817.90	24,825.32	716.05	Other non-current financial assets	Capital contribution
Panfeng Value Fund C (磐豐價值C期)	30,155.00	45,352.02	1,075.70	Other non-current financial assets	Capital contribution
HuaXia Monetary Fund B (華夏貨幣B基金)	484.94	484.94		Other non-current financial assets	Capital contribution
Project I	100.00	100.00		Other non-current financial assets	Capital contribution
Project II	400.00	1,240.00		Other non-current financial assets	Capital contribution
Project III	292.84	292.84		Other non-current financial assets	Capital contribution
Project IV	1,425.86	1,425.86		Other non-current financial assets	Capital contribution
Project V	85.00	85.00		Other non-current financial assets	Capital contribution
Project VI	800.00	800.00		Other non-current financial assets	Capital contribution
Project VII	604.00	604.00		Other non-current financial assets	Capital contribution
Project VIII	400.00	400.00		Other non-current financial assets	Capital contribution
Project IX	600.00	600.00		Other non-current financial assets	Capital contribution
Project X	2,000.00	2,000.00		Other non-current financial assets	Capital contribution
Project XI	2,960.00	2,960.00		Other non-current financial assets	Capital contribution
Project XII	471.07	471.07		Other non-current financial assets	Capital contribution
Project XIII	7,698.75	7,563.68	526.46	Other non-current financial assets	Capital contribution
Total	117,683.78	155,468.41	4,347.05		

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on Investment (Continued)

1. Overall analysis on external equity investment (Continued)

(2) Financial assets measured at fair value

Investments in other equity instruments

Item	Carrying amount at the end of the period (yuan)	Amounts that affect the profit for the period (yuan)
Investments in other equity instruments	<u>7,150,683,231.53</u>	<u>0.00</u>

Financial assets at fair value through profit or loss

Item	Carrying amount at the end of the period (yuan)	Amounts that affect the profit for the period (yuan)
Futures	<u>31,542,540.00</u>	<u>44,081,649.88</u>

Other non-current financial assets

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

(IV) Disposal of Major Assets and Equity

During the reporting period, the Company has no disposal of major assets and equity.

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) 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 (yuan)
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	Coal trading	Mining and sales of coal	1,080,000,000.00	10,393,295,526.54	1,429,017,746.36
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	3,628,598,000.00	12,031,417,137.83	148,544,674.72
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	Production and sales of 1# low-aromatic solvents, 85# Fischer-Tropsch wax, light synthetic lubricants, propane, LPG and other chemical products	2,352,900,000.00	3,642,078,692.45	-116,965,594.23
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Coal chemical products	Production and sales 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	15,538,192,284.02	-49,942,015.44

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

Suancigou Mine is mainly engaged in coal production and sales and was co-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 RMB1.080 billion and is owned as to 52% by the Company.

During the reporting period, Suancigou Mine deepened management reform, promoted the construction of a safety production standardization system and implemented safety production responsibilities to ensure the stable development of coal mines; reasonably formulated production plans, optimized production systems, scientifically organized production and further advanced coal quality management level to maximize its benefits. In the first half of 2021, Suancigou Mine recorded a total operating revenue and net profit of RMB2.350 billion and RMB1.429 billion, respectively.

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

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

(V) 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, to address the two major tasks, being epidemic prevention and control and ensuring transportation, Huzhun Railway Company used locomotives rationally based on the traffic flow plan to maximize the efficiency of train turnover, and accelerated the turnover of retail trains on condition that satisfying the requirements of operation and maintenance, formed a benign replenishment loop in time and initiate the development momentum. Besides, Huzhun Railway Company has steadily promoted the construction of a dual prevention mechanism for risk classification management and control and hidden danger investigation and management, and carried out in-depth special safety inspection activities. As of 30 June 2021, Zhundong Railway has achieved safe production for 7,502 consecutive days while Huzhun Railway has achieved safe production for 5,338 consecutive days. In the first half of 2021, Huzhun Railway Company shipped 41.4942 million tonnes of coal and recorded operating revenue and net profit of RMB0.843 billion and RMB0.149 billion, respectively.

As to project construction, the environmental protection renovation project of the Xiyingsi Dispatch and Transportation Station has completed its main works and the installation project is currently under commissioning and joint testing during the reporting period. Huhe South station, Jialanying connecting line, the facilities related to the construction of the second track, and purchase order of other professional assets such as roadbeds, bridges and culverts, and electrical services for the Second Track of Huzhun Railway Project have been completed.



SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) Analysis on Major Subsidiaries and Investee Companies (Continued)

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

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

During the reporting period, Coal-to-oil Company actively responded to market pressures and business challenges, and promoted cost reduction and efficiency enhancement through refined process control, so as to improve performance. The concentrated brine zero-emission project was completed and entered the commissioning stage, and the demonstration plant achieved zero discharge of water resources. The production equipment was safe and stable, and operated 157.7 days in an effective manner with a total output of 92,500 tonnes of various types of oil products and chemicals and an operating revenue of RMB383 million. Coal-to-oil Company recorded losses of RMB117 million due to the significant increase in costs arising from the sharp rise in coal prices.

As to project construction, in the first half of 2021, the overall design optimization and long-term equipment procurement for 2.0 Mtpa indirect coal-to-liquids conversion pilot project, phase II and other tasks of Coal-to-oil Company were under steady progress.

4. Inner Mongolia Yitai Chemical Co., Ltd.

Yitai Chemical was incorporated on 29 October 2009 with a registered capital of RMB5.9 billion, and is owned as to 61.15% by the Company. The Company considered and approved the Resolution in relation to the Related Party Transaction for the Company's Acquisition of the Equity Interest in Inner Mongolia Yitai Chemical Co., Ltd. Held by Shanghai Hanqing Corporate Management Partnership (Limited Partnership) (上海漢馨企業管理合夥企業(有限合夥)) at the ninth meeting of the eighth session of the board of directors and the 2020 annual general meeting convened on 24 May 2021 and 8 June 2021, respectively, pursuant to which the Company and Yitai Group acquired 32.20% of the equity interest in Yitai Chemical held by Shanghai Hanqing Corporate Management Partnership (Limited Partnership) (上海漢馨企業管理合夥企業(有限合夥)) at the same ratio of shareholding.

On 20 August 2021, the Company and Shanghai Hanqing Enterprise Management Partnership (Limited Partnership) entered into the Equity Transfer Agreement of Inner Mongolia Yitai Chemical Co., Ltd. Pursuant to the above Equity Transfer Agreement, Shanghai Hanqing agreed to transfer 29.0475% equity interests held by Shanghai Hanqing in Yitai Chemical at the consideration of RMB2,099,343,782.02 to the Company. The Company has paid all consideration of the equity transfer to Shanghai Hanqing by way of bank transfer on 20 August 2021. Upon the completion of the above transaction, the Company will hold 90.2% equity interests in Yitai Chemical.

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

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

(V) Analysis on Major Subsidiaries and Investee Companies (Continued)

4. Inner Mongolia Yitai Chemical Co., Ltd. *(Continued)*

During the reporting period, Yitai Chemical, on the premise of establishing a safety and environmental protection “bottom line”, further promoted cost reduction and efficiency creation, endeavored to reduce production costs, and continuously improved the cost competitiveness advantage. For the first half of the year, Yitai Chemical achieved a stable operation of 181 days, and recorded a production volume of 607,300 tonnes of various chemicals, and a sales volume of 653,500 tonnes with an operating revenue of RMB2.852 billion. Affected by the sharp rise in raw coal prices, Yitai Chemical recorded losses of RMB50 million.

During the reporting period, Yitai Ningneng, a holding subsidiary of Yitai Chemical, produced an aggregate of 160,200 tonnes of various chemicals and sales volume of 155,500 tonnes with an operating revenue of RMB734 million and a loss of RMB198,500.

5. Yitai Yili Energy Co., Ltd.

Yili Energy was established on 24 September 2009 with a registered capital of RMB1.570 billion and is held as to 90.2% equity interests by the Company.

During the reporting period, the four downstream extending projects including high-carbon alcohol of Yili Energy have obtained three approval documents for water resources demonstration, water and soil conservation plan, and social stability risk assessment, and pre-evaluation of occupational hazards has been reviewed and filed with the local health committee.

6. Yitai Yili Mining Co., Ltd.

Yili Mining was established on 13 March 2012 with a registered capital of RMB676 million and is held as to 90.27% equity interests by the Company.

During the reporting period, Yili Mining obtained exploration report filing documents and review opinions for the 4.5 Mtpa coal mine project. The designated mining area was approved by the Department of Natural Resources; the environmental assessment of the integrated plan was approved by the Department of Environmental Protection; and the water and soil conservation plan was approved by the Department of Water Resources.



SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

V. OTHER DISCLOSURES

(I) Potential Risks of the Company

1. Policy risks

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

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

2. Risks of fluctuation in macroeconomy

The coal industry which the Company belongs to as well as its downstream industries are both fundamental industries of national economy and are closely connected with the macro economy. Therefore, it is easy to be affected by macroeconomic fluctuations. Optimization in the structure of the domestic macro economy, changes in the development pattern and the system in the domestic macro economy, change in the energy structure, switch in growth power and outbreak of material unexpected emergency will have certain impact on production and operation of the Company, thereby affecting the operating results of the Company.

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

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

V. OTHER DISCLOSURES *(CONTINUED)*

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

3. Risks of industry competition

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

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

4. Risks of increasing capital demands

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

In this regard, the Company will, based on the approval progress of projects, the international crude oil market situation and the Company's overall fund arrangements, gradually promote the process of project construction in an ordered way, timely follow up and implement project loans, and further promote the equity financing, debt financing to expand the Company's financing channels. Meanwhile, the Company will spread project risks and ease the fund pressure by subdividing the industrial chain and actively looking for strategic and business cooperation opportunities.



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

V. OTHER DISCLOSURES *(CONTINUED)*

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

5. Safety risks

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

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

6. Risks of rising of costs

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

As such, the Company will continue to deepen the management reform strengthen budget management of controllable cost, implement quota-based assessment system, develop potentials, reduce consumption, further implement the innovation in technology and craftsmanship, and optimize allocation, to realize reduction in cost and improvement in efficiency.

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

V. OTHER DISCLOSURES (CONTINUED)

(I) 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 according to laws and regulations, 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 for entrusted parties of coal mines, in order to advance the level of safety management, further lower costs and boost efficiency, and maintain the vitality of production and operation.

(II) Mining Exploration, Exploitation and Production Activities

1. Reserves of the mines

Main mines	Resource reserve (tonnes)	Mineable reserve (tonnes)
Suancigou Mine	1,173,849,189	776,501,351
Nalinmiao Mine No. 2	71,677,200	59,378,000
Hongjingta Mine No. 1	50,315,047	16,616,869
Nalinmiao Mine No. 1	10,820,000	10,280,000
Kaida Mine	179,409,196	101,798,563
Dadijing Mine	61,817,064	31,720,964
Baoshan Mine	24,470,800	10,580,000
Baijialiang Mine	4,500,000	6,890,000
Talahao Mine	832,357,000	499,610,000
Total	<u>2,409,215,496</u>	<u>1,513,375,747</u>

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

V. OTHER DISCLOSURES (CONTINUED)

(II) Mining Exploration, Exploitation and Production Activities (Continued)

1. Reserves of the mines (Continued)

Explanation:

Calculation criteria: Quantity of resources and reserves of the Company estimated as at 30 June 2021 is arrived from the resources latest recorded by the Ministry of Land and Resources less the used resources year by year. There have been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in this interim report are pursuant to the currently prevailing code standard: reserves of corresponding grade are calculated according to the Management Rule of Reserves of Operating Mines (《生產礦井儲量管理辦法》), and Coal and Peat Geology Exploration Regulation (《煤、泥炭地質勘查規範》). The reserves sheet shall be examined and verified by the internal geological experts of the Company.

2. Cost of coal

Unit: yuan Currency: RMB

Item	January to June 2021	January to June 2020
	Cost per unit	Cost per unit
Raw material, fuel and power	10.11	8.79
Labor cost	6.92	9.58
Depreciation and amortization	9.60	11.08
Other production costs	56.99	53.37
Entrustment cost	44.68	25.83
Total of production cost per unit of coal	128.30	108.65
Cost per unit of coal purchased domestically	405	256

Explanation:

- 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. Since some coal mines started entrustment in April during the corresponding period of last year, the entrustment cost per tonnes of coal was RMB59.8 calculated based on the production matching the entrustment cost from April to June.
- Coal production decreased by 2.4567 million tonnes during the reporting period as compared to that of the corresponding period of last year, resulting in the increase in entrustment cost per ton of coal, depreciation expenses, and so on.

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

V. OTHER DISCLOSURES *(CONTINUED)*

(II) Mining Exploration, Exploitation and Production Activities *(Continued)*

3. Mining exploration

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

4. Coal mine construction

The Company currently has no mines under construction.

5. Coal mining status

During the reporting period, the Company has realized production of commodity coal of 20.18 million tonnes, representing a year-on-year decrease of 10.83%; completed the total drivage of 41,300 meters, representing a year-on-year increase of 11.02%. During the reporting period, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB57.01 million, which was mainly due to payment of mining rights and establishment of long-term assets.

(III) Compliance Procedure of the Agreement on Avoidance of Horizontal Competition and its Implementation

1. The Company has entered into the Agreement on Avoidance of Horizontal Competition on 29 May 2012 with the controlling shareholder. To implement the strategy of expanding the coal business of the Company, and minimize the potential competition in the business of Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company acquired the target assets of Yitai Group under the agreement at the consideration of RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group. 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;



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

V. OTHER DISCLOSURES *(CONTINUED)*

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

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

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

V. OTHER DISCLOSURES *(CONTINUED)*

(III) 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 comprehensive acceptance approval issued by Inner Mongolia Autonomous Region Energy Bureau (內蒙古自治區能源局) on 26 October 2020. It has also obtained the mining exploitation permit from the Ministry of Land and Resources and the Safety Production License from the Bureau of Work Safety of District in July 2021.

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, in due course, exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell Hongqinghe Mine to the Company or its subsidiaries on reasonable and fair terms and conditions through ways of financing.

② Analysis on risks in respect of performance of contracts

As Hongqinghe Mine obtained mining exploitation permit and safety production license. The Company considered that there were no physical obstacles regarding the performance of the commitment by Yitai Group and the disposal of the mine to the Company.



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

V. OTHER DISCLOSURES *(CONTINUED)*

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

2. *(Continued)*

③ Preventive measures and control measures under default

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

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

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

V. OTHER DISCLOSURES *(CONTINUED)*

(III) 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 has been completed.

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

V. OTHER DISCLOSURES (CONTINUED)

(IV) Employees

1. Particulars concerning remuneration of the Directors, Supervisors and senior management

Decision-making procedure for the remuneration of the Directors, Supervisors and senior management	The remuneration for the Directors, Supervisors and senior management is proposed to the Board by the remuneration committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and Supervisors will be proposed to the general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.
Basis for determination on the remuneration of the Directors, Supervisors and senior management	The remuneration of Directors and senior management of the Company is on an annual basis. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is comprehensively determined according to the operational scale, profitability and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. Basic annual salary of Directors and senior management is paid on a monthly basis and annual performance salary is paid upon year end assessment. The non-independent Supervisors of the Company receive remuneration according to their actual positions held in the Company, and receive the allowance of Supervisors; the independent Supervisors only receive the allowance.
Particulars about remuneration actually paid to Directors, Supervisors and senior management	The allowance amount of independent Directors determined in general meeting, and the remuneration for the Directors, Supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company on an annual or monthly basis after withholding individual income tax and a variety of insurance.
Total remuneration actually obtained by the Directors, Supervisors and senior management as a whole at the end of the reporting period	RMB4.4049 million

Note: Remuneration of Directors, Supervisors and key management personnel are detailed in Note XI. (V)10. to the consolidated financial statements.

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

V. OTHER DISCLOSURES (CONTINUED)

(IV) Employees (Continued)

2. Employees information of the parent company and its major subsidiaries

Number of in-service employees in the parent company	1,512
Number of in-service employees in major subsidiaries	3,721
Total number of in-service employees	5,233
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	473

Specialty composition

Category of specialty composition	Headcount
Production	1,969
Sales	1,900
Technician	490
Finance	184
Administration	690
Total	<u>5,233</u>

Education level

Category of education level	Headcount
Postgraduate	214
Undergraduate	2,444
College graduate and secondary technical school	1,846
Below secondary technical school	729
Total	<u>5,233</u>

Note: Details of employee remuneration are set out in the Note VI, Note 27 to the consolidated financial statements.

3. Remuneration policy

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



SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

V. OTHER DISCLOSURES (CONTINUED)

(IV) Employees (Continued)

4. 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.

5. Employee motivation

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

6. Pension scheme

Reference is made to the 2020 annual report (the "Annual Report") published by the Company on 15 April 2021. Save for the information disclosed in the Annual Report, the Company hereby provides the following additional information on the defined contribution plans of the Company:

There are two different defined contribution schemes operated by the Company. The employees of the Company's subsidiaries operating in mainland China shall participate in the central pension plan operated by the local municipal governments. And the Company also established an enterprise annuity plan in accordance with the Labor Law of the People's Republic of China, the Enterprise Annuity Tentative Procedures and the Interim Measures for the Administration of Enterprise Annuity Funds.

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

V. OTHER DISCLOSURES *(CONTINUED)*

(IV) Employees *(Continued)*

6. Pension scheme *(Continued)*

(1) Pension plan

The employees of the Company's subsidiaries operating in China shall participate in the central pension plan (the "Plan"), which is a defined contribution plan administered by the PRC government. Such subsidiaries shall contribute a specified percentage of the employees' salaries to the Plan to fund the benefits. Once the specified annual contribution are made, the Company will not undertake any further payment obligation in respect of the Plan. Apart from annual contribution, the Company has no other material obligation to pay pension benefits. As for the Plan, there has been no contribution forfeited available to be used by the Company to reduce contributions payable in the future years.

(2) Annuity plan

According to the Labor Law of the People's Republic of China, the Enterprise Annuity Tentative Procedures and the Interim Measures for the Administration of Enterprise Annuity Funds, and based on its actual situation, the Company has established an enterprise annuity plan (the "Enterprise Annuity Plan") on 1 January 2009 to provide the qualified and voluntary employees with the supplementary pension plan with certain guarantee on retirement income. The Enterprise Annuity Plan of the Company is a defined contribution plan. The Company and the employees participating in this plan shall make relevant payment by a certain proportion. Third party trustees are entrusted to act as account manager, custodian and investment manager to carry out fund management and investment activities. In accordance with the provisions of the Enterprise Annuity Plan, such payment shall be payable at the time of employee retirement. Specifically, the Enterprise Annuity Plan's 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 Enterprise Annuity Plan is for employees who sign formal labor agreements with enterprises and participate in basic endowment insurance. The monthly contribution salary base of employees is RMB2,500.00, the enterprise contribution ratio is 10.00%, the individual contribution ratio is 2.00%. Subsidiaries shall contribute a specified percentage of the employees' salaries to such plan to fund the benefits. Once the specified annual contribution are made, the Company will not undertake any further payment obligation in respect of such plan. Apart from annual contribution, the Company has no other material obligation to pay pension benefits. As for the Enterprise Annuity Plan, there has been no contribution forfeited available to be used by the Company to reduce contributions payable in the future years.

As of 30 June 2021, the Company did not implement any defined benefit plans.

SECTION III REPORT OF THE BOARD OF DIRECTORS (Continued)

V. OTHER DISCLOSURES (CONTINUED)

(IV) Employees (Continued)

(V) Other Disclosures

1. Liquidity and Capital Resources

As at 30 June 2021, the Company's capital mainly came from capital generated from business operations, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company was mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt, as well as the working capitals and normal recurring expenses.

The capital structure of the Company is as follows:

Unit: yuan Currency: RMB

	30 June 2021	31 December 2020
Interest-bearing borrowings	27,686,420,726.91	28,259,756,516.75
Long-term bonds	4,534,195,882.14	5,910,938,574.78
Trade and notes payable	2,653,368,923.43	3,460,588,236.42
Financial liabilities at fair value through profit or loss	2,304,460.00	2,034,720.00
Financial liabilities included in other payables and accruals	1,895,276,320.21	1,379,398,220.73
Other borrowings	524,028,300.19	538,474,087.42
Less: Cash and cash equivalents	12,511,143,830.33	11,292,510,611.23
Net debt	24,784,450,782.55	28,258,679,744.87
Equity attributable to equity holders of parent company	34,907,638,858.44	33,061,024,912.46
Gearing ratio*	41.52%	46.08%

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

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

V. OTHER DISCLOSURES *(CONTINUED)*

(V) Other Disclosures (Continued)

2. Major capital expenditure plans and financing plans of the Group in 2021

Please refer to the section “Discussion and Analysis on the Company’s Future Development” in the Report of the Board of Directors in the 2020 Annual Report of the Company.

3. Exchange rate movement risk and relevant hedging

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

4. Contingent liabilities

As at 30 June 2021, the Group had no contingent liabilities.

5. Material events after the end of accounting period

There were no significant events occurred to the listed issuer and its subsidiaries after the end of accounting period.

Chairman: Zhang Jingquan
Date of approval by the Board: 24 August 2021

SECTION IV CORPORATE GOVERNANCE

I. PARTICULARS OF GENERAL MEETINGS

Session of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions	Dates of disclosure of the publication of the resolutions	Resolutions of the meeting
The first extraordinary general meeting in 2021	24 March 2021	http://www.sse.com.cn/ http://www.hkexnews.hk	24 March 2021	1. To consider and approve the resolution relating to the suspension of the Yitai Ganquanbao 2 Mtpa coal-to-oil pilot project of Yitai Xinjiang Energy Co., Ltd.
2020 annual general meeting	8 June 2021	http://www.sse.com.cn/ http://www.hkexnews.hk	8 June 2021	<ol style="list-style-type: none"> 1. To consider and approve the resolution relating to the financial report of Inner Mongolia Yitai Coal Co., Ltd. for the year 2020; 2. To consider and approve the resolution relating to the report of the board of directors of Inner Mongolia Yitai Coal Co., Ltd. for the year 2020; 3. To consider and approve the resolution relating to the report of the supervisory committee of Inner Mongolia Yitai Coal Co., Ltd. for the year 2020; 4. To consider and approve the resolution relating to the performance report of the independent directors of Inner Mongolia Yitai Coal Co., Ltd. for the year 2020; 5. To consider and approve the resolution relating to the profit distribution plan of the Company for the year 2020; 6. To consider and approve the resolution relating to the Company's capital expenditure in 2021; 7. To consider and approve the resolution relating to the reappointment of financial audit institution of the Company for the year 2021; 8. To consider and approve the resolution relating to the reappointment of internal control audit institution of the Company for the year 2021; 9. To consider and approve the resolution relating to the provision of guarantee by the Company for its holding subsidiaries; 10. To consider and approve the resolution relating to the provision of guarantee by the Company for commercial acceptance bill financing business of its certain wholly-owned subsidiaries and holding subsidiaries; 11. To consider and approve the resolution relating to continuing connected transaction of provision of guarantee services by the Company and its subsidiaries to Yitai Group and its subsidiaries in respect of borrowings or financing from financial institutions contemplated under the cross-guarantee Agreement; 12. To consider and approve the resolution relating to the entrusted wealth management with temporarily idle self-owned funds of the Company; 13. To consider and approve the resolution in relation to the related transaction for the Company's acquisition of equity interests in Yitai Chemical; 14. To consider and approve the resolution in relation to the amendments to the Coal Mines Entrusted Management Agreements and their Supplemental Agreements; 15. To consider and approve the resolution in relation to the appointment of Mr. E Erdun Tao Ketao as the independent non-executive Director of the Company; 16. To consider and approve the resolution relating to the issuance of various debt financing instruments by the Company; 17. To consider and approve the resolution relating to submission to the general meeting for the grant of general mandate to the Board of the Company for the issuance of H shares.

SECTION IV CORPORATE GOVERNANCE (Continued)

I. PARTICULARS OF GENERAL MEETINGS (CONTINUED)

Information on the general meeting

During the reporting period, the Company convened two general meetings, namely the first extraordinary general meeting in 2021 and 2020 annual general meeting. There was no objection against proposed resolutions at the general meetings.

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

Name	Position	Change
Li Cailing	Supervisor	Resigned
Zhang Zhiming	Independent Director	Resigned
E Erdun Tao Ketao	Independent Director	Elected

Explanations for the particulars about the changes in the Directors, Supervisors and senior management of the Company

The Supervisory Committee of the Company received a resignation report from Ms. Li Cailing, an employee Supervisor, on 1 April 2021. Due to personal career development, Ms. Li Cailing resigned as an employee of the Supervisory Committee of the Company and ceased to hold any position in the Company after resignation.

The Company held the ninth meeting of the eighth session of the Board of Directors and the 2020 annual general meeting on 24 May 2021 and 8 June 2021, respectively, at which the resolution on re-election of the independent Director of the Company was considered and approved. Mr. Zhang Zhiming has served as an independent Director of the Company for six consecutive years and has fulfilled legal tenure as an independent director. Mr. E Erdun Tao Ketao was elected as an independent Director of the Company.

III. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

The Board did not recommend to distribute the interim dividend for the six months ended 30 June 2021.



SECTION IV CORPORATE GOVERNANCE (Continued)

IV. CORPORATE GOVERNANCE

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

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

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

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

2. Audit committee

The Company has established the audit committee in accordance with the requirements of the Hong Kong Listing Rules, which consists of four independent non-executive Directors and is chaired by Ms. Du Yingfen. On 24 August 2021, the audit committee has reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2021, the interim report for 2021, and the unaudited interim financial statements for the six months ended 30 June 2021.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct regarding securities transactions by all the Directors, Supervisors and relevant employees (as defined in the CG Code) of the Company. Having made specific enquiries, the Company confirmed that all the Directors and Supervisors had fully complied with the Model Code during the reporting period. Except for their own service contracts, none of the Directors and Supervisors had any direct or indirect individual beneficial interest in any material contracts to which the Company or any of its subsidiaries is a party as at 30 June 2021.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. ENVIRONMENTAL INFORMATION

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

1. 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 June 2021 are 9.54 tonnes, 17.02 tonnes and 33.35 tonnes, respectively.

Yitai Chemical has a total of 66 exhaust gas discharge ports, no wastewater discharge ports, and its sewage is discharged in an organized way. The total annual pollutants are 946.06 tonnes of sulfur dioxide and 1,067.72 tonnes of nitrogen oxides. The actual total emissions of sulfur dioxide and nitrogen oxides from January to June 2021 are 134.81 tonnes and 241.98 tonnes, respectively.

2. Construction and operation of pollution prevention facilities

2.1 Waste gas pollution prevention and control

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



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

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

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

- (2) Boiler flue gas. Coal-to-oil Company newly added a set of semi-dry desulfurization process outside the furnace on the basis of calcium desulfurization process in the original furnace. The desulfurization efficiency reached over 90%; in 2016, Coal-to-oil Company carried out technical transformation of flue gas denitration by adopting the SNCR denitration process. The denitration efficiency reached over 70%, and the concentration of each type of pollutant in the flue gas complied with the “Emission Standard of Air Pollutants for Coal-fired Power Plants” (GB13223-2011). In 2021, the ultra-low emission retrofitting of coal-to-oil boilers will be completed, and the boilers will achieve ultra-low emission.

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

- (3) Sulfur recovery tail gas. The sulfur recovery device of Coal-to-oil Company treats hydrogen sulfide in the acid gas by using a complex iron desulfurization process and recovers sulfur.

The acid gas produced by Yitai Chemical is transformed to sulfur recovery device and treated by the second-stage Claus treatment and ammonia desulfurization process, and the sulfur recovery tail gas is purified again by the ammonia desulfurization process before being discharged into the atmosphere. The SO₂ emission concentration meets the requirements of Table 3 under the “Emission Standard of Pollutants for Petroleum Refining Industry” (GB31570-2015).

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

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

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

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

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

2.2 Wastewater pollution prevention and control

(1) 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 34m³/h is sent to Inner Mongolia Tianhe Water Co., Ltd.(內蒙古天河水務有限公司) for treatment.



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

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

2.2 Wastewater pollution prevention and control *(Continued)*

(2) Yitai Chemical

- A. Drainage system: The wastewater discharge system of chemical projects is designed according to the principle of clearing and sewage separation to realise the quality treatment of clean sewage and production wastewater, oily sewage and acidic wastewater, low-salt sewage and high-salt sewage, ensuring that the wastewater quality of the wastewater treatment equipment is qualified, and the operation of the treatment equipment is continuous, stable, and conducive to the effluent to meet the design and relevant discharge standards. The total capacity of the temporary storage outside the factory is 270,000m³ of drainage, of which 30,000m³ is a fire accident pool; 240,000m³ is an emergency storage pool, used for storage sewage when there are production systems (such as sewage treatment, concentrated brine evaporation, and synthetic water handling, etc.) problems.
- B. Sewage treatment: The process wastewater, domestic sewage and initial rainwater of 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".

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

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

2.2 Wastewater pollution prevention and control *(Continued)*

(2) Yitai Chemical *(Continued)*

- C. Wastewater treatment and reuse: The qualified effluent from the sewage treatment plant enters the reused water treatment process: The clean wastewater such as discharge sewage of chemical water and circulating water enters the reuse water treatment process; and is treated differently according to the water quality characteristics. Effluents are used as replenished water of chemical water and circulating water systems.
- D. High-content brine evaporation crystallization: The concentrated brine discharged from the wastewater reuse system is sent to the evaporation crystallization system, and the deep energy “multi-effect countercurrent evaporation + segmentation crystallization process” is adopted to realise the resource utilization of the crystalline salt. The high-content brine evaporation crystallization system mainly includes three major units: membrane concentration, evaporation pretreatment, and three-effect evaporation.

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



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

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

2.3 Solid waste pollution prevention and control

From January to June 2021, gasified crude slag, fine slag and boiler ash of about 110,000 tonnes in total generated by Coal-to-oil Company were all sent to the slag yard of Dalu Park, and 60.18 tonnes of slag wax, 60.58 tonnes of carnallite, 2.97 tonnes of used lubricating oils and other hazardous wastes generated were 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 June 2021, gasification slag, boiler ash, boiler slag, and inorganic sludge of about 706,700 tonnes in total generated by Yitai Chemical were all sent to the slag yard of Xinnuo Park for dumping; 45.8 tonnes of used mineral oil produced was disposed of by Dalate Banner Zhongxin Waterproof Material Co., Ltd. (達拉特旗忠信防水材料有限責任公司); 1,687.88 tonnes of filter cake, 252.8 tonnes of dried sludge, 2,137.72 tonnes of unqualified crystalline salt were 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.

2.4 Noise pollution prevention and control

For Coal-to-oil Company and Yitai Chemical, 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.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

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

- (1) The 0.16 Mtpa project, i.e. the first phase of 0.48 Mtpa coal-based synthetic oil project of Coal-to-oil Company, 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, 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.
- (2) On 3 August 2011, the Environmental Protection Department of Inner Mongolia Autonomous Region replied the 1.2 Mtpa of fine chemicals project of Yitai Chemical 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.



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

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

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.

6. Administrative penalties due to environmental issues during the reporting period

Due to the foul smell generated from the torch involved in the Yitai Chemical accident, the Ordos Ecology and Environment Bureau Hangjin Banner Branch served a Decision of Administrative Penalties (E Huan Hang Fa [2021] No. 2) against Yitai Chemical on 5 January 2021, and imposed a fine of RMB10,000.

As the failure of normal operation of sulfur recovery device and equipment of Yitai Chemical as a result of the aging and damage, part of the tail gas of the sulfur recovery device was transported to the external environment in emergency after being sent to the torch for combustion. The Ordos Ecology and Environment Bureau Hangjin Banner Branch served a Decision of Administrative Penalties (E Huan Hang Fa [2021] No. 1) against it on 5 January 2021, ordering it to immediately correct above-mentioned environmental violations, and imposed a fine of RMB20,000.

Yitai Chemical has made corrections in accordance with the requirements.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

(II) Explanation on the Environmental Protection of Companies other than the Key Pollution Emitted Units

1. Administrative penalties due to environmental issues

As the closed and spraying methods had not been adopted during coal unloading operations by coal transport vehicles at Hushi Loading Station to prevent and control dust pollution, the Ordos Ecology and Environment Bureau served a Decision of an Order to Correct Illegal Acts (E Huan Ze Gai Zi [2021] No. 5) against Huzhun Railway on 8 March 2021, ordering it to immediately correct the illegal acts and commence the operation of Xiyingzi closed loading system as soon as possible to replace the coal transport by Hushi Loading Station. Prior to the commencement of operation of Xiyingzi Loading Station, effective dust control measures such as sprinkling and spraying were taken to prevent and control dust pollution. After the commencement of operation of Xiyingzi Loading Station, Hushi Loading Station stopped transport coal. A fine of RMB100,000 was imposed.

As dust control measures such as sprinkling were not taken during the cleaning process of the remaining coal by coal shaker at Hushi platform, which caused dust pollution, the Ordos Ecology and Environment Bureau Jungar Banner Branch served an Advanced (Hearing) Notice of Administrative Penalty (E Huan Zhun Fa [2021] No. 35) against Huzhun Railway on 24 June, and imposed a fine of RMB30,000.

Huzhun Railway has made corrections on the aforesaid penalties in accordance with the requirements.



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

I. ENVIRONMENTAL INFORMATION *(CONTINUED)*

(II) Explanation on the Environmental Protection of Companies other than the Key Pollution Emitted Units *(Continued)*

2. Disclosure of Other Environmental Information with Reference to the Key Pollution Emitted Units

The coal mines and dispatching stations affiliated to the Company are not key pollution emitted units. The annual total sulfur dioxide, nitrogen oxides and smoke discharge of coal mines and dispatching stations is 563.04 tonnes, 222.24 tonnes and 180.07 tonnes, respectively. The actual sulfur dioxide, nitrogen oxides and smoke discharge of non-key pollution emitted units from January to June 2021 is 4.49 tonnes, 116.13 tonnes and 0.21 tonne, respectively. All units strictly implemented the environmental impact assessment system and the “three simultaneous” system of pollution prevention and control facilities during the construction process. The air pollution source is the boiler flue gas discharged from the heating boiler. The pollutants meet the “Emission Standard of Air Pollutants for Boilers” (GB13271-2014) after bag de-dusting, the sodium alkali method and the ammonia desulfurization treatment. The domestic wastewater is used for sprinkling and greening of industrial squares and roads after meeting the Integrated Wastewater Discharge Standard (GB8978-1996) after the A/O, MBR and disinfection processing treatment; coal mining wastewater is all reused for underground production after coagulation and labyrinth sloping plate precipitation and meeting the Pollutant Discharge Standard for Coal Industry (GB20426-2006); the coal preparation plant is closed-loop designed, and the coal preparation wastewater is not discharged. In order to ensure the stable operation of pollution prevention facilities and equipment, and to achieve standard discharge, the Company entrusts a third-party specialized operation team to operate and manage. At the same time, each unit sets up a laboratory to conduct daily inspection of conventional factors in wastewater, and timely understand the operation and entrust Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司), Inner Mongolia Rundi Environmental Technology Co., Ltd. (內蒙古潤地環境技術有限公司) and Inner Mongolia Kangcheng Environmental Protection Co., Ltd. (內蒙古康城環保有限責任公司) to manually monitor the pollution factors in wastewater and waste gas on a quarterly basis.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (Continued)

I. ENVIRONMENTAL INFORMATION (CONTINUED)

(III) Measures Taken to Reduce Its Carbon Emissions and Their Effects During the Reporting Period

In order to further implement various national decisions and deployments on the dual control of energy consumption, the Company established a “dual control” of energy consumption work leading group headed by the chairman at the beginning of the year to ensure the completion of the “14th Five-Year Plan” dual control of energy consumption objectives.

In accordance with the requirements of the Notice on Further Promoting the Data Connection of the Online Monitoring Platform for Energy Consumption of Key Energy Consumption Units (《關於進一步推進重點用能單位能耗線上監測平台數據對接工作的通知》) issued by Inner Mongolia Development and Reform Commission, we proactively promoted energy consumption monitoring and completed the construction of the online energy consumption monitoring system of the Company at the end of June of the year, and realized the upload of energy consumption online data collection.



SECTION VI SIGNIFICANT EVENTS

I. NON-OPERATIONAL FUNDS APPROPRIATED BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD

During the reporting period, the Company did not have any non-operational funds appropriated by controlling shareholders and other related parties.

II. GUARANTEES IN VIOLATION OF REGULATIONS

During the reporting period, the Company had no guarantees in violation of regulations.

III. AUDIT OF INTERIM REPORT

This interim report has not been audited, but Da Hua Certified Public Accountants (Special General Partnership), the external auditor of the Company, has carried out independent review.

IV. CONDITION ON GROUP ASSETS

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

V. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

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

SECTION VI SIGNIFICANT EVENTS *(Continued)*

VI. MATERIAL LITIGATION AND ARBITRATION

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

VII. SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS BY, PUNISHMENTS ON THE AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND RECTIFICATIONS

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

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

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

IX. SHARE INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER INCENTIVE MEASURES FOR EMPLOYEES OF THE COMPANY AND THEIR IMPACTS

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

SECTION VI SIGNIFICANT EVENTS (Continued)

X. MAJOR RELATED PARTY TRANSACTIONS

(I) Related Party Transactions in Relation to Daily Operation

Category of transaction	Nature of transaction	Transaction amount for the year ended 30 June 2021	Transaction amount for the year ended 30 June 2020
		RMB'000	RMB'000
Products provided by the Company	Supply of equipment, materials, electricity and chemicals by the Company to Yitai Group and its subsidiaries	6,912	23,917
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	265,983	344,518
	Supply of coal by the Company to Jingtai Power Generation and its subsidiaries	147,758	82,618
	Supply of coal by the Company to Inner Mongolia Jinglong Power Generation Co., Ltd. and its subsidiaries	0	25,813
	Supply of equipment and oil products by the Company to Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	0	0
Products provided to the Company	Supply of coal products, chemical-related materials, technologies, agricultural and sideline products by Yitai Group and its subsidiaries to the Company	1,484,456	1,313,678
	Supply of electricity, agricultural and sideline products and other products by Inner Mongolia Yitai Investment Co., Ltd. and its subsidiaries to the Company	15,837	15,969
	Supply of coal by Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. to the Company	253,060	164,478
Services provided by the Company	Supply of guaranteed operation, standardized management, property leasing, agent sales and related services by the Company to Yitai Group and its subsidiaries	149	4,334
	Supply of project management service by the Company to Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	0	0
Services provided to the Company	Supply of tender agent and supervision services by Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	1,683	14,502
	Supply of hazardous waste treatment and other services related to coal and coal chemical products by Yitai Group and its subsidiaries to the Company	13,316	17,336
	Supply of greening service by Inner Mongolia Yitai Investment Co., Ltd. and its subsidiaries to the Company	3,263	0
	Supply of operation and maintenance services by 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	18,928	16,885
Financial services	Interest on deposit services provided by Yitai Finance Co., Ltd. to the Company	15,350	14,857
	Fees on financial services provided by Yitai Finance Co., Ltd. to the Company	0	0

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

SECTION VI SIGNIFICANT EVENTS *(Continued)*

X. MAJOR RELATED PARTY TRANSACTIONS *(CONTINUED)*

(II) Related party transactions in relation to acquisition of assets or equity interest, or disposal

The Company considered and approved the Resolution in relation to the Related Party Transaction for Acquisition of the Equity Interest in Inner Mongolia Yitai Chemical Co., Ltd. Held by Shanghai Hanqing Corporate Management Partnership (Limited Partnership) (上海漢馨企業管理合夥企業(有限合夥)) of the Company at the ninth meeting of the eighth session of the board of directors and the 2020 annual general meeting convened on 24 May 2021 and 8 June 2021, respectively.

On 20 August 2021, the Company and Shanghai Hanqing Corporate Management Partnership (Limited Partnership) (上海漢馨企業管理合夥企業(有限合夥)) signed the Agreement in relation to the Transfer of Equity Interest in Inner Mongolia Yitai Chemical Co., Ltd., pursuant to the above equity transfer agreement, Shanghai Hanqing agreed to transfer 29.0475% of equity interest in Yitai Chemical held by it to the Company at a consideration of RMB2,099,343,782.02. The Company has fully paid the consideration of equity transfer to Shanghai Hanqing via bank transfer on 20 August 2021.

SECTION VI SIGNIFICANT EVENTS (Continued)

X. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Financial business between the Company and the Financial Company having related relationship with it, the Company's Holding Financial Company and the Related Party

1. Deposit business

Unit: yuan Currency: RMB

Related party	Related relationship	Daily maximum deposit limit	Range of deposit interest rate	Opening balance	Amount in current period	Closing balance
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Associate	11,700,000,000.00	0.35%	7,604,329,520.68	284,474,154.68	7,888,803,675.36
Total	/	/	/	<u>7,604,329,520.68</u>	<u>284,474,154.68</u>	<u>7,888,803,675.36</u>

2. Loan business

Unit: yuan Currency: RMB

Related party	Related relationship	Loan facility	Range of loan interest rate	Opening balance	Amount in current period	Closing balance
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Associate	11,400,000,000.00	3.85%	4,100,000,000.00	1,750,000,000.00	5,850,000,000.00
Total	/	/	/	<u>4,100,000,000.00</u>	<u>1,750,000,000.00</u>	<u>5,850,000,000.00</u>

3. Credit business or other financial business

Unit: yuan Currency: RMB

Related party	Related relationship	Business type	Total amount	Actual amount
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Associate	Liquidity loan	11,400,000,000.00	5,850,000,000.00

SECTION VI SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Entrustment, Contracting and Leasing Matters

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	2,304,708,462.81	1 April 2020	Nil	1,868,997,644.57	See explanation	71.03%	No	Nil

Explanation on the entrustment

From 1 April 2020, the Company entrusted the safe production and technical management business of the six coal mines owned by it to Inner Mongolia Zhongtai Energy Co., Ltd. (內蒙古仲泰能源有限公司), which excludes sales business. Earnings from the entrustment are determined and calculated by all of the revenues generated from the entrusted coal mines during the reporting period 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.

SECTION VI SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (CONTINUED)

2. Material Guarantee Performed and Outstanding During the Reporting Period

Unit: yuan Currency: RMB

External Guarantees of the Company (excluding those for subsidiaries)	
Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)	0
Total balance of guarantees at the end of the reporting period (A) (excluding those for subsidiaries)	0
Guarantees of the Company for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the reporting period	0
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	10,465,169,082.36
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	10,465,169,082.36
Percentage of total guarantee in the Company's net assets (%)	36.87%
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)	0
Amount of total guarantees in excess of 50% of net assets (E)	0
Total amount of the three guarantees above (C+D+E)	1,000,000,000.00
Statement on the contingent joint liability in connection with unexpired guarantees	Nil
Statement on guarantee	Nil

3. Material Acquisition and Disposal

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

4. Other Material Contracts

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

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

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

II. INFORMATION ON SHAREHOLDERS

(I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period (in the number of accounts)	70,728
Total number of holders of preference shares with voting rights restored as at the end of the reporting period (in the number of accounts)	N/A

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

Unit: Share

Name of shareholder (in full name)	Shareholdings of the Top Ten Shareholders				Pledged, charged or frozen		Class of Shareholder
	Increase/decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	Number of shares held subject to selling restrictions	Status of shares	Number of shares	
Inner Mongolia Yitai Group Co., Ltd.	0	1,600,000,000	49.17	1,600,000,000	Nil	Nil	Domestic non-state owned legal person
HKSCC NOMINEES LIMITED	100	325,958,800	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	544,900	22,840,100	0.70		Unknown	Unknown	Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	-1,095,692	15,532,774	0.48		Unknown	Unknown	Foreign legal person
VANGUARD EMERGING MARKETS STOCK INDEX FUND	307,900	14,562,596	0.45		Unknown	Unknown	Foreign legal person
Hu Jiaying	0	11,817,433	0.36		Unknown	Unknown	Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	1,079,600	9,932,295	0.31		Unknown	Unknown	Foreign legal person
UBS AG LONDON BRANCH	-3,873,035	9,096,428	0.28		Unknown	Unknown	Foreign legal person
Liu Jingyuan	0	8,277,050	0.25		Unknown	Unknown	Domestic natural person

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

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

Unit: Share

Shareholdings of Top Ten Shareholders Not Subject to Selling Restrictions			
Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	325,958,800	Overseas listed foreign shares	325,958,800
Yitai (Group) Hong Kong Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
China Merchants Securities (HK) Co., Limited	22,840,100	Domestic listed foreign shares	22,840,100
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	15,532,774	Domestic listed foreign shares	15,532,774
VANGUARD EMERGING MARKETS STOCK INDEX FUND	14,562,596	Domestic listed foreign shares	14,562,596
Hu Jiaying	11,817,433	Domestic listed foreign shares	11,817,433
ISHARES CORE MSCI EMERGING MARKETS ETF	9,932,295	Domestic listed foreign shares	9,932,295
UBS AG LONDON BRANCH	9,096,428	Domestic listed foreign shares	9,096,428
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
Description of special repurchase account among the top ten shareholders	N/A		
Description of the voting rights entrusted by the above shareholders, the voting rights the above shareholders are entrusted with, the voting rights the above shareholders abstained from	Unknown		
Description of the related relationships or acting in concert among the above shareholders	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 of whether there are other holders of foreign shares who are related to each other or acting in concert.		
Description of holders of preference shares with voting rights restored and the number of shares held	N/A		

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

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

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

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

Unit: Share

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Listing and trading of shares subject to selling restrictions		Conditions for selling restrictions
			Listing and trading date	Number of additional listing and trading shares	
1	Inner Mongolia Yitai Group Co., Ltd.	1,600,000,000	N/A	N/A	Domestic non-state owned legal person shares

Explanation on the above shareholders who are connected to each other or acting in concert: Inner Mongolia Yitai Group Co., Ltd. is the controlling shareholder of the Company.

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

As at 30 June 2021, 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:

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

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

Unit: Share

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) Hong Kong 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
China Datang Corporation ³	H shares	Interest of controlled corporation	Long	36,062,200	11.06	1.11
Datang International (Hong Kong) Limited ³	H shares	Beneficial owner	Long	36,062,200	11.06	1.11
Datang International Power Generation Co., Ltd. ³	H shares	Interest of controlled corporation	Long	36,062,200	11.06	1.11
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 ⁴	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Harvest Luck Development Limited ⁴	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Poseidon Sports Limited ⁴	H shares	Beneficial owner	Long	20,017,000	6.14	0.61

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

II. INFORMATION ON SHAREHOLDERS *(CONTINUED)*

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

Notes:

1. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai (Group) Hong Kong Co., Ltd. and is thus deemed to be interested in the 312,000,000 B shares held by Yitai (Group) Hong Kong 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, Datang International (Hong Kong) Limited holds 36,062,200 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 53.61% of equity 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 36,062,200 shares (long position) held by Datang International (Hong Kong) Limited. As at 30 June 2021, the above 36,062,200 shares represented 11.06% of the H shares in issue.
4. 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% equity interests 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.
5. According to the Articles of Association, the Company has two classes of shares, namely (i) "non-overseas-listed-foreign shares" which include domestic shares and B shares; and (ii) H shares.
6. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 30 June 2021, no person, other than the Directors and Supervisors of the Company whose interests are set out in the section headed "DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" below, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.



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

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in Shareholdings of Incumbent Directors, Supervisors and Senior Management and Those Resigned during the Reporting Period

During the reporting period, there was no change in the shareholdings of Directors, Supervisors and senior management of the Company.

(II) Equity Incentives Granted to Directors, Supervisors and Senior Management during the Reporting Period

During the reporting period, the Company has not granted any equity incentives to Directors, Supervisors and senior management.

IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

During the reporting period, there was no change in controlling shareholders or de facto controller of the Company.

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

As at 30 June 2021, 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:

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

Long positions in the shares of associated corporation of the Company

Unit: Share

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr. Zhang 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
Mr. Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Interest of spouse	52,798	0.01
		Beneficial owner	5,151,028	0.71
Mr. Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Interest of spouse	153,446	0.02
		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



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

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

Long positions in the shares of associated corporation of the Company *(Continued)*

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

SECTION VIII RELEVANT INFORMATION ON BONDS

I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

(I) Enterprise Bonds

N/A

(III) Corporate Bonds

1. Overview of corporate bonds

Unit: yuan Currency: RMB

Name of bonds	Abbreviation	Bond code	Issuing date	Interest commencement date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risk of listing and trading termination
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2018 (second tranche)	18 Yitai 02	15518	17 December 2018	18 December 2018	18 December 2021	2,000,000,000	5	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount of the bonds held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange	For qualified investors	Auction, quotation, inquiry and agreement	No

I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(II) Corporate Bonds (Continued)

1. Overview of corporate bonds (Continued)

Unit: yuan Currency: RMB

Name of bonds	Abbreviation	Bond code	Issuing date	Interest commencement date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risk of listing and trading and termination
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (first tranche)	19 Yitai 01	155306	2 April 2019	4 April 2019	4 April 2024	500,000,000	4.9	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount of the bonds held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange	For professional institutional investors	Auction, quotation, inquiry and agreement	No

SECTION VIII RELEVANT INFORMATION ON BONDS (Continued)

I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(II) Corporate Bonds (Continued)

1. Overview of corporate bonds (Continued)

Unit: yuan Currency: RMB

Name of bonds	Abbreviation	Bond code	Issuing date	Interest commencement date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risk of listing and trading and termination
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (second tranche)	19 Yitai 02	155494	2 July 2019	2 July 2019	2 July 2024	1,000,000,000	4.75	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount of the bonds held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange	For professional institutional	Auction, quotation, inquiry and agreement	No

I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(II) Corporate Bonds (Continued)

1. Overview of corporate bonds (Continued)

Unit: yuan Currency: RMB

Name of bonds	Abbreviation	Bond code	Issuing date	Interest commencement date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Place of transaction	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risk of listing and trading and termination
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (third tranche)	19 Yitai 03	155538	22 July 2019	23 July 2019	23 July 2024	1,000,000,000	4.7	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount of the bonds held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange	For professional institutional investors	Auction, quotation, inquiry and agreement	No

SECTION VIII RELEVANT INFORMATION ON BONDS *(Continued)*

I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES *(CONTINUED)*

(II) Corporate Bonds *(Continued)*

2. Interest payment in respect of corporate bonds

The Company has completed capital repayment with interest for “18 Yitai 01” on 4 June 2021, and the transaction of “18 Yitai 01” was terminated on 8 June 2021.

The Company has completed the interest payment of “19 Yitai 01”, “19 Yitai 02” and “19 Yitai 03”

3. Implementation and changes of guarantees, solvency plan and other protective measures during the reporting period and impacts thereof

During the reporting period, there was no arrangement for credit enhancement mechanism for corporate bonds mentioned above and the solvency plan remained unchanged. The Company has paid interest arising from the bonds and returned capital of the bonds to the bondholders in strict compliance with the schedule of capital repayment with interest as set out in the prospectus.

4. Description of other information on corporate bonds

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a credit rating on “18 Yitai 01” of the Company, and the credit rating of this tranche of bonds remained to be AAA; the credit rating of the Company was AAA with stable outlook. Dagong Global Credit Rating Co., Ltd. has presented the follow-up rating result on 31 May 2021.

Golden Credit Rating International Co., Ltd. conducted credit ratings on “18 Yitai 02”, “19 Yitai 01”, “19 Yitai 02” and “19 Yitai 03” of the Company, and the credit ratings of these bonds remained to be AAA; the credit rating of the Company was AAA with stable outlook. Golden Credit Rating International Co., Ltd. has presented the credit rating results on 27 May 2021.

In line with the follow-up rating schedule, Golden Credit Rating International Co., Ltd. will carry out a periodical follow-up rating on “18 Yitai 02”, “19 Yitai 01”, “19 Yitai 02” and “19 Yitai 03” within 2 months after the publication of annual report each year and periodical follow-up ratings according to the relevant situations within the period of existence of this tranche of bonds.

SECTION VIII RELEVANT INFORMATION ON BONDS (Continued)

I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(III) Major Accounting Data And Financial Indicators

Unit: yuan Currency: RMB

Major Indicators	End of the reporting period	End of last year	Increase or decrease as compared with the end of last year (%)
Liquidity ratio	1.51	1.16	0.35
Quick ratio	1.41	1.07	0.34
Debt to assets ratio (%)	46.88	49.61	-2.73

	During the reporting period (January to June)	The same period of last year	Increase or decrease as compared with the same period of last year (%)
Net profit after deduction of non-recurring gain and loss	2,531,854,045.74	556,259,984.12	355.16
EBITDA ratio	0.18	0.09	0.09
Times interest earned	6.02	2.28	3.74
Cash interest coverage ratio	7.68	4.32	3.36
EBITDA times interest earned	7.64	4.04	3.60
Loan repayment ratio (%)	100	100	0
Interest payment ratio (%)	100	100	0

Explanation: Net profit after deduction of non-recurring profit or loss, represents net profit attributable to the parent company after deduction of non-recurring profit or loss, the change on which is mainly due to the increased coal price during the current period resulting in the increase of profits.

II. CONVERTIBLE CORPORATE BONDS

N/A

REVIEW REPORT

Da Hua He Zi [2021]No. 0010644

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

I. REVIEW OPINION

We have reviewed the financial statements of Inner Mongolia Yitai Coal Co., Ltd. (hereinafter referred to as the “Yitai Coal Company”), which comprise the consolidated balance sheet and balance sheet of the parent company on 30 June 2021, the consolidated income statement and income statement of the parent company, the consolidated cash flow statement and cash flow statement of the parent company, the consolidated statement of changes in owners’ equity and statement of changes in owners’ equity of the parent company from January to June 2021 and relevant notes to the financial statements. The management of Yitai Coal Company is responsible for the preparation of these financial statements, and our responsibility is to issue a review report on these financial statements based on our review.

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

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

**Da Hua Certified Public Accountants
(Special General Partnership)**

Beijing, China

Chinese Certified
Public Accountant:
(Project Partner)
Chinese Certified
Public Accountant:

Gong Xinping

Zhao Xi

CONSOLIDATED BALANCE SHEET

At 30 June 2021

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

Assets	Note VI	Closing balance	Opening balance
Current assets:			
Monetary funds	Note 1	13,023,527,171.31	12,235,897,104.62
Trading financial assets	Note 2	31,542,540.00	2,011,120.00
Derivative financial assets			
Notes receivable	Note 3	283,250.00	
Accounts receivable	Note 4	1,754,111,970.21	1,280,175,866.98
Financing receivable	Note 5		2,071,600.00
Prepayments	Note 6	596,740,720.78	573,875,955.11
Other receivables	Note 7	1,315,380,166.60	502,459,431.63
Inventories	Note 8	1,167,159,114.20	1,256,228,988.62
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	Note 9	665,092,960.09	765,304,428.89
Total current assets		18,553,837,893.19	16,618,024,495.85
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	Note 10	9,918,291,203.99	9,760,538,789.99
Investments in other equity instruments	Note 11	7,150,683,231.53	7,257,982,731.72
Other non-current financial assets	Note 12	1,554,684,076.94	1,571,136,033.21
Investment property	Note 13	685,384,797.68	690,286,105.94
Fixed assets	Note 14	29,989,499,402.87	31,539,509,938.70
Construction in progress	Note 15	11,314,332,443.59	11,264,401,667.07
Productive biological assets			
Oil and gas assets			
Right-of-use assets	Note 16	41,272,549.13	44,453,181.22
Intangible assets	Note 17	3,197,940,473.64	3,234,890,864.17
Development expenditure			
Goodwill			
Long-term deferred expenses	Note 18	2,003,157,188.07	2,166,704,910.77
Deferred income tax assets	Note 19	696,535,090.63	717,582,752.56
Other non-current assets	Note 20	695,643,989.75	694,092,566.11
Total non-current assets		67,247,424,447.82	68,941,579,541.46
Total assets		85,801,262,341.01	85,559,604,037.31

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2021

Assets	Note VI	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	Note 21		1,000,000,000.00
Trading financial liabilities	Note 22	2,304,460.00	2,034,720.00
Derivative financial liabilities			
Notes payable	Note 23	787,042,402.73	1,296,438,553.80
Accounts payable	Note 24	1,866,326,520.70	2,164,149,682.62
Prepayments	Note 25	1,117,095.70	2,155,213.74
Contract liabilities	Note 26	384,830,491.56	507,734,000.67
Staff remuneration payable	Note 27	138,106,979.29	266,511,151.48
Taxes payable	Note 28	1,039,630,933.92	731,787,487.12
Other payables	Note 29	1,895,276,320.21	1,379,398,220.73
Liabilities held for sale			
Non-current liabilities due within one year	Note 30	6,134,901,374.86	7,404,723,929.29
Other current liabilities	Note 31	59,097,213.54	65,924,584.16
Total current liabilities		12,308,633,792.51	14,820,857,543.61
Non-current liabilities:			
Long-term borrowings	Note 32	23,672,806,845.52	23,373,656,681.61
Bonds payable	Note 33	2,439,187,364.92	2,429,992,674.65
Including: Preference shares			
Including: Perpetual bonds			
Lease liabilities	Note 34	6,749,323.94	9,795,893.40
Long-term payables	Note 35	491,000,000.00	491,000,000.00
Long-term staff remuneration payable			
Projected liabilities	Note 36	625,088,991.36	612,897,208.93
Deferred income	Note 37	76,056,489.07	76,635,745.32
Deferred income tax liabilities	Note 19	605,524,892.05	631,131,366.95
Other non-current liabilities			
Total non-current liabilities		27,916,413,906.86	27,625,109,570.86
Total liabilities		40,225,047,699.37	42,445,967,114.47

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2021

Assets	Note VI	Closing balance	Opening balance
Shareholders' equity:			
Share capital	Note 38	3,254,007,000.00	3,254,007,000.00
Other equity instruments			
Including: Preference shares			
Including: Perpetual bonds			
Capital reserves	Note 39	4,578,097,684.19	4,578,059,266.49
Less: Treasury shares			
Other comprehensive income	Note 40	1,011,304,637.91	1,089,867,679.40
Special reserve	Note 41	220,338,862.24	191,254,433.25
Surplus reserve	Note 42	1,634,024,476.72	1,634,024,476.72
Undistributed profit	Note 43	24,209,866,197.38	22,313,812,056.60
Total equity attributable to shareholders of the parent company		34,907,638,858.44	33,061,024,912.46
Minority interests		10,668,575,783.20	10,052,612,010.38
Total shareholders' equity		45,576,214,641.64	43,113,636,922.84
Total liabilities and shareholders' equity		85,801,262,341.01	85,559,604,037.31

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

Legal representative of
the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CONSOLIDATED INCOME STATEMENT

January to June 2021

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Note VI	Amount for January to June 2021	Amount for January to June 2020
I. Total operating revenue	Note 44	20,138,984,087.03	15,396,345,301.75
Less: Operating cost	Note 44	13,586,201,980.42	11,479,511,087.73
Tax and surcharges	Note 45	864,336,329.20	714,630,574.53
Selling expenses	Note 46	500,131,915.72	549,484,273.67
Administrative expenses	Note 47	599,505,322.69	464,761,425.34
Research and development costs	Note 48	111,601,956.08	172,089,895.61
Finance costs	Note 49	737,525,915.24	843,160,535.17
Of which: Interest expenses		773,932,587.11	899,420,832.83
Interest income		39,128,094.40	57,365,806.62
Add: Other income	Note 50	30,571,073.29	58,232,419.87
Investment income	Note 51	240,798,359.91	85,679,427.32
Of which: Gains from investment in associates and joint ventures		136,577,905.33	85,839,798.35
Including: Gains from de-recognition of financial assets measured at amortised costs			
Gain on net exposure hedging			
Gains from changes in fair value	Note 52	-15,042,943.01	171,581,505.69
Asset impairment loss	Note 53	-9,941,923.86	-29,078,643.45
Loss on credit impairment	Note 54	-5,229,756.05	366,003.00
Gains from disposal of assets	Note 55	66,358,629.94	-3,514,638.57
II. Profit from operations		4,047,194,107.90	1,455,973,583.56
Add: Non-operating income	Note 57	6,605,494.04	1,595,303.45
Less: Non-operating expense	Note 58	58,345,159.10	48,245,018.97
III. Total profit		3,995,454,442.84	1,409,323,868.04
Less: Income tax expenses	Note 59	747,687,200.96	373,540,823.68
IV. Net profit		3,247,767,241.88	1,035,783,044.36
Including: Net profit recorded by the acquiree before the combination under business combination under common control			
(I) Classified on a going concern basis			
Net profit from continuing operations		3,247,767,241.88	1,035,783,044.36
Net profit from discontinued operations			
(II) Classified according to the ownership			
Net profit attributable to the owners of the parent company		2,631,459,722.78	733,187,389.47
Minority interests		616,307,519.10	302,595,654.89

CONSOLIDATED INCOME STATEMENT (Continued)

January to June 2021

Items	Note VI	Amount for January to June 2021	Amount for January to June 2020
V. Net other comprehensive income after taxes		-82,367,670.32	-236,714,736.86
Net other comprehensive income attributable to owners of the parent company after taxes		-78,563,041.49	-235,682,470.91
(I) Other comprehensive income that cannot be reclassified to profit and loss		-78,306,985.97	-236,107,247.81
1. Re-measuring changes of defined benefit plan			
2. Other comprehensive income that cannot be converted into profit or loss under the equity method			
3. Changes in fair value of other equity instruments investments		-78,306,985.97	-236,107,247.81
4. Changes in fair value of enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that may be reclassified to profit or loss		-256,055.52	424,776.90
1. Other comprehensive income that can be converted to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provisions for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from retranslation of foreign currency financial statements		-256,055.52	424,776.90
7. Investment income from a package disposal of subsidiaries before the loss of control			
8. Conversion of other assets to investment property measured by fair value model			
9. Others			

CONSOLIDATED INCOME STATEMENT (Continued)

January to June 2021

Items	Note VI	Amount for January to June 2021	Amount for January to June 2020
Net other comprehensive income attributable to minority interests after taxes		-3,804,628.83	-1,032,265.95
VI. Total comprehensive income		3,165,399,571.56	799,068,307.50
Total comprehensive income attributable to the owners of the parent company		2,552,896,681.29	497,504,918.56
Total comprehensive income attributable to minority shareholders		612,502,890.27	301,563,388.94
VII. Earnings per share:			
(I) Basic earnings per share		0.8087	0.2253
(II) Diluted earnings per share		/	/

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

Legal representative of
the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CONSOLIDATED CASH FLOW STATEMENT

January to June 2021

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Note VI	Amount for January to June 2021	Amount for January to June 2020
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		22,159,739,382.48	17,256,802,839.79
Refunds of taxes		18,264,439.65	23,617,615.18
Other cash received from activities relating to operation	Note 60.1	101,705,127.99	155,089,412.50
Sub-total of cash inflows from operating activities		22,279,708,950.12	17,435,509,867.47
Cash paid for goods purchased and service rendered		14,123,799,043.18	11,120,506,114.43
Cash paid to and on behalf of employees		646,911,635.00	858,361,891.89
Taxes paid		2,823,928,801.66	2,052,057,137.91
Other cash paid for activities relating to operation	Note 60.2	209,946,420.34	456,680,568.27
Sub-total of cash outflow from operating activities		17,804,585,900.18	14,487,605,712.50
Net cash flows from operating activities		4,475,123,049.94	2,947,904,154.97
II. Cash flow from investment activities:			
Cash received from disposal of investments		6,702,373.26	543,851,036.55
Cash received from gains in investments		104,220,454.58	13,435,534.36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		216,876,373.66	3,663,287.35
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investment activities	Note 60.3	191,041,879.00	245,960,460.00
Sub-total of cash inflows from investment activities		518,841,080.50	806,910,318.26
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		490,303,963.52	845,452,544.69
Cash paid for investment		57,584,400.00	646,420,052.72
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities	Note 60.4	319,000,000.00	214,040,000.00
Sub-total of cash outflow from investment activities		866,888,363.52	1,705,912,597.41
Net cash flow from investment activities		-348,047,283.02	-899,002,279.15

CONSOLIDATED CASH FLOW STATEMENT (Continued)

January to June 2021

Items	Note VI	Amount for January to June 2021	Amount for January to June 2020
III. Cash flow from financing activities:			
Cash received from investments		10,460,000.00	3,000,000.00
Of which: Proceeds received by subsidiaries from minority shareholder's investment		10,460,000.00	3,000,000.00
Cash received from borrowings		3,938,937,128.44	4,100,000,000.00
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities		<u>3,949,397,128.44</u>	<u>4,103,000,000.00</u>
Cash repayments of debts		6,067,261,662.12	6,223,729,427.57
Cash payments for dividend and profit distribution or interest repayment		787,720,902.34	2,098,971,507.59
Of which: Dividend and profit paid by subsidiary to minority shareholders			9,800,000.00
Other cash paid relating to financing activities	Note 60.5	<u>2,857,111.80</u>	<u>334,392,481.04</u>
Sub-total of cash outflow from financing activities		<u>6,857,839,676.26</u>	<u>8,657,093,416.20</u>
Net cash flow from financing activities		<u>-2,908,442,547.82</u>	<u>-4,554,093,416.20</u>
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates			
V. Net increase in cash and cash equivalents		<u>1,218,633,219.10</u>	<u>-2,505,191,540.38</u>
Add: Balance of cash and cash equivalents at the beginning of the period	Note 61.4	<u>11,292,510,611.23</u>	<u>15,954,045,957.75</u>
VI. Balance of cash and cash equivalents at the end of the period		<u>12,511,143,830.33</u>	<u>13,448,854,417.37</u>

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

Legal representative of
the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for January to June 2021						Total shareholders' equity			
	Share capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit	Minority interests
I. Closing balance of the previous year	3,254,007,000.00		4,578,059,266.49		1,089,867,679.40	191,254,433.25	1,634,024,476.72	22,313,812,056.60	10,052,612,010.38	43,113,636,922.84
Add: Changes in accounting policies										
Correction for error in previous period										
Business combination under common control										
Others										
II. Operating balance of current year	3,254,007,000.00		4,578,059,266.49		1,089,867,679.40	191,254,433.25	1,634,024,476.72	22,313,812,066.60	10,052,612,010.38	43,113,636,922.84
III. Changes for the current year			38,417.70		-78,563,041.49	29,084,428.99	1,896,054,140.78	1,896,054,140.78	615,963,772.82	2,462,577,718.80
(I) Total comprehensive income					-78,563,041.49			2,631,459,722.78	612,502,890.27	3,165,399,571.56
(II) Shareholder contribution and capital decrease			-1,690.97						461,690.97	460,000.00
1. Ordinary shares contributed by shareholders									461,690.97	460,000.00
2. Capital contribution from owners of other equity instruments										
3. Amount of share-based payment included in shareholders' equity										
4. Others										
(III) Profit distributions								-735,405,582.00	1,690.97	-735,405,582.00
1. Appropriations of surplus reserve								-735,405,582.00		-735,405,582.00
2. Distributions to shareholders										
3. Others										
(IV) Internal transfer of shareholders' equity										
1. Transfer to share capital from capital reserve										
2. Transfer to share capital from surplus reserve										
3. Surplus reserves for making up losses										
4. Changes in defined benefit plans transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserve						29,084,428.99			2,999,191.58	32,083,620.57
1. Appropriations in the period						198,854,841.91			70,616,497.53	269,471,339.44
2. Utilisation in the period						-169,770,412.92			-67,817,305.95	-287,387,718.87
(VI) Others			40,108.67							
IV. Closing balance for the current year	3,254,007,000.00		4,578,097,684.19		1,011,304,637.91	220,338,862.24	1,634,024,476.72	24,209,666,197.38	10,668,575,783.20	45,576,214,641.64

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

Legal representative of the enterprise:
Zhang JingquanPerson in charge of accounting:
Lv GuiliangHead of accounting department:
Ning Yu

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

January to June 2021

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for year 2020						Total shareholders' equity			
	Share capital	Other equity instrument	Capital reserve	Less: Treasury shares	comprehensive income Other	Special reserve		Surplus reserve	Undistributed profit	Minority interest
I. Closing balance of the previous year	3,254,007,000.00		4,577,897,866.65		1,138,559,569.59	212,715,747.06	1,634,024,476.72	24,109,769,760.65	9,901,035,988.04	44,828,010,408.71
Add: Changes in accounting policies										
Correction for error in previous period										
Business combination under common control										
Others										
II. Opening balance of current year	3,254,007,000.00		4,577,897,866.65		1,138,559,569.59	212,715,747.06	1,634,024,476.72	24,109,769,760.65	9,901,035,988.04	44,828,010,408.71
III. Charges for the current year			161,399.64		-48,691,890.19	-21,461,313.81		-1,795,957,704.05	151,576,022.94	-1,714,373,485.87
(I) Total comprehensive income					-48,691,890.19			-657,055,254.05	123,745,786.98	-582,001,357.26
(II) Shareholder contribution and capital decrease			-3,625.62							6,914,103.06
1. Ordinary shares contributed by shareholders										6,919,714.00
2. Capital contribution from owners of other equity instruments										
3. Amount of share-based payment included in shareholders' equity										
4. Others										
(III) Profit distributions			-3,625.62					-1,138,902,450.00	-15,484,000.00	-5,610.94
1. Appropriations of surplus reserve										
2. Distributions to shareholders										
3. Others										
(IV) Internal transfer of shareholders' equity								-1,138,902,450.00	-15,484,000.00	-1,154,386,450.00
1. Transfer to share capital from capital reserve										
2. Transfer to share capital from surplus reserve										
3. Surplus reserves for making up losses										
4. Changes in defined benefit plans transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserve						-21,461,313.81			36,395,506.68	14,935,192.87
1. Appropriations in the period						457,482,588.52			149,241,503.84	606,674,092.36
2. Utilisation in the period						-478,883,902.33			-112,844,997.16	-591,738,899.49
(VI) Others			165,025.46							165,025.46
IV. Closing balance for the current year	3,254,007,000.00		4,578,059,266.49		1,089,867,679.40	191,254,433.25	1,634,024,476.72	22,313,812,056.60	10,052,612,010.38	43,113,656,922.84

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

Legal representative of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

BALANCE SHEET OF THE PARENT COMPANY

At 30 June 2021

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

Assets	Note XVI	Closing balance	Opening balance
Current assets:			
Monetary funds		3,570,783,535.69	3,765,915,961.31
Trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	Note 1	663,851,073.33	498,688,217.88
Financing receivable			10,000,000.00
Prepayments		252,675,033.66	280,799,408.17
Other receivables	Note 2	11,899,520,614.61	9,447,785,727.14
Inventories		526,783,091.55	630,455,486.32
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		11,035,925.94	7,264,020.66
Total current assets		16,924,649,274.78	14,640,908,821.48
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	Note 3	22,711,459,606.44	22,532,429,637.03
Investments in other equity instruments		5,712,345,849.65	5,803,275,453.24
Other non-current financial assets		6,701,522.89	12,159,778.32
Investment property		650,467,679.92	668,748,674.60
Fixed assets		2,986,466,846.78	3,629,888,170.18
Construction in progress		13,254,286.99	13,267,158.01
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		767,436,646.50	782,485,888.12
Development expenditure			
Goodwill			
Long-term deferred expenses		874,479,674.83	999,842,644.55
Deferred income tax assets		708,788,223.30	673,402,821.88
Other non-current assets			
Total non-current assets		34,431,400,337.30	35,115,500,225.93
Total assets		51,356,049,612.08	49,756,409,047.41

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 30 June 2021

Liabilities and shareholders' equity	Note XVI	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			1,000,000,000.00
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		209,342,697.15	124,886,677.55
Accounts payable		1,935,832,640.34	2,119,300,706.42
Prepayments			297,147.14
Contract liabilities		378,780,194.67	664,162,196.27
Staff remuneration payable		45,322,783.43	83,341,351.45
Taxes payable		448,117,744.40	320,178,784.26
Other payables		1,156,417,756.34	587,938,976.16
Liabilities held for sale			
Non-current liabilities due within one year		4,658,320,350.14	5,416,520,900.18
Other current liabilities		60,468,746.82	88,720,405.16
Total current liabilities		8,892,602,913.29	10,405,347,144.59
Non-current liabilities:			
Long-term borrowings		10,707,700,000.00	10,294,700,000.00
Bonds payable		2,439,187,364.92	2,429,992,674.65
Including: Preference shares			
Including: Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term staff remuneration payable			
Projected liabilities		472,228,509.14	464,179,701.60
Deferred income		1,619,999.96	1,734,999.98
Deferred income tax liabilities		457,855,686.02	479,080,175.65
Other non-current liabilities			
Total non-current liabilities		14,078,591,560.04	13,669,687,551.88
Total liabilities		22,971,194,473.33	24,075,034,696.47

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 30 June 2021

Liabilities and shareholders' equity	Note XVI	Closing balance	Opening balance
Shareholders' equity:			
Share capital		3,254,007,000.00	3,254,007,000.00
Other equity instruments			
Including: Preference shares			
Including: Perpetual bonds			
Capital reserve		1,475,272,040.76	1,475,231,932.09
Less: Treasury shares			
Other comprehensive income		938,608,975.65	1,006,806,178.34
Special reserve		99,016,881.53	92,717,922.90
Surplus reserve		1,634,024,476.72	1,634,024,476.72
Undistributed profit		20,983,925,764.09	18,218,586,840.89
Total shareholders' equity		28,384,855,138.75	25,681,374,350.94
Total liabilities and shareholders' equity		51,356,049,612.08	49,756,409,047.41

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

Legal representative of
the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

INCOME STATEMENT OF THE PARENT COMPANY

January to June 2021

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Note XVI	Amount for January to June 2021	Amount for January to June 2020
I. Revenue from operations	Note 4	14,207,116,826.31	11,669,295,204.20
Less: Operating cost	Note 4	11,847,207,555.99	10,268,683,386.51
Tax and surcharges		438,140,212.89	415,719,012.99
Selling expenses		60,909,693.97	58,437,658.68
Administrative expenses		350,354,935.52	278,632,994.29
Research and development expense		1,500,141.00	35,518,417.72
Finance costs		226,675,606.87	457,854,609.86
Including: Interest expenses		239,804,413.36	493,113,043.07
Interest income		14,557,055.93	35,876,824.69
Add: Other income		1,517,546.47	881,829.07
Investment income	Note 5	2,711,349,694.06	111,399,348.79
Including: Investment income from associates and joint ventures		133,989,860.74	86,498,178.27
Including: Gains from de-recognition of financial assets measured at amortised costs			
Gain on net exposure hedging			
Gains from changes in fair value		-5,458,255.43	1,123,073.04
Asset impairment loss			-29,078,643.45
Loss on credit impairment		-134,559,422.27	
Gains from disposal of assets		24,515,551.02	-1,046,653.29
II. Profit from operations		3,879,693,793.92	237,728,078.31
Add: Non-operating income		2,666,325.92	1,068,864.10
Less: Non-operating expense		48,191,659.11	42,347,173.70
III. Total profit		3,834,168,460.73	196,449,768.71
Less: Income tax expenses		333,423,955.53	44,884,946.00
IV. Net profit		3,500,744,505.20	151,564,822.71
(I) Net profit from continuing operations		3,500,744,505.20	151,564,822.71
(II) Net profit from discontinued operations			

INCOME STATEMENT OF THE PARENT COMPANY (Continued)

January to June 2021

Items	Note XVI	Amount for January to June 2021	Amount for January to June 2020
V. Net other comprehensive income after taxes		-68,197,202.69	-233,364,277.21
(I) Other comprehensive income that cannot be reclassified into profit or loss		-68,197,202.69	-233,364,277.21
1. Re-measuring net changes of defined benefit plan			
2. Other comprehensive income that cannot be converted into profit or loss under the equity method			
3. Changes in fair value of other equity instruments investments		-68,197,202.69	-233,364,277.21
4. Changes in fair value of the enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be converted into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provisions for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from retranslation of foreign currency financial statements			
7. Investment income from a package disposal of subsidiaries before the loss of control			
8. Conversion of other assets to investment property measured by fair value model			
9. Others			
VI. Total comprehensive income		<u>3,432,547,302.51</u>	<u>-81,799,454.50</u>
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

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

Legal representative of
the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

CASH FLOW STATEMENT OF THE PARENT COMPANY

January to June 2021

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

(All amounts in RMB Yuan unless otherwise stated)

Items	Note XVI	Amount for January to June 2021	Amount for January to June 2020
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		15,464,711,673.15	11,830,060,635.91
Refunds of taxes			
Other cash received from activities relating to operation		35,301,711.81	63,544,772.71
		35,301,711.81	63,544,772.71
Sub-total of cash inflows from operating activities		15,500,013,384.96	11,893,605,408.62
Cash paid for goods purchased and service rendered		12,686,258,576.36	9,473,604,236.44
Cash paid to and on behalf of employees		205,083,113.84	280,192,570.33
Taxes paid		1,407,789,677.23	1,065,436,009.66
Other cash paid for activities relating to operation		109,386,826.82	180,907,109.18
		109,386,826.82	180,907,109.18
Sub-total of cash outflow from operating activities		14,408,518,194.25	11,000,139,925.61
Net cash flows from operating activities		1,091,495,190.71	893,465,483.01
II. Cash flow from investment activities:			
Cash received from disposal of investments			4,000,693,704.61
Cash received from gains in investments		1,460,300,000.00	14,515,534.36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		215,126,969.06	1,917,892.23
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investment activities		21,097,434.55	82,270,416.64
		21,097,434.55	82,270,416.64
Sub-total of cash inflows from investment activities		1,696,524,403.61	4,099,397,547.84
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		215,167,925.97	359,300,076.32
Cash paid for investment		45,000,000.00	685,720,000.00
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities		909,100,000.00	3,943,644,085.85
		909,100,000.00	3,943,644,085.85
Sub-total of cash outflow from investment activities		1,169,267,925.97	4,988,664,162.17
Net cash flow from investment activities		527,256,477.64	-889,266,614.33

CASH FLOW STATEMENT OF THE PARENT COMPANY (Continued)

January to June 2021

Items	Note XVI	Amount for January to June 2021	Amount for January to June 2020
III. Cash flow from financing activities:			
Cash received from investments			
Cash received from borrowings		1,700,000,000.00	5,100,000,000.00
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities		1,700,000,000.00	5,100,000,000.00
Cash repayments of debts		3,181,075,000.00	5,387,025,000.00
Cash payments for dividend and profit distribution or interest repayment		451,404,397.89	1,704,299,828.88
Other cash paid relating to financing activities			56,258.12
Sub-total of cash outflow from financing activities		3,632,479,397.89	7,091,381,087.00
Net cash flow from financing activities		-1,932,479,397.89	-1,991,381,087.00
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates			
V. Net increase in cash and cash equivalents		-313,727,729.54	-1,987,182,218.32
Add: Balance of cash and cash equivalents at the beginning of the period		3,676,155,738.44	7,677,710,776.41
VI. Balance of cash and cash equivalents at the end of the period		3,362,428,008.90	5,690,528,558.09

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

Legal representative of
the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

January to June 2021

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for January to June 2021						Total shareholders' equity		
	Share capital	Other equity instrument	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		1,475,231,932.09		1,006,806,178.34	92,717,922.90	1,634,024,476.72	18,218,586,840.89	25,681,374,350.94
Add: Changes in accounting policies									
Correction for error in previous period									
Others									
II. Opening balance of current year	3,254,007,000.00		1,475,231,932.09		1,006,806,178.34	92,717,922.90	1,634,024,476.72	18,218,586,840.89	25,681,374,350.94
III. Changes for the current year			40,108.67		-68,197,202.69	6,298,958.63		2,765,338,923.20	2,703,480,787.81
(I) Total comprehensive income					-68,197,202.69			3,500,744,305.20	3,432,547,302.51
(II) Shareholder contribution and capital decrease									
1. Ordinary shares contributed by shareholders									
2. Capital contribution from owners of other equity instruments									
3. Amount of share-based payment included in shareholders' equity									
4. Others									
(III) Profit distributions								-735,405,582.00	-735,405,582.00
1. Appropriations of surplus reserve									
2. Distributions to shareholders									
3. Others									

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

January to June 2021

Items	Amount for January to June 2021						Total shareholders' equity		
	Share capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit
(IV) Internal transfer of shareholders' equity									
1. Transfer to share capital from capital reserve									
2. Transfer to share capital from surplus reserve									
3. Surplus reserves for making up losses									
4. Changes in defined benefit plans transferred to retained earnings									
5. Other comprehensive income transferred to retained earnings									
6. Others									
(V) Special reserve									6,298,958.63
1. Appropriations in the period									83,292,880.20
2. Utilisation in the period									-76,993,921.57
(VI) Others			40,108.67						40,108.67
IV. Closing balance for the current year	3,254,007,000.00		1,475,272,040.76		938,600,975.65	99,016,881.53	1,634,024,476.72	20,983,925,764.09	28,384,855,138.75

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY (Continued)
January to June 2021

(All amounts in RMB Yuan unless otherwise stated)

Items	Share capital	Other equity instrument	Capital reserve	Less: Treasury shares	Amount for year 2020			Undistributed profit	Total shareholders' equity
					Other comprehensive income	Special reserve	Surplus reserve		
I. Closing balance of the previous year	3,254,007,000.00		1,475,066,906.63		1,087,142,143.99	159,878,281.51	1,634,024,476.72	20,935,842,666.84	28,545,961,465.69
Add: Changes in accounting policies									
Correction for error in previous period									
Others									
II. Opening balance of current year	3,254,007,000.00		1,475,066,906.63		1,087,142,143.99	159,878,281.51	1,634,024,476.72	20,935,842,666.84	28,545,961,465.69
III. Changes for the current year			165,025.46		-80,335,965.65	-67,160,358.61		-2,717,255,815.95	-2,864,587,114.75
(I) Total comprehensive income					-80,335,965.65			-1,578,353,365.95	-1,658,689,331.60
(II) Shareholder contribution and capital decrease									
1. Ordinary shares contributed by shareholders									
2. Capital contribution from owners of other equity instruments									
3. Amount of share-based payment included in shareholders' equity									
4. Others								-1,138,902,450.00	-1,138,902,450.00
(III) Profit distributions								-1,138,902,450.00	-1,138,902,450.00
1. Appropriations of surplus reserve									
2. Distributions to shareholders									
3. Others									

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

January to June 2021

Items	Share capital	Other equity instrument	Capital reserve	Amount for year 2020		Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
				Treasury shares	Other comprehensive income				
(IV) Internal transfer of shareholders' equity									
1. Transfer to share capital from capital reserve									
2. Transfer to share capital from surplus reserve									
3. Surplus reserves for making up losses									
4. Changes in defined benefit plans transferred to retained earnings									
5. Other comprehensive income transferred to retained earnings									
6. Others									
(V) Special reserve									
1. Appropriations in the period									
2. Utilisation in the period									
(VI) Others			165,025.46						
IV. Closing balance for the current year	3,254,007,000.00		1,475,231,932.09		1,006,806,178.34	92,717,922.90	1,634,024,476.72	18,218,566,940.89	25,881,374,350.94

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

Legal representative of the enterprise:
Zhang Jingquan

Person in charge of accounting:
Lv Guiliang

Head of accounting department:
Ning Yu

NOTES TO THE FINANCIAL STATEMENTS

January to June 2021

I. BASIC INFORMATION OF THE COMPANY

I) Place of Incorporation, Form of Organisation and Headquarters Address of the Company

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

After years of issuing bonus share, selling new shares, increasing share capital and issuing new shares, by 30 June 2021, the Company held a total share capital of 3,254,007,000 shares, of which Yitai Group held domestic restricted shares of 1,600,000,000 shares, accounting for 49.17% of the Company’s total share capital, the circulating B shares totaled 1,328,000,000 shares, accounting for 40.81% of the Company’s total share capital, and the H shares issued a total of 326,007,000 shares, accounting for 10.02% of the total share capital. The registered address of the Company: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia, the PRC. Address of the headquarter: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia, the PRC. The Parent Company is Inner Mongolia Yitai Group Co., Ltd., and the ultimate Parent Company of the Group is Inner Mongolia Yitai Investment Co., Ltd.

(II) Business Scope

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

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

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

(IV) Approval of Financial Statements

The financial statements were approved by the board of directors on 24 August 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the period, 34 entities were consolidated in the consolidated financial statements, of which:

No.	Name of Subsidiary	Type of Subsidiary	Grade	Shareholding Percentage (%)	Percentage of Voting Rights (%)
1	Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Wholly-owned subsidiary	One	100.00	100.00
2	Inner Mongolia Yitai Jingyue Suancang 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 Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Wholly-owned subsidiary	One	100.00	100.00
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	61.28	61.28
11	Inner Mongolia Yitai Zhudong Jintai Storage and Transportation Co., Ltd. (內蒙古伊泰准東金泰儲運有限責任公司)	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)	Subsidiary of 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公司)	Controlling subsidiary	One	61.15	61.15
18	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)	Subsidiary of controlling subsidiary	Two	80.00	80.00
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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

No.	Name of Subsidiary	Type of Subsidiary	Grade	Shareholding Percentage (%)	Percentage of Voting Rights (%)
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

The entities included in the consolidated financial statements remain unchanged.

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 Accounting Standards for Business Enterprises – Basic Standard (《企業會計準則—基本準則》) and specific accounting standards for business enterprises, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and relevant stipulations (hereafter collectively referred as “ASBEs”) issued by the Ministry of Finance of the PRC, 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 China Securities Regulatory Commission.

(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 ability to maintain its sustainability. Therefore, the 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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.
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 significantly 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 30 June 2021, 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(I) Specific Accounting Policies and Accounting Estimates Indication *(Continued)*

- (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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(I) Specific Accounting Policies and Accounting Estimates Indication *(Continued)*

- (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.

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 carrying 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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.

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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

3. Business combinations not under common control

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

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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

2. Consolidation procedure *(Continued)*

(1) Add subsidiaries or businesses

During the reporting period, if a subsidiary or business is acquired due to the business combination under common control, the opening balance of the consolidated balance sheet is adjusted; the income, expenses and profits of the subsidiary or business 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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)*

January to June 2021

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 lose 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)*

January to June 2021

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)*

January to June 2021

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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)*

January to June 2021

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

2. Basis for recognition of financial instruments

(1) Financial assets measured at amortised cost

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

- ① The goal of 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.

(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).



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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).

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

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

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

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

In a business combination not under common control, financial liabilities that 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.

(5) Financial liabilities measured at amortised cost

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

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

3. Initial measurement of financial instruments

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

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).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

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

Except for financial assets, gains or losses on financial liabilities that are measured at amortised cost and do not belong to any part of the 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)*

January to June 2021

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

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.
- (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:



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

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

- (1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following is included in the current profit or loss:
 - ① The carrying amount of the transferred financial 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).

- (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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

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

The fair value of financial assets or financial liabilities with active market 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.

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

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

(2) When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence that credit impairment has occurred in 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XI) Financial Instruments *(Continued)*

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

(4) Except for the provision for loss of financial instruments in item (3) 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)*

January to June 2021

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)*

January to June 2021

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)*

January to June 2021

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

The initial investment cost of a long-term equity investment obtained through debt restructuring includes the fair value of the waived debt, taxes that can be directly attributable to the asset and other costs.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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

2. Subsequent measurement and profit and loss recognition

(1) Cost method

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

Except for the actual payment or the cash dividends or profits included in the consideration that have been announced but not yet paid 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)*

January to June 2021

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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)*

(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.

(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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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)*

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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

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.

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:



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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

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

- (1) In the individual financial statements, the difference between the carrying amount of the disposed equity and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exert joint control or significant influence on the investee, it shall be accounted for under the equity method, and the residual equity shall be deemed to be adjusted by equity method when it is acquired; if the remaining equity after disposal 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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

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)*

January to June 2021

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Fixed Assets (Continued)

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%

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XIX) Fixed Assets *(Continued)*

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

(3) Disposal of fixed assets

When a fixed asset is disposed of or no economic benefit is expected to result from 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)*

January to June 2021

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)*

January to June 2021

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXIII) Right-of-use Assets

The Company initially measures the right-of-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.

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 according with the above principles in future periods.



NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

January to June 2021

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

(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)*

January to June 2021

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)*

January to June 2021

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)*

January to June 2021

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 a 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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXVII) Employee Remuneration *(Continued)*

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)*

January to June 2021

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXVII) Employee Remuneration *(Continued)*

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.

(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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXVIII) Projected Liabilities *(Continued)*

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)*

January to June 2021

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

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.

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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;
 - (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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXI) Preference Shares, Perpetual Bonds and Other Financial Instruments *(Continued)*

3. Accounting treatment

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

(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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXII) Revenue *(Continued)*

- (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.

2. Revenue treatment principles for specific transactions

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

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

- (2) Contracts with quality assurance provisions: The Company assesses whether a separate service is rendered in respect of the quality assurance besides guaranteeing the sales of goods to customers are in line with the designated standards. When additional service is provided by the Company, it is considered as a single performance obligation and under accounting treatment according to the standards on revenue; otherwise, quality assurance obligations will be under accounting treatment according to the accounting standards on contingent matters.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXII) Revenue *(Continued)*

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

- (3) Sales contracts with additional purchase option of customers: The Company assesses whether customers will enjoy a significant right with this option. If customers enjoy a significant right, it is considered as a single performance obligation and the transaction price is apportioned to this performance obligation, and corresponding revenue is recognised when the customers obtain control of the relevant goods after exercising the purchase option in the future or the option elapses. Where the single sales price of additional purchase option of customers is not observable directly, it will be reasonably estimated by considering the difference between the discounts available under the circumstances where the option is exercised and not exercised by the customers, respectively, the possibility of exercising of the option by the customers, and other relevant information.
- (4) Contracts on grant of intellectual property license to customers: The Company assesses whether the intellectual property license constitutes a single performance obligation. If so, the Company will then further determine whether it is fulfilled during a certain period of time or at a certain point in time. Where intellectual property license is granted to the customers with agreed terms on charging royalties based on the actual sales of or use by them, the revenue will be recognised at the time of the following, whichever is later: actual occurrence of subsequent sales of or use by customers; the fulfillment of relevant performance obligation by the Company.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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)*

January to June 2021

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXII) Revenue (Continued)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXII) Revenue *(Continued)*

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

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

(1) Coal product sales

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.

(2) Coal chemical product

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

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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)*

January to June 2021

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(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:

- (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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXIV) Deferred Income Tax Assets and Deferred Income Tax Liabilities *(Continued)*

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.

(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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXV) Hedge Accounting *(Continued)*

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

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

- 1) There is an economic relationship between the hedged items and the hedging instruments. This economic relationship makes the value of hedging instruments and hedged items change in opposite directions due to the same hedged risk.
- 2) Among the value changes caused by the economic relationship between the hedged items and the hedging instruments, the influence of credit risk is not dominant.
- 3) The hedging ratio of the hedging relationship is equal to the ratio of the actual number of hedged items of the company to the actual number of 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXV) Hedge Accounting *(Continued)*

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

- (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)*

January to June 2021

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)*

January to June 2021

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)*

January to June 2021

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)*

January to June 2021

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXVI) Lease *(Continued)*

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.

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)*

January to June 2021

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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

(XXXVI) Lease *(Continued)*

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

(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.

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)

January to June 2021

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)*

January to June 2021

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 surcharge	Payment of the turnover tax	2.00%
Water conservancy construction fund	Operating income	0.10%
Resource tax	Coal sales	ad valorem 9.00%, ad valorem 10.00%
Water tax	Dredge, drain and recycle (including recharge)	RMB2/m ³ , RMB5/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)

January to June 2021

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 Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	15.00%	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%	

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

V. TAXATION *(Continued)*

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

3. Real estate tax

The tax rate of real estate tax is 1.20% based on 70.00% of the original value of real estate, or 12.00% based on rental income.

4. Individual income tax

Staff's individual income tax shall be withheld and paid by the Company.

(II) Policy and Basis for Preferential Tax Treatment

1. Preferential tax treatment policy for the western development

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 31 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 levied enterprise income tax at 15.00% from 1 January 2021 to 31 December 2030.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 Continuing the Preferential Policies of Enterprise Income Tax in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen (Cai Shui [2021] No. 30), from 1 January 2021 to 31 December 2025, for qualified enterprises located in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, they will be levied enterprise income tax at 15%. Companies shall meet the conditions of focusing on industrial projects as specified in the “Catalog of Enterprise Income Tax Preferences for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (2021 Version)” to enjoy the preferential policies above and their main business income shall account for more than 70% of their total income. 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, engages in the industry under the “Catalog of Enterprise Income Tax Preferences for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (2021 Version)” and can be levied enterprise income tax at 15.00% from 2021 to 2025.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

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

Note 1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	1,567,812.53	1,443,941.53
Deposits at banks	12,509,576,017.80	11,291,066,669.70
Other monetary funds	512,383,340.98	943,386,493.39
Total	<u>13,023,527,171.31</u>	<u>12,235,897,104.62</u>
Of which: Total amount deposited abroad	131,714,999.06	133,761,566.09

The breakdown of restricted monetary funds is as follows:

Item	Closing balance	Opening balance
Deposit of bank acceptance bills	171,142,782.67	754,585,229.54
Environmental deposit	17,083.63	149,881.28
Wage guarantee for workers	3,008,926.61	3,008,926.61
Special fund for mine geologic environment governance	338,214,548.07	185,642,455.96
Total	<u>512,383,340.98</u>	<u>943,386,493.39</u>

Note: 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, and made contributions to such fund according to the regulations. As at 30 June 2021, the closing balance of the special fund for mine geologic environment governance was RMB338,214,548.07.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 2. Trading financial assets

Item	Closing balance	Opening balance
Subtotal of financial assets at fair value through profit or loss	31,542,540.00	2,011,120.00
Derivative financial assets	31,542,540.00	2,011,120.00
Total	31,542,540.00	2,011,120.00

Explanation: Trading financial assets at the end of the period were gains on changes in futures of RMB31,542,540.00.

Note 3. Notes receivable

1. Classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance bills	283,250.00	
Total	283,250.00	

2. Presentation of expected credit loss on notes receivable

Category	Carrying balance		Closing balance Loss provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Notes receivable that provided expected credit losses on single basis					
Notes receivable that provided expected credit losses on portfolio basis	283,250.00	100			283,250.00
Of which: Customers with extremely low credit risk	283,250.00	100			283,250.00
Total	283,250.00	100			283,250.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 3. Notes receivable (Continued)

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

Portfolio	Closing balance		Percentage (%)
	Carrying balance	Loss provision	
Customers with extremely low credit risk	283,250.00		
Total	<u>283,250.00</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.

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)

January to June 2021

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	1,615,234,905.06	1,255,962,719.50
1 to 2 years	119,263,202.04	21,512,757.11
2 to 3 years	21,512,757.11	
3 to 4 years		110,000.00
4 to 5 years	110,000.00	19,017,038.95
Over 5 years	19,964,988.90	24,247,138.90
Sub-total	1,776,085,853.11	1,320,849,654.46
Less: Bad debts provision	21,973,882.90	40,673,787.48
Total	1,754,111,970.21	1,280,175,866.98

Note: The Company analysed and calculated the aging based on the actual occurrence date of each business transaction by adopting first-in-first-out method.

2. Disclosure of accounts receivable by type

Type	Carrying balance		Closing balance Loss provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that provided expected credit losses on single basis	21,973,882.90	1.24	21,973,882.90	100.00	
Accounts receivable that provided expected credit losses on portfolio basis	1,754,111,970.21	98.76			1,754,111,970.21
Of which: Customers with extremely low credit risk	1,754,111,970.21	98.76			1,754,111,970.21
Total	1,776,085,853.11	100.00	21,973,882.90	1.24	1,754,111,970.21

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 (%)	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

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	It is expected that all are unrecoverable in future.
Wuhan Dongli Photovoltaic Electronic Co., Ltd.	2,008,894.00	2,008,894.00	100.00	It is expected that all are unrecoverable in future.
Total	21,973,882.90	21,973,882.90	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	<u>1,754,111,970.21</u>		
Total	<u>1,754,111,970.21</u>		

Continued:

Portfolio	Accounts receivable	Opening balance	
		Loss provision	Percentage (%)
Customers with extremely low credit risk	<u>1,279,858,732.61</u>		
Total	<u>1,279,858,732.61</u>		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 4. Accounts receivable (Continued)

3. During the current period, no loss provision was made, no bad debts provision recovered and no loss provision reversed.
4. Accounts receivable actually write-off during the current period:

Name of entity	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures performed	Whether arising from related party transactions or not
Dongying Haifeng Petrochemical Co., Ltd. (東營海豐石油化工股份有限公司)	Loans receivable	18,699,904.58	Unrecoverable	Approval by the management	No

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 (%)	Provision for bad debts
First	134,242,480.09	7.56	
Second	119,506,957.36	6.73	
Third	115,200,746.22	6.49	
Fourth	98,057,285.29	5.52	
Fifth	86,294,356.10	4.86	
Total	<u>553,301,825.06</u>	<u>31.16</u>	

6. There were no accounts receivable that were derecognized due to the transfer of financial assets at the end of the period.
7. There were no assets or liabilities for which accounts receivable were transferred but involvement continued at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 5. Receivables financing

1. Classification of receivables financing

Item	Closing balance	Opening balance
Bank acceptance bills with a high credit rating		2,071,600.00
Total		2,071,600.00

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	Amount un-derecognized at the end of the period
Bank acceptance bills	43,758,208.79	
Total	43,758,208.79	

Note 6. Prepayments

1. Presentation of prepayments by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	472,681,548.50	79.21	469,728,996.45	81.85
1 to 2 years	54,072,204.45	9.06	56,966,903.28	9.93
2 to 3 years	30,648,590.05	5.14	37,147,884.80	6.47
Over 3 years	39,338,377.78	6.59	10,032,170.58	1.75
Total	596,740,720.78	100.00	573,875,955.11	100.00

Note 1: The Company analysed and calculated the aging based on the actual occurrence date of each business transaction by adopting first-in-first-out method.

Note 2: 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 in 2020 of RMB3,376,000.00.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	26,140,122.00	1 to 2 years	Demolition not yet complete
	30,029,374.80	2 to 3 years	
	38,696,215.10	Over 3 years	
Second	7,011,057.18	1 to 2 years	Service not yet available
Third	5,382,400.00	1 to 2 years	Service not yet available
Fourth	4,000,000.00	1 to 2 years	Service not yet available
Fifth	1,949,422.80	1 to 2 years	Service not yet available
Total	<u>113,208,591.88</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 6. Prepayments (Continued)

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	1,643,614.70	0.28	2017	Demolition not yet complete
	37,052,600.40	6.21	2018	
	30,029,374.80	5.03	2019	
	26,140,122.00	4.38	2020	
	20,535,851.60	3.44	2021	
Second	79,970,656.62	13.40	2021	Service not yet available
Third	60,875,074.21	10.20	2021	Service not yet available
Fourth	33,680,976.00	5.64	2021	Goods not yet available
Fifth	28,264,414.00	4.74	2021	Goods not yet available
Total	<u>318,192,684.33</u>	<u>53.32</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	60,000,000.00
Other receivables	1,255,380,166.60	442,459,431.63
Total	1,315,380,166.60	502,459,431.63

(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	60,000,000.00
Total	60,000,000.00	60,000,000.00

(II) Other receivables

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	1,061,438,053.05	214,835,364.54
1 to 2 years	13,074,606.41	100,630,325.53
2 to 3 years	91,403,915.82	74,037,194.65
3 to 4 years	51,264,255.84	62,894,878.60
4 to 5 years	53,367,423.22	100,000.00
Over 5 years	100,000.00	
Sub-total	1,270,648,254.34	452,497,763.32
Less: Bad debts provision	15,268,087.74	10,038,331.69
Total	1,255,380,166.60	442,459,431.63

Note: The Company analysed and calculated the aging based on the actual occurrence date of each business transaction by adopting first-in-first-out method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that provided expected credit losses on single basis	18,287,957.74	1.44	15,268,087.74	83.49	3,019,870.00
Other receivables that provided expected credit losses on portfolio basis	1,252,360,296.60	98.56			1,252,360,296.60
Of which: Customers with extremely low credit risk	1,252,360,296.60	98.56			1,252,360,296.60
Total	1,270,648,254.34	100.00	15,268,087.74	1.20	1,255,380,166.60

Continued:

Type	Carrying balance		Opening balance		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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 (%)	
Jin Li (靳莉)	2,078,540.35	2,078,540.35	100.00	Expected to be unrecoverable
Management Committee of Dalu New District, Jungar Banner (准格爾旗大路新區管委會)	1,400,000.00	1,400,000.00	100.00	Expected to be unrecoverable
Chen Youhua (陳有華)	870,970.00	870,970.00	100.00	Expected to be unrecoverable
Yang Xiaofeng (楊小鳳)	719,705.70	719,705.70	100.00	Expected to be unrecoverable
Zhang Dingchen (張鼎臣)	160,540.00	160,540.00	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聽財務處)	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	18,287,957.74	15,268,087.74	—	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Portfolio	Other receivables	Closing balance Loss provision	Percentage (%)
Customers with extremely low credit risk	<u>1,252,360,296.60</u>		
Total	<u>1,252,360,296.60</u>		

Continued:

Portfolio	Other receivables	Opening balance Loss provision	Percentage (%)
Customers with extremely low credit risk	<u>439,439,561.63</u>		
Total	<u>439,439,561.63</u>		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 7. Other receivables (Continued)

(II) Other receivables (Continued)

3. Loss provision on other receivables

Loss provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
Opening balance		1,665,650.20	8,372,681.49	10,038,331.69
Opening balance during the period transfer into the phase III				
Provision during the period		1,751,215.70	3,478,540.35	5,229,756.05
Recovery or reversal during the period				
Write-off during the period				
Closing balance		<u>3,416,865.90</u>	<u>11,851,221.84</u>	<u>15,268,087.74</u>

4. The Company made loss provision of RMB5,229,756.05 for other receivables during the period, and there were no recovery or reversal of loss provision.

5. There are no other receivables write-off during the period.

6. Other receivables by nature of amount

Item	Closing balance	Opening balance
Transfer of assets	644,335,247.91	
Current accounts	120,138,995.02	84,335,356.94
Security	491,295,603.48	353,885,172.60
Advances	27,375.00	1,538,770.25
Employee borrowing	13,374,337.42	11,172,301.45
Deposit	1,476,695.51	1,474,995.50
Others		91,166.58
Total	<u>1,270,648,254.34</u>	<u>452,497,763.32</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 (%)
First	Transfer of assets	411,662,176.83	Within 1 year	32.40
		264,577.07	1 to 2 years	0.02
Second	Transfer of assets	217,899,091.53	Within 1 year	17.15
Third	Futures deposits	130,846,179.77	Within 1 year	10.30
Fourth	Deposits	43,119,165.00	2 to 3 years	3.39
		22,360,740.00	3 to 4 years	1.76
		38,511,115.00	4 to 5 years	3.03
Fifth	Futures deposits	98,379,266.08	Within 1 year	7.74
Total		<u>963,042,311.28</u>		<u>75.79</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 8. Inventories

1. Classification of inventories

Item	Carrying balance	Closing balance		Opening balance		
		Provision for decline in value of inventories	Carrying value	Carrying balance	Provision for decline in value of inventories	Carrying value
Finished goods	772,122,745.71	14,030,264.74	758,092,480.97	830,937,966.07	9,549,310.96	821,388,655.11
Raw materials	470,898,481.83	61,835,967.60	409,062,514.23	496,672,374.11	61,836,159.60	434,836,214.51
Low-value consumables	4,119.00		4,119.00	4,119.00		4,119.00
Total	1,243,025,346.54	75,866,232.34	1,167,159,114.20	1,327,614,459.18	71,385,470.56	1,256,228,988.62

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	9,549,310.96	9,941,923.86			5,460,970.08		14,030,264.74
Raw materials	61,836,159.60				192.00		61,835,967.60
Total	71,385,470.56	9,941,923.86			5,461,162.08		75,866,232.34

Note 9. Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	664,447,589.08	761,360,108.12
Enterprise income tax prepaid	635,234.85	3,943,692.67
Others	10,136.16	628.10
Total	665,092,960.09	765,304,428.89

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	Increase/decrease in the current period			Distribution of cash dividend or profit declared	Provision for impairment	Others	Closing balance	Closing balance of impairment provisions
				Investment profits and losses recognised under equity method	Adjustment to other comprehensive income	Other changes in equity					
I. Joint Ventures											
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	52,587,448.84			-1,523,192.58						51,064,256.26	
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)	2,982,370.47									2,982,370.47	
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰魯圖礦業有限公司)	472,646,613.42			203,334.90						472,849,948.32	
Sub-total	528,216,432.73			-1,319,857.68						526,896,575.05	
II. Associates											
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	162,704,014.09			16,933,661.10						179,637,675.19	
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)	554,921,350.40			38,328,910.18						593,250,260.58	
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)											
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	561,310,708.71			-3,467,818.12		40,108.67				557,882,999.26	
Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華遠酒業有限公司)	13,924,097.58			979,212.18						14,903,309.76	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	Increase/decrease in the current period						Closing balance	Closing balance of impairment provisions
				Investment profits and losses recognised under equity method	Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision for impairment	Others		
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
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)	7,800,489,062.65			81,012,560.50						7,881,501,623.15	
Ordos Gonggouyangta Storage and Transportation Co., Ltd. (鄂爾多斯市公溝陽塔儲運有限公司)	63,744,130.81			2,692,756.97						66,436,887.78	
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	45,228,993.02	21,134,400.00		1,740,510.50						68,103,903.52	
Shangshi Growth Acceleration (Hainan) Venture Capital Fund Partnership (Limited Partnership) (尚勢成長加速(海南)創業投資基金合夥企業(有限合夥))	30,000,000.00			-322,030.30						29,677,969.70	
Sub-total	9,232,322,357.26	21,134,400.00		137,897,763.01		40,108.67				9,391,394,628.94	250,288.45
Total	9,760,538,789.99	21,134,400.00		136,577,905.33		40,108.67				9,918,291,203.99	250,288.45

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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)	496,685,125.11	484,000,000.00
Mengji Railway Co., Ltd.	1,008,899,503.90	1,040,000,000.00
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)	21,515,658.37	20,802,731.72
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	40,682,063.57	45,000,000.00
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	2,582,449,751.28	2,555,000,000.00
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	1,688,471,129.30	1,803,000,000.00
China National Coal Exchange Co., Ltd. (全國煤炭交易中心有限公司)	12,000,000.00	12,000,000.00
Industrial and Commercial Bank of China Limited	102,980,000.00	101,180,000.00
Total	<u>7,150,683,231.53</u>	<u>7,257,982,731.72</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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		296,685,125.11			
Mengji Railway Co., Ltd.	Non-transactional equity instrument investment			1,691,145,496.10		
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			57,722,251.70		
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Non-transactional equity instrument investment			31,317,936.43		
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	Non-transactional equity instrument investment		2,049,649,751.28			
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	Non-transactional equity instrument investment		823,184,129.30			
China National Coal Exchange Co., Ltd. (全國煤炭交易中心有限公司)	Non-transactional equity instrument investment					
Industrial and Commercial Bank of China Limited	Non-transactional equity instrument investment		2,980,000.00			
Total			<u>3,172,499,005.69</u>	<u>1,780,185,684.23</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 non-current financial assets at fair value through profit or loss	1,554,684,076.94	1,571,136,033.21
Transactional equity instrument investment	109,787,689.72	109,337,689.72
Fund investment	1,444,896,387.22	1,461,798,343.49
Total	<u>1,554,684,076.94</u>	<u>1,571,136,033.21</u>

Note 13. Investment properties

1. Investment properties

Item	Houses and buildings	Total
I. Original carrying amount		
1. Opening balance	990,902,873.89	990,902,873.89
2. Addition during the period	16,455,502.26	16,455,502.26
Transfer from fixed assets	16,455,502.26	16,455,502.26
3. Decrease during the period		
4. Closing balance	1,007,358,376.15	1,007,358,376.15
II. Accumulated depreciation (amortisation)		
1. Opening balance	300,616,767.95	300,616,767.95
2. Addition during the period	21,356,810.52	21,356,810.52
Provision or amortisation	18,873,403.78	18,873,403.78
Transfer from fixed assets	2,483,406.74	2,483,406.74
3. Decrease during the period		
4. Closing balance	321,973,578.47	321,973,578.47
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	685,384,797.68	685,384,797.68
2. At the beginning of the period	<u>690,286,105.94</u>	<u>690,286,105.94</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 13. Investment properties (Continued)

2. Investment properties with pending certificates of ownership

Item	Carrying amount	Reason for pending certificates of ownership
Wanbo Plaza House (3/F)	28,571,867.88	Still under processing
Wanbo Plaza House (4/F)	31,813,185.24	Still under processing
Wanbo Plaza House (5/F)	31,857,701.26	Still under processing
Total	<u>92,242,754.38</u>	

3. Rental income

Item	From January to June 2021	From January to June 2020
Rental income from investment properties	<u>17,731,161.71</u>	<u>13,270,062.69</u>

4. Maturity analysis of lease receipts

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

As at 30 June 2021, 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	16,721,872.30	8,778,678.66	6,600,681.23	3,950,858.85	3,715,450.69	7,493,314.66	47,260,856.39

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	16,011,670.70	10,123,226.17	4,254,654.74	3,874,714.34	3,826,026.84	9,631,646.01	47,721,938.79

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 14. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	<u>29,989,499,402.87</u>	<u>31,539,509,938.70</u>
Total	<u><u>29,989,499,402.87</u></u>	<u><u>31,539,509,938.70</u></u>

(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	10,778,286,544.87	403,461,134.65	1,984,992,653.23	659,143,070.91	11,797,367,273.26	191,794,924.09	18,547,844,304.11	1,344,878,753.39	45,707,768,658.51
2. Addition during the period	317,030,096.94	442,477.88	771,918.45	455,800,987.26		66,371.69	28,259,736.21	4,467,138,092.52	5,269,509,680.95
Acquisition	1,363,897.63					66,371.69	18,803,678.68	11,082,907.93	31,316,855.93
Transfer from construction in progress	22,825,047.81						7,781,777.78	24,649,572.77	55,256,398.36
Other transfers-in	292,841,151.50	442,477.88	771,918.45	455,800,987.26			1,674,279.75	4,431,405,611.82	5,182,936,426.66
3. Decrease during the period	142,607,603.05	1,362,687.17	44,582,495.23		920,820,908.34	8,910,836.90	6,553,710,756.65	33,675,574.96	7,705,670,862.30
Disposal or scrapping	126,351,793.96	1,362,687.17	44,582,495.23		11,962,244.45	7,285,468.65	2,343,319,102.66	31,801,602.04	2,566,665,394.16
Transfer to investment properties	16,255,809.09							199,693.17	16,455,502.26
Other transfers-out					908,858,663.89	1,625,368.25	4,210,391,653.99	1,674,279.75	5,122,549,965.88
4. Closing balance	<u>10,952,709,038.76</u>	<u>402,540,925.36</u>	<u>1,941,182,076.45</u>	<u>1,114,944,058.17</u>	<u>10,876,546,364.92</u>	<u>182,950,458.88</u>	<u>12,022,393,283.67</u>	<u>5,778,341,270.95</u>	<u>43,271,607,477.16</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 14. Fixed assets (Continued)

(I) Fixed assets (Continued)

1. Fixed assets (Continued)

Item	Houses and buildings	Automobile	Mining structures	Road	Railway	Transportation equipment	Mechanical equipment	Other equipment	Total
II. Accumulated depreciation									
1. Opening 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
2. Addition during the period	208,591,872.10	14,637,818.76	68,254,630.72	75,887,135.29	141,301,531.26	5,272,110.00	330,956,449.55	578,951,688.59	1,423,853,236.27
Provision	208,591,872.10	8,770,929.68	35,379,514.88	23,532,915.04	141,301,531.26	5,272,110.00	330,572,055.26	152,920,808.23	906,341,736.45
Other transfers-in		5,866,889.08	32,875,115.84	52,354,220.25			384,394.29	426,030,880.36	517,511,499.82
3. Decrease during the period	407,581,103.25	405,476.93	44,251,704.40		126,469,250.45	7,585,842.95	1,697,442,585.77	26,267,918.04	2,310,003,881.79
Disposal or scrapping	85,710,684.90	405,476.93	44,251,704.40		5,125,153.94	6,658,018.75	1,682,448,462.13	25,739,860.45	1,850,339,361.50
Transfer to investment properties	2,395,817.95							143,663.30	2,539,481.25
Other transfers-out	319,474,600.40				121,344,096.51	927,824.20	14,994,123.64	384,394.29	457,125,039.04
4. Closing balance	2,824,472,953.19	345,625,617.54	569,299,148.73	425,289,966.15	2,457,548,409.31	151,121,883.48	4,419,659,397.17	1,432,442,963.70	12,625,460,339.27
III. Impairment provision									
1. Opening 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
2. Addition during the period									
3. Decrease during the period									
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	7,581,385,710.53	56,881,107.82	1,369,804,150.42	687,078,525.21	8,418,997,955.61	31,799,964.29	7,503,845,226.27	4,339,706,762.72	29,989,499,402.87
2. At the beginning 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	458,928,015.71	31,539,509,938.70

Explanation: According to the completion settlement report of the 120-tonne project of Yitai Chemical in the current period, the Company split the fixed assets and sorted out the assets, resulting in a large amount of other transfers-in and other transfers-out, and the cumulative impact of other transfers-in and other transfers-out on the net value of fixed assets was RMB0.00.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 amount
Mechanical equipment	364,310,086.38	209,953,054.35	76,363,300.45	77,993,731.58
Transportation equipment	415,384.61	394,615.39		20,769.22
Other equipment	<u>8,211,320.39</u>	<u>5,222,318.33</u>	<u>372,373.57</u>	<u>2,616,628.49</u>
Total	<u>372,936,791.38</u>	<u>215,569,988.07</u>	<u>76,735,674.02</u>	<u>80,631,129.29</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 amount	Reason for pending certificates of ownership
Houses and buildings	<u>801,712,555.72</u>	Still under processing
Total	<u>801,712,555.72</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 15. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	9,657,274,354.39	9,607,557,793.31
Construction materials	1,657,058,089.20	1,656,843,873.76
Total	<u>11,314,332,443.59</u>	<u>11,264,401,667.07</u>

(I) Construction in progress

1. Construction in progress

Item	Carrying balance	Closing balance Impairment provision	Carrying amount
Construction in progress	<u>12,684,607,782.03</u>	<u>3,027,333,427.64</u>	<u>9,657,274,354.39</u>
Total	<u>12,684,607,782.03</u>	<u>3,027,333,427.64</u>	<u>9,657,274,354.39</u>

Item	Carrying balance	Opening balance Impairment provision	Carrying amount
Construction in progress	<u>12,634,891,220.95</u>	<u>3,027,333,427.64</u>	<u>9,607,557,793.31</u>
Total	<u>12,634,891,220.95</u>	<u>3,027,333,427.64</u>	<u>9,607,557,793.31</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	5,260,915,546.25	916,302.53		16,282,051.20	5,245,549,797.58
Xinjiang Energy-2 million tonnes coal-to-oil project	4,623,829,571.43	1,632,880.37			4,625,462,451.80
Yili Mining- Auxiliary mining project	904,796,086.40	29,718,309.83	12,990,600.00		921,523,796.23
Coal-to-oil-2 million tonnes indirect coal-to-liquids conversion project	793,643,519.15	13,412,482.32			807,056,001.47
Dama railway	563,720,724.48				563,720,724.48
Other projects	487,985,773.24	88,565,635.59	55,256,398.36		521,295,010.47
Total	12,634,891,220.95	134,245,610.64	68,246,998.36	16,282,051.20	12,684,607,782.03

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 (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			Loan, others
Xinjiang Energy-2 million tonnes coal-to-oil project	3,200,788.91	20.08	20.08	1,403,590,607.74			Loan, others
Yili Mining- Auxiliary mining project	262,886.65	40.90	40.90	221,400,241.41	17,848,037.82	4.95	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	-	-	-	3,298,590,163.34	17,848,037.82	-	-

Explanation 1: The investment percentage to 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.

3. Provision made for impairment of construction in progress during the current reporting period: Nil

(II) Construction materials

Item	Closing balance	Opening balance
Construction materials	968,311,648.95	968,371,180.25
Equipment not yet installed	688,746,440.25	688,472,693.51
Total	1,657,058,089.20	1,656,843,873.76

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 16. Right-of-use assets

Item	Houses and buildings	Total
I. Original carrying amount		
1. Opening balance	52,163,660.99	52,163,660.99
2. Addition during the period		
3. Decrease during the period		
4. Closing balance	52,163,660.99	52,163,660.99
II. Accumulated depreciation		
1. Opening balance	7,710,479.77	7,710,479.77
2. Addition during the period	3,180,632.09	3,180,632.09
Provision	3,180,632.09	3,180,632.09
3. Decrease during the period		
4. Closing balance	10,891,111.86	10,891,111.86
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	41,272,549.13	41,272,549.13
2. At the beginning of the period	<u>44,453,181.22</u>	<u>44,453,181.22</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	1,926,192,121.27	1,641,624,162.16	324,719,536.84	138,716,252.41	213,842,927.52	4,245,095,000.20
2. Addition during the period	11,045,547.04	40,855,160.00		4,482,008.67		56,382,715.71
Acquisition	22,632.00	27,864,560.00		1,056,251.33		28,943,443.33
Transfer from construction in progress		12,990,600.00				12,990,600.00
Other transfers-in	11,022,915.04			3,425,757.34		14,448,672.38
3. Decrease during the period	1,765,936.30	60,253,049.56	36,373,675.20	4,629,946.75		103,022,607.81
Disposal and scrapping	1,765,936.30			4,629,946.75		6,395,883.05
Other transfers-in		60,253,049.56	36,373,675.20			96,626,724.76
4. Closing balance	1,935,471,732.01	1,622,226,272.60	288,345,861.64	138,568,314.33	213,842,927.52	4,198,455,108.10
II. Accumulated amortization						
1. Opening 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
2. Addition during the period	30,010,058.36	29,988,529.63	21,021,844.47	7,555,565.67	2,294,997.41	90,870,995.54
Provision	19,710,073.24	29,988,529.63	21,021,844.47	4,129,808.33	2,294,997.41	77,145,253.08
Other transfers-in	10,299,985.12			3,425,757.34		13,725,742.46
3. Decrease during the period	220,804.86	60,253,049.56	35,650,745.28	4,435,897.41		100,560,497.11
Disposal and scrapping	220,804.86			4,435,897.41		4,656,702.27
Other transfers-out		60,253,049.56	35,650,745.28			95,903,794.84
4. Closing balance	343,020,122.67	323,437,963.71	53,533,757.15	124,244,961.80	151,163,656.58	995,400,461.91
III. Impairment provision						
1. Opening balance	4,221,384.55	892,788.00				5,114,172.55
2. Addition during the period						
3. Decrease during the period						
4. Closing balance	4,221,384.55	892,788.00				5,114,172.55
IV. Carrying amount						
1. At the end of the period	1,588,230,224.79	1,297,895,520.89	234,812,104.49	14,323,352.53	62,679,270.94	3,197,940,473.64
2. At the beginning 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 amount	Reason for pending certificates of ownership
Land use rights	95,305,168.08	Still under processing
Total	95,305,168.08	

Explanation: According to the completion settlement report of the 120-tonne project of Yitai Chemical in the current period, the Company split the intangible assets and sorted out the assets, resulting in a large amount of other transfers-in and other transfers-out, and the cumulative impact of other transfers-in and other transfers-out on the net value of intangible assets was RMB0.00.

Note 18. Long-term deferred expenses

Item	Opening balance	Addition during the period	Amortization during the period	Other decreases	Closing balance
Compensation and divestiture fees for open mining and demolition	2,104,010,872.71	92,674,724.40	246,073,932.58		1,950,611,664.53
Water rights fees	6,965,276.45		762,409.04		6,202,867.41
Others	55,728,761.61	1,151,427.41	10,537,532.89		46,342,656.13
Total	2,166,704,910.77	93,826,151.81	257,373,874.51		2,003,157,188.07

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 19. 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	438,406,627.77	73,428,359.03	442,710,993.57	74,074,013.90
Provision for assets impairment	675,001,801.53	159,995,515.45	666,704,352.47	162,947,030.82
Deferred income and others	293,546,457.08	68,664,046.60	292,457,529.08	68,348,314.61
Ecological compensation	11,742,805.40	2,935,701.35	11,742,805.40	2,935,701.35
Unrealised profit of internal transaction	683,267,815.88	167,515,260.52	665,461,612.36	164,667,647.23
Deductible losses	1,414,376,737.85	222,293,958.49	1,563,356,013.11	244,604,144.65
Fair value changes	6,808,996.75	1,702,249.19	23,600.00	5,900.00
Total	<u>3,523,151,242.26</u>	<u>696,535,090.63</u>	<u>3,642,456,905.99</u>	<u>717,582,752.56</u>

2. Deferred income tax liabilities

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Fair value changes	1,421,551,401.46	343,621,874.67	1,516,982,707.66	365,842,711.56
Accelerated depreciation of fixed assets	638,965,323.71	152,688,079.11	632,480,078.78	151,110,098.64
Commissioning loss	21,411,306.60	5,352,826.65	21,411,306.60	5,352,826.65
Unrealised loss of internal transaction			2,365,520.10	591,380.03
Undistributed gains of partnership	415,448,446.48	103,862,111.62	432,937,400.29	108,234,350.07
Total	<u>2,497,376,478.25</u>	<u>605,524,892.05</u>	<u>2,606,177,013.43</u>	<u>631,131,366.95</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 19. Deferred income tax assets and deferred income tax liabilities (Continued)

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

Item	Closing balance	Opening balance
Deferred income	53,915,098.67	53,959,354.92
Provision for assets impairment	3,130,828,025.11	3,148,114,860.92
Deductible losses	1,245,880,086.58	815,092,249.80
Total	<u>4,430,623,210.36</u>	<u>4,017,166,465.64</u>

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

Item	Closing balance	Opening balance
2021	90,453,476.37	90,453,476.37
2022	47,227,344.02	47,227,344.02
2023	107,516,437.07	98,178,092.94
2024	118,761,627.61	113,871,336.40
2025	463,683,615.74	465,362,000.07
2026	294,703,530.89	
2031	123,534,054.88	
Total	<u>1,245,880,086.58</u>	<u>815,092,249.80</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 20. 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
Charity biological asset	127,729,009.47	127,729,009.47
Others		791,060.73
Input tax expected to be deducted over one year	517,242,576.28	514,900,091.91
Total	695,643,989.75	694,092,566.11

Note 21. Short-term borrowings

1. Classification of short-term borrowings

Item	Closing balance	Opening balance
Credit borrowings		1,000,000,000.00
Total		1,000,000,000.00

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

Note 22. Trading financial liabilities

Item	Closing balance	Opening balance
Trading financial liabilities	2,304,460.00	2,034,720.00
Of which: Derivative financial liabilities	2,304,460.00	2,034,720.00
Total	2,304,460.00	2,034,720.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 23. Notes payable

Type	Closing balance	Opening balance
Bank acceptance bills	166,921,814.31	742,520,909.86
Commercial acceptance bills	620,120,588.42	553,917,643.94
Total	<u>787,042,402.73</u>	<u>1,296,438,553.80</u>

Note 24. Accounts payable

1. Disclosure by aging

Item	Closing balance	Opening balance
Within 1 year	1,631,642,777.66	2,051,975,036.65
1 to 2 years	143,011,728.44	68,599,735.62
2 to 3 years	53,344,457.84	17,706,430.86
Over 3 years	38,327,556.76	25,868,479.49
Total	<u>1,866,326,520.70</u>	<u>2,164,149,682.62</u>

Explanation: The Company analysed and calculated the aging according to the actual date of occurrence of each business transaction by adopting first-in-first-out method.

2. Disclosure by nature of amount

Item	Closing balance	Opening balance
Coal purchasing payable	323,156,598.56	422,873,991.01
Materials and equipment payable	655,436,299.45	874,665,957.90
Mining and mining works payable	695,071,926.52	719,782,667.80
Freight payable	94,665,391.63	65,107,964.28
Maintenance fee payable	27,925,316.33	8,170,418.62
Others	70,070,988.21	73,548,683.01
Total	<u>1,866,326,520.70</u>	<u>2,164,149,682.62</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 24. Accounts payable (Continued)

3. Significant accounts payable with the aging over one year

Name of entity	Closing balance	Reason for outstanding or carry-forward
First	8,070,056.47	Undue
Second	5,027,558.03	Undue
Third	4,628,626.17	Undue
Fourth	4,551,585.10	Undue
Fifth	4,480,641.41	Undue
Total	<u>26,758,467.18</u>	

Note 25. Advances

1. Advances

Item	Closing balance	Opening balance
Advances of land transfer fee		919,310.00
Advances of asset disposal	1,083,251.60	930,756.60
Others	33,844.10	305,147.14
Total	<u>1,117,095.70</u>	<u>2,155,213.74</u>

2. Significant advances with the aging over 1 year: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 26. Contract liabilities

1. Contract liabilities

Item	Closing balance	Opening balance
Contract liabilities relating to sales contract	<u>384,830,491.56</u>	<u>507,734,000.67</u>
Total	<u>384,830,491.56</u>	<u>507,734,000.67</u>

2. No significant changes in carrying amount 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. As at 30 June 2021, the time on performance obligations under certain sales contract of the Company was later than the customer's payment time, thus forming a contract liability related to the sales contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 27. Employee benefits payable

1. Presentation of employee benefits payable

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term remuneration	258,571,167.34	471,237,018.17	599,379,568.79	130,428,616.72
Post-employment – Defined contribution plan	7,939,984.14	46,841,997.08	47,103,618.65	7,678,362.57
Termination benefits		130,778.00	130,778.00	
Total	<u>266,511,151.48</u>	<u>518,209,793.25</u>	<u>646,613,965.44</u>	<u>138,106,979.29</u>

2. Presentation of short-term remuneration

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salary, bonus, allowances and subsidies	244,634,955.82	402,394,863.39	527,853,634.88	119,176,184.33
Employee welfare	–	15,895,021.94	15,895,021.94	-
Social insurance	3,170,029.03	19,591,453.51	19,720,830.83	3,040,651.71
Of which: Basic medical insurance	2,482,864.38	15,463,070.49	15,565,398.88	2,380,535.99
Work injury insurance	281,152.75	1,712,876.40	1,721,842.59	272,186.56
Maternity insurance	406,011.90	2,415,506.62	2,433,589.36	387,929.16
Housing fund	4,148,309.50	24,771,718.84	24,935,204.70	3,984,823.64
Union expenses and employees education expenses	6,617,872.99	8,561,576.30	10,952,492.25	4,226,957.04
Other short-term remuneration		22,384.19	22,384.19	
Total	<u>258,571,167.34</u>	<u>471,237,018.17</u>	<u>599,379,568.79</u>	<u>130,428,616.72</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 27. Employee benefits payable (Continued)

3. Presentation of defined contribution plan

Item	Opening balance	Addition during the period	Decrease during the period	Closing balance
Basic endowment insurance	6,460,133.17	37,829,905.88	38,032,942.83	6,257,096.22
Unemployment insurance	201,900.97	1,182,941.20	1,189,133.82	195,708.35
Enterprise annuity payment	<u>1,277,950.00</u>	<u>7,829,150.00</u>	<u>7,881,542.00</u>	<u>1,225,558.00</u>
Total	<u>7,939,984.14</u>	<u>46,841,997.08</u>	<u>47,103,618.65</u>	<u>7,678,362.57</u>

Description of defined contribution plan: According to the Labor Law of the People's Republic of China, Enterprise Annuity Tentative Procedures, Interim Measures for the Administration of Enterprise Annuity Funds, based on the actual situation of the Company, Inner Mongolia Yitai Coal Co., Ltd. established an enterprise annuity plan on 1 January 2009. Its trustee is China Construction Bank Corporation, the account manager is Ping An Annuity Insurance Company of China, Ltd., and the custodian is Bank of China. The scope of the annuity plan is for employees who sign formal labor agreements with enterprises and participate in basic endowment insurance. The monthly contribution salary base of employees is RMB2,500.00, the enterprise contribution ratio is 10.00%, and the individual contribution ratio is 2.00%. As of 30 June 2021, there is no significant change in annuity plan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 28. Taxes payable

Item of tax	Closing balance	Opening balance
Value-added tax	242,598,311.94	144,326,586.79
Enterprise income tax	569,650,983.35	450,237,294.91
Resources tax	128,690,663.09	109,579,225.22
City maintenance and construction tax	13,082,567.77	7,148,529.66
Withholding tax	1,108,820.96	1,079,584.65
Education surcharge	7,277,689.59	4,183,310.37
Individual income tax	2,287,757.82	4,170,461.68
Foundation for water works	4,388,336.17	2,581,779.89
Local education surcharge	4,864,284.49	2,801,365.02
Stamp duty	3,272,545.62	3,160,123.88
Soil and water conservation compensation	19,881,592.00	
Water resources tax	1,030,431.00	853,443.00
Environmental tariff	3,613,082.44	383,711.29
Land occupation tax	36,328,311.00	
Others	1,555,556.68	1,282,070.76
Total	<u>1,039,630,933.92</u>	<u>731,787,487.12</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 29. Other payables

Item	Closing balance	Opening balance
Interests payable		176,159,479.01
Dividends payable	735,405,582.00	
Other payables	1,159,870,738.21	1,203,238,741.72
Total	1,895,276,320.21	1,379,398,220.73

(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
Interest on corporate bonds		117,277,777.78
Interest payable on short-term borrowings		9,469,388.89
Total		176,159,479.01

(II) Dividends payable

Item	Closing balance	Opening balance	Reason for non-payment more than one year
Ordinary share dividends	735,405,582.00		
Total	735,405,582.00		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 29. Other payables (Continued)

(III) Other payables

1. Other payables presented by nature of amount

Nature of amount	Closing balance	Opening balance
Payments of construction and installation engineering and equipment	666,734,365.68	760,497,394.89
Deposits and margins	348,977,418.02	354,058,156.07
Others	144,158,954.51	88,683,190.76
Total	<u>1,159,870,738.21</u>	<u>1,203,238,741.72</u>

2. Significant other payables with the aging over one year

Name of entity	Closing balance	Reason for outstanding or carry-forward
First	103,000,000.00	Deposits
Second	57,304,790.95	Undue
Third	43,469,922.07	Undue
Fourth	36,000,000.00	Undue
Fifth	30,000,000.00	Undue
Total	<u>269,774,713.02</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 30. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	4,013,613,881.39	3,886,099,835.14
Bonds payable due within one year	2,095,008,517.22	3,480,945,900.13
Lease liabilities due within one year	6,638,809.52	5,978,193.97
Long-term payables due within one year	19,640,166.73	31,700,000.05
Total	<u>6,134,901,374.86</u>	<u>7,404,723,929.29</u>

Note 31. Other current liabilities

Item	Closing balance	Opening balance
Taxation to be written off	59,097,213.54	65,924,584.16
Total	<u>59,097,213.54</u>	<u>65,924,584.16</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 32. Long-term borrowings

1. Classification of long-term borrowings

Type of borrowings	Closing balance	Opening balance
Guaranteed borrowings	13,866,413,433.48	16,644,756,516.75
Credit borrowings	13,780,000,000.00	10,615,000,000.00
Unmatured interest	40,007,293.43	
Less: Long-term borrowings due within one year	4,013,613,881.39	<u>3,886,099,835.14</u>
Total	<u>23,672,806,845.52</u>	<u>23,373,656,681.61</u>

2. Maturity analysis of long-term borrowings

Maturity	Closing balance	Opening balance
Within 1 year	4,013,613,881.39	3,886,099,835.14
1 to 2 years	7,089,056,587.96	8,275,645,792.36
2 to 5 years	11,947,750,257.56	9,670,510,889.25
Over 5 years	4,636,000,000.00	<u>5,427,500,000.00</u>
Total	<u>27,686,420,726.91</u>	<u>27,259,756,516.75</u>

Note 33. Bonds payable

1. Type of bonds payable

Type of borrowings	Closing balance	Opening balance
Other bonds payable	4,430,668,104.36	5,910,938,574.78
Unmatured interests payable	103,527,777.78	
Less: Bonds payable due within one year	2,095,008,517.22	<u>3,480,945,900.13</u>
Total	<u>2,439,187,364.92</u>	<u>2,429,992,674.65</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 33. 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	1,498,571,956.49
18 Yitai 02	100.00	2018/12/18	3 years	2,000,000,000.00	1,982,373,943.62
19 Yitai 01	100.00	2019/04/02	5 years	500,000,000.00	485,543,824.05
19 Yitai 02	100.00	2019/07/02	5 years	1,000,000,000.00	973,012,598.31
19 Yitai 03	100.00	2019/07/22	5 years	1,000,000,000.00	971,436,252.31
Total	-	-	-	6,000,000,000.00	5,910,938,574.78

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		45,000,000.00	1,428,043.51	1,500,000,000.00	
18 Yitai 02		50,000,000.00	9,106,795.82		1,991,480,739.44
19 Yitai 01		12,250,000.00	2,047,713.04		487,591,537.09
19 Yitai 02		23,750,000.00	3,495,346.44		976,507,944.75
19 Yitai 03		23,500,000.00	3,651,630.77		975,087,883.08
Total		154,500,000.00	19,729,529.58	1,500,000,000.00	4,430,668,104.36

3. Maturity analysis of bonds payable

Maturity	Closing balance	Opening balance
Within 1 year	2,095,008,517.22	3,480,945,900.13
1 to 2 years		
2 to 5 years	2,439,187,364.92	2,429,992,674.65
Over 5 years		
Total	4,534,195,882.14	5,910,938,574.78

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 34. Lease liabilities

Remaining lease life	Closing balance	Opening balance
Within 1 year	6,638,809.52	5,978,193.97
1 to 2 years	6,709,909.97	6,696,003.32
2 to 3 years	714,165.12	4,106,500.14
3 to 4 years		
4 to 5 years		
Over 5 years		
Sub-total of total lease payment	14,062,884.61	16,780,697.43
Less: Unrecognised finance costs	674,751.15	1,006,610.06
Sub-total of present value of lease payment	13,388,133.46	15,774,087.37
Less: Lease liabilities due within one year	6,638,809.52	5,978,193.97
Total	6,749,323.94	9,795,893.40

Note 35. Long-term payables

1. Classification of long-term payables

Nature of amount	Closing balance	Opening balance
Long-term borrowings from non-financial institutions	510,640,166.73	522,700,000.05
Less: Long-term payables due within one year	19,640,166.73	31,700,000.05
Total	491,000,000.00	491,000,000.00

2. Maturity analysis of long-term payables

Maturity	Closing balance	Opening balance
Within 1 year	19,640,166.73	31,700,000.05
1 to 2 years	30,000,000.00	30,000,000.00
2 to 5 years	95,000,000.00	95,000,000.00
Over 5 years	366,000,000.00	366,000,000.00
Total	510,640,166.73	522,700,000.05

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 36. Estimated liabilities

Item	Closing balance	Opening balance	Formation reason
Reclamation fee	<u>625,088,991.36</u>	<u>612,897,208.93</u>	Provision was made based on the estimation of the management
Total	<u>625,088,991.36</u>	<u>612,897,208.93</u>	

Note 37. Deferred income

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Formation reason
Government subsidy related to assets	76,566,682.39	250,000.00	828,401.32	<u>75,988,281.07</u>	See the table 1 below
Government subsidy related to income	<u>69,062.93</u>		854.93	<u>68,208.00</u>	
Total	<u>76,635,745.32</u>	<u>250,000.00</u>	<u>829,256.25</u>	<u>76,056,489.07</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 37. Deferred income

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	1,260,000.00		90,000.00		1,170,000.00	Relating to assets
Waste steam power generation project	2,625,000.00		125,000.00		2,500,000.00	Relating to assets
Boiler flue gas desulfurisation project	5,900,000.00		200,000.00		5,700,000.00	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	525,000.00		25,000.00		500,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilisation project	4,050,000.00		132,500.00		3,917,500.00	Relating to assets
Infrastructure subsidy	50,458,500.00				50,458,500.00	Relating to assets
R&D subsidy from Tianjin University	854.93		854.93			Relating to income
R&D funds for coal indirect liquefaction process	1,783,333.42		49,999.98		1,733,333.44	Relating to assets
Large pressure vessel project with an annual capacity of 60,000 tonnes	2,240,000.00				2,240,000.00	Relating to assets
Support funds for concentrated brine zero-emission	1,525,000.00		40,000.00		1,485,000.00	Relating to assets
Intelligent coal seam mining project	474,999.98		25,000.02		449,999.96	Relating to assets
Comprehensive waste water zero-discharge project	500,000.00		12,500.00		487,500.00	Relating to assets
Subsidy from the Employment Bureau – New apprenticeship project	68,208.00				68,208.00	Relating to income
The project of optimisation and renovation of overall water treatment and zero-discharge process	3,131,330.47		82,403.46		3,048,927.01	Relating to assets
The project of oil and gas recycling facilities for intermediate tankage units	2,093,518.52		38,888.88		2,054,629.64	Relating to assets
High-salt waste water treatment and resource utilisation project		250,000.00	7,108.98		242,891.02	Relating to assets
Total	76,635,745.32	250,000.00	829,256.25		76,056,489.07	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 38. 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	<u>3,254,007,000.00</u>						<u>3,254,007,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 39. Capital reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Equity premium				
(1) Capital contribution from investors	6,256,678,810.74		1,690.97	6,256,677,119.77
(2) Effect of business combination under common control	-3,092,292,572.13			-3,092,292,572.13
Sub-total	3,164,386,238.61		1,690.97	3,164,384,547.64
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 combination 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	-752,936.59	40,108.67		-712,827.92
Sub-total	1,413,673,027.88	40,108.67		1,413,713,136.55
Total	4,578,059,266.49	40,108.67	1,690.97	4,578,097,684.19

Explanations:

- In 2021, Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司) injected capital of RMB1.00 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 61.28% by Inner Mongolia Yitai Zhundong Railway Co., Ltd. As at 30 June 2021, such capital increase has been completed and the Company made an adjustment of RMB-1,690.97 to capital reserve in this regard in preparation of the consolidated financial statements.
- During the period, 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)) increased its capital reserve by RMB138,305.75. 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, RMB40,108.67 was recognised under the equity method in capital reserve – other capital reserve.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 41. Special reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safety production fee	191,254,433.25	198,854,841.91	169,770,412.92	220,338,862.24
Total	191,254,433.25	198,854,841.91	169,770,412.92	220,338,862.24

Note 42. Surplus reserve

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

Note: Pursuant to the resolution at the eleventh meeting of the seventh session of the Board of the Company, 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.

Note 43. Undistributed profits

Item	Amount	Extract or allocation proportion (%)
Undistributed profits at the end of the previous period before adjustment	22,313,812,056.60	—
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	22,313,812,056.60	—
Add: Net profits attributable to owners of the parent company in the period	2,631,459,722.78	—
Less: Extract for statutory surplus reserve		See Note 42 to Note VI for details
Ordinary share dividends payable	735,405,582.00	
Undistributed profits at the end of the period	24,209,866,197.38	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 44. Operating income and operating cost

1. Operating income and operating cost

Item	Amount in current period		Amount in previous period	
	Income	Cost	Income	Cost
Principal businesses	19,665,571,736.29	13,234,329,070.06	14,792,250,410.25	10,876,698,554.01
Other businesses	473,412,350.74	351,872,910.36	604,094,891.50	602,812,533.72
Total	<u>20,138,984,087.03</u>	<u>13,586,201,980.42</u>	<u>15,396,345,301.75</u>	<u>11,479,511,087.73</u>

2. Segment information of income

Type of contract	Coal segment	Coal-related chemical segment	Transportation segment	Others	Total
(1) Major operating regions					
Northeast China	163,197,585.27	100,449,396.81			263,646,982.08
North China	4,913,134,958.29	1,515,936,496.89	295,744,194.59	14,301,344.73	6,739,116,994.50
East China	8,049,182,055.83	733,439,853.66			8,782,621,909.49
South China	2,428,673,009.69	133,935,230.76		111,386.14	2,562,719,626.59
Central China	76,735,930.62	271,134,819.12			347,870,749.74
Northwest China	836,295,547.42	553,850,092.06			1,390,145,639.48
Southwest China		52,862,185.15			52,862,185.15
Sub-total	16,467,219,087.12	3,361,608,074.45	295,744,194.59	14,412,730.87	20,138,984,087.03
(2) Major product types					
Coal	16,294,248,262.38				16,294,248,262.38
Chemical products		3,094,510,608.11			3,094,510,608.11
Freight			261,043,637.59		261,043,637.59
Others products disclosed in revenue from principal businesses		682,689.90	9,891,442.65	5,195,095.66	15,769,228.21
Others products disclosed in revenue from other businesses	172,970,824.74	266,414,776.44	24,809,114.35	9,217,635.21	473,412,350.74
Sub-total	<u>16,467,219,087.12</u>	<u>3,361,608,074.45</u>	<u>295,744,194.59</u>	<u>14,412,730.87</u>	<u>20,138,984,087.03</u>
(3) Revenue recognition time					
Goods – coal (transfer at a certain point in time)					See (XXXII) Revenue under Note IV. Principal Accounting Policies and Accounting Estimates for details
Goods – chemical products (transfer at a certain point in time)					See (XXXII) Revenue under Note IV. Principal Accounting Policies and Accounting Estimates for details
Service – freight (provision during a certain period of time)					See (XXXII) Revenue under Note IV. Principal Accounting Policies and Accounting Estimates for details

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 45. Taxes and surcharges

Item	Amount in current period	Amount in previous period
Resources tax	626,578,977.27	425,531,792.76
City construction tax	66,213,023.52	48,884,456.57
Education surcharge	36,149,876.12	25,770,936.60
Local education surcharge	24,099,917.47	17,180,625.01
Property tax	22,991,616.96	15,292,806.33
Land use tax	37,509,535.69	34,166,827.61
Stamp duty	18,682,945.00	15,901,679.88
Vehicle and vessel use tax	146,740.63	146,141.94
Water resources tax	2,867,631.59	2,148,769.89
Environmental tariff	10,676,903.64	6,376,680.98
Land occupation tax		111,812,588.40
Others	18,419,161.31	11,417,268.56
Total	<u>864,336,329.20</u>	<u>714,630,574.53</u>

Note 46. Cost of sales

Item	Amount in current period	Amount in previous period
Port charges	396,934,189.35	457,217,685.87
Payroll	40,924,393.31	44,665,977.46
Depreciation and amortisation	15,400,672.87	6,718,685.84
Operating expenses	4,026,195.35	2,536,911.19
Travel expenses	1,604,208.80	428,292.11
Transportation and loading service fee	29,469,674.89	23,227,307.49
Leasehold charges	622,423.85	614,382.55
Utilities	508,053.87	166,454.64
Maintenance fee	80,525.89	125,556.43
Others	10,561,577.54	13,783,020.09
Total	<u>500,131,915.72</u>	<u>549,484,273.67</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 47. Administrative expenses

Item	Amount in current period	Amount in previous period
Payroll	244,204,934.89	264,868,849.31
Depreciation and amortisation	145,338,947.87	105,493,333.98
Service fee	21,903,123.28	26,336,409.85
Travel expenses	5,337,500.61	2,444,660.64
Operating expenses	39,279,830.48	18,915,088.49
Greening property management expenses	20,899,217.34	18,067,741.93
Office expenses	3,109,299.21	4,532,350.69
Audit and consulting fee	12,126,339.01	13,562,851.63
Technical service fee	17,364,638.29	4,919,631.61
Others	89,941,491.71	5,620,507.21
Total	<u>599,505,322.69</u>	<u>464,761,425.34</u>

Explanation: The amount of audit and consulting fee in current period included total audit and internal control audit fee paid to Da Hua Certified Public Accountants of RMB3,254,716.99 (excluding tax) or RMB3,450,000.00 (including tax) for the 2020 annual report, and the rest was the payment of evaluation and other consulting fees to intermediary agencies by the Company. The amount of audit and consulting fee in previous period included total audit and internal control audit fee paid to Da Hua Certified Public Accountants of RMB3,254,716.99 (excluding tax) or RMB3,450,000.00 (including tax) for the 2019 annual report, and the rest was the payment of evaluation and other consulting fees to intermediary agencies by the Company.

Note 48. R&D expenditure

Item	Amount in current period	Amount in previous period
Rentals		12,422,474.94
Payroll	38,955,129.46	52,363,453.15
Materials consumption	68,702,818.18	86,261,604.79
Depreciation and amortisation	3,642,396.24	16,006,869.06
Service fee	300,000.00	15,566.04
Utilities		3,594,767.57
Travel expenses	1,612.20	
Others		1,425,160.06
Total	<u>111,601,956.08</u>	<u>172,089,895.61</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 49. Finance costs

Type	Amount in current period	Amount in previous period
Interest expenses	773,932,587.11	899,420,832.83
Less: Interest income	39,128,094.40	57,365,806.62
Exchange gain or loss	1,597,921.92	575,245.81
Commission charges	1,123,500.61	530,263.15
Total	<u>737,525,915.24</u>	<u>843,160,535.17</u>

Note 50. Other gains

1. Breakdown of other gains

Item	Amount in current period	Amount in previous period
Government subsidy	28,860,509.91	56,815,896.41
Individual income tax handling fee refund	1,404,405.06	1,338,361.30
Additional deduction for input tax	306,158.32	78,162.16
Total	<u>30,571,073.29</u>	<u>58,232,419.87</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 50. Other gains (Continued)

2. Government subsidy included in other gains

Item	Amount in current period	Amount in previous period	Relating to assets/ Relating to income
2019 housing allowance	207,860.50	–	Relating to income
Intelligent coal seam mining project	25,000.02	–	Relating to assets
Special funds for financial support	13,572,000.00	23,518,309.88	Relating to income
Funds for financial support	4,723,825.28	–	Relating to income
Waste steam power generation project	125,000.00	125,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilisation project	132,500.00	192,500.00	Relating to assets
Supportive development fund and incentive fund	6,370,000.00	14,030,000.00	Relating to income
High-salt waste water treatment and resource utilisation project	7,108.98	–	Relating to income
High temperature slurry bed Fischer-Tropsch process project	25,000.00	25,000.00	Relating to assets
High-tech Award	1,329,000.00	–	Relating to income
R&D award from the Bureau of Industry and Information Technology	816,600.00	–	Relating to income
Special funds for structural adjustment of industrial enterprise	114,196.00	–	Relating to income
Boiler flue gas desulfurisation project	200,000.00	200,000.00	Relating to assets
Hongyi Mine airtight cylinder coal storage warehouse project	90,000.00	90,000.00	Relating to assets
Incentives for scientific research and innovation	447,300.00	–	Relating to income

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 50. 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
R&D funds for coal indirect liquefaction process	49,999.98	–	Relating to assets
Support funds for concentrated brine zero-emission	40,000.00	–	Relating to assets
Qianhai Enterprise Support Funds		5,329,700.00	Relating to income
Post-stabilizing subsidy received		11,623,045.73	Relating to income
Special funds for the development of key industries in the autonomous region in 2019 received	230,000.00	–	Relating to income
The project of optimisation and renovation of overall water treatment and zero-discharge process	82,403.46	–	Relating to assets
R&D subsidy from Tianjin University	854.93	–	Relating to income
Port construction subsidy from Tianjin Maritime Bureau of the PRC		16,140.80	Relating to income
Exemption from value-added tax for not reaching the threshold	2,151.88	–	Relating to income
Enterprise smart security information platform management system construction project		40,000.00	Relating to income
Government training subsidy	40,320.00	–	Relating to income
The project of oil and gas recycling facilities for intermediate tankage units	38,888.88	–	Relating to assets
Patent fee funding project	78,000.00	–	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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 50. 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
Comprehensive waste water zero-discharge project	12,500.00	–	Relating to assets
Synthetic water treatment technology R&D project fund		400,000.00	Relating to income
Award received from the Treasury R&D Technology Bureau		221,200.00	Relating to income
Subsidy for special funds for intellectual property of the autonomous region		5,000.00	Relating to income
Additional fund for the Science and Technology Innovation Award in 2018		1,000,000.00	Relating to income
Total	<u>28,860,509.91</u>	<u>56,815,896.41</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 51. Investment gain

1. Breakdown of investment gain

Item	Amount in current period	Amount in previous period
Investment gain on disposal of trading financial assets	38,535,477.74	-2,224,029.13
Gain on long-term equity investments under equity method	136,577,905.33	85,839,798.35
Investment gain on held-for-trading financial assets	65,684,976.84	2,063,658.10
Total	<u>240,798,359.91</u>	<u>85,679,427.32</u>

Note 52. Gain on change in fair value

Source of gain on change in fair value	Amount in current period	Amount in previous period
Gain or loss on change in fair value of trading financial assets	-16,668,163.01	172,896,885.69
Gain or loss on change in fair value of trading financial liabilities	1,625,220.00	-1,315,380.00
Total	<u>-15,042,943.01</u>	<u>171,581,505.69</u>

Note 53. Loss on asset impairment

Item	Amount in current period	Amount in previous period
Inventory depreciation loss	9,941,923.86	29,078,643.45
Total	<u>9,941,923.86</u>	<u>29,078,643.45</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 54. Loss on credit impairment

Item	Amount in current period	Amount in previous period
Bad debt loss	<u>5,229,756.05</u>	<u>-366,003.00</u>
Total	<u><u>5,229,756.05</u></u>	<u><u>-366,003.00</u></u>

Note 55. Gain on disposal of assets

Item	Amount in current period	Amount in previous period
Gains or losses on disposal of fixed assets	<u>63,995,566.66</u>	<u>-3,485,164.65</u>
Gains or losses on disposal of intangible assets	<u>2,363,063.28</u>	<u>-29,473.92</u>
Total	<u><u>66,358,629.94</u></u>	<u><u>-3,514,638.57</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 56. 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	Government subsidy set off against carry amount of related assets in the current period	Government subsidy set off against costs and expenses in the current period
Hongyi Mine airtight cylinder coal storage warehouse project	Relating to assets	1,260,000.00			
Waste steam power generation project	Relating to assets	2,625,000.00			
Boiler flue gas desulfurisation project	Relating to assets	5,900,000.00			
High temperature slurry bed Fischer-Tropsch process project	Relating to assets	525,000.00			
Fischer-Tropsch process water comprehensive utilisation project	Relating to assets	4,050,000.00			
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	1,783,333.42			
Large pressure vessel project with an annual capacity of 60,000 tonnes	Relating to assets	2,240,000.00			
Support funds for concentrated brine zero-emission technological transformation project	Relating to assets	1,525,000.00			
Intelligent coal seam mining project	Relating to assets	474,999.98			
Comprehensive waste water zero-discharge project	Relating to assets	500,000.00			
Subsidy from the Employment Bureau – New apprenticeship project	Relating to income	68,208.00			
The project of optimisation and renovation of overall water treatment and zero-discharge process	Relating to assets	3,131,330.47			
The project of oil and gas recycling facilities for intermediate tankage units	Relating to assets	2,093,518.52			
High-salt waste water treatment and resource utilisation project	Relating to assets		250,000.00		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 56. 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	Government subsidy set off against carry amount of related assets in the current period	Government subsidy set off against costs and expenses in the current period
2019 housing allowance	Relating to income		207,860.50		
Special funds for financial support	Relating to income		13,572,000.00		
Funds for financial support	Relating to income		4,723,825.28		
Supportive development fund and incentive fund	Relating to income		6,370,000.00		
High-tech Award	Relating to income		1,329,000.00		
R&D award from the Bureau of Industry and Information Technology	Relating to income		816,600.00		
Special funds for structural adjustment of industrial enterprise	Relating to income		114,196.00		
Incentives for scientific research and innovation	Relating to income		447,300.00		
Special funds for the development of key industries in the autonomous region in 2019 received	Relating to income		230,000.00		
Exemption from value-added tax for not reaching the threshold	Relating to income		2,151.88		
Government training subsidy	Relating to income		40,320.00		
Patent fee funding project	Relating to income		78,000.00		
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		
Total		76,635,745.32	28,281,253.66		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 56. Government subsidy (Continued)

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

Continued:

Project name	Government subsidy included in other gains in the current period	Government subsidy included in non-operating income and expenses in the current period	Government subsidy refund in the current period	Closing balance of deferred income related to government subsidy	Reason for refund of government subsidy in the current period
Hongyi Mine airtight cylinder coal storage warehouse project	90,000.00			1,170,000.00	
Waste steam power generation project	125,000.00			2,500,000.00	
Boiler flue gas desulfurisation project	200,000.00			5,700,000.00	
High temperature slurry bed Fischer-Tropsch process project	25,000.00			500,000.00	
Fischer-Tropsch process water comprehensive utilisation project	132,500.00			3,917,500.00	
Infrastructure subsidy				50,458,500.00	
R&D subsidy from Tianjin University	854.93			-	
R&D funds for coal indirect liquefaction process	49,999.98			1,733,333.44	
Large pressure vessel project with an annual capacity of 60,000 tonnes				2,240,000.00	
Support funds for concentrated brine zero-emission technological transformation project	40,000.00			1,485,000.00	
Intelligent coal seam mining project	25,000.02			449,999.96	
Comprehensive waste water zero-discharge project	12,500.00			487,500.00	
Subsidy from the Employment Bureau – New apprenticeship project				68,208.00	
The project of optimisation and renovation of overall water treatment and zero-discharge process	82,403.46			3,048,927.01	
The project of oil and gas recycling facilities for intermediate tankage units	38,888.88			2,054,629.64	
High-salt waste water treatment and resource utilisation project	7,108.98			242,891.02	
2019 housing allowance	207,860.50				
Special funds for financial support	13,572,000.00				

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 56. Government subsidy (Continued)

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

Project name	Government subsidy included in other gains in the current period	Government subsidy included in non-operating income and expenses in the current period	Government subsidy refund in the current period	Closing balance of deferred income related to government subsidy	Reason for refund of government subsidy in the current period
Funds for financial support	4,723,825.28				
Supportive development fund and incentive fund	6,370,000.00				
High-tech Award	1,329,000.00				
R&D award from the Bureau of Industry and Information Technology	816,600.00				
Special funds for structural adjustment of industrial enterprise	114,196.00				
Incentives for scientific research and innovation	447,300.00				
Special funds for the development of key industries in the autonomous region in 2019 received	230,000.00				
Exemption from value-added tax for not reaching the threshold	2,151.88				
Government training subsidy	40,320.00				
Patent fee funding project	78,000.00				
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				
Total	28,860,509.91			76,056,489.07	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 57. Non-operating income

Item	Amount in current period	Amount in previous period	Amount included in current non-recurring profit or loss
Total gains on disposal of non-current assets	107,653.01		107,653.01
Including: Gain on scrapping of fixed assets	107,653.01		107,653.01
Penalty and confiscatory income	5,236,384.95	930,556.29	5,236,384.95
Unpayable debt	697,661.60		697,661.60
Others	563,794.48	664,747.16	563,794.48
Total	<u>6,605,494.04</u>	<u>1,595,303.45</u>	<u>6,605,494.04</u>

Note 58. Non-operating expenses

Item	Amount in current period	Amount in previous period	Amount included in current non-recurring profit or loss
Total losses on disposal of non-current assets	52,380,751.55	1,843,831.85	52,380,751.55
Including: Loss on scrapping of fixed assets	52,380,751.55	1,843,831.85	52,380,751.55
Expenditure on public welfare donations	604,375.00	37,859,633.60	604,375.00
Expenditure on penalties	2,590,462.00	320,599.85	2,590,462.00
Others	2,769,570.55	8,220,953.67	2,769,570.55
Total	<u>58,345,159.10</u>	<u>48,245,018.97</u>	<u>58,345,159.10</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 59. Income tax expenses

1. Table of income tax expenses

Item	Amount in current period	Amount in previous period
Current income tax expenses	727,058,128.54	390,858,208.84
Deferred income tax expenses	20,629,072.42	-17,317,385.16
Total	747,687,200.96	373,540,823.68

2. Adjustment of accounting profits and income tax expenses

Item	Amount in current period
Total profits	3,995,454,442.84
Income tax expenses calculated at statutory/applicable tax rates	999,685,856.79
Impact of different tax rates applied to subsidiaries	-163,066,187.42
Impact of adjustment of income tax of previous periods	-176,586,841.58
Impact of non-deductible costs, expenses and losses	29,987,850.95
Impact of utilising deductible temporary differences or deductible losses on deferred income tax assets unrecognised in previous periods	-1,796,362.36
Impact of deductible temporary differences or deductible losses on deferred income tax assets unrecognised in current period	92,144,800.52
Impact of non-taxable income	-32,681,915.94
Income tax expenses	747,687,200.96

Explanation: The impact of the adjustment of the income tax in the previous period during the current period was due to the following reasons: In making provision for the income tax in 2020, since the mine industry was not included in the Catalogue of Encouraged Industries in Western Region in 2020, the Company has made provision for the enterprise income tax of Suancangou Mine, a subsidiary of the Company, in 2020 at 25%. In May 2021, in accordance with the notice on confirming that respective businesses of 23 enterprises (including Suancangou Mine) fall within the scope of encouraged industries in the western region (E Fa Gai Kai Fang Fa [2021] No. 78) by the Ordos Development and Reform Commission, the income tax of Suancangou Mine in 2020 shall be settled at the applicable tax rate of 15%, and the difference between the income tax settlement and the accrual data shall be included in the impact of adjustment of income tax of previous periods in the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 60. Notes to the cash flow statement

1. Other cash receipts relating to operating activities

Item	Amount in current period	Amount in previous period
Interest income	39,128,094.40	57,365,806.62
Revolving fund, margins and deposits	44,342,319.59	38,833,244.43
Government subsidy	11,629,219.96	57,073,858.00
Others	6,605,494.04	1,816,503.45
Total	<u>101,705,127.99</u>	<u>155,089,412.50</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.	82,840,905.97	264,376,355.08
Travel expenses	6,941,709.41	2,872,952.75
Operating expenses	43,306,025.83	21,422,254.40
Expenditure on public welfare donations	604,375.00	37,859,633.60
R&D expenditure	1,612.20	103,477,168.10
Others	76,251,791.93	26,672,204.34
Total	<u>209,946,420.34</u>	<u>456,680,568.27</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 60. 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	<u>191,041,879.00</u>	<u>245,960,460.00</u>
Total	<u><u>191,041,879.00</u></u>	<u><u>245,960,460.00</u></u>

4. Other cash payments relating to investing activities

Item	Amount in current period	Amount in previous period
Futures deposits paid	<u>319,000,000.00</u>	<u>214,040,000.00</u>
Total	<u><u>319,000,000.00</u></u>	<u><u>214,040,000.00</u></u>

5. Other cash payments relating to financing activities

Item	Amount in current period	Amount in previous period
Commission charges, promoting fee, consulting fee, etc. directly paid for bond issue		56,258.12
Lease related payments	<u>2,857,111.80</u>	<u>334,336,222.92</u>
Total	<u><u>2,857,111.80</u></u>	<u><u>334,392,481.04</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 61. Supplementary information of the cash flow statement

1. Supplementary information of the cash flow statement

Item	Amount in current period	Amount in previous period
1. Net profit adjusted to cash flow of operating activities		
Net profit	3,247,767,241.88	1,035,783,044.36
Add: Provision for impairment of assets	15,171,679.91	28,712,640.45
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	926,636,506.43	994,931,530.72
Amortisation of intangible assets	77,145,253.09	53,676,502.38
Amortisation of long-term deferred expenses	257,373,874.51	180,384,005.49
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-66,358,629.94	3,514,638.57
Losses from scrapping of fixed assets ("-" for gains)	52,273,098.54	1,843,831.85
Losses from changes in fair value ("-" for gains)	15,042,943.01	-171,581,505.69
Finance costs ("-" for gains)	773,932,587.11	899,420,832.83
Investment losses ("-" for gains)	-240,798,359.91	-85,679,427.32
Decrease in deferred income tax assets ("-" for increase)	21,047,661.93	-82,586,564.40
Increase in deferred income tax liabilities ("-" for decrease)	-418,589.51	65,269,179.24
Decrease in inventories ("-" for increase)	84,589,112.64	759,584,025.18
Decrease in operating receivables ("-" for increase)	-549,277,569.71	-207,802,711.59
Increase in operating payables ("-" for decrease)	-139,003,760.04	-527,565,867.10
Others		
Net cash flow from operating activities	4,475,123,049.94	2,947,904,154.97
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	12,511,143,830.33	12,748,854,417.37
Less: Opening balance of cash	11,292,510,611.23	15,954,045,957.75
Add: Closing balance of cash equivalents		700,000,000.00
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,218,633,219.10	-2,505,191,540.38

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 61. 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	12,511,143,830.33	11,292,510,611.23
Of which: Treasury cash	1,567,812.53	1,443,941.53
Bank deposits that can be used for payment at any time	12,509,576,017.80	11,291,066,669.70
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	<u>12,511,143,830.33</u>	<u>11,292,510,611.23</u>

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

Item	Balance	Cause for the restriction
Monetary funds	512,383,340.98	For details of the bank acceptance bill deposit, guarantee deposit and environmental protection deposit, please see Note 1 to this Note VI.
Total	<u>512,383,340.98</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Note 63. Monetary items in foreign currency

1. Monetary items in foreign currency

Item	Balance of foreign currency at the end of the period	Exchange rate	Balance of RMB converted at the end of the period
Monetary funds	—	—	—
Including: USD	22,652,809.09	6.4601	146,339,412.00
HKD	5,481,961.61	0.8321	4,561,540.26
Long-term borrowings (including those due within one year)	—	—	—
Including: KWD	<u>2,299,800.00</u>	<u>21.4536</u>	<u>49,338,989.28</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 items of statement of the balance sheet is the spot exchange rate on the balance sheet date, that is, the exchange rate of USD on 30 June 2021: USD1 = RMB6.4601.

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

- (I) Business combination not under common control: Nil.
- (II) Business combination 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: Nil.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

VIII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Composition of the Group

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Baoshan coal mine of Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	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 Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Ordos	Majjata Village, Hadai 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	
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 Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Ordos	Yitai Building, Tianjiao North Road, Dongsheng District	Railway transportation	72.66		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		61.28	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
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 Kongdui 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Inner Mongolia Yitai 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, Chabuchaer County, Yili, Xinjiang	Coal-related chemical	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, Chabuchaer County	Coal mining	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	Coal-related chemical	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	Coal-related chemical	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 Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	Ordos	Dugui Tala Industrial Park, Hangjin Banner, Ordos	Coal-related chemical		51.00	A subsidiary acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Inner Mongolia Yitai 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
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
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
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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 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)

January to June 2021

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司)	Tangshan	Caofeidian Lingang Business District, Tangshan	Supply chain management services, sales and transportation of coal	100.00		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	Daliuta 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 ratio (%)	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	-5,668.07		117,240.84
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	48.00	68,592.85		466,819.97
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	27.34	3,934.24		228,182.53
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	38.85	-1,937.68		213,190.79

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 assets	Current liabilities	Non-current liabilities	Total liabilities
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	35,000.06	329,207.81	364,207.87	59,757.91	61,683.00	121,440.91
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)	719,807.42	319,522.13	1,039,329.55	54,901.88	11,886.06	66,787.94
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	38,833.04	1,164,308.67	1,203,141.71	70,761.44	261,175.58	331,937.02
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	194,250.85	1,359,568.38	1,553,819.23	144,825.45	856,181.19	1,001,006.64

Name of subsidiary	Current assets	Non-current assets	Opening balance			
			Total assets	Current liabilities	Non-current liabilities	Total 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	81,436.50	108,562.68
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)	543,323.64	349,186.46	892,510.10	51,585.15	11,480.50	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	295,646.11	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	814,993.17	1,083,378.04

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	Amount in current period			Cash flow from operating activities
	Operating income	Net profit	Total comprehensive income	
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	38,267.60	-11,696.56	-11,696.56	-4,358.51
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	234,995.71	142,901.77	142,901.77	152,285.04
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	84,306.07	14,854.47	13,463.03	56,657.63
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	285,191.04	-4,994.20	-4,994.20	35,551.46

Name of subsidiary	Amount in previous period			Cash flow from operating activities
	Operating income	Net profit	Total comprehensive income	
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	36,797.90	-6,493.05	-6,493.05	4,571.67
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	199,517.61	82,511.31	82,511.31	79,461.41
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	81,451.54	12,541.51	12,163.98	6,929.15
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	194,274.63	-24,606.16	-24,606.16	20,942.53

- There were no significant restrictions for using the Group's assets and settling the Group's liabilities.
- There was no financial support or other support provided to structuring subject in the scope of consolidated financial statements by the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(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有限責任公司)	Ordos	Yijin Holo Banner, Ordos	Production and sales of coal	20.00		Equity method

The Company's shareholding percentage in joint ventures or associates is consistent with the percentage of voting rights.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	18,551,025.97	78,264,208.54
Of which: Cash and cash equivalents	12,551,025.97	68,236,113.20
Non-current assets	87,472,662.09	922,969,450.49
Total assets	106,023,688.06	1,001,233,659.03
Current liabilities	1,810,920.19	69,254.36
Non-current liabilities		
Total liabilities	1,810,920.19	69,254.36
Minority interests		
Equity attributable to shareholders of the parent company	104,212,767.87	1,001,164,404.67
Net assets calculated by proportion of shareholding	51,064,256.26	472,849,948.32
Adjusting items		
– Goodwill		
– Internal transaction unrealised profit		
– Others		
Book value of equity investments in joint ventures	51,064,256.26	472,849,948.32
Fair value of equity investments with public offer		
Operating income		
Finance costs	-67,155.13	-616,335.67
Income tax expenses		145,709.75
Net profit	-3,069,946.08	430,520.65
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	-3,069,946.08	430,520.65
Dividends received by the Company from joint ventures in the current period		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

2. Key financial information of significant joint ventures

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	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		
Finance costs	-2,181.06	
Income tax expenses		
Net profit	-3,004,946.54	
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	-3,004,946.54	
Dividends received by the Company from joint ventures in the current period		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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工有限責任公司)
Current assets	9,976,846,387.58	212,574,715.88	2,144,182,139.20
Non-current assets	397,976.21	4,752,032,710.07	42,678,353,295.64
Total assets	9,977,244,363.79	4,964,607,425.95	44,822,535,434.84
Current liabilities	8,494,118,712.34	1,206,474,925.11	1,016,058,889.34
Non-current liabilities		1,834,398,020.62	4,398,968,429.75
Total liabilities	8,494,118,712.34	3,040,872,945.73	5,415,027,319.09
Minority interests			
Equity attributable to shareholders of the parent company	1,483,125,651.45	1,923,734,480.22	39,407,508,115.75
Net assets calculated by proportion of shareholding	593,250,260.58	557,882,999.26	7,881,501,623.15
Adjusting items			
– Goodwill			
– Internal transaction unrealised profit			
– Others			
Book value of equity investments in associates	593,250,260.58	557,882,999.26	7,881,501,623.15
Fair value of equity investments with public offer			
Operating income	162,417,630.91	342,185,337.51	1,352,850,253.41
Net profit	95,822,275.45	-14,486,200.42	456,318,249.56
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	95,822,275.45	-14,486,200.42	456,318,249.56
Dividends received by the Company from associates in the current period			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Equity in joint arrangements or associates (Continued)

3. Key financial information of significant associates (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公司)	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限公司)
Current assets	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	161,671,119.45	337,551,199.24	1,154,548,523.88
Net profit	106,497,964.88	28,570,908.76	183,230,052.43
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	106,497,964.88	28,570,908.76	183,230,052.43
Dividends received by the Company from associates in the current period			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	361,742,116.42	318,583,605.97
Total amount of the following items calculated by proportion of shareholding		
Net profit	22,024,110.45	-1,104,996.01
Other comprehensive income		
Total comprehensive income	22,024,110.45	-1,104,996.01

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 30 June 2021, the accumulated unrecognised loss was RMB6,033,758.58.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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 monetary funds, 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)

January to June 2021

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 monetary funds and other receivables. The credit risk relating to these financial assets arises from the default of counterparties, but the maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet. The Company does not provide any other guarantee that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited with financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses caused by the default by these institutions. The Company's policy is to control the amount deposited with these famous financial institutions based on their market reputation, operating size and financial background, to limit the credit risk amount of any single financial institution.

As a part of its credit risk asset management, the Company assesses the credit loss of receivables using expected credit loss.

As of 30 June 2021, the carrying balance and expected credit losses of related assets are as follows:

Item	Carrying balance	Loss provision
Notes receivable	283,250.00	
Accounts receivable	1,776,085,853.11	21,973,882.90
Prepayments	600,116,720.78	3,376,000.00
Other receivables	1,270,648,254.34	15,268,087.74
Total	<u>3,647,134,078.23</u>	<u>40,617,970.64</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENT (Continued)

(II) Liquidity risk

Liquidity risk refers to the risk of short of funds when the Company performs its obligation of cash payment or settlement by other financial assets. The Company's subordinate member companies are responsible for their respective cash flow projections. Based on the results thereof, the subordinate financial management department continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitors the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs.

As of 30 June 2021, 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 to 2 years	2 to 5 years	Over 5 years	
Trading financial liabilities	2,304,460.00						2,304,460.00
Notes payable			787,042,402.73				787,042,402.73
Accounts payable			1,866,326,520.70				1,866,326,520.70
Other payables			1,895,276,320.21				1,895,276,320.21
Long-term borrowings	210,447,189.56	203,078,573.09	4,715,845,389.36	7,952,180,605.67	13,192,844,198.82	5,047,115,068.06	31,321,511,024.56
Bonds payable	18,858,333.33	36,500,000.00	2,112,847,222.22	120,652,777.78	2,617,537,500.00	-	4,906,395,833.33
Lease liabilities	553,234.13	1,106,468.26	4,979,107.13	6,709,909.97	714,165.12		14,062,884.61
Long-term payables	5,162,962.62	1,011,863.01	19,507,705.48	35,713,000.00	109,789,246.58	389,261,300.00	560,446,077.69
Total	237,326,179.64	241,696,904.36	11,401,824,667.83	8,115,256,293.42	15,920,885,110.52	5,436,376,368.06	41,353,365,523.83

Continued:

Item	Within 1 month	1-3 months	3 months-1 year	Opening balance			Total
				1 to 2 years	2 to 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 currency 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 currency assets and liabilities so as to minimise the exposure to exchange rate risk.

- (2) As of 30 June 2021, the amounts in RMB equivalent of the Company’s financial assets and liabilities denominated in foreign currencies are summarized below:

Item	Closing balance			Total
	USD	HKD	KWD	
Foreign currency financial assets:				
Monetary funds	146,339,412.00	4,561,540.26		150,900,952.26
Sub-total	<u>146,339,412.00</u>	<u>4,561,540.26</u>		<u>150,900,952.26</u>
Foreign currency financial liabilities:				
Long-term borrowings due within one year			16,446,308.44	16,446,308.44
Long-term borrowings			32,892,680.84	32,892,680.84
Sub-total			<u>49,338,989.28</u>	<u>49,338,989.28</u>

Item	Opening balance			Total
	USD	HKD	KWD	
Foreign currency financial assets:				
Monetary funds	148,211,893.78	4,613,602.86		152,825,496.64
Sub-total	<u>148,211,893.78</u>	<u>4,613,602.86</u>		<u>152,825,496.64</u>
Foreign currency financial liabilities:				
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			<u>57,560,275.99</u>	<u>57,560,275.99</u>

- (3) Sensitivity analysis: Given a very small size of foreign currency assets and liabilities, the Company is subject to small market risk arising from fluctuations in foreign exchange rate.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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, etc. Floating rate financial liabilities expose the Company to cash-flow interest rate risk, while fixed rate financial liabilities expose the Company to fair-value interest rate risk. The Company determines the comparative proportion of fixed rate contracts and floating rate contracts based on the then market conditions.

The finance department of the Company constantly monitors the interest rate level of the Company. A rise in the interest level will increase the costs of additional interest-bearing debts and the interest expenses on the Company's outstanding interest-bearing debts with floating rate, and may have a material adverse impact on the financial results of the Company. The management will make timely adjustment according to the latest market conditions, such as interest rate swap arrangements to mitigate interest rate risk.

(1) As of 30 June 2021, the Company's long-term interest-bearing debts are mainly the floating rate contracts denominated in RMB, with a contract value of RMB27,646,413,433.48. See Note VI. 30 and 32 for details.

(2) Sensitivity analysis:

As of 30 June 2021, 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 RMB133,325,506.8, including a decrease or an increase by approximately RMB131,755,756.8 in total profit for the year, and an increase or a decrease by RMB1,569,750.00 in capitalised interest expenses on construction in progress.

3. Price risk

The Company generates revenue mainly from the production and sales of coal, while the coal industry, a sector at the upstream of energy demands, is highly related to the sentiment of national economy in its development course. Changes in market supply and demand will have a direct impact on coal price, which will significantly affect the Company's results. In order to reduce the influence on the Company's results arising from a decline in coal price as a result of the macroscopic economic slowdown since 2012, the Company has entered into mid-term and long-term coal sale contracts with its major clients for the purpose of flexible adjustment to the proportion of externally-purchased coal in long-term contract sale and spot market sale of coals, so as to achieve less variations in the Company's average selling price than the market level as well as maximal stabilization of the Company's coal selling price.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

X. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the carrying value of the financial asset instruments measured at fair value on 30 June 2021 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)

January to June 2021

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	31,542,540.00			31,542,540.00
Investment in other equity instruments	21,515,658.37	102,980,000.00	7,026,187,573.16	7,150,683,231.53
Other non-current financial assets			1,554,684,076.94	1,554,684,076.94
Total assets	53,058,198.37	102,980,000.00	8,580,871,650.10	8,736,909,848.47
Trading financial liabilities	2,304,460.00			2,304,460.00
Total liabilities	<u>2,304,460.00</u>			<u>2,304,460.00</u>

Item	Fair value at the beginning of the period			Total
	Level 1	Level 2	Level 3	
Financing receivables			2,071,600.00	2,071,600.00
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	8,709,207,633.21	8,833,201,484.93
Trading financial liabilities	2,034,720.00			2,034,720.00
Total liabilities	<u>2,034,720.00</u>			<u>2,034,720.00</u>

2. There was no non-sustained fair value measurement in the Company at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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
	30 June 2021 (RMB)	31 December 2020 (RMB)				
Financial assets at fair value through profit or loss – futures contract	31,542,540.00	2,011,120.00	Level 1	There are quotations in active markets.	N/A	N/A
Financial liabilities at fair value through profit or loss – futures contract	2,304,460.00	2,034,720.00	Level 1	There are quotations in active markets.	N/A	N/A
Financial assets at fair value through other comprehensive income – listed equity investments	21,515,658.37	20,802,731.72	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
	30 June 2021 (RMB)	31 December 2020 (RMB)				
Financial assets at fair value through other comprehensive income – preference shares	102,980,000.00	101,180,000.00	Level 2	Quotations from the identical or similar assets in the inactive market at the end of the reporting period	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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, private fund investments and financing receivables 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. The fair value of financing receivables of the Company is initially estimated based on materiality judgement of whether the carrying amount represents the fair value; where the amount is material, the fair value will be estimated based on expected future cash flow. The discount rate is the market rate as at the date of balance sheet.

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation Technique and key inputs	Significant unobservable inputs	Significant unobservable inputs range (weighted average)	Relationship between unobservable inputs and fair value
	30 June 2021 (RMB)	31 December 2020 (RMB)					
Financial assets at fair value through other comprehensive income – unlisted equity investments	7,026,187,573.16	7,136,000,000.00	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	1.5-20.2; 5%-20%; 11%; 9%-15%; 30%	The higher the industry price multiplier, scale adjustment factor, growth rate adjustment factor and profit margin adjustment factor, the higher the fair value.
Financial assets at fair value through profit or loss – unlisted open- end equity funds	1,554,684,076.94	1,571,136,033.21	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.	2.30%	The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
Financial assets at fair value through other comprehensive income – financing receivables		2,071,600.00	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.	3.85%	The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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)	Financial assets at fair value through other comprehensive income – financing receivables (RMB)	Total
Opening balance	7,136,000,000.00	1,571,136,033.21	2,071,600.00	8,709,207,633.21
Redemption		403,368.15	2,071,600.00	2,474,968.15
Additions		30,150,994.89		30,150,994.89
Change in fair value	-109,812,426.84	-46,199,583.01		-156,012,009.85
Closing balance	<u>7,026,187,573.16</u>	<u>1,554,684,076.94</u>		<u>8,580,871,650.10</u>

(VI) For sustained fair value measuring items, there was no conversion between hierarchies that occurs in the period.

(VII) There were no changes in valuation techniques in the period.

(VIII) There was no circumstance that the best use of non-financial assets is different from the current use in the Company.

(IX) Fair value of the financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include accounts receivable, short-term borrowings, accounts payable, non-current liabilities due within one-year, long-term borrowings, bonds payable, lease liabilities and long-term payables.

The carrying value of the above financial assets and liabilities not measured at fair value approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Refer to (I) Interests in Subsidiaries under Note. VIII for details on the Company's subsidiaries

(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 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 Finance Company Limited	Associate which is a subsidiary of the parent company and owned as to 40.00% by the Company
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Associate
Inner Mongolia Yuanji Chemical Co., Ltd.	Associate

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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
Beijing Yitai Huafu Ecological Farm Co., Ltd. (北京伊泰華府生態農莊有限公司)	A company controlled by the related natural person
Beijing Yitai Lingnong Technology Co., Ltd. (北京伊泰領農科技有限公司)	Indirect subsidiary of the parent company
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	Indirect subsidiary of the parent company
Guangbo Huitong Finance Leasing Company Limited	Indirect subsidiary of the parent company
Guangdong Power Industry Fuel Co., Ltd.	Subsidiary of a controlling shareholder of a subsidiary's shareholder
Keling Environmental Protection Co., Ltd.	Subsidiary of the parent company
Mengji Railway Co., Ltd.	Joint stock company
Inner Mongolia Jinglong Power Generation Co., Ltd.	Wholly-owned subsidiary of the shareholder of a subsidiary
Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	Controlling shareholder of a subsidiary's shareholder
Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	A joint stock company of the related natural person
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Shareholder of a subsidiary (Explanation I)
Inner Mongolia Yitai Beiji Jiang International Trade Co., Ltd. (內蒙古伊泰北疆國際貿易有限公司)	Indirect subsidiary of the parent company
Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	Indirect subsidiary of the parent company
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Subsidiary of the parent company
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Branch of the parent company
Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Wholly-owned subsidiary of the parent company
Inner Mongolia Yitai Agricultural Development Co., Ltd.	Indirect subsidiary of the parent company
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Subsidiary of the parent company
Inner Mongolia Yitai Western Coal Co., Ltd.	Subsidiary of the parent company
Inner Mongolia Yitai New Energy Development Co., Ltd.	Indirect subsidiary of the parent company
Inner Mongolia Yitai Information Technology Co., Ltd.	Associate of the parent company

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Information on other related parties (Continued)

Name of other related party	Relationship between the other related party with the Company
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Indirect subsidiary of the parent company
Inner Mongolia Yitai Real Estate Co., Ltd.	A company controlled by the related natural person
Inner Mongolia Machine Equipments Complete Co., Ltd.	A company controlled by the related natural person
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	Joint stock company
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	Shareholder of a subsidiary
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Indirect subsidiary of the parent company
Yigudao (Beijing) Food Marketing Co., Ltd.	Indirect subsidiary of the parent company
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Indirect subsidiary of the parent company
Yitai Group (Hongkong) Co., Ltd.	Wholly-owned subsidiary of the parent company
Synfuels China Engineering Holdings Co., Ltd.	Indirect subsidiary of the parent company
Synfuels China Inc.	Subsidiary of the parent company
Synfuels China Inner Mongolia Technology Institute Co., Ltd.	Indirect subsidiary of the parent company
Synfuels China Inner Mongolia Co., Ltd.	Indirect subsidiary of the parent company
Liu Xianghua	Supervisor of the Company

Explanation I: Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) (hereinafter referred to as the "Yitai Huzhun Railway Company"), a holding subsidiary of the Company, would merge with Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) (hereinafter referred to as the "Yitai Zhundong Railway Company") by way of absorption and merger in December 2019. Yitai Huzhun Railway Company was owned as to 16.67% by Inner Mongolia Mengtai Buliangou Coal Co., Ltd., which was the shareholder with a shareholding ratio of key subsidiaries belonging to the Company over 10% before the absorption and merger. The Company issued it to related party and the related party issue remained 12 months from the absorption and merger date. Inner Mongolia Mengtai Buliangou Coal Co., Ltd. held a small shareholding ratio of 4.04% of Yitai Huzhun Railway Company after absorption and merger, thus the Company no longer issued Inner Mongolia Mengtai Buliangou Coal Co., Ltd. to related party from 1 January 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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.	1,204.83	1,164.93
Inner Mongolia Machine Equipments Complete Co., Ltd.	Supervision services	168.29	1,450.15
Synfuels China Inner Mongolia Co., Ltd.	Catalysts	11,892.41	11,318.31
Synfuels China Engineering Holdings Co., Ltd.	Equipment and technical services, etc.	94.34	4,732.70
Inner Mongolia Yitai Group Co., Ltd.	Coal	135,128.49	114,352.54
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	Coal	25,305.96	16,447.83
Keling Environmental Protection Co., Ltd.	Treatment of hazardous waste	1,237.25	594.49
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Greening services	340.53	
Inner Mongolia Yitai Western Coal Co., Ltd.	Coal	-	400.31
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity charges	1,508.31	1,495.43
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Agricultural by-products	97.16	
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Agricultural by-products	7.02	7.86
Mengji Railway Co., Ltd.	Transportation services	24,542.25	25,534.43
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Coal	99.28	
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	8.69	87.92
Yigudao (Beijing) Food Marketing Co., Ltd.	Agricultural by-products	-	440.57
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Agricultural by-products	-	1.40
Synfuels China Inc.	Technical services	1,320.51	7.55

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 Group Co., Ltd. Hongjingta Mine No. 2	Fixed assets	-	9.95
Inner Mongolia Yitai Beijiang International Trade Co., Ltd. (內蒙古伊泰北疆國際貿易有限公司)	Agricultural by-products	-	70.81
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Flowers	27.44	23.98
Beijing Yitai Lingnong Technology Co., Ltd. (北京伊泰領農科技有限公司)	Agricultural by-products	21.80	77.53
Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	Sewage treatment	1,892.78	1,688.48
Beijing Yitai Huafu Ecological Farm Co., Ltd. (北京伊泰華府生態農莊有限公司)	Agricultural by-products	0.49	
Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	Agricultural by-products	4.23	
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	Transportation services	1,076.12	
Total		<u>205,978.18</u>	<u>179,907.17</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

3. Related party transactions on sales of goods and provision of services

Unit: RMB'0,000

Related party	Content of related party transactions	Amount in the current period	Amount in the last period
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	Materials, equipment, lease services, etc.	0.04	2,228.64
Inner Mongolia Jingtai Power Generation Co., Ltd.	Coal	14,775.80	8,261.80
Synfuels China Inner Mongolia Co., Ltd.	Oil products, liquefied gas, etc.	438.43	29.49
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Transportation services	–	6,914.50
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Moving services, lease, materials, etc.	–	463.63
Keling Environmental Protection Co., Ltd.	Assets, electricity, materials, etc.	59.63	82.15
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Electricity and materials	1,264.40	795.08
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Oil products, assets and others	8.99	8.36
Inner Mongolia Jinglong Power Generation Co., Ltd.	Coal	–	2,581.32
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity, coal and others	13.12	10.16
Synfuels China Inc.	Hydrogen, nitrogen, and catering services	158.56	5.54
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Common media and coal	–	5.58
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	8,721.00	7,520.74
Inner Mongolia Yitai Real Estate Co., Ltd.	Fixed assets and materials	3.75	4.13
Yigudao (Beijing) Food Marketing Co., Ltd.	Fixed assets and materials	0.22	0.05
Inner Mongolia Yitai Agricultural Development Co., Ltd.	Fixed assets and materials	–	0.14
Inner Mongolia Yitai Information Technology Co., Ltd.	Fixed assets	21.99	5.81
Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	Oil products	–	23.57

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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
Guangdong Power Industry Fuel Co., Ltd.	Coal	26,598.30	34,451.80
Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	Oil products		
Inner Mongolia Yitai Group Co., Ltd.	Service management charges	9.57	9.71
Synfuels China Inner Mongolia Technology Institute Co., Ltd.	Equipment	32.74	
Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Materials	1.38	
Beijing Yitai Lingnong Technology Co., Ltd. (北京伊泰領農科技有限公司)	Fixed assets	0.80	
Inner Mongolia Yitai Investment Co., Ltd.	Legal services	10.00	
Ordos Gonggouyangta Storage and Transportation Co., Ltd.	Management services	315.33	
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Fixed assets	0.04	
Total		<u>52,434.09</u>	<u>63,402.20</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

Unit: RMB

Name of lessor	Type of Leased assets	Rental expenses recognised in the period	Rental expenses recognised in last period
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	Equipment		3,291,666.67
Guangbo Huitong Finance Leasing Company Limited	Equipment		3,950,000.00
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Houses and buildings	77,105.50	
Total		<u>77,105.50</u>	<u>7,241,666.67</u>

- 1) Yitai Xinjiang Energy Co., Ltd. (Xinjiang Energy), a subsidiary of the Company, entered into a sale and leaseback agreement with Guangbo Huitong Finance Leasing (Shenzhen) Company Limited in June 2017, pursuant to which Xinjiang Energy sold its assets to Guangbo Huitong Finance Leasing (Shenzhen) Company Limited at a consideration of RMB150,000,000.00, and Guangbo Huitong Finance Leasing (Shenzhen) Company Limited rent the acquired assets to Xinjiang Energy with total rental fees of RMB172,500,000.00 on an interest rate of 5.00% for a term of three years. Amortisation on finance costs unrecognized in last period, amounting to RMB3,291,666.67, was included in construction in progress. The principal and interest have been fully repaid in 2020, and there is no rental expenses in the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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)
- 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 last period, amounting to RMB3,950,000.00, was included in construction in progress. The principal and interest have been fully repaid in 2020, and there is no rental expenses in the current period.
- (2) The Company acts as a lessor

		<i>Unit: RMB</i>	
Name of lessee	Type of leased assets	Rental expenses recognised in the period	Rental expenses recognised in last period
Inner Mongolia Yitai Real Estate Co., Ltd.	Houses and buildings	2,752,293.58	2,752,293.58
Keling Environmental Protection Co., Ltd.	Houses and buildings	55,045.87	55,045.87
Inner Mongolia Yitai Information Technology Co., Ltd.	Houses and buildings	22,935.78	55,045.87
Inner Mongolia Yuanji Chemical Co., Ltd	Houses and buildings	83,333.33	
Total		<u>2,913,608.56</u>	<u>2,862,385.32</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 October 2020, 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 2021 and ending on 1 January 2024, 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:

Unit: RMB

Items	Opening amount	Increase for the period	Decrease for the period	Closing amount	Interests and fees received or paid
Deposits with the Finance Company	7,604,329,520.68	64,697,002,739.59	64,412,528,584.91	7,888,803,675.36	15,350,461.30
Loans from the Finance Company	4,100,000,000.00	2,900,000,000.00	1,150,000,000.00	5,850,000,000.00	94,822,291.66

8. Related party guarantees

- (1) The Company acts as a guarantor

Unit: RMB

Name of guaranteed party	Guaranteed amount	Start date	Due date	Whether the guarantee has been fulfilled
Inner Mongolia Yitai Group Co., Ltd.	500,000,000.00	2019.9.19	2021.09.18	No
Inner Mongolia Yitai Group Co., Ltd.	500,000,000.00	2019.11.28	2021.11.26	No
Total	1,000,000,000.00			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

8. Related party guarantees

(2) The Company acts as the guaranteed party

Unit: RMB

Name of guarantor	Guaranteed amount	Start date	Due date	Whether the guarantee has been fulfilled
Inner Mongolia Yitai Group Co., Ltd.	298,000,000.00	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.	22,099,000.00	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.	649,800,000.00	2018.12.27	2021.12.25	No
Inner Mongolia Yitai Group Co., Ltd.	400,000,000.00	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.	17,700,000.00	2019.9.29	2024.8.26	No
Inner Mongolia Yitai Group Co., Ltd.	411,600,000.00	2017.6.28	2029.6.22	No
Inner Mongolia Yitai Group Co., Ltd.	39,200,000.00	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.	6,860,000.00	2017.7.25	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	30,184,000.00	2017.9.30	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	31,556,000.00	2017.10.31	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	30,184,000.00	2018.12.28	2028.12.15	No
Inner Mongolia Yitai Group Co., Ltd.	35,280,000.00	2018.1.16	2028.12.25	No
Inner Mongolia Yitai Group Co., Ltd.	23,520,000.00	2018.2.2	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	15,680,000.00	2018.2.2	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	23,520,000.00	2018.4.28	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	15,680,000.00	2018.4.28	2028.12.28	No
Inner Mongolia Yitai Group Co., Ltd.	178,000,000.00	2020.2.28	2025.1.23	No
Inner Mongolia Yitai Group Co., Ltd.	178,000,000.00	2020.9.30	2025.9.30	No
Inner Mongolia Yitai Group Co., Ltd.	8,197,560.00	2014.3.25	2028.3.25	No
Inner Mongolia Yitai Group Co., Ltd.	49,306,310.59	2020.9.30	2025.9.30	No
Total	3,970,696,870.59			

9. Assets transfer and debt restructuring of related parties: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

10. Remuneration of directors, supervisors and key management personnel

- (1) Total remuneration of directors, supervisors and key management personnel

Unit: RMB'0,000

Items	Amount in the current period	Amount in the last period
Total remuneration of directors, supervisors and key management personnel	<u>440.49</u>	<u>510.55</u>

- (2) Remuneration of directors and supervisors

The remuneration of directors and supervisors of the Group from January to June 2021 are as follows:

Unit: RMB'0,000

Executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Jingquan	1.20	57.10	12.25	1.64	72.18
Liu Chunlin	1.20				1.20
Lv Junjie	1.20	41.10	5.68	1.64	49.61
Zhang Dongsheng	1.20				1.20
Ge Yaoyong	1.20				1.20
Liu Jian	1.20	45.80	2.46	1.64	51.10
Lv Guiliang	1.20	46.40	1.86	1.64	51.10
Sub-total	<u>8.40</u>	<u>190.40</u>	<u>22.24</u>	<u>6.55</u>	<u>227.59</u>

Independent non-executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Wong Hin Wing	12.50				12.50
Zhang Zhiming	8.33				8.33
E Erdun Tao Ketao	1.67				1.67
Huang Sujian	10.00				10.00
Sub-total	<u>42.50</u>				<u>42.50</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

10. Remuneration of directors, supervisors and key management personnel (Continued)

(2) Remuneration of directors and supervisors (Continued)

Supervisors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Zhenjin	0.60				0.60
Liu Xianghua	0.60				0.60
Li Cailing	0.30				0.30
Jia Zheyu	0.60	12.96	1.30	1.30	16.16
Zhang Wei	0.60	20.58	2.99	1.64	25.81
Wang Yongliang	5.00				5.00
Wu Qu	5.00				5.00
Zhang Zhenjin	0.60				0.60
Sub-total	12.70	33.54	4.29	2.94	53.47

The remuneration of directors and supervisors of the Group from January to June 2020 are as follows:

Executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Jingquan	1.20	56.80	43.56	1.64	103.20
Liu Chunlin	1.20				1.20
Lv Junjie	1.20	41.10		1.64	43.94
Zhang Dongsheng	1.20				1.20
Ge Yaoyong	1.20				1.20
Liu Jian	1.20	45.80	2.66	1.64	51.30
Lv Guiliang	1.20	46.67	0.47	1.64	49.98
Sub-total	8.40	190.37	46.68	6.56	252.01

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

10. Remuneration of directors, supervisors and key management personnel (Continued)

(2) Remuneration of directors and supervisors (Continued)

Independent non-executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Wong Hin Wing	12.50				12.50
Zhang Zhiming	10.00				10.00
Huang Sujian	10.00				10.00
Du Yingfen	10.00				10.00
Sub-total	<u>42.50</u>				<u>42.50</u>

Supervisors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Zhenjin	0.60				0.60
Liu Xianghua	0.60				0.60
Li Cailing	0.60				0.60
He Peixun	0.60	10.23		1.64	12.47
Jia Xiaolan	0.10	21.63		1.64	23.37
Zhang Wei	0.50	20.38		1.64	22.52
Sub-total	<u>3.00</u>	<u>52.24</u>		<u>4.92</u>	<u>60.16</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 from January to June 2021, which included 1 director and 4 individuals (the five highest paid employees of the Group from January to June 2020 included 2 executive directors and 3 individuals) are as follows:

Unit: RMB'0,000

Items	From January to June 2021	From January to June 2020
Salaries and allowances	215.23	212.88
Bonus	245.97	127.91
Pension	8.19	8.20
Total	469.39	348.99

Of which: the number of highest paid employees who are not directors of the Company and whose remuneration falls within the following ranges are as follows:

Range (RMB)	From January to June 2021 Number of employees	From January to June 2020 Number of employees
HK\$500,001 to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	
HK\$1,500,001 to HK\$2,000,000	1	
Total	4	3

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

Unit: RMB

Items	Related party	Closing balance		Opening balance	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Accounts receivable					
	Synfuels China Inc.	75,315.00			
	Inner Mongolia Jingtai Power Generation Co., Ltd.	79,553,375.58		28,423,167.03	
	Synfuels China Inner Mongolia Co., Ltd.	4,495,293.90		5,748,616.71	
	Inner Mongolia Yuanji Chemical Co., Ltd.	25,150,050.11		77,220,542.06	
	Synfuels China Engineering Holdings Co., Ltd.			4,282,150.00	
	Inner Mongolia Yitai New Energy Development Co., Ltd.	22,023.98			
	Ordos Gonggouyangta Storage and Transportation Co., Ltd.	153,996.23		738,929.56	
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group			4,702.92	
	Inner Mongolia Yitai Group Co., Ltd.			40,000.00	
	Keling Environmental Protection Co., Ltd.	340,615.25		826,883.37	
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	2,632,295.67		2,042.46	
	Guangdong Power Industry Fuel Co., Ltd.	45,907,127.46		36,296,509.05	
	Synfuels China Inner Mongolia Technology Institute Co., Ltd.	37,000.00			
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.(內蒙古晶泰環境科技有限責任公司)	1,637,412.00		3,131,215.41	
	Inner Mongolia Mengtai Buliangou Coal Co., Ltd.			18,550,451.77	
Prepayments					
	Inner Mongolia Yuanji Chemical Co., Ltd.	187,200.00			
	Synfuels China Inner Mongolia Co., Ltd.	27,812,216.08			
	Inner Mongolia Machine Equipments Complete Co., Ltd.	668,454.91		4,767,080.53	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

11. Accounts receivable from and accounts payable to related parties (Continued)

(1) Receivables from related parties of the Company (Continued)

Items	Related party	Closing balance		Opening balance	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	2,111,203.85			
	Xin Baoshen Railway Co., Ltd. (新包神鐵路有限公司)	3,032.70			
Other receivables	Liu Xianghua	3,300,000.00		3,300,000.00	
	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.	873,890.65		475,161.89	
	Synfuels China Inner Mongolia Co., Ltd.				
	Synfuels China Engineering Holdings Co., Ltd.	210,328.02		210,328.02	
	Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd.	937,371.29		937,371.29	
	Synfuels China Inc.			10,000,000.00	
	Inner Mongolia Yuanji Chemical Co., Ltd	4,800.00			
	Inner Mongolia Yitai Tongda Coal Co., Ltd.			18,156.18	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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

<i>Unit: RMB</i>			
Items	Related party	Closing balance	Opening balance
Notes payable			
	Synfuels China Inner Mongolia Co., Ltd.	103,600,000.00	85,030,000.00
	Synfuels China Engineering Holdings Co., Ltd.		16,818,083.00
	Synfuels China Inc.	5,350,000.00	
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	1,958,922.78	
Accounts payable			
	Inner Mongolia Yitai Information Technology Co., Ltd.	99,788.48	149,276.53
	Synfuels China Inc.	4,051,278.00	
	Inner Mongolia Yitai Group Co., Ltd.	41,965,556.00	261,216,280.29
	Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)		11,218,193.28
	Inner Mongolia Yitai New Energy Development Co., Ltd.	3,117,926.40	2,462,296.84
	Synfuels China Engineering Holdings Co., Ltd.	4,670,026.53	11,712,874.17
	Synfuels China Inner Mongolia Co., Ltd.	112,890.00	58,179,717.03
	Keling Environmental Protection Co., Ltd.	11,939.84	2,584,471.97
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	4,296,144.78	13,023,873.37
	Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	20,675,772.02	27,466,822.16
Other payables			
	Inner Mongolia Yitai Information Technology Co., Ltd.	460,725.43	2,297,892.70
	Inner Mongolia Machine Equipments Complete Co., Ltd.	7,856,468.37	10,246,741.34
	Synfuels China Engineering Holdings Co., Ltd.	48,221,537.70	49,376,428.53
	Synfuels China Inc.	36,000,000.00	36,000,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

11. Accounts receivable from and accounts payable to related parties (Continued)

(2) Payables to related parties of the Company (Continued)

Items	Related party	Closing balance	Opening balance
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	60.30	53.60
	Keling Environmental Protection Co., Ltd.	4,435,526.65	1,317,833.13
	Yitai Group (Hongkong) Co., Ltd.	3,026.82	
	Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)	1,000,000.00	600,000.00
	Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	6,687,981.59	4,063,363.41
	Inner Mongolia Yitai Group Co., Ltd.	3,020.10	7,215.50
	Inner Mongolia Yitai Western Coal Co., Ltd.		250.80
	Mengji Railway Co., Ltd.	179,948.50	179,948.50
	Inner Mongolia Yuanji Chemical Co., Ltd.	10,000.00	34,000.00
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	158,504.86	61,486.49
Contract liabilities			
	Synfuels China Inner Mongolia Co., Ltd.	72,743.36	51,000.00
	Inner Mongolia Yuanji Chemical Co., Ltd.	536.35	6,285.03
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	3,880.51	
	Synfuels China Inner Mongolia Technology Institute Co., Ltd.	1,173.54	1,326.10
	Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	4,354.83	44,920.96
	Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	135,651.59	135,651.59
	Inner Mongolia Yitai Impression Flowers Co., Ltd.	1,661.05	23,323.89
	Inner Mongolia Jingtai Power Generation Co., Ltd.	1,027.81	

12. Commitments of related parties: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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	<u>258,412.81</u>	<u>321,534.72</u>

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 notification

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XIII. COMMITMENTS AND CONTINGENT EVENTS (Continued)

(II) Significant contingent events as at the Balance Sheet Date (Continued)

1. Contingent events arising from pending litigation or arbitration and their financial implications (Continued)

- 1) 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 a civil ruling was issued on 16 April 2021. The court held that administrative licensing or administrative examination and approval was not within the scope of the court to accept the case, and rejected the lawsuit of Inner Mongolia Beilian Power Energy Development Co., Ltd..

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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

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 disputes, litigations or claims arising from the Company's claim of interests against customers, suppliers, etc., in the ordinary course of business, after consulting with relevant legal counsels and reasonably evaluating the outcome of such pending disputes, litigations or claims by the management, the Company will make separate provision for bad debts in connection with those disputes, litigations or claims that are likely to cause losses to the Company. For those that are currently unable to be reasonably evaluated their outcomes or the management of the Company believes they will not materially and adversely affect the Company's operating results or financial position, the Company will not make separate provision for bad debts.

As of 30 June 2021, 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: Nil

(II) Except for the above matters, the Company has no other post-balance sheet date event.

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Annuity plan

The main contents and material changes of the annuity plan can be found in Note 27. Employee benefits payable – Description of defined contribution plan under Note VI. Notes to Major Items of the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

January to June 2021

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS *(Continued)*

(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 organization structure, management requirements and internal reporting system. An operating segment represents a component of the Company that satisfied the following criteria simultaneously:

- (1) Its business activities are engaged to earn revenue and incur expenses;
- (2) Its operating results are regularly reviewed by the Company's management to make decisions on resources allocation and performance assessment;
- (3) Its financial 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 profitable 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)

January to June 2021

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	1,674,118.48	336,393.98	84,306.07	1,441.27	-82,361.39	2,013,898.41
Of which: revenue from external transactions	1,646,721.91	336,160.81	29,574.42	1,441.27	-	2,013,898.41
Revenue from intersegment transactions	27,396.57	233.17	54,731.65	-	-82,361.39	-0.00
II. Operating expenses	1,250,780.03	333,677.80	59,535.13	3,506.99	-81,322.20	1,566,177.75
Of which: income from investment in associates and joint ventures	13,398.98	21.73	269.28	-32.20	-	13,657.79
Impairment loss of assets	522.98	994.19	-	-	-	1,517.17
Depreciation and amortization expenses	56,360.76	45,036.39	25,217.27	169.20	-492.13	126,291.49
III. Total profit (loss)	429,592.10	-43,587.93	17,833.22	2,696.53	-6,988.48	399,545.44
IV. Income tax expenses	71,828.96	418.24	2,978.75	192.77	-650.00	74,768.72
V. Net profits (losses)	357,763.14	-44,006.17	14,854.47	2,503.76	-6,338.48	324,776.72
VI. Total assets	6,394,966.44	3,010,181.88	1,203,141.71	289,162.57	-2,317,326.37	8,580,126.23
VII. Total liabilities	2,486,001.31	2,281,432.39	331,937.02	74,963.93	-1,151,829.88	4,022,504.77
VIII. Other significant non-monetary items	-	-	-	-	-	-
1. Capital expenditure	16,454.87	8,170.36	2,908.91	0.01	-	27,534.15

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS (Continued)

(III) Other significant transactions and events affecting investors' decision-making: Nil

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

Note 1. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Closing balance	Opening balance
Within 1 year	546,309,751.03	498,688,217.88
1 to 2 years	117,541,322.30	
2 to 3 years		
3 to 4 years		
4 to 5 years		
Over 5 years		
Sub-total	<u>663,851,073.33</u>	<u>498,688,217.88</u>
Less: Bad debts provisions		
Total	<u>663,851,073.33</u>	<u>498,688,217.88</u>

2. Disclosure of classification of accounts receivable

Category	Carrying 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	663,851,073.33	100.00			663,851,073.33
Of which: customers with extremely low credit risk	<u>663,851,073.33</u>	<u>100.00</u>			<u>663,851,073.33</u>
Total	<u>663,851,073.33</u>	<u>100.00</u>			<u>663,851,073.33</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 1. Accounts receivable (Continued)

2. Disclosure of classification of accounts receivable (Continued)

Category	Carrying balance		Opening 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	498,688,217.88	100.00			498,688,217.88

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 1. Accounts receivable (Continued)

2. Disclosure of classification of accounts receivable (Continued)

Portfolio	Accounts receivable	Closing balance Impairment provision	Percentage (%)
Customers with extremely low credit risk	<u>663,851,073.33</u>		
Total	<u><u>663,851,073.33</u></u>		

Portfolio	Accounts receivable	Opening balance Impairment provision	Percentage (%)
Customers with extremely low credit risk	<u>498,688,217.88</u>		
Total	<u><u>498,688,217.88</u></u>		

Explanation of recognition basis of the portfolio: clients with good credit and frequent business relationship and amounts with extremely low credit risks after assessment.

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)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 1. 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 (%)	Provision for bad debts
First	143,918,849.80	21.68	
Second	122,484,565.49	18.45	
Third	98,057,285.29	14.77	
Fourth	54,078,461.63	8.15	
Fifth	48,898,581.21	7.37	
Total	<u>467,437,743.42</u>	<u>70.42</u>	

6. There was no accounts receivable subject to derecognition by the Company due to the transfer of financial assets at the end of period.
7. There was no assets and liabilities of the Company arising from transfer of and continued involvement in accounts receivables at the end of period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. Other receivables

Item	Closing balance	Opening balance
Dividends receivables	1,180,000,000.00	60,000,000.00
Other receivables	<u>10,719,520,614.61</u>	<u>9,387,785,727.14</u>
Total	<u>11,899,520,614.61</u>	<u>9,447,785,727.14</u>

(I) Dividends receivable

Investee	Closing balance	Opening balance
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	60,000,000.00	60,000,000.00
Baoshan coal mine of Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	370,000,000.00	
Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤炭有限公司)	350,000,000.00	
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限責任公司)	400,000,000.00	
Total	<u>1,180,000,000.00</u>	<u>60,000,000.00</u>

(II) Other receivables

1. Disclosure of other receivables by aging

Aging	Closing balance	Opening balance
Within 1 year	1,720,492,630.68	5,436,289,156.55
1 to 2 years	5,406,846,579.66	5,710,970,718.30
2 to 3 years	5,508,483,646.59	63,445,494.65
3 to 4 years	50,704,277.69	62,392,088.60
4 to 5 years	52,864,633.22	
Over 5 years		
Sub-total	<u>12,739,391,767.84</u>	<u>11,273,097,458.10</u>
Less: Bad debts provisions	2,019,871,153.23	1,885,311,730.96
Total	<u>10,719,520,614.61</u>	<u>9,387,785,727.14</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of classification of other receivables

Category	Carrying balance		Closing balance		Carrying value
	Amount	Percentage(%)	Amount	Loss provision Percentage(%)	
Other receivables that provided expected credit losses on single basis	5,529,945,169.00	43.41	2,019,871,153.23	36.53	3,510,074,015.77
Other receivables that provided expected credit losses on portfolio basis	7,209,446,598.84	56.59			7,209,446,598.84
Of which: customers with extremely low credit risk	7,209,446,598.84	56.59			7,209,446,598.84
Total	12,739,391,767.84	100.00	2,019,871,153.23	15.86	10,719,520,614.61

Category	Carrying 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. 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. 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)	8,372,681.49	8,372,681.49	100.00	Expected 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)	5,511,657,211.26	2,004,603,065.49	36.37	Expected partly not to be unrecoverable
Jin Li (靳莉) Management Committee of Dalu New District, Jungar Banner (准格爾旗大路新區管委會)	2,078,540.35 1,400,000.00	2,078,540.35 1,400,000.00	100.00 100.00	Expected to be unrecoverable
Chen Youhua (陳有華)	870,970.00	870,970.00	100.00	Expected to be unrecoverable
Yang Xiaofeng (楊小鳳)	719,705.70	719,705.70	100.00	Expected to be unrecoverable
Zhang Dingchen (張鼎臣)	160,540.00	160,540.00	100.00	Expected to be unrecoverable
Total	<u>5,529,945,169.00</u>	<u>2,019,871,153.23</u>	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. 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	<u>7,209,446,598.84</u>		
Total	<u>7,209,446,598.84</u>		

Portfolio	Other receivables	Opening balance Impairment provisions	Percentage (%)
Customers with extremely low credit risk	<u>6,843,028,220.43</u>		
Total	<u>6,843,028,220.43</u>		

Explanation of recognition basis of the portfolio: clients with good credit and frequent business relationship and amounts with extremely low credit risks after assessment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. 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	1,883,646,080.76	1,885,311,730.96
Opening balance during the period				
Transfer into the phase III				
Provisions during the period		1,751,215.70	132,808,206.57	134,559,422.27
Recovery or reversal during the period				
Write-off during the period				
Other changes during the period				
Closing balance		<u>3,416,865.90</u>	<u>2,016,454,287.33</u>	<u>2,019,871,153.23</u>

4. During the period, impairment provisions were RMB134,559,422.27; 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. Other receivables (Continued)

(II) Other receivables (Continued)

6. Classification of other receivables by nature

Item	Closing balance	Opening balance
Transfer of assets	360,438,470.66	
Current accounts	12,238,783,814.69	11,114,155,040.57
Margins	130,080,695.60	150,278,326.45
Borrowings of employees	10,069,986.89	8,645,291.08
Deposits	18,800.00	18,800.00
Total	12,739,391,767.84	11,273,097,458.10

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	138,957,855.14	Within 1 year	1.09	
		3,850,088,292.40	1-2 years	30.22	
		1,650,567,887.22	2-3 years	12.96	
Second	Current accounts	1,104,459,075.28	Within 1 year	8.67	2,004,603,065.49
		1,316,314,998.82	1-2 years	10.33	
		3,090,883,137.16	2-3 years	24.26	
Third	Current accounts	37,150,885.47	Within 1 year	0.29	
		166,833,094.16	1-2 years	1.31	
		217,738,087.10	2-3 years	1.71	
Fourth	Transfer of assets	347,135,736.34	Within 1 year	2.72	
Fifth	Current accounts	6,287,506.03	Within 1 year	0.05	
		61,888,841.78	1-2 years	0.49	
		155,525,661.04	2-3 years	1.22	
Total		12,143,831,057.94		95.32	2,004,603,065.49

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 2. Other receivables (Continued)

(II) Other receivables (Continued)

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.

Note 3. Long-term equity investment

Nature	Closing balance			Opening balance		
	Carrying balance	Impairment provisions	Carrying value	Carrying balance	Impairment provisions	Carrying value
Investment in subsidiaries	14,363,015,317.28	1,276,720,000.00	13,086,295,317.28	14,318,015,317.28	1,276,720,000.00	13,041,295,317.28
Investments in associates and joint ventures	9,625,414,577.61	250,288.45	9,625,164,289.16	9,491,384,608.20	250,288.45	9,491,134,319.75
Total	<u>23,988,429,894.89</u>	<u>1,276,970,288.45</u>	<u>22,711,459,606.44</u>	<u>23,809,399,925.48</u>	<u>1,276,970,288.45</u>	<u>22,532,429,637.03</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. 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. (內蒙古伊泰寶山煤炭有限責任公司)	215,447,203.47	215,447,203.47			215,447,203.47		
Suancigou coal mine of Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京輦刺溝礦業有限責任公司)	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		
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 Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	2,903,354,802.53	2,903,354,802.53			2,903,354,802.53		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	1,200,160,000.00	1,200,160,000.00			1,200,160,000.00		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. 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 Yili Energy Co., Ltd. (伊犁能源有限公司)	1,416,140,000.00	1,416,140,000.00			1,416,140,000.00		
Yitai Yili Mining Co., Ltd. (伊犁礦業有限公司)	591,300,000.00	591,300,000.00			591,300,000.00		
Yitai Xinjiang Energy Co., Ltd. (伊犁新疆能源有限公司)	1,226,720,000.00	1,226,720,000.00			1,226,720,000.00		1,226,720,000.00
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限公司)	3,608,000,000.00	3,608,000,000.00			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公司)	535,000,000.00	520,000,000.00	15,000,000.00		535,000,000.00		
Inner Mongolia Yitai Nalinmiao Recovery Construction Co., Ltd. (內蒙古伊泰納林廟災害治理有限公司)							
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技股份有限公司)							
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰(山西)煤炭運銷有限公司)	50,000,000.00	50,000,000.00			50,000,000.00		
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限公司)	50,000,000.00	50,000,000.00			50,000,000.00		
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰羈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		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. 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
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	955,720,000.00			955,720,000.00		
GQC Yitai Jiuyou Investment Management Partnership (Limited Partnership) (青島伊泰久友投資管理合夥企業(有限合夥))							
Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司)							
Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司)							
Inner Mongolia Yitai Dadi Coal Co. Ltd. (內蒙古伊泰大地煤炭有限公司)	261,723,477.11	261,723,477.11			261,723,477.11		
Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	225,000,000.00	195,000,000.00	30,000,000.00		225,000,000.00		
Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海臨滄伊泰供應鏈有限公司)	20,000,000.00	20,000,000.00			20,000,000.00		
Total	14,363,015,317.28	14,318,015,317.28	45,000,000.00		14,363,015,317.28		1,276,720,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. Long-term equity investment (Continued)

2. Investments in associates and joint ventures

Investee	Opening balance	Additional investments	Increase/decrease in the period		
			Decrease in investments	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)	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			203,334.90	
Sub-total	475,628,983.89			203,334.90	
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			16,933,661.10	
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	554,921,350.40			38,328,910.18	
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京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)	561,310,708.71			-3,467,818.12	
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)	13,924,097.58			979,212.18	
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)					
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限責任公司)	7,800,489,062.65			81,012,560.50	
Sub-total	9,015,505,335.86			133,786,525.84	
Total	9,491,134,319.75			133,989,860.74	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 3. Long-term equity investment (Continued)

2. Investments in associates and joint ventures (Continued)

Investee	Changes in other equity	Increase/decrease in the period			Closing balance	Closing balance of impairment provisions
		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)					472,849,948.32	
Sub-total					475,832,318.79	
II. Associates						
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)					99,791,598.97	
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)					593,250,260.58	
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)	40,108.67				557,882,999.26	
Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華遠酒業有限公司)					14,903,309.76	
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)						250,288.45
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 Guangjian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)					7,881,501,623.15	
Sub-total	40,108.67				9,149,331,970.37	250,288.45
Total	40,108.67				9,625,164,289.16	250,288.45

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 4. 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	14,088,769,686.00	11,796,042,395.59	11,176,421,757.95	9,835,172,345.29
Other businesses	118,347,140.31	51,165,160.40	492,873,446.25	433,511,041.22
Total	<u>14,207,116,826.31</u>	<u>11,847,207,555.99</u>	<u>11,669,295,204.20</u>	<u>10,268,683,386.51</u>

2. Revenue items and segment information

Category of contract	Coal segment	Others	Total
(1)Main business regions			
Northeast China	3,457,528.31		3,457,528.31
North China	4,271,364,570.51	14,127,636.21	4,285,492,206.72
East China	7,660,357,489.88		7,660,357,489.88
South China	1,718,802,651.58		1,718,802,651.58
Central China	76,735,930.62		76,735,930.62
Northeast China	462,271,019.20		462,271,019.20
Sub-total	<u>14,192,989,190.10</u>	<u>14,127,636.21</u>	<u>14,207,116,826.31</u>
(2)Main product types			
Coal	14,083,748,298.86		14,083,748,298.86
Other products disclosed at income from principal operations		5,021,387.14	5,021,387.14
Other products disclosed at income from other operations	109,240,891.24	9,106,249.07	118,347,140.31
Sub-total	<u>14,192,989,190.10</u>	<u>14,127,636.21</u>	<u>14,207,116,826.31</u>
(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)

January to June 2021

XVI. EXPLANATORY NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

Note 5. Investment income

Item	Amount in the current period	Amount in the previous period
Income from long-term equity investments under equity method	133,989,860.74	86,498,178.27
Income from long-term equity investments under cost method	2,580,300,000.00	10,200,000.00
Investment income from disposal of trading financial assets		8,030,568.94
Investment income from disposal of long-term equity investments		8,193,195.08
Investment income received during the period of ownership from trading financial assets		1,510,739.84
Others	-2,940,166.68	-3,033,333.34
Total	<u>2,711,349,694.06</u>	<u>111,399,348.79</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVII. SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss statement of the period

Item	Amount in the current period
Profit or loss from disposal of non-current assets	14,085,531.40
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)	28,860,509.91
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	65,684,976.84
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	23,492,534.73
Reversal of the provisions for impairment of receivables subject to impairment test separately	
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	2,243,996.86
Other profit or loss items falling within the meaning of nonrecurring profit or loss	
Less: Impact of income tax	19,068,864.51
Less: Impact of minority shareholders' interests (after tax)	15,693,008.19
Total	<u>99,605,677.04</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

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 share	
		Basic earning per share	Diluted earning per share
Net profit attributable to ordinary shareholders of the Company	7.58	0.81	/
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	<u>7.29</u>	<u>0.78</u>	<u>/</u>

Basic earnings per share is calculated based on the net profit attributable to ordinary shareholders and the number of ordinary shares issued at the end of the year. Since there was no any potential ordinary shares issued by the Group for the years ended 30 June 2021 and 31 December 2020, 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	
	30 June 2021 (RMB)	(RMB)
Net profit attributable to ordinary shareholders	2,631,459,722.78	-657,055,254.05
Number of shares		
Number of ordinary shares issued at the end of the year	<u>3,254,007,000.00</u>	<u>3,254,007,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

January to June 2021

XVII. SUPPLEMENTARY INFORMATION (Continued)

(III) Supplementary disclosure of the Group's operating costs classified by nature:

Item	Notes	January to June 2021	January to June 2020
Cost of sale of commercial goods	Note 45	13,354,329,021.01	11,225,051,051.28
Labor cost	Note 45	231,872,959.40	254,460,036.45
Depreciation of fixed assets	Note 14	904,582,470.56	975,108,714.10
Depreciation of investment properties	Note 13	18,873,403.78	18,231,087.78
Amortisation of intangible assets	Note 17	77,145,253.09	53,676,502.38
Amortisation of long-term unamortized expenses	Note 19	257,373,874.51	180,384,005.49
Depreciation of right-of-use assets	Note 16	3,180,632.09	1,591,728.84
Total depreciation and amortisation		<u>1,261,155,634.03</u>	<u>1,228,992,038.59</u>

(IV) Supplementary disclosure of capital management:

Item	2021/06/30	2020/12/31
Interest-bearing borrowings	27,686,420,726.91	28,259,756,516.75
Long-term bonds	4,534,195,882.14	5,910,938,574.78
Trade and bills payables	2,653,368,923.43	3,460,588,236.42
Financial liabilities at fair value through profit or loss	2,304,460.00	2,034,720.00
Financial liabilities included in other payables and accruals	1,895,276,320.21	1,379,398,220.73
Other borrowings	524,028,300.19	538,474,087.42
Less: Cash and cash equivalents	12,511,143,830.33	11,292,510,611.23
Net debt	24,784,450,782.55	28,258,679,744.87
Equity attributable to equity holders of parent company	34,907,638,858.44	33,061,024,912.46
Gearing ratio	<u>41.52%</u>	<u>46.08%</u>

As at 30 June 2021, the Company's capital mainly came 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 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)

January to June 2021

XVII. SUPPLEMENTARY INFORMATION (Continued)

(V) Dividend

Item	2020	2019
Ordinary shares dividend	<u>735,405,582.00</u>	<u>1,138,902,450.00</u>
Total	<u><u>735,405,582.00</u></u>	<u><u>1,138,902,450.00</u></u>

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 as of 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. After the Company took into full consideration of comprehensive factors such as the results performance in 2020, future profitability, and shareholder investment returns, the Company, under the approval of the 2020 annual general meeting of the Company, distributed 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.