

2021
ANNUAL REPORT



内蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

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

Stock Code : 3948

IMPORTANT NOTICE

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

The net profit attributable to the owners of the parent company for the year ended 31 December 2021 amounted to RMB8,643,452,999.77 as set out in the audited consolidated statements for the year 2021 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. After taking into full consideration of factors such as the performance in 2021, profitability in future and shareholders' return on investment, the Board of Directors recommended a cash dividend of RMB9.30 (tax inclusive) per 10 shares, calculated by the Company's total share capital of 3,254,007,000 shares, to be paid to all shareholders. The total dividends distributed were RMB3,026,226,510, representing 35% of the net profit attributable to owners of the parent company of RMB8,643,452,999.77 as set out in the consolidated statements of the Company for 2021.

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

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

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

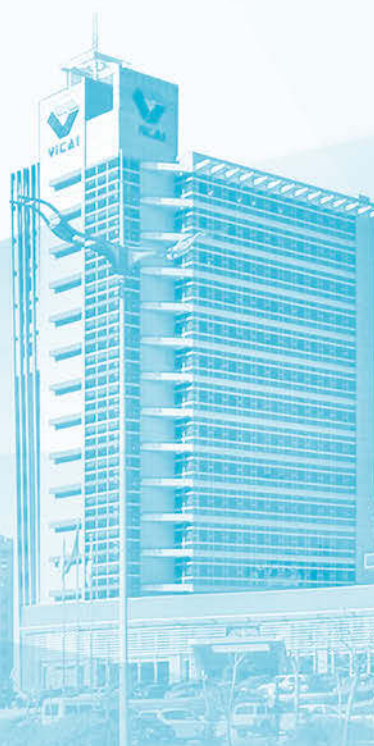
X. **Major Risk Notice**

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

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

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DEFINITIONS

I. DEFINITIONS

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

Definitions of frequently-used terms

Company or the Company	Inner Mongolia Yitai Coal Co., Ltd.* (內蒙古伊泰煤炭股份有限公司)
Yitai Investment	Inner Mongolia Yitai Investment Co., Ltd. (內蒙古伊泰投資股份有限公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai (Group) Hong Kong Co., Ltd. (伊泰(集團)香港有限公司)
Suancigou Mine	Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)
Talahao Mine	Inner Mongolia Yitai Coal Co., Ltd. Talahao Mine (內蒙古伊泰煤炭股份有限公司塔拉壕煤礦)
Baoshan Mine	Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)
Dadijing Mine	Inner Mongolia Yitai Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司)
Nalinmiao Mine No. 1	Inner Mongolia Yitai Coal Co., Ltd. Nalinmiao Mine No. 1 (內蒙古伊泰煤炭股份有限公司納林廟煤礦一號井)
Nalinmiao Mine No. 2	Inner Mongolia Yitai Coal Co., Ltd. Nalinmiao Mine No. 2 (內蒙古伊泰煤炭股份有限公司納林廟煤礦二號井)
Hongjingta Mine No. 1	Inner Mongolia Yitai Coal Co., Ltd. Hongjingta Mine No. 1 (內蒙古伊泰煤炭股份有限公司宏景塔一礦)
Kaida Mine	Inner Mongolia Yitai Coal Co., Ltd. Kaida Mine (內蒙古伊泰煤炭股份有限公司凱達煤礦)
Baijialiang Mine	Inner Mongolia Yitai Baijialiang Coal Co., Ltd. (內蒙古伊泰白家梁煤炭有限公司)
Yili Mining	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)

DEFINITIONS (Continued)

I. DEFINITIONS (Continued)

Definitions of frequently-used terms (Continued)

Huzhun Railway Company	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)
Yitai Chemical	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Coal-to-oil Company	Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)
Yili Energy	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Xinjiang Energy	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)
Yitai Petrochemical	Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)
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)
Galutu Mining	Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)
Yitai Finance	Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)
Guanglian Coal Chemical	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS

I. CORPORATE INFORMATION

Chinese name of the Company	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰B股/伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO.,LTD
English abbreviation	IMYCC/Yitai Coal
Legal representative	Zhang Jingquan
Members of the Board	<i>Executive Directors</i> Zhang Jingquan (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Dongsheng Liu Jian Lv Guiliang (resigned on 16 July 2021) Lv Junjie Zhao Like (appointed on 13 December 2021) <i>Independent non-executive Directors</i> Zhang Zhiming (resigned 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 Guiliang (resigned on 16 July 2021) Lv Junjie Zhao Like (appointed on 13 December 2021) Zhang Zhiming (resigned 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 (resigned on 8 June 2021) Huang Sujian Wong Hin Wing E Erdun Tao Ketao (appointed on 8 June 2021)

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

I. CORPORATE INFORMATION (Continued)

Members of the Nomination Committee

E Erdun Tao Ketao (*Chairman*) (appointed on 8 June 2021)
Zhang Jingquan
Liu Chunlin
Liu Jian
Zhang Zhiming (resigned on 8 June 2021)
Huang Sujian
Wong Hin Wing
Du Yingfen

Members of the Remuneration and Appraisal Committee

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

Members of the Supervisory Committee

Zhang Zhenjin (*Chairman*) (resigned on 8 July 2021)
Zhang Wei (*Chairman*) (appointed on 8 July 2021)
Liu Xianghua
Jia Zheyu
Li Cailing (resigned on 1 April 2021)
Chen Rong (appointed on 13 December 2021)
Wang Yongliang
Wu Qu

Authorized Representatives

Liu Chunlin
He Peixun

Alternative Authorized Representatives

Wong Wai Chiu

Joint Company Secretaries

He Peixun
Wong Wai Chiu

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

II. CONTACT PERSONS AND CONTACT METHODS

	Board Secretary	Securities Affairs Representative
Name	He Peixun	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 OF THE COMPANY

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	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Media and its website on which the annual report of the Company is published	Shanghai Securities News, Hong Kong Commercial Daily
Website of the stock exchange where the annual report of the Company is published	Website for publishing the B share annual report: http://www.sse.com.cn Website for publishing the H share annual report: http://www.hkexnews.hk
Place for inspection of the Company's annual report	Capital Operation and Compliance Management Department of the Company and principal place of business in Hong Kong

V. BASIC INFORMATION ON THE COMPANY'S SHARES

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

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VI. OTHER RELEVANT INFORMATION

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

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

(I) Key Business Data

Unit: million tonnes Currency: RMB

Major Accounting Data	2021	2020	Increase/decrease (%)
Coal production	43.21	45.60	-5.24
Coal sales volume	62.91	73.26	-14.13
Of which: Local sales at mines	11.73	18.90	-37.94
Local sales at loading facilities	7.27	9.41	-22.74
Sales via direct rail access	0.75	2.89	-74.05
Sales at ports	43.16	42.06	2.62
Railway transport volume	87.56	76.81	14.00
Coal-related chemical production	1.39	1.33	4.51

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

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

(II) Major Accounting Data

Unit: yuan Currency: RMB

Major Accounting Data	2021	2020	Increase or decrease as compared with the same period of last year (%)	2019
Revenue	50,675,643,199.43	33,790,579,585.88	49.97	40,929,038,913.56
Net profit attributable to shareholders of the listed company	8,643,452,999.77	-657,055,254.05	1,415.48	3,789,312,908.34
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed company	8,810,226,765.50	-1,010,423,325.19	971.93	3,826,178,849.14
Net cash flow from operating activities	17,752,125,054.12	6,740,053,234.49	163.38	6,480,855,387.14

	At the end of 2021	At the end of 2020	Increase or decrease as compared with the end of the same period of last year (%)	At the end of 2019
Net assets attributable to shareholders of the listed company	40,867,521,573.06	33,061,024,912.46	23.61	34,926,974,420.67
Total assets	92,487,918,164.09	85,559,604,037.31	8.10	94,418,470,440.94

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

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

(III) Major Financial Indicators

Major Financial Indicators	2021	2020	Increase or decrease as compared with the same period of last year (%)	2019
Basic earnings per share (yuan/share)	2.66	-0.20	1,428.00	1.16
Basic earnings per share after deduction of non-recurring profit or loss (yuan/share)	2.71	-0.31	974.19	1.18
Weighted average return on net assets (%)	22.93	-1.87	Increase by 24.80 percentage points	10.27
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	23.37	-2.88	Increase by 26.25 percentage points	10.37

VIII. MAJOR FINANCIAL DATA IN 2021 BY QUARTERS

Unit: yuan Currency: RMB

	First quarter (January– March)	Second quarter (April– June)	Third quarter (July– September)	Fourth quarter (October– December)
Operating revenue	9,889,951,179.82	10,249,032,907.21	13,366,523,913.34	17,170,135,199.06
Net profit attributable to shareholders of the listed company	1,039,722,796.46	1,591,736,926.32	2,351,316,962.39	3,660,676,314.60
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed company	1,082,446,911.44	1,449,407,134.30	2,593,292,078.85	3,685,080,640.91
Net cash flow from operating activities	802,676,491.45	3,672,446,558.49	5,647,755,281.76	7,629,246,722.42

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: yuan Currency: RMB

Non-recurring profit or loss item	Amount for 2021	Amount for 2020	Amount for 2019
Gains/(losses) from disposal of non-current assets	-109,152,169.94	-3,520,939.85	-17,413,317.28
Government grants charged in the profit or loss for the current period (except for those closely related to the ordinary operations of the Company and gained constantly at a fixed amount or quantity according to certain standard based on state policies)	75,222,267.40	83,921,661.90	97,720,587.46
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	2,842,370.86	-	-
Profit or loss from investment or management of assets by others	98,675,416.96	21,993,880.61	17,040,712.00
Gains and losses from changes in fair value of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities, and investment income from disposal of financial assets available-for-trading, derivative financial assets, financial liabilities available-for-trading, derivative financial liabilities and other debt investments, except for effective hedging business related to ordinary operations of the Company	-60,048,755.35	330,418,861.34	93,359,566.81
Reversal of the provisions for impairment of receivables and contract assets subject to impairment test separately	441,389.87	366,003.00	3,000,000.00
One-off adjustment to profit or loss for the current period in accordance with laws and regulations on taxation and accounting	-215,245,294.98	-	-
Other non-operating income and expenses other than the above-mentioned items	-94,890,911.81	-67,435,726.70	-46,320,933.07
Less: Effect on income tax	-28,577,329.24	8,703,674.47	189,547,946.18
Effect on non-controlling interests (deducting tax)	-106,804,592.02	3,671,994.69	-5,295,389.46
Total	-166,773,765.73	353,368,071.14	-36,865,940.80

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

X. ITEMS MEASURED AT FAIR VALUE

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance	Change for the period	Amount of effect on the profit for the period
Financial assets	8,833,201,484.93	9,574,402,476.00	741,200,991.07	235,948,589.07
Financial liabilities	2,034,720.00	–	-2,034,720.00	2,034,720.00
Total	<u>8,835,236,204.93</u>	<u>9,574,402,476.00</u>	<u>739,166,271.07</u>	<u>237,983,309.07</u>

XI. FIVE-YEAR FINANCIAL SUMMARY

Unit: '000 yuan Currency: RMB

	2017	2018	2019	2020	2021
Revenue and profit					
Operating revenue	37,008,674	39,184,621	40,929,039	33,790,580	50,675,643
Operating cost	24,689,118	27,274,747	28,556,238	26,300,639	31,827,244
Profit from operations	12,319,556	11,909,874	12,372,801	352,140	12,929,225
Profit before tax	7,146,990	6,360,380	6,053,824	277,953	12,671,566
Profit for the year	5,713,956	5,171,916	4,807,133	-545,900	9,874,426
Profit attributable to the owners of the Company	4,925,370	4,136,196	3,789,313	-657,055	8,643,453
Earnings per share – basic	1.51	1.27	1.16	-0.20	2.66
Assets and liabilities					
Current assets	22,299,415	23,573,050	22,749,883	16,618,024	24,356,415
Non-current assets	63,538,981	70,989,259	71,668,587	68,941,580	68,131,504
Current liabilities	18,043,830	18,961,326	15,586,005	14,820,858	17,999,213
Non-current liabilities	29,334,793	33,049,132	34,004,455	27,625,110	24,817,337
Equity	38,459,773	42,551,851	44,828,010	43,113,637	49,671,369

REPORT OF THE BOARD OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2021, given the rapid development of the domestic economy and the sharp rise in prices of commodity, the Company actively responded to the national call to increase production and ensure supply and undertaken the responsibility of ensuring energy supply, and successfully achieved the goal of coal production increase and supply guarantee. Under the conditions of safe production, the Company ensured the healthy development of its businesses.

As of the end of the reporting period, the Company recorded total asset of RMB92.488 billion, revenue of RMB50.676 billion throughout the year and net profit attributable to owners of the parent company of RMB8,643 million throughout the year. During the year, the Company produced commodity coal of 43.2062 million tonnes and sold 62.9105 million tonnes of colas. In terms of railway sector, the Company delivered 87.5619 million tonnes of coal in total. In terms of coal chemical sector, the Company produced oil products and chemicals of 1.3942 million tonnes in total, and sold 1.4297 million tonnes of oil products and chemicals.

In terms of coal production, during the reporting period, as the tight supply and demand in the PRC coal market and the rising trend of coal price, the Company, under the requirements of national and competent local energy departments, scientifically organized production and optimized allocation and management to maintain advanced capacity and ensure supply of the coal market, and successfully ensured supply. Meanwhile, the Company orderly promoted the construction of intelligent coal mine, scientifically developed a planning for construction of green coal mines. With the smooth advancement of Suancigou Mine as the pilot for coal mine intelligent work, nine major functional systems, including private cloud system, intelligent integrated management and control platform, intelligent robot inspection system have been installed and adjusted and have been put into operation. Kaida Mine and Baoshan Mine have successfully built the intelligent fully mechanized caving face, and Suancigou Mine has successfully built the intelligent fully mechanized caving face, which greatly improved its production efficiency. The Company enhanced electromechanical management, optimized resource allocation, and provided multiple guarantees for the safe and efficient production of coal mines. It also optimized the overall trusteeship operation mode of coal mines, which contributed to the effective improvement of production efficiency.

In terms of transportation and sales of coal, during the reporting period, the Company precisely estimated the market condition, satisfied customers' need while ensuring the supply through a series of measures such as purchasing a large amount of social coal, focusing on maintaining supply, and adjusting the sales structure in a timely manner, and achieved common development of social and economic benefits. In addition to enhancing relationship with key suppliers, the Company also developed new strategic partners, which ensured stable coal supply and reduced procurement costs. Besides, it adjusted pricing terms to create a pricing system with market support.

In terms of railway transportation, during the reporting period, the Company enhanced coordination and took various measures to strengthen the organisation of transportation, and based on the daily maintenance plan and equipment maintenance plan of coal mines, reasonably arranged construction plan, shortened the time for operating empty heavy trucks and given priority to two-lane loading and enhanced organization capacity of transportation, which further improved transportation efficiency. Meanwhile, the Company gradually established the correlation coefficient between the transportation volume, delivery destination and electricity of each dispatch station through the unification of equipment parts, and implemented project technical transformation to provide rail car leasing and other services, and took various measures to reduce costs and increase efficiency.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

The coal chemical sector was operated at full capacity in a safe and stable manner for a long term during the reporting period, but due to the year-on-year increase in the prices of coal and other raw materials, the segment suffered losses as a whole. The Company rationally organized production, and continuously improved the level of refined management through cost reduction and efficiency improvement and stimulating the inherent potential. Focusing on the strategic transformation target, the Company cooperated with a number of leading scientific research institutes in the domestic coal chemical industry, and conducted exchanges with enterprises that are interested in cooperation considering the transformation of the industry. The coal chemical intelligent factory (phase I) construction project was put into trial operation.

In terms of safe and environmental protection, during the reporting period, the Company further fulfilled the safety production commitments as the major person in charge of the production and operation unit, actively promoted the three-year action plan for the special rectification of safety production, continuously strengthened the basic safety management while innovating the way of safety supervision, and implemented over 200 safety inspections throughout the year. Through reasonable empowerment, the safety management initiative of each unit has been enhanced, which strongly promoted the security development of the Company. The Company achieved zero death of one million tonnes of coal production throughout the year, and there was no danger and major traffic accidents in the railway operation, nor serious injury or significant equipment damage accidents in the coal chemical industry. Additionally, adhering to the policy of “hundred-year Yitai, green energy, energy conservation, efficiency improvement and sustainable development”, the Company further improved the pollution prevention and control and energy consumption dual control mechanism, coordinated the promotion of low-carbon technologies and new energy applications, steadily implemented green mine construction, and significantly improved the level of environmental management. While strengthening the management and control of risk sources, the Company actively transformed the energy-saving technologies, achieved energy-saving and emission reduction, and further explored energy-saving potential. The construction of key pollution prevention and control projects has been started one after another, and ecological protection and pollution prevention and control have been coordinated to effectively prevent ecological and environmental risks.

In terms of epidemic prevention and control, during the reporting period, the COVID-19 pandemic showed a trend of “multi-point spread and locality gathering”. All units of the Company strictly conducted epidemic prevention and control by thoroughly implementing local epidemic control requirements and adjusting prevention and control measures in a timely manner. So far, there were no cases of infection within the Company.

Besides, the Company actively participated in the anti-epidemic work of the whole society. Since the outbreak of the epidemic, the Company donated monetary funds and supplies in value of RMB59.6179 million in total.

REPORT OF THE BOARD OF DIRECTORS (Continued)

II. INDUSTRY IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD

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. From January to March 2021, due to the global economic recovery, the market coal demand was rising and as the increase in coal consumption in winter, the coal demand in coastal areas surged and coal prices remained high. From March to October 2021, due to multiple factors such as a security inspection and environmental protection inspection and limited import coal quota, coal supply and demand were tight, domestic thermal coal prices fluctuated greatly, and the average price far exceeded the level of the same period in the past years. The coal market price showed a pattern of high rise as a whole. From October to December 2021, under the influence of the national policy to increase production and ensure supply, coal production increased rapidly and coal prices have stabilized. Throughout the year, coal production has been increasing steadily as a whole. According to the Statistical Bulletin of the People’s Republic of China on National Economic and Social Development in 2021 issued by the National Bureau of Statistics, the national raw coal output in 2021 was 4.13 billion tonnes, an increase of 5.7% over the previous year. Coal prices were fluctuated at a generally higher range. With the gradual release of high-quality production capacity, the supply and demand in the coal market gradually tended to balance.

Meanwhile, the continuous vaccination to promote the recovery of the world economy has made an optimistic growth of crude oil demand, and the sharp rise in crude oil prices has formed a strong support for the prices of coal chemical products. However, the domestic coal chemical industry was greatly affected by the high price of coal. Excessive production costs have led to a significant reduction in profits, but as the market price of coal tended to stabilize, the profitability of the coal chemical industry would improve.

III. BUSINESS THE COMPANY OPERATED 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 9 coal mines in total. As a major product of the Company at present, environment-friendly and quality thermal coal mainly serves as fuel coal of enterprises in downstream thermal power, metallurgy, construction materials, chemical and other industries. The Company conducted business in North China, East China, South China, Central China, Northeast China, Northwest China and other regions and has established long-term, friendly, mutually beneficial strategic partnership with many thermal power, metallurgy, construction materials and chemical users, which formed strong brand benefit.

At present, the Company generally controls three railways in operation, namely the Zhundong Railway, Huzhun Railway and a special railway line for Suancang Mine. At the same time, the Company also holds 15% equity interests in Xin Baoshen Railway, 12.36% equity interests in Zhunshuo Railway, 9% equity interests in Mengji Railway, 3.9226% equity interests in the South Ordos Railway and 2% equity interests in Haoji Railway, respectively. In addition, the Company has built the mine roads of 150 km covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area. Over the years, the Company has continuously increased investment in technologies and equipment for railway management, therefore, its coal transport capacity was constantly enhanced, and transport networks covering the Company’s main mining areas continued to improve, which created predominant conditions for coal transport of the Company and the peripheral area.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

III. BUSINESS THE COMPANY OPERATED DURING THE REPORTING PERIOD *(Continued)*

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 major products of the 160,000 tonnes/year coal-to-liquid demonstration project of the Coal-to-liquid Company that was completed and in operation including but are not limited to Fischer-Tropsch refined wax, 1# Fischer-Tropsch crude liquid wax, normal stable light hydrocarbons, normal Fischer-Tropsch soft wax, liquefied gas, and the major products of the 1.2 million tons/year fine chemicals project of Yitai Chemical including but are not limited to 2# Fischer-Tropsch crude liquid wax, 1# Fischer-Tropsch crude liquid wax, normal stable light hydrocarbon and Fischer-Tropsch refined wax.

IV. 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 as its scale, development quality and efficiency, industrial structure and financial strength have been enhancing over 24 years of development. 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 adhered to the policy of integrated management of production, transportation and sales, and created new source of profit in railway and coal-to-chemicals segments, which is conducive to the long-term and stable development of the Company.

Firstly, as its coal products are typical “environmental-friendly” and high-quality thermal coal, and have the advantages of medium to high calorific value, medium to low ash content, ultra-low sulphur content, ultra-low phosphorous content, and low moisture content. They are the best types of coal among the large-scale coalfield development in China with strong market competitiveness.

Secondly, the Company has leading advantages in low-cost mining in the industry, and the major mining areas are characterized by 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, achieve industrial transformation and upgrading, and enhance its core competitiveness and consolidate its position in the industry.

Fifthly, the Company always adhered to fulfilling responsibilities to all shareholders, localities and society while strengthening and expanding its business. It maintained an outstanding dividend and tax paying record for many years, and actively participated in local environmental governance and ecological improvement, which undoubtedly contributed to the harmonious development of the Company and the society.

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis on the Principal Business

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

Unit: yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period of last year	Change (%)
Operating revenue	50,675,643,199.43	33,790,579,585.88	49.97
Operating costs	31,827,244,234.38	26,300,639,094.36	21.01
Cost of sales	204,676,592.69	161,174,439.76	26.99
Administrative expenses	1,464,328,036.03	1,133,776,431.45	29.15
Finance costs	1,569,063,419.24	1,680,344,649.22	-6.62
Research and development costs	283,895,819.69	310,944,898.11	-8.70
Net cash flow from operating activities	17,752,125,054.12	6,740,053,234.49	163.38
Net cash flow from investing activities	-1,244,983,402.79	-1,686,032,115.66	-26.16
Net cash flow from financing activities	-10,725,704,824.48	-9,715,556,465.35	10.40

The change in operating revenue was mainly due to the increase in the operating revenue from each segment;

The change in operating costs was mainly due to the increase in commodity price and increase in labor cost in current period;

The change in cost of sales was mainly due to the increase in employee remuneration in current period.

The change in administrative expenses was mainly due to the increase in remuneration and depreciation in current period;

The change in net cash flow from operating activities was mainly due to the increases in the sales prices of coal and recovery of payment for goods;

The change in net cash flow from investment activities was mainly due to the decrease in expenditures for long-term asset purchase in current period;

The change in net cash flow from financing activities was mainly due to the increase in purchase of minority shareholders' equity in subsidiaries in current period.

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Analysis on the Principal Business (Continued)

2. Analysis on Revenue and Cost

(1) Principal business by segment, product, region and sales model

Unit: '0,000 yuan Currency: RMB

Principal business by segment						
By segment	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year change in operating revenue (%)	Year-on-year change in operating costs (%)	Year-on-year change in gross profit margin (%)
Coal operation	4,220,485.54	2,405,804.44	43.00	53.24	18.86	Increase by 16.49 percentage points
Transportation business	59,062.33	36,444.52	38.29	43.76	11.39	Increase by 17.93 percentage points
Coal-related chemical operation	690,073.77	663,323.62	3.88	43.14	39.31	Increase by 2.64 percentage points
Others	5,143.18	5,242.50	-1.93	6.48	51.88	Decrease by 30.47 percentage points
Total	4,974,764.81	3,110,815.08	37.47	51.57	22.65	Increase by 14.75 percentage points

(2) Principal business by region

Unit: '0,000 yuan Currency: RMB

Region	Operating revenue	Increase/decrease in operating revenue compared to last year (%)
North China	1,449,678.85	0.64
East China	2,465,711.08	88.96
South China	597,965.25	53.20
Northeast China	56,066.87	297.73
Central China	89,802.23	249.35
Northwest China	304,849.38	196.25
Southwest China	10,691.15	181.19
Total	4,974,764.81	51.57

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Analysis on the Principal Business (Continued)

2. Analysis on Revenue and Cost (Continued)

(3) Synergies between each business segment

	2021		2020	
	Sales volume	Percentage	Sales volume	Percentage
Coal operation	('0,000 tonnes)		('0,000 tonnes)	
Sales to external customers	6,291	97.93%	7,326	98.23%
Sales to internal coal-related chemical operation	133	2.07%	132	1.77%
	Transportation volume	Percentage	Transportation volume	Percentage
Railway operation	('0,000 tonnes)		('0,000 tonnes)	
Internal transportation service	5,234	59.78%	5,086	66.22%
Transportation service to third parties	3,522	40.22%	2,595	33.78%
	Purchase volume	Percentage	Purchase volume	Percentage
Coal-related chemical operation	('0,000 tonnes)		('0,000 tonnes)	
Internal purchase	133	19.47%	132	19.97%
External purchase	546	80.53%	529	80.03%

(4) Analysis on production and sales

Principal products	Unit	Production	Sales	Inventory	Increase/decrease in production compared to last year (%)	Increase/decrease in sales compared to last year (%)	Increase/decrease in inventory compared to last year (%)
Thermal coal	'0,000 tonnes	4,320.62	6,291.05	108.77	-5.26	-14.13	-22.09
Coal-related chemical products	'0,000 tonnes	139.42	142.97	7.27	4.71	6.49	87.86

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Analysis on the Principal Business (Continued)

2. Analysis on Revenue and Cost (Continued)

(5) Analysis on cost

Unit '0,000 yuan Currency: RMB

By segment	Amount for the reporting period	By segment		Amount for the same period of last year over the total costs (%)	Amount for the reporting period compared to the same period of last year (%)	Explanation
		Amount for the reporting period over the total costs (%)	Amount for the same period of last year			
Coal operation	2,405,804.44	77.34	2,024,071.64	79.80	18.86	Mainly due to the increases in commodity price and labor cost in current period
Transportation business	36,444.52	1.17	32,717.85	1.29	11.39	
Coal-related chemical operation	663,323.62	21.32	476,150.05	18.77	39.31	Mainly due to the increases in costs caused by increased coal purchase price in current period
Others	5,242.50	0.17	3,451.69	0.14	51.88	
Total	3,110,815.08	100.00	2,536,391.22	100.00	22.65	

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Analysis on the Principal Business (Continued)

2. Analysis on Revenue and Cost (Continued)

(6) Change in scope of combination arising from change in shareholding of major subsidiaries during the reporting period

- A. In March 2021, Yitai Chemical injected RMB21.1344 million to Inner Mongolia Yuanji Chemical Co., Ltd. (“Yuanji Chemical”). After the completion of the capital increase, Yitai Chemical held 42.46% equity interests of Yuanji Chemical. In December 2021, Yitai Chemical entered into equity transfer agreement with shareholders of Yuanji Chemical, namely Inner Mongolia Hongrui Group Company (內蒙古弘瑞能源集團有限公司) (“Hongrui Group”) and Yang Borenbatu (楊博仁叭吐), pursuant to which, Yitai Chemical acquired 36.23% equity interests of Yuanji Chemical held by Hongrui Group at the consideration of RMB62,324,547.83, and acquired 21.31% equity interests of Yuanji Chemical held by Yang Borenbatu (楊博仁叭吐), at a consideration of RMB36,661,549.32. The total consideration for the equity acquisition amounted to RMB98,986,097.15. Upon the completion of the equity transfer, Yitai Chemical held 100% equity interest of Yuanji Chemical.
- B. In December 2021, Yitai Chemical entered into an equity transfer agreement with Hongrui Group, a shareholder of Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司) (“Hengrui Xinke”), Su Mingji and Zhang Jizhong, pursuant to which, Yitai Chemical acquired 60%, 25% and 15% equity interest of Hengrui Xinke held respectively by Hongrui Group, Su Mingji and Zhang Jizhong at the consideration of RMB115,507,286.80, RMB48,128,036.17 and RMB28,876,821.70, respectively. The total consideration of the equity transfer amounted to RMB192,512,144.67. Upon the completion of the equity transfer, Yitai Chemical held 100% equity interest of Hengrui Xinke.
- C. In July 2021, the Company established a wholly-owned subsidiary, being Shenzhen Taiyu Private Equity Fund Management Co., Ltd. (深圳泰譽私募股權基金管理有限公司) with registered capital of RMB10 million. On 26 July 2021, it obtained the Enterprise Legal Person Business License issued by Shenzhen Administration for Market Regulation (unified social credit code number: 91440300MA5GWYH57N).

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Analysis on the Principal Business (Continued)

2. Analysis on Revenue and Cost (Continued)

(6) Change in scope of combination arising from change in shareholding of major subsidiaries during the reporting period (Continued)

- D. In July 2021, the Company established a wholly-owned subsidiary, being Inner Mongolia Yitai Baijialiang Coal Co., Ltd. (內蒙古伊泰白家梁煤炭有限公司) with registered capital of RMB1 million. Its place of registration is No. 1 Community of Burdunta Village, Nalintaohai Town, Yijinhuoluo Banner, Ordos, Inner Mongolia Autonomous Region, and on 30 July 2021, It obtained the Business License for Enterprise Legal Person (unified social credit code number: 91150627MA0R7JAG6R) issued by Market Supervision and Administration Bureau of Yijinhuoluo Banner.
- E. During the reporting period, the Company completed the liquidation and cancellation of the wholly-owned subsidiary Shenzhen Yitai Investment Co., Ltd., and 1 wholly-owned subsidiary was excluded from the scope of consolidated statements in the current period.

(7) Information on major customers and major suppliers

A. Information on major customers

Sales to top five customers amounted to RMB10,807.2435 million, accounting for 21.32% of the total annual sales; among which sales to related parties amounted to RMB0 million.

Unit: yuan Currency: RMB

Customer	Sales revenue (tax exclusive)	Proportion to total sales volume
The largest	3,319,537,262.02	6.55%
The second largest	2,174,730,734.72	4.29%
The third largest	1,881,921,001.97	3.71%
The fourth largest	1,748,233,554.66	3.45%
The fifth largest	<u>1,682,820,903.04</u>	<u>3.32%</u>
Total	<u>10,807,243,456.41</u>	<u>21.32%</u>

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Analysis on the Principal Business (Continued)

2. Analysis on Revenue and Cost (Continued)

(7) Information on major customers and major suppliers (Continued)

B. Information on major suppliers

Purchases from top five suppliers amounted to RMB7,353.1248 million, accounting for 66.28% of the total annual purchases; among which purchases from related parties amounted to RMB4,128.9775 million, accounting for 37.22% of the total annual purchases, being the largest supplier.

Unit: yuan Currency: RMB

Supplier	Purchase amount (tax exclusive)
The largest	4,128,977,504.05
The second largest	1,421,641,851.68
The third largest	645,794,620.81
The fourth largest	641,682,715.91
The fifth largest	515,028,070.00
Total	<u>7,353,124,762.45</u>

Yitai Group is a controlling shareholder of the first supplier, other than Yitai Group, during the reporting period, to the knowledge of the directors, none of the directors or the close associates of the directors or the shareholders of the Company (to the knowledge of the directors, who owned over 5% of the issued equity of the Company) is interested in the top five suppliers or the top five customers of the Company.

3. Expenses

Items	Amount in current period (yuan)	Amount in previous period (yuan)	Change (%)
Cost of sales	204,676,592.69	161,174,439.76	26.99
Administrative expenses	1,464,328,036.03	1,133,776,431.45	29.15
Finance costs	1,569,063,419.24	1,680,344,649.22	-6.62
Research and development costs	283,895,819.69	310,944,898.11	-8.70

4. Research and Development (“R&D”) Investment

(1) Table on R&D investment

Unit: yuan

Expensed R&D expenditure in the period	283,895,819.69
Total R&D expenditure	283,895,819.69
Percentage of total R&D investment over operating revenue (%)	0.56

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Analysis on the Principal Business (Continued)

4. Research and Development (“R&D”) Investment (Continued)

(2) Information on R&D staff

Number of the Company’s R&D staff	448
Percentage of R&D staff number to the Company’s total number of employees (%)	8.5%

R&D staff by educational background

Category of educational background	Number
PhD	1
Master postgraduate	17
Undergraduate	221
College	183
High school and below	26

R&D staff by age

Age group	Number
Aged 30 (exclusive) below	62
Aged 30 (inclusive) to 40 (exclusive)	282
Aged 40 (inclusive) to 50 (exclusive)	78
Aged 50 (inclusive) to 60 (exclusive)	26
Aged 60 and above	0

5. Cash Flow

As at 31 December 2021, the balance of cash and cash equivalents was RMB17,070.8915 million, increased by RMB5,778.3809 million, or 51.17%, as compared with RMB11,292.5106 million in the same period of last year.

Net cash inflow from operating activities for the period was RMB17,752.1251 million, increased by RMB11,012.0719 million, or 163.38%, as compared with RMB6,740.0532 million in the same period of last year.

Net cash outflow from investing activities for the period was RMB1,244.9834 million, decreased by RMB441.0487 million, or 26.16%, as compared with RMB1,686.0321 million in the same period of last year.

Net cash outflow from financing activities for the period was RMB10,725.7048 million, increased by RMB1,010.1483 million, or 10.40%, as compared with the net outflow of RMB9,715.5565 million in the same period of last year.

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(II) Explanations on Significant Profit Change Resulted from Non-principal Business

Not applicable

(III) Analysis on Assets and Liabilities

1. Information on assets and liabilities

Unit: yuan

Item	Closing balance for the period	Closing balance 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 and bank balance	17,435,397,989.24	18.85	12,235,897,104.62	14.30	42.49	Mainly due to the increase in recovery of payment for goods in the current period
Trading financial assets	0	0	2,011,120.00	-	-100.00	Mainly due to the disposal of futures during of the current period
Notes receivable	9,480,000.00	0.01	0	-	100.00	Mainly due to the increase in bank acceptance bills and commercial acceptance bills from accepting banks with lower credit rating
Accounts receivable	2,062,907,211.12	2.23	1,280,175,866.98	1.50	61.14	Mainly due to the increase in receivables;
Financing receivable	42,309,185.36	0.05	2,071,600.00	-	1,942.34	Mainly due to the increase in bank acceptance bills with higher credit rating of acceptance banks
Prepayments	807,294,885.73	0.87	573,875,955.11	0.67	40.67	Mainly due to the increase in prepaid freight in the current period

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(III) Analysis on Assets and Liabilities (Continued)

1. Information on assets and liabilities (Continued)

Item	Closing balance for the period	Closing balance 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
Other receivables	1,055,567,693.48	1.14	502,459,431.63	0.59	110.08	Mainly due to the increase in asset transfer receivables in the current period
Other current assets	1,375,631,949.39	1.49	765,304,428.89	0.89	79.75	Mainly due to the increase in investment of short-term debts in the current period
Intangible assets	4,401,859,596.20	4.76	3,234,890,864.17	3.78	36.07	Mainly due to the increase in business combination, productive assets and land use rights in the current period
Short-term borrowings	30,029,241.65	0.03	1,000,000,000.00	1.17	-97.00	Mainly due to the increase in repayment of short-term borrowings in the current period
Trading financial liabilities	0	0	2,034,720.00	-	-100.00	Mainly due to the disposal of futures in the current period
Notes payable	1,919,032,313.94	2.07	1,296,438,553.80	1.52	48.02	Mainly due to the increase in commercial acceptance bills payable at the end of the period

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(III) Analysis on Assets and Liabilities (Continued)

1. Information on assets and liabilities (Continued)

Item	Closing balance for the period	Closing balance 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
Advances	5,623.52	0.00	2,155,213.74	-	-99.74	Mainly due to the decrease in advance receipts for land transfer and asset disposal in the current period
Contract liabilities	768,311,985.85	0.83	507,734,000.67	0.59	51.32	Mainly due to the increase in advance receipts in the current period
Employee benefits payable	367,577,177.80	0.40	266,511,151.48	0.31	37.92	Mainly due to the increase in wages and bonuses payable at the end of the period
Taxes payable	3,822,144,979.80	4.13	731,787,487.12	0.86	422.30	Mainly due to the increase in value-added tax, enterprise income tax and resource tax payable at the end of the period
Other payables	2,491,669,969.08	2.69	1,379,398,220.73	1.61	80.63	Mainly due to the increase in dividends payable and equity transfer payments payable in the current period
Other current liabilities	113,913,030.07	0.12	65,924,584.16	0.08	72.79	Mainly due to the increase in the tax to be written off in the current period

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(III) Analysis on Assets and Liabilities (Continued)

1. Information on assets and liabilities (Continued)

Item	Closing balance for the period	Closing balance 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
Lease liabilities	3,954,457.27	0.00	9,795,893.40	0.01	-59.63	Mainly due to the decrease in rental payment in the current period
Long-term payables	751,315,837.42	0.81	491,000,000.00	0.57	53.02	Mainly due to the increase in the purchase of mining rights in installments in the current period
Projected liabilities	1,439,369,439.63	1.56	612,897,208.93	0.72	134.85	Mainly due to the increase in projected land reclamation obligations of coal mines in the current period

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

Item	Balance (Yuan)	Cause
Monetary fund	364,506,468.77	For the bank acceptance bill deposit, guarantee deposit and environmental protection deposit
Fixed assets	73,490,260.82	Secured borrowings
Intangible assets	9,555,654.02	Secured borrowings
Total	447,552,383.61	

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(III) Analysis on Assets and Liabilities (Continued)

3. Amount and bills receivables

As at 31 December 2021, the net value of the Company's amount and bills receivables amounted to RMB2,114,696 thousand, increased by RMB832,449 thousand or 64.92% as compared with RMB1,282,247 thousand as at 31 December 2020, mainly due to the increase in receivable.

4. Borrowings

As at 31 December 2021, the balance of the Company's borrowings amounted to RMB25,514,149 thousand, decreased by RMB2,745,607 or 9.72% as compared with RMB28,259,757 thousand as at 31 December 2020, mainly due to the increase in repayment of borrowings in current period.

5. The Company's capital structure

Unit: '000 yuan Currency: RMB

	31 December 2021	31 December 2020
Interest-bearing borrowings	25,514,149	28,259,757
Long-term bonds	2,511,234	5,910,939
Trade and bills payables	4,112,007	3,460,588
Financial liabilities at fair value through profit or loss		2,035
Financial liabilities included in other payables and accruals	2,491,670	1,379,398
Other borrowings	977,305	538,474
Less: Cash and cash equivalents	17,070,892	11,292,511
Net debt	18,535,474	28,258,680
Equity attributable to equity holders of parent company	40,867,522	33,061,025
Gearing ratio*	31.20%	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 bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash and short-term deposits. Capital represents equity attributable to owners of the Company.

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(IV) Analysis on the Operation of the Industry

1. Operating status of coal mine operation

During the reporting period, the Company promoted the construction of intelligent mines in an orderly manner, and scientifically formulated green mine construction plans. The pilot work of coal mine intelligence was going smoothly. Taking Suancangou Mine as a pilot project, nine major functional systems, including private cloud system, intelligent comprehensive management and control platform, and intelligent robot inspection system, have been installed and commissioned, and are officially put into operation. Kaida Mine and Baoshan Mine have successfully built the intelligent fully mechanized caving face, and Suancangou Mine has successfully built the intelligent fully mechanized caving face, which greatly improved its production efficiency. The Company enhanced electromechanical management, optimized resource allocation, and provided multiple guarantees for the safe and efficient production of coal mines. It also optimized the overall trusteeship operation mode of coal mines, which contributed to the effective improvement of production efficiency.

During the reporting period, the Company produced commodity coal of 43,206,200 tonnes, representing a year-on-year decrease of 5.24%; sold coal of 62,910,500 tonnes, representing a year-on-year decrease of 14.13% and completed the total drivage of 85,600 meters, representing a year-on-year decrease of 18.48%.

During the reporting period, the Group's capital expenditures related to the development and exploitation of coal mines amounted to approximately RMB630.21 million which was mainly attributable to payment for purchase of electromechanical equipment, payment for mining rights and demolition compensation.

Unit: 100 million yuan Currency: RMB

Type of coal	Production (tonnes)	Sales volume (tonnes)	Sales revenue	Sales costs	Gross profit
Thermal coal	<u>43,206,236.73</u>	<u>62,910,456.13</u>	<u>422.05</u>	<u>240.58</u>	<u>181.47</u>
Total	<u>43,206,236.73</u>	<u>62,910,456.13</u>	<u>422.05</u>	<u>240.58</u>	<u>181.47</u>

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(IV) Analysis on the Operation of the Industry (Continued)

2. Coal mine reserve

Main mines	Main categories of coal	Resource reserve (tonnes)	Mineable reserve (tonnes)
Suancigou Mine	Long-flame coal	1,175,840,000	760,590,000
Nalinmiao Coal Mine No. 2	Non-caking coal	69,597,400	61,157,000
Hongjingta Mine No. 1	Non-caking coal	49,752,000	15,251,854
Nalinmiao Coal Mine No. 1	Non-caking coal	11,408,400	11,248,000
Kaida Mine	Non-caking coal	179,068,600	113,637,800
Dadijing Mine	Non-caking coal	59,405,326	30,350,706
Baoshan Mine	Non-caking coal	23,438,600	9,080,000
Baijialiang Mine	Non-caking coal	5,200,000	6,428,000
Talahao Mine	Long-flame coal	827,524,000	496,039,000
Total		2,401,234,326	1,503,782,360

Explanations:

Calculation criteria: Quantity of resources and reserves of the Company estimated as at 31 December 2021 is obtained from the resources latest recorded by the Ministry of Land and Resources less the used resources year by year. There have been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in this annual report are pursuant to the currently prevailing code standard of China: reserves of corresponding grade are calculated according to the Management Rule of Reserves of Operating Mines (《生產礦井儲量管理辦法》), and Coal and Peat Geology Exploration Regulation (《煤、泥炭地質勘查規範》). The reserves sheet shall be examined and verified by the internal geological experts of the Company.

- (1) The retained resources reserve of Baijialiang Coal Mine have been revised according to the Description of Baijialiang Coal Mine Reserves issued by the Natural Resources Bureau of Yijinhuoluo Banner in September 2021. The retained resource reserves are the remaining physical coal geological reserves, and mineable reserves are that of the open-pit mining, including the residual coal in the original room-and-pillar goaf.
- (2) The underground mining of Nalinmiao Mine No. 2 was completed, and the original mine has been converted into disaster control. The retained reserves of Nalinmiao Mine No. 2 are the remaining physical coal geological reserves, and the mineable reserves are those of open-pit mining for disaster control, including the residual coal in the original room-and-pillar goaf.
- (3) Nalinmiao Mine No. 1 has been converted to disaster control. The retained reserves of Nalinmiao Mine No. 1 are the remaining physical coal geological reserves and the mineable reserves are those of open-pit mining for disaster control, including the residual coal in the original room-and-pillar goaf.

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

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(IV) Analysis on the Operation of the Industry (Continued)

3. Cole mine construction

Yili Mining was established on 13 March 2012 with a registered capital of RMB676 million, and is held as to 90.27% equity interest by the Company. During the reporting period, Yili Mining has obtained exploration report filing documents and evaluation opinions for its 4.5 mtpa coal mine project, the approval of the Department of Natural Resources in respect of the designated mining area, the review opinion of Environmental Protection Department on environmental impact assessment and the approval of the Water Resources Department on the water and soil conservation plan.

4. Coal cost

Unit: yuan Currency: RMB

Item	January to December 2021 Unit cost	January to December 2020 Unit cost
Raw material, fuel and power	15.61	10.04
Labor costs	6.60	12.31
Depreciation and amortization	11.94	11.05
Other production costs	65.70	51.05
Entrustment costs	49.36	24.90
Total unit production cost of coal	149.21	109.35
Unit cost of coal purchased domestically	544.97	300.92

1. The entrustment cost in the unit production cost of coal in the above table was calculated based on the total coal production during the reporting period. Since some coal mines started trusteeship in April in the same period of the previous year, the calculation is based on the production volume corresponding to the entrustment cost from April to December. The entrustment cost per tonne coal was RMB41.50. During the reporting period, based on the production volume of the part of coal mines entrusted by the Company, the entrusted cost per tonne was RMB61.74, an increase of RMB20.24 over the same period of the previous year, mainly due to the increase in the price of bulk materials, the increase in labor costs and changes in geological conditions.
2. During the reporting period, raw materials, fuel and power increased by RMB5.57 over that of the same period of the previous year, mainly due to the increase in price of electricity.
3. The labor cost during the reporting period decreased by RMB5.71 over that of the same period of the previous year, which was mainly due to the fact that after the coal mine was entrusted from April to December 2020, the salaries of some personnel were assumed by the trustee.
4. During the reporting period, other production expenses increased by RMB14.65 over that of the same period of the previous year, which was mainly due to the increase in the compensation fee for coal mine demolition and earthwork stripping.

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(IV) Analysis on the Operation of the Industry (Continued)

5. Analysis on factors causing changes in business revenue

Yitai	From January to December 2021		From January to December 2020	
	Quantity (in '0,000 tonnes)	Unit price (yuan/tonne) (tax exclusive)	Quantity (in '0,000 tonnes)	Unit price (yuan/tonne) (tax exclusive)
Local sales at mines	1,173.36	445.81	1,889.54	251.87
Local sales at loading facilities	726.55	505.55	940.56	284.02
Sales via direct rail access	74.99	671.46	289.26	407.14
Sales at ports	4,316.15	759.88	4,206.77	450.06
Total	6,291.05	670.87	7,326.13	375.93

6. Analysis on factors influencing revenue from physical product sales

Yitai	From January to December 2021 Quantity (in '0,000 tonnes)	From January to December 2020 Quantity (in '0,000 tonnes)
Self-produced coal	4,376.02	4,805.63
Coal purchased externally	1,915.03	2,520.50

Company name	From January to December 2021 (in '0,000 tonnes)		From January to December 2020 (in '0,000 tonnes)	
	Total throughput	Freight volume for the Company	Total throughput	Freight volume for the Company
Huzhun Railway Company	8,756.19	5,233.77	7,680.98	5,085.55

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(V) Analysis on Investment

1. Material non-equity investment

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (in ten thousand yuan)	Shareholdings (shares)	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	1,958.67	100	109.40
Total				7,923.79	19,013,000.00	1,958.67	100	109.40

Shareholding in non-listed financial entities

Name of the investee	Investment (in ten thousand yuan)	Carrying amount at the end of the period (in ten thousand yuan)	Profit or loss in the reporting period (in ten thousand yuan)	Accounting item	Source of share
Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)	1,215.98	645.34	-570.64	Other non-current financial assets	Capital contribution
Panmao (Shanghai) Investment Center LP (磐茂(上海)投資中心(有限合夥))	46,030.90	66,980.14	7,832.00	Other non-current financial assets	Capital contribution
Zhuhai Rongyu Investment Center L. L. P (珠海銘聿投資中心(有限合夥))	18,114.66	26,680.57	3,274.54	Other non-current financial assets	Capital contribution
Panfeng Value Fund C (磐豐價值C期)	30,155.00	37,225.39	-7,050.93	Other non-current financial assets	Capital contribution
Shenzhen Jiangu Equity Investment Fund Enterprise (LP) (深圳兼固股權投資基金企業(有限合夥))	7,698.75	7,187.62	279.91	Other non-current financial assets	Capital contribution
Shenzhen Sequoia Xinchen Equity Investment Partnership (深圳紅杉鑫辰股權投資合夥企業)	9,738.85	9,745.24	6.39	Other non-current financial assets	Capital contribution
HuaXia Monetary Fund B (華夏貨幣B基金)	484.69	484.69	12.21	Other non-current financial assets	Capital contribution
				Other non-current financial assets	Capital contribution

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(IV) Analysis on the Operation of the Industry (Continued)

1. Material non-equity investment (Continued)

Name of the investee	Investment (in ten thousand yuan)	Carrying amount at the end of the period (in ten thousand yuan)	Profit or loss in the reporting period (in ten thousand yuan)	Accounting item	Source of share
Beijing Senfoto Technology Co., Ltd. (北京未感科技有限公司)	100.00	126.53	26.53	Other non-current financial assets	Capital contribution
Tianjin Tianbing Aerospace Technology (天津天兵航天科技)	400.00	5,090.96	3,850.96	Other non-current financial assets	Capital contribution
Beijing Linpowave Co., Ltd. (北京凌波微步信息技術有限公司)	292.84	303.58	10.73	Other non-current financial assets	Capital contribution
Oncologie, Ltd.	1,425.86	1,291.89	-133.97	Other non-current financial assets	Capital contribution
Beijing Da Oak Technology Co., Ltd. (北京大橡科技有限公司)	85.00	246.78	161.78	Other non-current financial assets	Capital contribution
Beijing Invispower Technology Co., Ltd. (北京有感科技有限責任公司)	800.00	1,063.76	263.76	Other non-current financial assets	Capital contribution
Resonant Medical Technology Co. Ltd. (昆山雷盛醫療科技有限公司)	604.00	981.00	377.00	Other non-current financial assets	Capital contribution
Tianjin Asida Aerospace Science and Technology Co., Ltd. (天津愛思達航天科技有限公司)	400.00	867.03	467.03	Other non-current financial assets	Capital contribution
Suzhou SmartNuclide Biopharmaceutical Co., Ltd.	600.00	1,200.03	600.03	Other non-current financial assets	Capital contribution
Denovo Biopharma (Hangzhou) Co., Ltd. (索元生物醫藥(杭州)有限公司)	2,000.00	2,773.04	773.04	Other non-current financial assets	Capital contribution
Gongqingcheng Jiuyou Herui Investment Management Partnership (L.P.) (共青城久友和瑞投資管理合夥企業 (有限合夥))	2,960.00	3,094.43	134.43	Other non-current financial assets	Capital contribution
Beijing VDI Bio Co., Ltd..	471.07	549.67	78.60	Other non-current financial assets	Capital contribution
Total	<u>123,577.59</u>	<u>166,537.66</u>	<u>10,393.39</u>	/	/

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(V) Analysis on Investment (Continued)

2. Financial assets measured at fair value

(1) Investments in other equity instruments

Item	Carrying amount at the end of the period (yuan)	Amount that affects the profit for the period (yuan)
Investments in other equity instruments	<u>7,866,716,736.29</u>	<u>199,652,932.06</u>

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

Item	Carrying amount at the end of the period (yuan)	Amount that affects the profit for the period (yuan)
Futures	<u>0</u>	<u>-67,638,257.74</u>
Total	<u>0</u>	<u>-67,638,257.74</u>

(VI) Disposal of Major Assets and Equity

Not applicable

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(VII) Analysis on Major Subsidiaries and Investee Companies

Company name	Business nature	Principal products or services	Registered capital (yuan)	Total assets (yuan)	Net profit (yuan)
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Mining and sales of coal	1,080,000,000.00	13,758,361,085.94	3,227,948,861.05
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Railway transport operations	Railway passenger and freight transport	3,628,598,000.00	11,789,170,293.70	267,890,935.77
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	Coal chemical products	Production and sales of Fischer-Tropsch refined wax, 1# Fischer-Tropsch crude liquid wax, normal stable light hydrocarbons, normal Fischer-Tropsch soft wax, liquefied gas and other chemical products and their ancillary products	2,352,900,000.00	3,554,162,505.39	-391,972,747.39
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限公司)	Coal chemical products	Production and sales of 2# Fischer-Tropsch crude liquid wax, 1# Fischer-Tropsch crude liquid wax, normal stable light hydrocarbons, Fischer-Tropsch refined wax and other chemical products and their ancillary products	5,900,000,000.00	16,074,921,354.00	-395,111,150.55

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

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

During the reporting period, Suancigou Mine deepened management reform and optimized trusteeship model by scientifically organizing production and further upgrading the equipment to ensure the normal operation of mines and the stable and healthy development of production. According to the requirements of the Three-Year Action Implementation Plan for Promoting the Intelligent Construction of Coal Mine in Inner Mongolia Autonomous Region, Suancigou Mine has put more efforts to promote the construction of intelligent mines. By the end of 2021, all the major functional systems for intelligent mine construction have been installed and adjusted. During the year, Suancigou Mine recorded total operating revenue and net profit of RMB5.737 billion and RMB3.228 billion, respectively.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

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

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

Huzhun Railway Company is principally engaged in railway transport business, with a registered capital of RMB3,628,598,000. It is owned as to 72.66% by the Company, and 18.94% by Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. (兗州煤業鄂爾多斯能化有限公司), 4.04% by Inner Mongolia Mengtai Buliangou Coal Co., Ltd. (內蒙古蒙泰不連溝煤業有限責任公司), 2.83% by Inner Mongolia State-owned Capital Management Co., Ltd. (內蒙古國有資產運營有限公司), 1.22% by Datang Electric Power Fuel Co., Ltd. (大唐電力燃料有限公司) and 0.31% by China Railway Hohhot Railway Bureau Group Co., Ltd. (中國鐵路呼和浩特鐵路局集團有限公司).

During the reporting period, Huzhun Railway Company actively responded to the complex and ever-changing market environment by uncovering the growth point of transportation volume and carefully organizing transportation, and successfully accomplished the task of guaranteeing transportation. Based on the public network LTE standard, the company cooperated with operators and OEMs to cover the blind spots of wireless signal coverage in the east pipe, solved the problem of blind spots in wireless train calls and achieved a number of wireless communication functions. In the meantime, investment in technology was enhanced to actively develop anti-spill device for low specific gravity coal, truck overload and eccentric load detection device and truck loading intelligent monitoring system, which significantly improved overload and eccentric load. It obtained 1 authorized invention patent and 1 pre-applied utility model.

Zhundong Railway Line and Huzhun Railway Line maintained safety operation record of 7,686 days and 5,522 days in a row, respectively, with no railway accidents of general Class B and above or personal minor injuries during the whole year. In 2021, the total coal output amounted to 87.56 million tonnes, and operating revenue and net profit of RMB1.757 billion and RMB268 million were recorded respectively.

In terms of project construction, the environmental protection renovation project of Xiyingzi Dispatch and Transportation Station has been put into operation. The settlement, relevant asset consolidation and construction data filing of the Second Track of Huzhun Railway Project have completed.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(VII) Analysis on Major Subsidiaries and Investee Companies *(Continued)*

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

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

During the reporting period, the Coal-to-oil Company further consolidated and improved the process operation results, implemented process refinement measures from device operation optimization, index optimization, product structure optimization and other aspects, to reduce unit costs and improve the long-term stable operation capability of the device. All environmental protection facilities operated normally throughout the year, and the qualified rate of pollutant discharge indicators reached 100%.

Throughout the year, the device achieved effective operation of 280.9 days, and total production of oil products and chemicals of 161,200 tonnes, with operating revenue of RMB786 million. Due to the rising coal prices, the Coal-to-oil Company suffered a loss of RMB392 million throughout the year.

The concentrated brine zero-emission technology transformation for the 160,000 tonnes/year coal-to-oil demonstration project has passed the 72-hour performance appraisal and acceptance. For the phase II of the 2 million tonnes/year indirect coal liquefaction demonstration project, the focus was put on promoting the settlement of civil engineering contracts.

4. Inner Mongolia Yitai Chemical Co., Ltd.

Inner Mongolia Yitai Chemical Co., Ltd. was incorporated on 29 October 2009 with a registered capital of RMB5.9 billion, and was owned as to 90.20% and 9.80% by the Company and Yitai Group, respectively.

During the reporting period, Yitai Chemical (Headquarters) continuously improved the level of refined management, rationally organized production, and reasonably arranged and planned regular repair and cleaning of key devices such as gasifiers, shift gas preheaters, synthetic heavy oil heaters, among others, based on the operation and operating environment of the devices, to ensure the stable operation of the device under high load. Throughout year, the device achieved a stable operation of 365 days, and produced 1.233 million tonnes of various chemicals. 1.2327 million tonnes of various coal-related chemical products was sold, which recorded operating revenue of RMB6.236 billion. Due to the rising coal prices, Yitai Chemical suffered losses of RMB420 million throughout the year.

Yitai Ningneng, a holding subsidiary of Yitai Chemical, produced qualified products of 273,300 tonnes in total and achieved operating revenue of RMB1.317 billion and recorded net profit of RMB18 million throughout the year.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(VII) Analysis on Major Subsidiaries and Investee Companies *(Continued)*

5. Yitai Yili Energy Co., Ltd.

During the reporting period, Yili Energy Company actively conducted the research and demonstration of product plans and the protection of finished engineering products and semi-finished products, and has completed the first-instance settlement preparation and review of project contracts such as the domestic sewage treatment station in the front of the factory, the steel frame shed of the temporary open-air storage yard, the roads, rainwater pipes and drainage systems in the front of the factory, and the greening of the North Ring Road and Century Avenue.

6. Yitai Yili Mining Co., Ltd.

During the reporting period, Yili Mining Company obtained the exploration report filing documents and review opinions for the 4.5 million tons/year coal mine, the approval of the Department of Natural Resources for the delineation of the mining area, the review opinions of the Department of Ecology and Environment for the environmental impact assessment of the integration plan, and the approval of the Water Resources Department for the water and soil conservation plan.

7. Investee companies

(1) Inner Mongolia Yitai Galutu Mining Co., Ltd.

Galutu Mining was established in November 2018, jointly funded by the Company and Inner Mongolia Mining Industry Group Co., Ltd.. The Company held 47.23% of its shares.

During the reporting period, Galutu Mining completed mine field exploration.

(2) Inner Mongolia Yitai Finance Company Limited

Yitai Finance Company was established in July 2015, jointly funded by the Company and Yitai Group. The Company held 40% of its shares.

During the reporting period, the operating revenue and the net profit of Yitai Finance Company were RMB383 million and RMB228 million, respectively.

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

Jingtai Power Generation was co-invested and founded by the Company, Beijing Jingneng Power Co., Ltd. and Shanxi Yudean Energy Co., Ltd., which is owned as to 29% by the Company, and the main business scope of Jingtai Power Generation covers coal gangue power generation, sales and heat supply. During the reporting period, Jingtai Power Generation completed 3.372 billion kWh of power generation and recorded net profit of RMB23.4879 million.

REPORT OF THE BOARD OF DIRECTORS (Continued)

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

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

7. Investee companies (Continued)

(4) Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司)

Guanglian Coal Chemical was co-funded and established by the Company, Yitai Group, Coal Geological Bureau of the Inner Mongolia Autonomous Region and Inner Mongolia Guanglian Ethnic and Economic Development Company (內蒙古廣聯民族經濟發展公司), and the Company holds 20% of its shares. Guanglian Coal Chemical is mainly engaged in coal production, washing, sales and equipment leasing. During the reporting period, Guanglian Coal Chemical achieved a total operating income of RMB4.179 billion and a net profit of RMB1.675 billion.

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

During the reporting period, the total operating revenue and the net profit of Mengji Railway in 2021 were RMB9,157.5196 million and RMB2,226.0587 million, respectively. The total operating revenue and the net profit of Xin Baoshen Railway for the year were RMB4,576.8897 million and RMB1,238.6934 million, respectively. The total operating revenue and the net profit of South Ordos Railway were RMB4,393.0810 million and RMB541.7058 million, respectively. Haoji Railway recorded total operating revenue of RMB9,241.6709 million, and suffered loss of RMB2,112.3004 million in the year. Zhunshuo Railway recorded total operating revenue of RMB929.5933 million, and suffered loss of RMB591.2089 million in the year. (All above financial data of railway companies invested but not being controlled by the Company was unaudited)



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(I) Landscape and Trend of the Industry

The “14th Five-Year Plan” period is a critical period for implementing new development concepts and implementing new strategic ideas for energy security. The development directions in the energy industry are to adhere to the promotion of clean and low-carbon transformation of the energy industry and the optimization and upgrading of energy and strategic resource bases.

From a national perspective, the Central Economic Work Conference held at the end of 2021 proposed that “achieving carbon peaking and carbon neutrality is an inherent requirement to promote high-quality development”, that it is required to “focus on the clean and efficient utilization of coal, increase the consumption capacity of new energy, and promote the optimal combination of coal and new energy based on the coal-based basic national conditions”, and that it is required to improve the clean coal development and utilization policy guided by the “dual carbon” goal, build a green and low-carbon energy transformation promotion mechanism, and provide policy assistance and guidance for the Company's future development.

From a local perspective, during the “14th Five-Year Plan” period, Inner Mongolia Autonomous Region was required to promote the optimization and upgrading of energy and strategic resource bases. In terms of the coal industry, it needed to strictly control the intensity of coal development, promote clean production and intelligent and efficient coal mining, promote the utilization of coal by grades, greatly improve the on-site conversion rate and the degree of intensive and deep processing, and build a coal-based entire industrial chain.

(II) Development Strategies of the Company

In 2022, in response to the opportunities and challenges brought about by the new development pattern, while unswervingly promoting the high-quality development of the principal coal business, the Company will actively explore low-carbon transformation and development, accelerate industrial upgrading and structural adjustment, and strive to build a new pattern of diversified development with complementary industries, complementary benefits and complementary markets. On the basis of consolidating the principal coal industry, the Company will accelerate the low-carbon transformation and promote the high-quality development of various businesses.

Firstly, the Company will unswervingly improve and strengthen the coal industry. The first is to improve the development efficiency of existing resources and the ability to create of resources efficiency, and continue to promote the construction of intelligent coal mines; the second is to attach great importance to coal quality management, strengthen the whole-process management and control through information-based means such as coal quality intelligent evaluation system, and strive to create better benefits; the third is to plan for high-quality resource reserves in advance from the perspective of industrial structure adjustment and transformation and upgrading under the guidance of the national market-oriented resource allocation policy, integrate internal and external high quality coal resources and make sure the continuity of resources to enrich the strategic reserves of the Company.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(II) Development Strategies of the Company *(Continued)*

Secondly, on the basis of consolidating relationship with key long-term customers, the Company will speed up the structural adjustment of downstream target customers in light of the policy and market changes to improve the ability to deal with market risks. It will also pay close attention to the adjustment of the medium and long-term coal contract mechanism, broadly absorb social coal into the line for delivery, and increase the railway delivery volume.

Thirdly, the Company will develop clean coal technology, drive the growth of new driving forces, and explore high quality development. We will firmly extend the industry chain, improve added value of products, and with a focus on scientific transformation and development, build a coal-based industry platform with flexible and changeable products based on market demand.

Fourthly, taking the opportunity of building an enabling safety management system, the Company will establish a long-term safety management standardization system that adapts to the entire industry and industry chain, further deepen the safety classification management and graded evaluation of production and business units, and promote evaluation-based and physical-based inspections.

Fifthly, the Company will continue to deepen the management reform, continue to promote the reform of “delegating, regulating and serving” in response to the new tasks and new models emerging in the transformation and development, continue to explore and implement the benefit sharing mechanism, and complete the construction of the corresponding performance evaluation system, achieve effective operation of the “strategy-plan-budget-performance” closed-loop management system, and maximize the vitality of the organization. It will also establish a high-quality and efficient functional service mechanism, further improve the construction of talent force, and strive to create a team with vitality and strong professional skills and management standards.

Sixthly, the Company will adhere to innovation-driven and provide assistance for its low-carbon transformation. With the help of the innovative achievements of Yitai Group Coal-based New Materials Research Institute, Technology Center and other institutions, and the preferential policies of the autonomous region to encourage new material technology research and provide special financial support, it will strengthen innovation cooperation with domestic and foreign scientific research institutions, colleges and universities, and technology-based enterprises.

Seventhly, the Company will strengthen investment and financing and capital operation management, and optimize the capital structure. It will strengthen the awareness of capital cost, and rationally arrange capital expenditures for operation and investment; improve the scientific, reasonable and accurate assessment of operating working capital, and further strengthen asset management with the goal of enhancing asset profitability. It will build a capital sector and gradually achieve the new industrial pattern driven by both industry and capital, so as to break the constraints of traditional industries and regions, enter emerging industries, and fully integrate surrounding resources. It aims to achieve the development model driven by industry and capital, gradually reduce the cyclical risks of the Company's relatively concentrated industrial sector, and ensure the Company's long-term and sustainable development.

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(III) Business Plan

	2022 estimate	Increase/decrease	Basis
Production volume (in ten thousand tonnes)	4,410	Increased by 2.07% compared with the production volume in 2021	Depend on the internal production capacity and planning on the Company
Sales volume (in ten thousand tonnes)	6,940	Increased by 10.32% compared with the sales volume in 2021	Depend of the market demand
Unit selling price (coal) (yuan/tonne)	525	Decreased by 21.76% compared with the selling price in 2021	Depend on the internal estimate of the Company
Unit cost of sales (yuan/tonne)	363	Increased by 4.97% compared with the unit cost of sales in 2021	Depend on the internal estimate of the Company

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

In 2022, the Company plans to take the following strategies and actions to achieve the above business goals.

1. Firmly improve and strengthen the coal industry

It is required to go through the formalities for adjusting the capacity of Suancigou Mine, Talahao Mine, Kaida Mine and the construction scale of Baijialiang Mine as soon as possible; continue to promote the construction of intelligent coal mines; attach great importance to coal quality management, strengthen the whole-process management and control through information-based means such as the coal quality intelligent evaluation system, and strive to create better benefits, and plan for high-quality resource reserves in advance from the perspective of industrial structure adjustment and transformation and upgrading under the guidance of the national market-oriented resource allocation policy.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(III) Business Plan *(Continued)*

2. Promote the development of digitalization and informatization in delivery and sales

It is required to focus on customers in delivery and sales, firmly establish the concept of “large-scale delivery and sales”, explore the establishment of an information-based and digital management platform for the whole process from production to delivery and sales and customers relying on 5G technology, and comprehensively improve the Company's production, delivery and intelligence capacity; actively explore to develop new energy, pay close attention to industry policies, timely promote coal mines, coal and electricity joint venture projects, and optimize the Company's industrial structure. It is also required to pay close attention to the adjustment of the medium and long-term coal contract mechanism, widely absorb social coal into the line for delivery, and increase the railway delivery volume.

3. Actively explore the low-carbon transformation and development of the chemical industry

It is required to make use of the mature industrialization capabilities, steadily, orderly and continuously explore, while researching and demonstrating the feasibility of new product processes, vigorously promote innovative research and development, and constantly improve the product structure system. The Company should also prepare for market research, new product pipeline construction and market deployment in advance with a focus on the low-carbon transformation of the coal chemical sector.

4. Adhere to bottom-line thinking and coordinate safety, environmental protection and epidemic prevention and control

It is required to focus on the three-year rectification project of safety production, safety supervision and management of the production and operation of coal mines, and study and solve important issues such as the mining of marginal coal resources and the continuous safe and stable operation of the coal chemical system; adhere to the sound mechanism for mutual promotion of pollution prevention and ecological construction guided by “ecology priority and green development”, make full use of the information sharing platform to develop “digital environmental protection”, ensure the effective operation of environmental protection facilities and standard discharge, and further promote the construction of green coal mines.

5. Strengthen technological innovation and improve innovation-driven capabilities

It is required to comprehensively improve the digitalization, informatization and intelligence capacity of the Company in coal mining, chemical transformation, safety production, environmental protection and other aspects. The key is to make breakthroughs in technical research such as thin coal seam mining, intelligent coal mining, and gangue filling; complete the acceptance of the intelligent mine project of Suancang Mine, and accelerate the construction of intelligent coal mines such as Talahao Mine, Kaida Mine, and Dadi Mine to further improve safety production efficiency.



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

(III) Business Plan *(Continued)*

6. Strengthen investment and financing and capital operation management, and optimize capital structure

It is required to guide and publicize payment of Yitai commercial paper, convert Yitai's goodwill into monetary funds, and realize non-monetary payment; reduce interest-bearing debts, asset-liability ratios and financing costs through measures such as repurchasing and canceling corporate bonds, and returning interest-bearing debts to financial institutions in advance; improve the fund settlement efficiency of the settlement center, ensure the fund payment for the Company's business finance and financial sharing, and promote the Company's deepening reform and strategic transformation. It is also required to further strengthen asset management with the goal of enhancing asset profitability.

7. Normalize epidemic prevention and control

All business units must enhance their awareness of risks, resolutely put an end to "boring emotions and slack mentality", establish a normalized prevention and control mechanism, unwaveringly and meticulously implement prevention and control, and coordinate the normalization of epidemic prevention and control and the Company's production and operation.

(IV) Potential Risks of the Company

1. Policy risks

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

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

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

2. Risks of macro-economic fluctuations

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

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

3. Risks of industrial competition

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

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



REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

4. Risks of increasing capital demands

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

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

5. Safety risks

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

In this regard, the Company will focus on safe 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-to-chemical operation and safety technical regulations as soon as possible; step up efforts for safety technique training as well as safety culture cultivation to comprehensively improve employees' professional competence and increase their awareness of safety, and strengthen safety regulation to ensure production safety; alleviate the workers' labor intensity and improve the safety of operators through promoting the use of informationalized, automated and intelligent mining facilities and system.

6. Risks of rising of costs

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

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

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

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

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

7. Risks of coal mine overall entrusted management

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

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

8. Exchange rate risks

The principal places of operations of the Company are located in China and the major businesses are settled in Renminbi ("RMB"). However, the Company's recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly US dollar ("USD") and Kuwait dinar ("KWD") remain exposed to exchange rate risk. The finance department of the Company is in charge of supervising the foreign currency transactions and the size of foreign assets and liabilities so as to minimize the exposure to exchange rate risk. The Company has always attached great importance to the monitoring and research of exchange rate risks, maintained close ties with foreign and domestic financial institutions on exchange rate-related businesses, and at the same time, used a reasonable design of foreign currency methods to strengthen exchange rate risk management in various ways. As the Company's commitment to these risks is kept to a minimum, it does not use any derivatives and other instruments for hedging purposes.

REPORT OF THE BOARD OF DIRECTORS (Continued)

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

(V) Others

1. The Company's capital expenditure plan for 2022

Item	Capital expenditure for 2022 (in ten thousand yuan)
Grant income on mining rights of Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.	2,784.00
Talahao Mine Smart Mine Project of Inner Mongolia Yitai Coal Co., Ltd.	6,185.00
Coal Mine Project of Small and Medium-sized Coal Mine Integration Zone in Yining Mining Area of Yitai Yili Mining Co., Ltd.	10,447.67
Environmental Renovation of Jungar Temple Shipment Station of Inner Mongolia Yitai Huzhun Railway Co., Ltd.	13,871.70
Production and operation investment	<u>72,606.75</u>
Total	<u>105,895.12</u>

The Company's existing capital expenditure plan for 2022 may change in light of the development of the business plan (including potential acquisitions), progress of capital projects, market conditions, outlook for future business conditions and the acquisition of necessary permits and regulatory approvals. Except as required by laws, the Company does not undertake any responsibility to update any data of the capital expenditure plan.

2. Financing plan

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

REPORT OF THE BOARD OF DIRECTORS (Continued)

VII. OTHER DISCLOSURES

(I) Material events after the balance sheet date

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

(II) Pledge of assets

As at 31 December 2021, the details of the pledge of asset of the Group are set out in the note 21, 32 in the Notes VI to the audited consolidated financial statements.

(III) Contingent liabilities

As at 31 December 2021, the Group had no contingent liabilities.

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

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

(V) Issue of warranty

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

(VI) Donation

As at the date of this report, the Group donated approximately RMB53.3560 million in total.

(VII) Share-linked agreement

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

(VIII) Directors' insurance

During the reporting period, the Group has maintained valid directors' insurance for on-duty and resigned Directors.

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

During the reporting period, there was no arrangement of the Group that would procure its Directors, Supervisors or their respective associates to acquire shares or debentures from the Company or other companies.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

VII. OTHER DISCLOSURES *(Continued)*

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

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

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

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

(XII) Board diversity policy

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

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

(XIII) Articles of Association

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

(XIV) Proposed dividend

The Directors of the Group proposed to distribute dividend of RMB9.30 per 10 shares in 2021. Please see section VIII "SIGNIFICANT EVENTS" of this report for details.

REPORT OF THE BOARD OF DIRECTORS *(Continued)*

VII. OTHER DISCLOSURES *(Continued)*

(XV) Distributable reserves

Details of the movements in reserves of the Group during the year 2021 are set out in the Consolidated Statement of Changes in Equity in the independent auditor's report, among which the information on the reserves distributable to shareholders is set forth in note 43 under Notes VI to the independent auditor's report.

(XVI) Resignation of Directors

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

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

In 2021, the Group strictly complied with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Safe Production Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, the Labor Law of the People's Republic of China and other laws and regulations as well as environmental policies of the PRC. In 2021, the Group did not have any serious contravention of laws and regulations.

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

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

(XIX) Rights and interests of Directors in competing businesses

In 2021, save as disclosed in this report, neither the Directors nor their associates have any competing interests in the businesses which compete or are likely to compete with the business of the Company, either directly or indirectly.

REPORT OF THE BOARD OF DIRECTORS (Continued)

VII. OTHER DISCLOSURES (Continued)

(XX) Significant contracts

In 2021, save as disclosed in “Significant Events” – Material Connected Transactions in this report, neither the Company nor any of its subsidiaries entered into any significant contracts with the controlling shareholder or any of its subsidiaries other than the Group.

(XXI) Management contracts

In 2021, in order to strictly implement the national policies and the Administrative Measures for Coal Mine Overall Entrusted Management Safety (Trial) (《煤礦整體託管安全管理辦法(試行)》), on condition that the Company’s mining rights, ownership, profit-tax relationship and subordination remain unchanged, the Company entrusted the safety production and technical management of the six coal mines, namely Talahao Mine, Kaida Mine, Hongjingta Mine No. 1, Suancigou Mine, Baoshan Mine and Dadijing Mine, to Zhongtai Energy as a whole, without changes in the business model and asset ownership, and not causing changes in the consolidated scope of the financial statements.

(XXII) Pre-emptive right and share option arrangement

In 2021, the Company had no arrangement on pre-emptive right and share option; there are no clear provisions on the pre-emptive right in both PRC laws and the Articles of Association of the Company.

(XXIII) Permitted indemnity provisions

For the year ended 31 December 2021, the Company did not have any permitted indemnity provisions once in effect or in effect for the benefit of the Directors of the Company (whether entered into by the Company or not) or any directors of associated companies of the Company (if entered into by the Company).

(XXIV) Public float

Based on the public information available to the Company or the knowledge of the Directors of the Company, the Company’s public float was sufficient on the date of issuing this report.

(XXV) Service contracts of Directors and Supervisors

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

(XXVI) Relations with employees, suppliers and customers

The Group provides competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees’ remuneration portfolio on a regular basis and makes necessary adjustment in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing consistently premium products and services to customers. In 2021, the Group had no material and significant disputes with suppliers and customers.

REPORT OF THE BOARD OF DIRECTORS (Continued)

VII. OTHER DISCLOSURES (Continued)

(XXVII) Audit Committee

The Audit Committee of the Board of Directors of the Company (the “Audit Committee”) has reviewed the Company’s and the Group’s 2021 annual results, and the audited consolidated financial statements for 2021 prepared in accordance with the PRC Accounting Standards for Business Enterprises.

(XXVIII) Auditor

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

(XXIX) Material litigation

As of 31 December 2021, the legal proceedings the Company involved in are set out in “Significant Events” of this report. So far as the Directors are aware, there is no material legal proceedings or claim which has not yet been understood or is threatened against the Company.

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

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

(XXXI) Business review

Major results review of the Group in 2021	Pages 17 to 41
Explanation on the significant relationships between the Group and its customers and suppliers	Pages 22 to 23
Discussion and analysis of the Group on the Company’s future development	Pages 42 to 46
Description on the major risks that the Group is exposed to	Pages 46 to 49
The Group’s compliance with relevant laws and rules that have a significant impact on the Company	Page 53
Information on the employees of the Group	Pages 105 to 106

REPORT OF THE SUPERVISORY COMMITTEE

In 2021, pursuant to the relevant requirements set out in the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Articles of Association of Inner Mongolia Yitai Coal Co., Ltd. and Rules of Procedure of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd., the Supervisory Committee of the Company adhered to the attitude of being responsible to all shareholders, and conscientiously implemented the function of supervision for effective supervision on the material operating activities as well as execution of duties by all Directors and senior management of the Company, thus safeguarding the legal interests of the shareholders and the Company and of all employees satisfactorily, and accelerating standardized operation of the Company. The specific work of the Supervisory Committee in the past year is reported as follows:

I. MEETINGS CONVENED AND RESOLUTIONS PASSED

The eighth session of the Supervisory Committee of the Company comprises of the chairman Zhang Wei, supervisor Liu Xianghua, Jia Zheyu, Chen Rong, independent supervisor Wang Yongliang, Wu Qu. The number and composition of the Supervisor Committee is in compliance with the Company Law and the Articles of Association of Inner Mongolia Yitai Coal Co., Ltd.

In 2021, the Supervisory Committee held a total of 11 meetings of the Supervisory Committee, of which 3 was on-site meeting, 1 was on-site plus communication meetings, and 7 were communication meetings. Prior to the convening of the meetings, the Company was strictly in accordance with relevant laws and regulations as required, to issue relevant meeting materials to the members of the Supervisory Committee before the prescribed time, and the procedure for holding and convening the meetings was legal. During the reporting period, the main details of the meeting time, session and proposals to consider are as follows:

Session of and time for holding the Supervisory Committee	Matters considered	Passed or not
Fourth meeting of the eighth session (29 January 2021)	1. The proposal on disposal of the assets by the Company to Inner Mongolia Zhongtai Energy Co., Ltd.	Passed

REPORT OF THE SUPERVISORY COMMITTEE (Continued)

I. MEETINGS CONVENED AND RESOLUTIONS PASSED (Continued)

Session of and time for holding the Supervisory Committee	Matters considered	Passed or not
Fifth meeting of the eighth session (30 March 2021)	<ol style="list-style-type: none">1. The proposal on the 2020 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.;2. The proposal on the 2020 Financial Report of Inner Mongolia Yitai Coal Co., Ltd.;3. The proposal on the 2020 Internal Control Evaluation Report of Inner Mongolia Yitai Coal Co., Ltd.;4. The proposal on the 2020 Report of Performing Social Responsibility of Inner Mongolia Yitai Coal Co., Ltd.;5. The proposal on 2020 Profit Distribution Plan of the Company;6. The proposal on 2020 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary, as well as the 2020 Annual Results Announcement of Inner Mongolia Yitai Coal Co., Ltd.;7. The proposal on confirmation for the actual amounts of daily related transactions of the Company in 2020;8. The proposal on the confirmation for continuing connected transactions of the Company in 2020;9. The proposal on the provision of guarantees for holding subsidiaries by the Company;10. The proposal on the provision of guarantees for commercial acceptance bill financing business of certain wholly-owned subsidiaries and holding subsidiaries by the Company;11. The proposal on the Company's entering into Mutual Guarantee Agreement with Inner Mongolia Yitai Group Co., Ltd.;12. The proposal on the use of idle funds for entrusted wealth management by the Company;13. The proposal on the appointment of financial audit institution by the Company for the year 2021;14. The proposal on the appointment of internal control audit institution by the Company for the year 2021.	Passed

REPORT OF THE SUPERVISORY COMMITTEE (Continued)

I. MEETINGS CONVENED AND RESOLUTIONS PASSED (Continued)

Session of and time for holding the Supervisory Committee	Matters considered	Passed or not
Sixth meeting of the eighth session (16 April 2021)	1. The proposal on the 2021 first quarterly report of Inner Mongolia Yitai Coal Co., Ltd.	Passed
Seventh meeting of the eighth session (24 May 2021)	1. The proposal on the connected transaction on acquisition by the Company of the equity interests of Shanghai Hanqing Corporate Management Partnership (Limited Partnership) held in Inner Mongolia Yitai Chemical Co., Ltd.	Passed
Eighth meeting of the eighth session (8 July 2021)	1. The proposal on election of the chairman of the eighth session of the Supervisory Committee;	Passed
	2. The proposal on the additional election of supervisors of the Company.	Passed
Ninth meeting of the eighth session (16 July 2021)	1. The proposal on amending the rules of procedures of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.	Passed
Tenth meeting of the eighth session (24 August 2021)	1. The proposal on the 2021 interim report of Inner Mongolia Yitai Coal Co., Ltd. and its summary, as well as the 2021 interim results announcement of Inner Mongolia Yitai Coal Co., Ltd.	Passed
Eleventh meeting of the eighth meeting (26 October 2021)	1. The proposal on 2021 third quarterly report of Inner Mongolia Yitai Coal Co., Ltd.	Passed
Twelfth meeting of the eighth session (1 December 2021)	1. The proposal on the estimation of the Company for the maximum of 2021 daily related party/continuing connected transactions.	Passed
Thirteenth meeting of the eighth session (13 December 2021)	1. The proposal on capital contribution by the Company to Inner Mongolia Jingtai Power Generation Co., Ltd.;	Passed
	2. The proposal on payment by Inner Mongolia Jingtai Power Generation Co., Ltd. of the coal resources overburden compensation to Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd.;	Passed
	3. The proposal on the Company's intention to repurchase of its domestic bonds;	Passed
	4. The proposal on the transfer by the Company of the equity inters held in Inner Mongolia Yitai Galutu Mining Co., Ltd. to Inner Mongolia Yitai Chemical Co., Ltd.;	Passed
	5. The proposal on retirement of partial assets of the Company.	Passed
Fourth meeting of the eighth session(28 December 2021)	1. The proposal on disposal of assets by Yitai Xinjiang Energy Co., Ltd., a holding subsidiary.	Passed

REPORT OF THE SUPERVISORY COMMITTEE (Continued)

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

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



REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

III. OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY

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

During the reporting period, the Supervisory Committee inspected and supervised the financial activities of the Company by debriefing the special reports from the financial officers of the Company, reviewing the regular reports of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company was in compliance with the related provisions under the laws and regulations including the Accounting Law of the People's Republic of China and the Accounting Standards for Business Enterprises. The 2020 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flows and shareholders' equity of the Company, etc. During the reporting period, the annual auditing accountants of the Company issued the standard unqualified auditor's report of the Company, we are of the view that auditing organization provided its objective and impartial audit opinion and it's in line with the actual conditions of the Company. The Supervisory Committee verified that no personnel involved in the preparation and review of periodic reports had violated the confidentiality provisions.

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

The Supervisory Committee is of the view that the pricing terms for the transactions of relevant acquisitions and disposals of assets by the Company during the reporting period were objective and fair, and didn't damage the interests of shareholders or resulted in the loss of the Company's assets.

(III) Opinions on the Related Transactions of the Company

During the reporting period, the related transactions between the Company and connected persons such as its controlling shareholder were under fair pricing terms and legal procedures, and had no harm to the interests of the Company or its shareholders.

(IV) Opinion on the profit distribution plan of the Company

During the reporting period, the Company took into full consideration of the results performance in 2021, future profitability, and shareholder investment returns, and determined that the profit distribution is not against the interest of the Company or the shareholders.

(V) Opinion on the External Guarantees of the Company

During the reporting period, the Company provided guarantee for the controlling subsidiary for its borrowing from financial institution or the financing is due to the needs of operation development. The supervisory committee is of the view that the financial position of the guaranteed Company is sound and the guaranteed amount is reasonable and will not harm the interests of the Company and its Shareholders.

REPORT OF THE SUPERVISORY COMMITTEE (Continued)

III. OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY (Continued)

(VI) Opinion on the entrusted wealth management of the Company

During the reporting period, the Company use the internal temporary idle funds for the purpose of entrusted wealth management to increase the capital efficiency. The supervisory committee considered that the entrusted wealth management will not affect the normal operation of the Company or harm the interest of the Company and its shareholders on the basis that the Company ensures the capital safety, the compliance of the operation with law and regulations and normal production and operation.

(VII) Opinion on the capital increase of the Company

During the reporting period, to actively promote the phase II project construction of the Inner Mongolia Jingtai Power Generation Co., Ltd. (hereinafter referred to as the “Jingtai Power Generation”) and resolve the compensation for the overlaying on coal resource of Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. due to the phase II construction of Jingtai Power Generation. The Company injected capital in Jingtai Power Generation together with other shareholders having taken into full consideration. The supervisory committee is of the view that the capital increase is out of the actual development needs of the subsidiary and it will not harm the interest of the shareholders.

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

The Supervisory Committee reviewed the 2021 Annual Internal Control Evaluation Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that such report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company’s internal control. From 1 January 2021 to 31 December 2021, no material or significant defects were found in the design or execution of the Company’s internal control.

In 2021, as the supervisors of the Company, with the notion of pursuing shareholder interest and responsibility, we prudently performed our duties of supervision according to the relevant laws and regulation, over the production and operation of the Company and the performance of duties by the directors and senior management of the Company.

In 2022, we will responsibly adhere to our commitment to the Company and its shareholders, prudently and diligently exercise the right and discharge the duties of supervisors in compliance with the laws and regulations and protect the legal interests of the Company and the its shareholders as a whole.

the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.
29 March 2022



CORPORATE GOVERNANCE

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

During the reporting period, the Company strictly followed the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies and the relevant national laws and regulations, further improved the corporate governance structure of the Company, established a sound internal control system, standardized the Company's operations, and continuously improved the level of information disclosure and risk management.

- (I) Shareholders and general meetings: During the reporting period, the Company held 1 annual general meeting and 2 extraordinary general meetings. The convening, holding, proposal and voting procedures of the general meeting were in compliance with the requirements of the Company Law and the Articles of Association. Affected by the COVID-19 pandemic, the convening and holding of the Company's shareholders' meeting was witnessed by lawyers on-site or by video, and a legal opinion certifying was issued. The Company's general meeting shall review the connected transactions in strict accordance with the prescribed procedures, and the connected shareholders abstained from voting to ensure the relevant connected transactions were considered in accordance with the principle of open, fair, just and reasonable. The Company adheres to the principle of integrity and emphasizes on achieving reasonable returns for investors. The Company runs a proactive investor relations program to ensure smooth communication and exchanges with investors, and improves the quality and transparency of company information disclosure.
- (II) Controlling shareholders and the listed company: The controlling shareholders of the Company have standardized behavior and can exercise the rights of investors according to laws, without ultra vires interference in the operation of the Company and obtaining additional benefits. The Company is separated from the controlling shareholder in terms of personnel, assets and finance. The agencies and business are independent, accounting and undertaking responsibilities And risks independently. The board of directors, the Supervisory Committee and internal organizations of the company operate independently.
- (III) Directors and the Board: The convening of the Board meeting of the Company was carried out in strict compliance with the relevant laws and regulations. During the reporting period, the Company convened 10 Board meetings. The Board of the Company has scientific composition, clear responsibilities and sound system. The Independent Director mechanism has been effectively implemented, and the Directors of the Company can perform their duties diligently and fully exercise and perform the rights and obligations of Directors. The Board makes decisions on the daily operation and management of the Company, is responsible for and reports to the general meeting of shareholders. The five special committees of audit, nomination, remuneration and appraisal, strategy and production under the Board have performed various functions in accordance with the relevant mechanisms of the Company.
- (IV) Supervisors and the Supervisory Committee: During the reporting period, the Company convened 11 meetings of the Supervisory Committee. The Supervisory Committee of the Company shall exercise the functions and powers conferred by laws, regulations, the Articles of Association and the general meeting of shareholders, be responsible for and report to the general meeting of shareholders. Adhering to the spirit of being responsible to shareholders, the supervises the legality and compliance of the financial position of the Company and the performance of duties by Directors and senior managers according to law, and fully protects the legitimate rights and interests of the Company and the majority of shareholders.

CORPORATE GOVERNANCE (Continued)

I. RELEVANT INFORMATION OF CORPORATE GOVERNANCE AND MANAGEMENT OF INSIDER REGISTRATION (Continued)

(V) Stakeholders: The Company fully respects and safeguards the legitimate rights of stakeholders, and is able to actively cooperate with stakeholders to jointly promote the rapid development of the Company and social harmony and stability. The Company actively fulfilled its social responsibilities and paid attention to social public welfare undertakings. During the reporting period, the Company donated a total of RMB53.356 million.

(VI) Information disclosure and the management of the investors: The Company timely and accurately discloses regular reports and interim reports on the designated website to help investors fully and timely understand the Company's production and operation dynamics and relevant operation data. Through "E-interaction", telephone, and e-mail, fully communicated with investors and established effective channels for communication with shareholders.

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

Session of the meeting	Convening date	Resolutions of the meeting	Status of resolutions	Enquiry index of the designated website for the publication of the proposals	Dates of publication of the resolutions
The first extraordinary general meeting in 2021 (the "first EGM in 2021") (Note 1)	24 March 2021	1. To consider and approve the proposal relating to the suspension of the Yitai Ganquanbao 2 Mtpa coal-to-oil pilot project of Yitai Xinjiang Energy Co., Ltd.	Passed	http://www.hkexnews.hk http://www.sse.com.cn	24 March 2021 25 March 2021
Annual general meeting for 2020 (the "2020 AGM") (Note 2)	8 June 2021	1. To consider and approve the resolution relating to the financial report of the Company for the year 2020. 2. To consider and approve the resolution relating to the report of the board of directors of the Company for the year 2020. 3. To consider and approve the resolution relating to the report of the supervisory committee of the Company for the year 2020. 4. To consider and approve the resolution relating to the performance report of the independent directors of the Company 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.	All passed	http://www.hkexnews.hk http://www.sse.com.cn	08 June 2021 09 June 2021

CORPORATE GOVERNANCE (Continued)

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

Session of the meeting	Convening date	Resolutions of the meeting	Status of resolutions	Enquiry index of the designated website for the publication of the proposals	Dates of publication of the resolutions
		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 selfowned funds of the Company.			
		13. To consider and approve the resolution in relation to the related transaction for 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 proposed issuance of various debt financing instruments.			
		16.1 Types and issuance size of debt financing Instruments			
		16.2 Method of issuance and target subscribers			
		16.3 Arrangement on placement to the Shareholders of the Company			
		16.4 Par value and issue price			
		16.5 Maturity of the bonds			
		16.6 Use of proceeds			
		16.7 Validity of the resolution			
		16.8 Measures for guaranteeing the repayment			
		16.9 Authorization of the Board or its authorized persons for the issuance of domestic debt financing instruments			
		17. To consider and approve the resolution relating to the general mandate to the Board for the issuance of H shares.			

CORPORATE GOVERNANCE (Continued)

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

Session of the meeting	Convening date	Resolutions of the meeting	Status of resolutions	Enquiry index of the designated website for the publication of the proposals	Dates of publication of the resolutions
The second extraordinary general meeting in 2021 (the "second EGM in 2021") (Note 3)	13 December 2021	1 To consider and approve the resolution in relation to the appointment of Ms. Chen Rong as a Shareholder representative supervisor of the Company.	All passed	http://www.hkexnews.hk http://www.sse.com.cn	13 December 2021 14 December 2021
		2 To consider and approve the resolution in relation to the appointment of Mr. Zhao Like as an executive director of the Company.			
		3 To consider and approve the resolution in relation to the proposed amendments to the Rules of Procedures for the Board of Directors of the Company.			
		4 To consider and approve the resolution in relation to the proposed amendments to the Rules of Procedures for the Supervisory Committee of the Company.			

Notes:

1. For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 24 March 2021.
2. For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 8 June 2021.
3. For details of the resolutions passed in the meeting, please refer to the announcement of the Company dated 13 December 2021.

CORPORATE GOVERNANCE (Continued)

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

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

	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Attendance of Board meeting(s)				Whether or not he has been absent in person for two consecutive times	Attendance rate of Board meetings (%)	Attendance in general meeting(s)	
			Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence			Times/ Number of attendance in general meetings	Attendance rate of general meetings (%)
Zhang Jingquan 張晶泉	No	10	10	7	0	0	No	100	3/3	100
Liu Chunlin 劉春林	No	10	10	6	0	0	No	100	2/3	67
Ge Yaoyong 葛耀勇	No	10	10	6	0	0	No	100	1/3	33
Zhang Dongsheng 張東升	No	10	10	6	0	0	No	100	2/3	67
Liu Jian 劉劍	No	10	10	6	0	0	No	100	3/3	100
Lv Guiliang 呂貴良 (Note A)	No	4	4	1	0	0	No	100	1/1	100
Lv Junjie 呂俊傑	No	10	10	6	0	0	No	100	3/3	100
Zhao Like 趙立克 (Note B)	No	2	2	1	0	0	No	100	1/1	100
Zhang Zhiming 張志銘 (Note C)	Yes	4	4	4	0	0	No	100	1/1	100
Huang Sujian 黃速建	Yes	10	10	10	0	0	No	100	3/3	100
Wong Hin Wing 黃顯榮	Yes	10	10	10	0	0	No	100	3/3	100
Du Yingfen 杜瑩芬	Yes	10	10	10	0	0	No	100	3/3	100
E Erdun Tao Ketao 額爾敦陶克濤 (Note D)	Yes	6	6	6	0	0	No	100	2/2	100

Note A: Lv Guiliang resigned as an executive director of the Company on 16 July 2021.

Note B: Zhao Like was appointed as an executive director of the Company on 13 December 2021.

Note C: Zhang Zhiming resigned as an executive director of the Company on 24 May 2021.

Note D: E Erdun Tao Ketao was appointed as an independent non-executive director of the Company on 8 June 2021.

CORPORATE GOVERNANCE (Continued)

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES (Continued)

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

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

Number of Board meetings convened during the year	10
Of which: Number of meetings held by teleconference	6
Number of meetings held both on-site and via teleconferencing	4

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

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

(III) Others

During the reporting period, all directors exercised their rights and assumed obligations in strict accordance with the listing rules of the two places and the Articles of Association of Inner Mongolia Yitai Coal Co., Ltd., made prudent and scientific decisions in performing their duties with integrity and diligence, and made positive contributions to the development of the Company.

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

Nil

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

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

CORPORATE GOVERNANCE (Continued)

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

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

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

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

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

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

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

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

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

The Board is of the view that throughout the year ended 31 December 2021, the Company has complied with all the applicable Code Provisions as set out in the CG Code.

Directors’ and Supervisors’ Securities Transactions

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

Specific enquiry has been made to all the directors and supervisors and all directors and supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

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

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

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Board of Directors

During the year ended 31 December 2021 and up to the date of this report, the Board of the Company comprises the following directors:

Executive Directors:

Zhang Jingquan
Liu Chunlin
Ge Yaoyong
Zhang Dongsheng
Liu Jian
Lv Guiliang (resigned on 16 July 2021)
Lv Junjie
Zhao Like (appointed on 13 December 2021)

Independent Non-executive Directors:

Zhang Zhiming (resigned on 24 May 2021)
Huang Sujian
Wong Hin Wing
Du Yingfen
E Erdun Tao Ketao (appointed on 8 June 2021)

The biographical information of the directors are set out in the section headed “Directors, Supervisors, Senior Management and Employees” on pages 88 to 94 of this report.

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

Chairman and General Manager

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

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Independent Non-executive Directors

During the year ended 31 December 2021, the Board has fulfilled the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Directors' Re-election

Code Provision B.2.2 of the CG Code stipulates that Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2021, the following directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Event/Topic ^{note}
Executive Directors	
Zhang Jingquan	1, 2, 4, 5
Liu Chunlin	1, 2, 4, 5
Ge Yaoyong	1, 2, 4, 5
Zhang Dongsheng	1, 2, 4, 5
Liu Jian	1, 2, 4, 5
Lv Guiliang (resigned on 16 July 2021)	1, 5
Lv Junjie	1, 2, 4, 5
Zhao Like (appointed on 13 December 2021)	
Independent non-executive Directors	
Zhang Zhiming (resigned on 24 May 2021)	—
Huang Sujian	—
Wong Hin Wing	6
Du Yingfen	—
E Erdun Tao Ketao (appointed on 8 June 2021)	3

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Continuous Professional Development of Directors (Continued)

Notes:

1. Online training on the training courses for the directors, supervisors and senior management of the listed companies in the Inner Mongolia District for the year of 2021 organized by China Securities Regulatory Commission, Inner Mongolia Branch (內蒙古證監局);
2. Online training on the special training on “special representative litigation and protection of small and medium-sized investors” organized by China Securities Regulatory Commission, Inner Mongolia Branch (內蒙古證監局);
3. Qualification training of independent directors organized by Shanghai Stock Exchange;
4. Online training on the “Move towards carbon neutrality and build a carbon emission control system(邁向碳中和·構建碳排放管控體系)” organized by Shanghai Stock Exchange;
5. Online training on the ESG special training organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司);
6. The subsequent training held by the Shanghai Stock Exchange for independent director;

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



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Board Committees

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

Strategy Committee

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

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

The responsibilities of the Strategy Committee include, among others:

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

The Strategy Committee held 4 meetings during the year. Among the 4 meetings, one meeting was held to approve the suspension of the Ganquanbao 2 Mtpa Project of Yitai Xinjiang Energy Co., Ltd; one meeting was held to review capital expenditure for the year 2021 and proposed issuance of various debt financing instruments, and the other two were held to review the amendments to the Coal Mines Entrusted Management Agreements, connected transaction in relation to acquisition of Inner Mongolia Yitai Chemical Co., Ltd. and proposed amendments to the rules of procedures for the Board of Directors.

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Audit Committee

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

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

The Audit Committee held 7 meetings to review the Group's annual financial results and reports, interim results, quarterly results, internal control and risk management systems, appointment of external auditors and internal audit institutions, review of related party transactions and continuing connected transactions, establishment of entrusted wealth management by the use of idle capital of the Company and the supplemental agreement of the sale and leaseback agreement etc.

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

Remuneration and Appraisal Committee

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

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

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

CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Nomination Committee

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

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

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

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

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

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

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

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Production Committee

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

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

The responsibilities of the Production Committee include, among others:

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

The Production Committee held one meeting during the year to review 2021 annual production plan of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision A.2.1 of the CG Code.

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

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

Name of Director	Attendance/Number of meetings							
	Board	Nomination Committee	Remuneration and Appraisal Committee	Audit Committee	Production Committee	Strategy Committee	Annual general meeting	Other general meetings (if any)
Zhang Jingquan	10/10	5/5	1/1	N/A	1/1	4/4	1/1	2/2
Liu Chunlin	10/10	5/5	1/1	N/A	N/A	4/4	1/1	1/2
Ge Yaoyong	10/10	N/A	N/A	N/A	1/1	4/4	1/1	0/2
Zhang Dongsheng	10/10	N/A	N/A	N/A	N/A	4/4	0/1	2/2
Liu Jian	10/10	5/5	1/1	N/A	1/1	4/4	1/1	2/2
Lv Guiliang (Note A)	4/10	N/A	N/A	N/A	N/A	3/4	1/1	0/2
Lv Junjie	10/10	3/5	1/1	N/A	N/A	4/4	1/1	2/2
Zhao Like (Note B)	2/10	N/A	1/1	N/A	N/A	N/A	0/1	1/2
Zhang Zhiming (Note C)	4/10	3/5	1/1	3/7	N/A	3/4	0/1	1/2
Huang Sujian	10/10	5/5	1/1	7/7	1/1	4/4	1/1	2/2
Wong Hin Wing	10/10	5/5	1/1	7/7	N/A	4/4	1/1	2/2
Du Yingfen	10/10	5/5	1/1	7/7	1/1	4/4	1/1	2/2
E Erdun Tao Ketao (Note D)	6/10	2/5	0/1	4/7	N/A	1/4	1/1	1/2

Note A: Lv Guiliang resigned as an executive director of the Company on 16 July 2021.

Note B: Zhao Like was appointed as an executive director of the Company on 13 December 2021.

Note C: Zhang Zhiming resigned as an executive director of the Company on 24 May 2021.

Note D: E Erdun Tao Ketao was appointed as an independent non-executive director of the Company on 8 June 2021.

Apart from regular Board meetings, the chairman also held meetings with the independent non-executive directors without the presence of other directors during the year.

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 166 to 167 of this annual report.

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

Senior management's remunerations

The senior management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of 4 senior management (excluding directors and supervisors) by bands for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of individuals
RMB1 million and below	3
RMB1 million to RMB2 million	0
RMB2 million to RMB3 million	1

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Auditors' Remuneration

An analysis of the remuneration paid to the external auditor of the Company, Da Hua Certified Public Accountants (Special General Partnership), in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Service category	Fees paid/payable
Audit Services	RMB4.55 million
Non-audit Services ^{Note A}	RMB1.224 million

Note A: Nature of non-audit services: other consulting services.

Risk Management and Internal Controls

During the year under review, the Board conducted one review of the effectiveness of the risk management and internal control systems of the Group, covering all material aspects of internal control, including internal control, operational control and compliance control for the year ended 31 December 2021. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is responsible for the risk management and internal control systems, and reviewed the effectiveness on such systems. Details as follows:

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

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Risk Management and Internal Controls (Continued)

2. In order to further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardised and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.
3. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the 2021 Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司2021年內部控制評價方案》). Please refer to Appendix II 2021 Internal Control Self-Assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2021年內部控制自我評價報告》) for the details of internal control.
4. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the Guidelines on Disclosure of Inside Information published by the Securities and Future Commission in June 2012, and established special agency and appointed special personnel being responsible for registration and management of insiders, also set up internal management files for insiders management which subject to regular updating. Meanwhile, regular trainings have been conducted by the Group engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

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

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

In 2021, centering on five internal control elements of financial monitoring, risk assessment, compliance monitoring and communication and regulation, the Group implemented comprehensive inspection of the effectiveness of the Company's internal control system in 2021, including mechanisms for communication with and feedback from auditors on statutory audit work. Through the assessment of the Group's internal control system by the Audit Committee and the internal control department, the Board held that within the reporting period, no material failure or weakness was found in respect of risk monitoring. In addition, the Group had a complete internal control system covering corporate governance, operation, investment, finance, administration and human resources, and the internal control system could play its effective role.

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Risk Management and Internal Controls (Continued)

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

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

Joint Company Secretaries

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

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

During the reporting period, Mr. He Peixun and Mr. Wong Wai Chiu, the Joint Company Secretaries, have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Dividend Policy

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

- (1) Subject to conditions, interim profit distribution may be made by the Company;
- (2) Specific conditions and ratios for distributing cash dividend by the Company: If the Company’s profit for the year and its total unappropriated profit are positive, the Company may distribute dividend in cash and the profit to be distributed in cash. The Company may distribute dividend in cash per annum not less than 10% of distributable profit for the year, and profit distributed cumulatively in cash in the last three years should not less than 30% of average distributable profit in the recent three years. Taking into account features of the industries where the Company operates, its development stage, business model, profit level and whether it has significant capital expenditure plans, the Company shall make sure that cash dividends to be distributed represent at least 40% of the profit distribution;

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Dividend Policy (Continued)

- (3) Specific conditions for distributing dividends in shares by the Company: Where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all shareholders of the Company as a whole, provided that the above conditions of cash dividend are fully met, the Company may propose dividend distribution in shares;
- (4) Profit shall be distributed in cash at least one time for every 3 consecutive years. When the Company distributes profits, cash dividends is in preference to the share dividend.

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

Shareholders' Rights

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

Convening an Extraordinary General Meeting by Shareholders

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

CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES *(Continued)*

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

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

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (Continued)

Communication with Shareholders and Investors

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

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

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

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration before tax received from the Company for the period (RMB'0'000)	Remuneration from related parties of the Company
Zhang Jingquan	Chairman	male	52	May 2020	May 2023	0	0	0	Nil	335.39	No
Liu Chunlin	Executive Director	male	55	May 2020	May 2023	0	0	0	Nil	2.4	Yes
Zhang Dongsheng	Executive Director	male	51	May 2020	May 2023	0	0	0	Nil	2.4	Yes
Ge Yaoyong	Executive Director	male	52	May 2020	May 2023	0	0	0	Nil	2.4	Yes
Liu Jian	Executive Director, General Manager	male	55	May 2020	May 2023	0	0	0	Nil	282.60	No
Zhao Like (趙立克)	Deputy Manager (resigned), Executive Director	male	40	May 2020	July 2021						
				December 2021	May 2023	0	0	0	Nil	72.90	Yes
Lv Guiliang	Executive Director(resigned), Chief Finance Officer (resigned)	male	56	May 2020	July 2021	0	0	0	Nil	161.08	Yes
				May 2020	December 2021						
Lv Junjie	Executive Director, Deputy Manager	male	54	May 2020	May 2023	0	0	0	Nil	263.82	No
Zhang Zhiming	Independent Director (resigned)	male	60	May 2020	June 2021	0	0	0	Nil	8.33	No
Huang Sujian	Independent Director	male	67	May 2020	November 2022	0	0	0	Nil	20	No
Wong Hin Wing	Independent Director	male	60	May 2020	May 2023	0	0	0	Nil	25	No
Du Yingfen	Independent Director	female	58	May 2020	May 2023	0	0	0	Nil	20	No
E Erdun Tao Ketao	Independent Director	male	59	June 2021	May 2023	0	0	0	Nil	11.67	No
Zhang Zhenjin	Chairman of the Supervisory Committee (resigned)	male	53	May 2020	July 2021	0	0	0	Nil	0.6	Yes
Liu Xianguhua	Supervisor	male	44	May 2020	May 2023	0	0	0	Nil	1.2	No
Li Cailling	Supervisor (resigned)	female	47	May 2020	April 2021	0	0	0	Nil	0.3	Yes
Zhang Wei	Supervisor, Chairman of the Supervisory Committee	female	40	May 2020	May 2023	0	0	0	Nil	203.63	No
				July 2021	May 2023						

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Number of shares		Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration before tax received from the Company for the period (RMB'0'000)	Remuneration from related parties of the Company
						held at the beginning of the year	at the end of the year				
Jia Zheyu	Supervisor	female	40	December 2020	May 2023	0	0	0	Nil	61.45	No
Chen Rong	Supervisor	female	33	December 2021	May 2023	0	0	0	Nil	0	Yes
Wang Yongliang	Independent Supervisor	male	59	May 2020	May 2023	0	0	0	Nil	10	No
Wu Qu	Independent Supervisor	male	57	May 2020	May 2023	0	0	0	Nil	10	No
Bai Shibang	Chief Engineer (resigned)	male	53	May 2020	July 2021	0	0	0	Nil	52.45	No
Li Hongbin	Chief Engineer	male	50	July 2021	May 2023	0	0	0	Nil	215.35	No
Jin Rong	Chief Finance Officer	male	47	December 2021	May 2023	0	0	0	Nil	63.48	Yes
He Peixun	Secretary to the Board	male	36	December 2020	May 2023	0	0	0	Nil	71.25	No
Total	/	/	/	/	/	0	0	0	Nil	1,903.74	/

Notes: The following personnels served in the related parties of the Company during the reporting period, thus they were remunerated accordingly during their services in the related parties.

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

1. Lv Guiliang has been holding the directorship in Yitai Group since January 2020;
2. Jin Rong had acted as the General Manager of the Financial Management Department in Yitai Group from December 2019 to November 2021;
3. Zhao Like served in Yitai Group from July 2021 to November 2021.

Names	Biographies
Zhang Jingquan	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and graduated with a master's degree in business administration major of China Europe International Business School. Mr. Zhang worked in Yihua United Wool Manufacturing Factory (伊華聯合毛紡織工廠) from January 1994 to January 1998; served as the cashier in Tianjin Branch of the Company from March 1998 to August 2000; the manager of Guangzhou Sales Branch of the Operation Department under the Company from August 2000 to April 2001; the manager of the sales branch in South China of the Operation Department under the Company from April 2001 to August 2005; the deputy manager of the Operation Department under the Company and manager of the sales company in South China of the Company from February 2002 to March 2003. Mr. Zhang acted as the division chief of the Operation Division of Yitai Group from August 2005 to 5 March 2006; the manager of coal transportation and sales business department of Yitai Group from 5 March 2006 to 27 March 2006; the deputy general manager of Synfuels China Technology Co., Ltd. under Yitai Group from March 2006 to November 2010 and the deputy general manager of Yili Energy from November 2010 to January 2012; the general manager of Xinjiang Energy from January 2012 to September 2017; the chairman and general manager of Xinjiang Energy from December 2012 to September 2017; the chairman of the Board and general manager of Yitai Chemical from September 2015 to March 2017; the general manager of the Company from September 2015 to March 2017; the director of Yitai Group since September 2015; the director of Yitai Investment since June 2017; the executive Director of the Company from December 2015 to May 2017; the vice president of Yitai Group since March 2017; and the chairman of the Company since December 2019.

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

Names	Biographies
Liu Chunlin	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1967 and possesses a master's degree and a title of senior accountant. He worked in Ikocho League Coal Company from June 1989 to February 1993 and was appointed as the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997 and as the director of the Finance Department of our Company from August 1997 to July 1999. Mr. Liu served as the financial director of our Company from July 1999 to October 2002, the deputy chief accountant of Yitai Group from October 2002 to May 2004, the vice president of our Company from May 2004 to October 2004 and has been the director and chief account of Yitai Group since June 2004. He has been the deputy chief executive officer of Yitai Group since July 2018. He acted as the director and chief accountant of Yitai Investment from March 2006 to June 2017. He has been acting as the director and chief accountant of Yitai Investment since June 2017. He has been the director of Yitai HK since October 2008 and has been the executive Director of the Company since March 2001.</p>
Ge Yaoyong	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Ge was born in 1969 and possesses a master's degree and a title of senior engineer. He served as the deputy manager and the manager of E'qian League Coking Factory from November 1996 to March 2001, and was promoted as the deputy general manager of the Company from March 2001 to August 2005. Mr. Ge was appointed as the deputy chief engineer of Yitai Group from August 2005 to November 2008, and from November 2008 to March 2014, the general manager of the Company. He was appointed and still serves as the director of Yitai Group since November 2008. From March 2014 to January 2017, he served as the deputy general manager of Yitai Group. He acted as the general manager of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) from July 2014 to September 2017 and has been acting as the chairman of Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) since July 2014. He has been the vice president of Yitai Group since January 2017, the director of Yitai Investment since June 2017 and the executive Director of the Company since December 2008.</p>

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

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

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

Names	Biographies
Zhao Like	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhao was born in 1982 and possessed a bachelor's degree. He worked in Shandong Longkou Liu Hai Mining Co., Ltd. (山東龍口柳海礦業有限公司) from July 2004 to December 2005 and the Suancigou Safety Supervision Station of the Safety Supervision Department from March 2006 to April 2007. He served as the director of comprehensive business of Safety Supervision Department from April 2007 to July 2009; the head of Kaida Mine Safety Supervision Station of the Company from August 2009 to August 2012; the vice director of Safety Supervision and Quality Control Department of the Company from August 2012 to March 2013; the deputy director of Safety Supervision Station of Guanglian Coal Chemical, the Safety and Quality Control Department of Yitai Group from March 2013 to July 2013; the director of the Safety Supervision Station of Guanglian Coal Chemical, the Safety and Quality Control Department of Yitai Group from July 2013 to January 2014; the safety deputy head of Hongjingta Mine No.1 mine of Department of Coal Production of the Company from January 2014 to September 2014; the general manager and head of Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司), the Department of Coal Production of the Company from October 2014 to March 2015; the safety deputy general manager of the Department of Coal Production of the Company from March 2015 to January 2016; the deputy general manager of Coal Production Management Department of the Company from January 2016 to November 2016; the head of Kaida Mine of the Company from November 2016 to December 2017; and the general manager and head of Suancigou Mine from January 2018 to November 2019. He was the deputy manager of the Company from November 2019 to July 2021. He has been acting as the executive director of the Company since December 2021.</p>
Lv Guiliang	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1966 and possessed a master's degree of Business Administration and a title of semi-senior accountant. He served in Ikocho League Coal Company from August 1994 to August 1997 and joined our Company in August 1997, acting as the vice director of our Finance Department from July 1999 to November 2002, the director of the same department from March 2004 to February 2009. From April 2008 to December 2021, Mr. Lv has been serving as the chief finance officer of the Company. He has been acting as the supervisor of Yitai Group from December 2018 to January 2020. Since January 2020 he has been acting as the director of Yitai Group. From February 2011 to July 2021, he had been acting as the executive Director of our Company.</p>

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

Names	Biographies
Lv Junjie	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1967. He graduated from Huazhong University of Science and Technology with a master's degree in EMBA and is a senior economist. Mr. Lv Junjie worked as a teacher in Jungar Banner Nalin Middle School (准格爾旗納林中學) from July 1985 to July 1991; worked in the Administrative Department of Labour of Yimeng Coal Company (伊盟煤炭公司政工勞資科) from July 1991 to December 1991; acted as the secretary of Resident Chinese Communist Party Committee Office in Yimeng Coal Company from December 1991 to April 1992; acted as the deputy secretary and secretary of Communist Youth Party Committee of Yimeng Coal Company from April 1992 to April 1997; the director of Materials Sales Department of the Company and the manager assistant of Industrial Development Company from April 1997 to February 2001; the deputy manager and manager of Materials Supply Department of the Company from February 2001 to April 2004; the director of Xiyingsi Collection and Transportation Centre of the Company from April 2004 to May 2005; the minister of Business Development Department of the Company from May 2005 to October 2008; the minister of Environment Monitoring Department of the Company from October 2008 to February 2012; the deputy general manager of Coal-to-oil Company from February 2012 to November 2013; the deputy general manager of Coal-related Chemical Operation under Yitai Group from November 2013 to October 2016. He has been the deputy manager and executive Director of the Company since October 2016 and December 2019, respectively.</p>
Zhang Zhiming	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1962 and possessed a doctoral degree of laws and now serves as the professor and doctoral supervisor of Renmin University of China. Mr. Zhang finished his undergraduate courses in law from Peking University in 1983 and master's degree in law from the same university in 1986. He received his doctoral degree in laws from the graduate school of Chinese Academy of Social Science in 1998. Mr. Zhang has been serving as the independent Director of our Company from June 2015 to June 2021.</p>
Huang Sujian	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Huang was born in 1955, and has been working in the Institute of Industrial Economics of Chinese Academy of Social Sciences since 1988 and is a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences and the president of Chinese Institute of Business Administration currently. Mr. Huang achieved a bachelor's degree and a master's degree of economics from Xiamen University in 1982 and 1985, respectively, and a doctoral degree of economics from the Chinese Academy of Social Sciences in 1988. He also served as the director of Jianfeng Group Co., Ltd. and the independent director of Wolong Electric Group Co., Ltd., Qingdao Hiron Commercial Cold Chain Co., Ltd. and Anxin Property & Casualty Insurance Co., Ltd. Mr. Huang Sujian has been the independent Director of the Company since November 2016.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

Names	Biographies
Wong Hin Wing	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Wong was born in 1962 and holds a master's degree in Executive Business Administration from The Chinese University of Hong Kong (香港中文大學). He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Chartered Governance Institute in the United Kingdom. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment in the UK. He received the Medal of Honour awarded from the Government of the Hong Kong Special Administrative Region in 2021. He is an independent nonexecutive director of CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (a public company with H shares listed on the Stock Exchange), Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) (a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司) (a public company with B shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) (a public company listed on the Stock Exchange), Jiangxi Bank Co., Ltd. (a public company with H shares listed on the Stock Exchange) and Zhaoke Ophthalmology Limited (兆科眼科有限公司) (a public company listed on the Stock Exchange). Mr. Wong is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal, a panel member of Public Interest Entities Auditor Review Tribunal, a member of Construction Industry Council, a member of Betting and Lotteries Commission and The Medical Council of Hong Kong. He is a managing partner and a responsible officer of Hermitage Capital HK Limited (a licensed corporation registered under the SFO). Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. Since then, he co-founded Silk Road International Capital Limited (絲路國際資本有限公司) (a licensed corporation, formerly known as Legend Capital Partners, Inc. (安裡俊投資有限公司)), and served as the company's executive director and responsible officer for 23 years. Mr. Wong Hin Wing has been the independent Director of the Company since May 2017.</p>

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

Names	Biographies
Du Yingfen	<p>Gender: Female. Ethnicity: Han ethnicity, Ms. Du was born in 1964 and holds a master's degree in economics. She is currently a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences, deputy director of the Management Science and Innovation Development Research Center (管理科學與創新發展研究中心), a professor of accounting and a doctoral supervisor of the University of Chinese Academy of Social Sciences, and a standing member of the Chinese Institute of Business Administration (中國企業管理研究會). Ms. Du graduated with a bachelor's degree from the Department of Accounting and Business Management of Xiamen University in 1985, and graduated with a master's degree from the Department of Industrial Economics of Renmin University of China in 1987. She has been served as a director of the Finance and Accounting Research Office of the Institute of Industrial Economics of Chinese Academy of Social Sciences, with main academic expertise in financial management, corporate mergers and acquisitions and reorganizations, management innovation, enterprise internal control and risk management. She has won the third prize for National Science and Technology Progress Award, Sun Yefang Economics Prize and the first prize of China Development Research. She has been the independent Director of the Company since July 2019.</p>
E Erdun Tao Ketao	<p>Gender: Male. Mongolian nationality, born in 1963. He holds a doctoral degree in management, and is the second-level professor, an expert with special government allowances from the State Council, a young and middle-aged expert with outstanding contributions in Inner Mongolia, and a part-time doctoral supervisor at the Mongolian University of Finance and Economics and Ulaanbaatar-Erdem University in Mongolia. He is the director of China Soft Science Society, the vice chairman of China Industrial Economics Society, the director of the Chinese Institute of Business Administration, the director of the Preparatory Branch of China Ethnic Education Association, the deputy director of the Economic Professional Committee of Ethnic Minority Areas of China Regional Economic Society and the director of Inner Mongolia Overseas Friendship Association. He obtained a bachelor's degree in economics from Inner Mongolia University of Finance and Economics in 1985; a master's degree in economics from Renmin University of China in 2000; and a doctoral degree in management from Renmin University of China in 2005. From July 2005 to October 2009, he served as the deputy director of the Academic Affairs Office of Inner Mongolia University of Finance and Economics; from October 2009 to July 2011, he served as the deputy director of the Academic Affairs Office and the deputy dean (in charge of work) of the MBA Education College of Inner Mongolia University of Finance and Economics; from July 2011 to January 2016, he served as the director of the Academic Affairs Office of Inner Mongolia University of Finance and Economics; from January 2016 to October 2019, he served as the director of the Graduate Education and Disciplinary Planning Office (dean of Graduate School) of Inner Mongolia University of Finance and Economics; from October 2019 to May 2021, he served as the director of the Development Planning Office of Inner Mongolia University of Finance and Economics. He is also the independent Director of Baotou Dongbao Bio-Tech Co., Ltd. E Erdun Tao Ketao has been acting as the independent Director of the Company since June 2021.</p>

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

Names	Biographies
Zhang Zhenjin	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1969. Mr. Zhang is a senior engineer. He graduated from Shanxi Mining Institute and holds a post-graduate degree. He acted as the deputy head of infrastructure in coal preparation plant at Tanggongta loading facility from May 1994 to November 1994. He worked in the preparatory office at coal preparation plant from November 1994 to September 1996. He acted as the deputy spot chief of Nalinmiao Mine of the Industrial Development Company from September 1996 to January 1998, supervisor of the Company from August 1997 to July 1999, deputy manager of the Industrial Development Company from January 1998 to July 1999, deputy general manager and chief engineer of the Company from July 1999 to March 2001, and chief engineer of the Company from 2001 to 2006. From 2006 to 2009, Mr. Zhang consecutively served as the deputy general manager, chief engineer and the president of the labor union of the Company. From 2009 to 2014, he consecutively served as the deputy chief engineer of Yitai Group and the deputy general manager of Guanglian Coal Chemical. He acted as the chairman and general manager of Guanglian Coal Chemical from January 2014 to September 2017, and the chairman of Guanglian Coal Chemical from September 2017 to December 2018. He has been acting as the chairman of each of the supervisory committee of Yitai Investment and Yitai Group since December 2018. Mr. Zhang has served as the supervisor and chairman of the Supervisory Committee of the Company from March 2019 to July 2021.</p>
Liu Xianghua	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1978. He possesses a bachelor's degree. Mr. Liu worked for Inner Mongolia Yitai Zhundong Railway Co., Ltd. from August 2000 to July 2001. He was the deputy director for administrative affairs of Inner Mongolia Yitai Zhundong Railway Co., Ltd. from July 2001 to October 2002 and was the office director in administrative department of Inner Mongolia Yitai Zhundong Railway Co., Ltd. from November 2002 to February 2004. Mr. Liu was the head secretary of the general manager office of Yitai Group from March 2004 to August 2005. He was the deputy director of the general manager office of Yitai Group from September 2005 to December 2005. He was the deputy director of the general manager office of the Company from January 2006 to November 2010. He was the office director of the board of directors of Yitai Group from December 2010 to February 2012. He has been the secretary of the board of directors of Yitai Group since March 2012. He was the office director of the board of directors of Yitai Group from January 2013 to October 2016. He also was the general manager of the administrative department of the Company from November 2016 to September 2017. He has been acting as the office director of the board of directors of Yitai Group since September 2017. He has been the supervisor of the Company since May 2017.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

Names	Biographies
Zhang Wei	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Zhang was born in 1982. She was graduated from Tongji University and obtained a master's degree in management. She is a certified public accountant and a certified tax agent. She worked at Ernst & Young Huaming LLP from September 2007 to April 2010. She worked at Evalueserve Business Consulting Co., Ltd. (易唯思商務諮詢有限公司) from April 2010 to May 2010. She served as the chief accountant and deputy director-level accountant of the audit department of Yitai Group from July 2010 to December 2012; the deputy director-level accountant and deputy director-level auditor of the audit and supervision department of Yitai Group from January 2013 to December 2013; the deputy director-level auditor of the audit and supervision department of the Company from January 2014 to March 2015; the deputy director-level accountant in system management of the financial management center of Yitai Group from April 2015 to December 2016; and the deputy general manager of the investment management department of the Company from December 2016 to June 2018. She has served as the director of the audit and supervision department of the Company since June 2018, a supervisor of Yitai Group, a supervisor of the Company since January 2020, and the chairman of the Supervisory Committee of the Company since July 2021.</p>
Li Cailing	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Li was born in 1975 and possessed a postgraduate degree. She is also a senior accountant, a certified tax agent and a certified public accountant. Ms. Li worked in Ordos Group Company (鄂爾多斯集團公司) from June 1995 to January 1998. She once held the positions of Head of Auditing Department and Deputy Director in Inner Mongolia Zhonglei Accounting Firm (內蒙古中磊會計事務所) from February 1998 to July 2005 and she worked in the Finance Department of the Company from August 2005 to February 2012. She was the director of the Financial Information Section of the Finance Department (財務部財務信息科) of the Company from March 2012 to July 2013. She was an accountant of deputy director level in the Finance Department of the Company from August 2013 to November 2014. She was the deputy director of the finance department of Yitai Group from December 2014 to March 2015. She has been the deputy director of the financial management center of the Company from April 2015 to December 2018, the deputy general manager of the financial management department of Yitai Group from December 2018 to April 2021 and the supervisor of the Company from May 2017 to April 2021.</p>
Jia Zheyu	<p>Gender: Female. Ethnicity: Han ethnicity. Ms. Jia was born in 1982. She graduated from the Siyuan College of Xi'an Jiaotong University with a bachelor's degree in law. She joined the Company in July 2007; served as the business head of the legal affairs office of the general manager office of the Company from February 2012 to April 2015; the contract business specialist of the legal affairs office of the general manager office of the Company from April 2015 to May 2017; and the senior manager in legal affairs of the Capital Operation and Compliance Management Department of the Company from May 2017 to 23 December 2020. She has served as the deputy general manager of the Capital Operation and Compliance Management Department of the Company since 23 December 2020, and a supervisor of the Company since December 2020.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

Names	Biographies
Chen Rong	Gender: Female. Han ethnicity, born in 1988, joined the Communist Party of China in October 2018. She holds the bachelor's degree and the national legal professional qualification certificate. She consecutively served as the legal clerk, clerk and contract clerk of the legal affairs office of the general manager office of the Company from August 2011 to May 2017; and consecutively the equity business manager of the administration department and the equity business manager of the board office of Yitai Group from May 2017 to October 2020. She has been acting as the assistant to director (temporary post) of the board office of Yitai Group from March 2019 to November 2021 and the intermediate manager of the board affairs of the board office of Yitai Group since October 2020, and she has been acting as the supervisor of the Company since December 2021.
Wang Yongliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1963 and possessed a master's degree and was granted the qualification of Level 2 Lawyer. He was a member of Ikochao League correctional division from August 1985 to December 1986, a teacher in Ikochao League Politics & Law School from December 1986 to March 1990, the deputy head of the correctional division and office of the judicial department of Ikochao League from March 1990 to April 1996, the head of economic business department of Ikochao League Law Firm from April 1996 to March 2001. Mr. Wang has been acting as the director of Inner Mongolia Ikochao League Law Firm since March 2001. Mr. Wang is the vice chairman of the Inner Mongolia Autonomous Region Lawyers Association and the chairman of Erdos Lawyers Association. Mr. Wang has been acting as an independent supervisor of our Company since February 2011.
Wu Qu	Gender: Male. Ethnicity: Han ethnicity. Mr. Wu was born in 1965 and possessed a bachelor's degree. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company (伊克昭盟東勝食品工業公司) from July 1986 to October 1994, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998, the finance manager of Ordos Rongze Food Co., Ltd. (鄂爾多斯榮澤食品有限責任公司) from December 1998 to October 2000. Mr. Wu has been serving as the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd. (內蒙古東審會計師事務所有限責任公司) since July 2001 and an independent supervisor of the Company since February 2011.

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

Names	Biographies
Bai Shibang	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Bai was born in 1969 and possessed a bachelor's degree. He worked in Yimeng Coal Company from September 1994 to March 1998; he acted as the deputy spot chief of the Dadijing Mine in Yitai Group from March 1998 to February 1999; the deputy head of Nalinmiao Mine Kaida Mine of Yitai Group from February 1999 to July 1999; the chief of the Security Technology Division of Industrial Development Company from July 1999 to December 2000; the deputy head of the Nalinmiao Mine of Industrial Company from December 2000 to April 2001; the deputy head of Nalinmiao Mine from April 2001 to December 2001; the head of Wangjiapo Mine of Production Technology Department from December 2001 to February 2002; the head of Wangjiapo Mine of Production Technology Department from February 2002 to August 2005; the deputy director of the Suancigou Mine Construction Project Office from August 2005 to March 2007; the deputy general manager of Yitai Guanglian Coal Chemical Co., Ltd. from March 2007 to April 2007; the deputy head of the Suancigou Mine of Department of Coal Production from April 2007 to March 2008; the deputy general manager and chief engineer of Suancigou Mining from March 2008 to October 2008; the deputy general manager of Production Department of Suancigou Mine from November 2008 to June 2009; the head of Nalinmiao Mine No. 2 Mine of Department of Coal Production from June 2009 to June 2011; the head of Talahao Mine of the Company from June 2011 to July 2017; and the general manager of the Coal Production Management Department from July 2017 to November 2019. Mr. Bai served as the chief engineer of the Company from November 2019 to July 2021.</p>
Li Hongbin	<p>Gender: Male. Han ethnicity, born in 1972. Mr. Li Hongbin is a member of the Communist Party of China, he graduated from Fuxin Mining Institute where he specialized in mining engineering in 1994. Li Hongbin holds a bachelor's degree in Engineering, and he is a senior engineer in mining. He worked in Dongjia River Mine of the Mining Bureau in Chenhe, Shaanxi Province from July 1994 to May 2005 during when he consecutively acted as the head of technology in the mining team, the head of the mining, design and technology of the production and technical division. From June 2005 to July 2005, he acted as the coal mining technician of the Sujiahao Mine in I Yitai Group. From August 2005 to March 2006 he acted as the deputy director of the project office of the Sujiahao Mine in Yitai Group. From April 2006 to March 2010, he acted as the deputy director engineer in the Department of Coal Production of our Company. He consecutively served as the chief engineer in the Talahao Mine in our Company from April 2010 to February 2019, the head of the Hongjingta Mine No.1 mine in our Company from March 2019 to November 2019, the deputy general manager of the Coal Production Management Department of the Company from December 2019 to February 2021, the general manager of the Coal Production Management Department in our Company from March 2021 to July 2021 and the chief engineer of the Company since July 2021.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

Names	Biographies
Jin Rong	<p>Gender: Male. Han ethnicity, born in 1975. Mr. Jin Rong is a member of the Communist Party of China and a senior accountant. He holds a master's degree. He consecutively worked in the Finance Department of our Company from September 1997 to October 1998, the finance division of the Yitai Hotel of the Company from November 1998 to February 2002. He consecutively served as the chief of the finance division of the Yitai Hotel of the Company from February 2002 to April 2005, the chief of the finance division of the Xiyingszi Collection and Transportation Centre in our Company from April 2005 to April 2007, the vice director of the Finance Department in the Inner Mongolia Yitai Pharmaceutical Co., Ltd. from April 2007 to June 2009, the director of the finance department of the Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) from June 2009 to September 2009, the director of the finance department of the Xiyingszi Collection and Transportation Centre from October 2009 to July 2013, the director of the finance department of Huzhun Railway from July 2013 to April 2015, the head of the railway settlement center of the finance management center of the Company from April 2015 to October 2019. He acted as the general manager of the financial management department of the Company from October 2019 to December 2019. He has been acting as the general manager of the financial management department of the Yitai Group since December 2019 and the chief finance officer of our Company since December 2021.</p>
He Peixun	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. He was born in 1986 and possesses a bachelor's degree in law. He graduated from Inner Mongolia University in July 2009. He worked in the general manager office in the Company from July 2009 to December 2009. He worked in the Securities Department of the Company from January 2010 to May 2012. He was the director for security business in the Securities Department of the Company from June 2012 to July 2013. He was the business director of the Securities Department of the Company from August 2013 to April 2015. He was the business manager in the Investor Relations and Management Department of the Company from May 2015 to October 2016; the intermediate business manager in the Investor Relations and Management Department of the Company from November 2016 to December 2017; the deputy director of the Investor Relations and Management Department of the Company from December 2017 to June 2018; the deputy general manager of Capital and Compliance Management Department of the Company from June 2018 to December 2020; the secretary to the Board, joint company secretary and general manager of Capital and Compliance Management Department since December 2020; the supervisor of Yitai Investment since June 2017; the supervisor of the Company from May 2017 to December 2020; and the secretary to the Board of the Company since December 2020.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

1. Particulars concerning positions held in shareholders' entities

Name of incumbent	Name of shareholders' entity	Position held in shareholders' entity	Starting date of term	End date of term
Zhang Jingquan	Inner Mongolia Yitai Group Co., Ltd. Inner Mongolia Yitai Group Co., Ltd.	Director	September 2015	
		Deputy Chief Executive Officer	March 2017	
Liu Chunlin	Inner Mongolia Yitai Group Co., Ltd. Inner Mongolia Yitai Group Co., Ltd.	Director, Chief Accountant	June 2004	
		Deputy Chief Executive Officer	July 2018	
Ge Yaoyong	Inner Mongolia Yitai Group Co., Ltd. Inner Mongolia Yitai Group Co., Ltd.	Director	November 2008	
		Deputy Chief Executive Officer	January 2017	
Zhang Dongsheng	Inner Mongolia Yitai Group Co., Ltd. Inner Mongolia Yitai Group Co., Ltd.	Director	November 2008	
		Deputy Chief Executive Officer	January 2017	
Zhang Zhenjin	Inner Mongolia Yitai Group Co., Ltd.	Supervisor, Chairman of the Supervisory Committee	December 2018	
Lv Guiliang	Inner Mongolia Yitai Group Co., Ltd.	Director	January 2020	
Liu Xianghua	Inner Mongolia Yitai Group Co., Ltd.	Secretary to the Board	March 2012	
Li Cailing	Inner Mongolia Yitai Group Co., Ltd.	Deputy General Manager of the Financial Management Department	December 2018	April 2021
Zhang Wei	Inner Mongolia Yitai Group Co., Ltd.	Supervisor	January 2020	
Chen Rong	Inner Mongolia Yitai Group Co., Ltd.	Intermediate manager of the board affairs of the board office	October 2020	

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

2. Particulars concerning positions held in other entities

Name of incumbent	Name of other entity	Position held in other entity	Starting date of term	End date of term
Zhang Zhiming	School of Law of Renmin University of China	Professor, doctoral supervisor	September 2005	
Huang Sujian	Institute of Industrial Economics of Chinese Academy of Social Sciences	Researcher	July 1988	
Wong Hin Wing	Hermitage Capital HK Limited	Managing partner and a responsible officer	March 2020	
Du Yingfen	Institute of Industrial Economics of Chinese Academy of Social Sciences	Researcher	November 1991	
Wang Yongliang	Inner Mongolia Ikochao League Law Firm	Director	March 2001	
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of auditing department	July 2001	
E Erdun Tao Ketao	Inner Mongolia University of Finance and Economics	Professor	June 2006	

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

Decision-making procedure for the remuneration of the Directors, supervisors and senior management	The remuneration for the Directors, supervisors and senior management is proposed to the Board by the Remuneration and Appraisal Committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and supervisors will be proposed to the general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.
Basis for determination on the remuneration of the Directors, supervisors and senior management	The remuneration of Directors and senior management of the Company is on an annual basis. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is comprehensively determined according to the operational scale, profitability and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. Basic annual salary of Directors and senior management is paid on a monthly basis and annual performance salary is paid upon year end assessment.
Particulars about remuneration actually paid to Directors, supervisors and senior management	Allowances and remuneration for the Directors, supervisors and senior management, which is calculated based on the allowance amount of independent Directors determined in general meeting, and the remuneration for the Directors, supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company on an annual or monthly basis after withholding individual income tax.
Total remuneration actually obtained by the Directors, supervisors and senior management as a whole at the end of the reporting period	RMB19.0374 million

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

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

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

Name	Position	Change	Reason for change
Zhao Like	Deputy General Manager	Resigned	Work adjustment
Zhao Like	Director	Appointed	Work adjustment
Lv Guiliang	Director	Resigned	Work adjustment
Lv Guiliang	Chief Finance Officer	Resigned	Work adjustment
Jin Rong	Chief Finance Officer	Appointed	Work adjustment
Zhang Zhenjin	Supervisor, Chairman of the Supervisory Committee	Resigned	Work adjustment
Zhang Wei	Chairman of the Supervisory Committee	Elected	Work adjustment
Li Cailing	Supervisor	Resigned	Resignation
Bai Shibang	Chief Engineer	Resigned	Work adjustment
Li Hongbin	Chief Engineer	Appointed	Work adjustment
Chen Rong	Supervisor	Elected	Work adjustment
Zhang Zhiming	Independent Director	Resigned	Term expired
E Erdun Tao Ketao	Independent Director	Appointed	Work adjustment

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

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

As at 31 December 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:

Long positions in the shares of associated corporation of the Company

Unit: Share

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr. Zhang Jingquan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr. Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,181,234	0.86
Mr. Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	52,798	0.01
Mr. Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	153,446	0.02
Mr. 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
Mr. Zhao Like	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	257,551	0.04
Supervisors:				
Mr. Liu Xianghua	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	358,993	0.05

Save as disclosed above, as at 31 December 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.

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

II. EMPLOYEES INFORMATION ON THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

(I) Information on employees

Number of in-service employees in the parent company	1,772
Number of in-service employees in major subsidiaries	3,469
Total number of in-service employees	5,241
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	489

Category	Specialty composition	Headcount
Production		2,039
Sales		1,887
Technician		465
Finance		182
Administration		668
Total		5,241

Category	Education level	Headcount
Postgraduate		221
Undergraduate		2,563
College graduate and secondary technical school		1,908
Below secondary technical school		549
Total		5,241



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

II. EMPLOYEES INFORMATION ON THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD *(Continued)*

(II) Remuneration Policy

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

(III) Training Program

According to the Outline of the "14th Five-Year-Plan" and talent development strategies of the Company and the principle of "the classified development and hierarchical empowerment", we prepared the Operating Manager Learning Map At the Corporate Level focusing on the competency model of the unit operators at the corporate level and formulated the implementation plan for the training, to promote the enhancement of the leadership of the manager with management project, while implementing the "intelligent operation", "excellent management" and "excellent shift leader" training program. In addition, in cooperation with the commencement of the employee performance management system, we organize the internal staff to develop the course of Performance Management and conduct the publicity specifically to the middle managers of the entire Company. In the other hand, we collaborate with Yitai Chemical and financial sharing center to develop micro courses in terms of contents including operational skills and the publicity of the standardization of regulation. Leveraging the simultaneous development of high-quality courses in such two aspects, we conduct internal selection for teachers.

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 December 2021 are 12.5 tonnes, 29.76 tonnes and 69.94 tonnes, respectively.

Yitai Chemical has a total of 66 exhaust gas discharge ports, nil wastewater discharge ports, and its sewage is discharged in an organized way. The total annual pollutants are 946.06 tonnes of sulfur dioxide and 1,067.72 tonnes of nitrogen oxides. The actual total emissions of sulfur dioxide and nitrogen oxides from January to December 2021 are 285.91 tonnes and 639.07 tonnes, respectively.

2. Construction and operation of pollution prevention facilities

① Waste gas pollution prevention and control

- a. For the transportation of raw coal, fuel coal, coal dust generated during the storage process, and dusty waste gas from the storage and transportation process of solid materials, the Coal-to-oil Company and Yitai Chemical install a dust collector in the coal conveyor belt and broken building and the coal crusher room and each transfer station is equipped with ventilation and dust removal equipment; the vehicle for transporting coal is covered with crepe, and the loading and unloading process is carried out in the fully enclosed coal yard and coal will then be transported to the pot by the belt conveyor; the coal yard is equipped with spray facilities to decrease dust, ensuring the dust emission complies with the Class II emission standard of the "Integrated Emission Standard of Air Pollutants" (GB16297-1996).
- b. Boiler flue gas. Coal-to-oil Company newly built a set of semidry desulfurization process outside the furnace on the basis of calcium desulfurization process in the original furnace. The desulfurization efficiency reached over 90%; in 2016, Coal-to-oil Company carried out technical transformation of flue gas denitration by adopting the SNCR denitration process. The denitration efficiency reached over 70%, and the concentration of each type of pollutant in the flue gas complied with the "Emission Standard of Air Pollutants for Coal-fired Power Plants" (GB13223-2011).

Yitai Chemical applies ammonia desulfurization technology to boiler flue gas desulfurization of our chemical project by adopting selective SNCR denitration process for flue gas denitration and bag dust removal process for flue gas dedusting. After such measures are implemented, 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).



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)*

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

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

The acid gas produced by Yitai Chemical is transformed to sulfur recovery device and treated by the 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 under the “Emission Standard of Pollutants for Petroleum Refining Industry” (GB31570-2015).

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

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

② Wastewater pollution prevention and control

- a. Coal-to-oil Company

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

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 Wastewater pollution prevention and control (Continued)

b. Yitai Chemical

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

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

Wastewater treatment and reuse: The qualified effluent from the sewage treatment plant enters the reused water treatment process; the clean wastewater such as discharge sewage of chemical water and circulating water enters the reuse water treatment process. Wastewater is treated differently according to the water quality characteristics. Effluents are used as replenished water of chemical water and circulating water systems.

High-content brine evaporation crystallization: The concentrated brine discharged from the wastewater reuse system is sent to the evaporation crystallization system, and the deep energy "multi-effect countercurrent evaporation + segmentation crystallization process" is adopted to realise the resource utilization of the crystalline salt. The 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.

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)

③ Solid waste pollution prevention and control

From January to December 2021, gasified crude slag and boiler ash of about 226,900 tonnes in total generated by Coal-to-oil Company are all sent to the slag yard of Dalu Park, and 518.41 tonnes of slag wax, 530.22 tonnes of carnallite, 0.64 tonnes of waste oil barrel and other hazardous wastes generated were treated by Keling Environmental Protection Co., Ltd. (科領環保股份有限公司).

From January to December 2021, gasification slag and boiler slag of about 1,292,700 tonnes in total generated by Yitai Chemical were all sent to the slag yard of Xinnuo Park for dumping; 73.88 tonnes of used mineral oil produced was disposed by Dalate Banner Zhongxin Waterproof Material Co., Ltd. (達拉特旗忠信防水材料有限責任公司); 3,009.86 tonnes of filter cake, 252.8 tonnes of dried sludge, 3,608.4 tonnes of unqualified crystalline salt, 33.36 tonnes of waste activated carbon, 19.22 tonnes of waste bag filter and 108.36 tonnes of waste packing barrel were sent to Keling Environmental Protection Co., Ltd. (科領環保股份有限公司) for disposal; 484.46 tonnes of waste oil was disposed of by Wuhai Tongyang Energy Technology Co., Ltd. General solid waste is sent to the park slag yard undertaken by Hangjin Banner Xinnuo Municipal Construction Investment Co., Ltd. (杭錦旗信諾市政建設投資有限責任公司) for safe dumping.

④ Noise pollution prevention and control

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

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

The 0.16 Mtpa project, i.e. the first phase of 0.48 Mtpa coal-based synthetic oil project of Inner Mongolia Yitai Coal-to-oil Co., Ltd., was reviewed and approved by the Autonomous Region Development and Reform Commission on 8 December 2005 in document Neifagaigongzi [2005] No. 1832; On 24 October 2010, the Environmental Protection Department of Inner Mongolia Autonomous Region organized relevant departments and experts to carry out environmental protection acceptance of 0.16 Mtpa project of Coal-to-oil Company, i.e. the first phase of 0.48 Mtpa coal-based synthetic oil project, which was replied in the document Nei Huan Yan [2010] No. 102 on 21 December 2010.

On 3 August 2011, the Environmental Protection Department of Inner Mongolia Autonomous Region replied the 1.2 Mtpa of fine chemicals project of Inner Mongolia Yitai Chemical Co., Ltd. with the document Nei Huan Shen [2011] No. 240. On 30 September 2017, we received from the Environmental Protection Bureau of Ordos City a “Notice on the Environmental Protection Acceptance of the 1.2 Mtpa of Fine Chemicals Demonstration Project of Inner Mongolia Yitai Chemical Co., Ltd.” (E Huanjianzi [2017] No. 190).

On 8 July 2016, Coal-to-oil Company obtained the approval of the Ministry of Environmental Protection of the People’s Republic of China (hereinafter referred to as the “Ministry of Environmental Protection”) on the Environmental Impact Report of the 2 Mtpa indirect coal liquefaction demonstration project of Inner Mongolia Yitai Coal-to-oil Co., Ltd. (Huan Shen [2016] No. 95).

On 28 September 2017, Yili Energy obtained the approval of the Ministry of Environmental Protection on the Environmental Impact Report of the 1 Mtpa coal-to-liquid demonstration project of Yitai Yili Energy Co., Ltd. (Huan Shen [2017] No. 151).

On 19 January 2022, Yili Mining obtained the approval of the Ministry of Ecology and Environment of the People’s Republic of China on Environmental Impact Report of the Small and Medium-sized Coal Mine Resource Integration Area Coal Mine (Open-pit) and Coal Preparation Plant Project (4.5 Mtpa) in Yining Mining Area of Yitai Yili Mining Co., Ltd. (Huan Shen [2022] No. 6).

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.



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. Ordos Environmental Monitoring and Inspection Co., Ltd. (鄂爾多斯市環境監測檢驗有限公司), a third-party operating agency was entrusted for the operation and maintenance of the automatic monitoring of flue gas. Inner Mongolia Bilan Environmental Technology Co., Ltd. (內蒙古碧藍環境科技有限公司) was entrusted for manual monitoring.

Yitai Chemical has formulated the “Environmental Self-Monitoring Program of Inner Mongolia Yitai Chemical Co., Ltd.” to test the environment. Ordos Environmental Monitoring and Inspection Co., Ltd. (鄂爾多斯市環境監測檢驗有限公司), a third party operating agency was entrusted for the operation and maintenance of the automatic monitoring of flue gas. 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 Inner Mongolia Yitai Chemical Co., Ltd. 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 Inner Mongolia Yitai Chemical Co., Ltd. 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.

Inner Mongolia Yitai Chemical Co., Ltd. has made rectification in accordance with the requirements.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (Continued)

I. ENVIRONMENTAL INFORMATION (Continued)

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

I. Administrative penalties due to environmental issues

As Baoshan Coal Mine and Dadijing Mine dumped coal gangue without authorization, Yijinhuoluo Branch of Ordos City Ecological Environment Bureau served a Decision of Administrative Penalties (E Huan Yi Fa [2021] No.89, 90) against them on 29 November 2021, and imposed a fine of RMB300,000 respectively.

As the closed and spraying methods had not been adopted during coal unloading operations by coal transport vehicles at Hushi Loading Station of Huzhun Railway to prevent and control dust pollution, the Ordos Ecology and Environment Bureau served a Decision of Administrative Penalties (E Huan Fa [2021] No.5) against it on 18 March 2021, and imposed a fine of RMB100,000.

As about 10,000 tons of coal was piled up in the open air at Hushi Loading Station of Huzhun Railway, no closed and thatch cover measures were taken, watering and dust suppression were not fully implemented, resulting in 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.155) against it on 28 September 2021, and imposed a fine of RMB100,000.

Dust pollution was occurred due to the dust along the transportation road of Suancigou Coal Mine Land Reclamation Project, and omissions in taking measures to control dust. The Jungar Banner Branch of Ordos Ecological Environment Bureau issued an administrative penalty decision on 19 November 2021, and imposed a fine of RMB30,000.

As the open operation in the coal yard of Huzhun Railway Hushi Loading Station, and the insufficient dust suppression of road watering in the entry and exit areas, resulting in coal dust pollution, the Ordos Ecology and Environment Bureau served a Decision of Administrative Penalties against it on 13 December 2021, and imposed a fine of RMB50,000.



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)

II. 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 approved sulfur dioxide, nitrogen oxides and smoke discharge of such units are 251.82 tonnes, 306.60 tonnes and 54.75 tonnes, respectively. The actual sulfur dioxide, nitrogen oxides and smoke discharge of units with pollution emitted licence from January to December 2021 is 74.66 tonnes, 161.46 tonnes and 25.33 tonnes, respectively. All units strictly implemented the environmental impact assessment system and the “three simultaneous” system of pollution prevention and control facilities during the construction process. The air pollution source is the boiler flue gas discharged from the heating boiler. The pollutants meet the “Emission Standard of Air Pollutants for Boilers” (GB13271-2014) after bag de-dusting, the sodium alkali method and the ammonia desulfurization treatment. The domestic wastewater is used for sprinkling and greening of industrial squares and roads after meeting the Integrated Wastewater Discharge Standard (GB8978-1996) after the A/O, MBR and disinfection processing treatment; coal mining wastewater is all reused for underground production after coagulation and labyrinth sloping plate precipitation and meeting the Pollutant Discharge Standard for Coal Industry (GB20426-2006); the coal preparation plant is closedloop 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.

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

2021 is the first year of the national “14th Five-Year Plan” and the Outline of Long-term Goals for 2035. The Company made comprehensive plans for green development strategy, accelerated the layout of the new energy industry, greatly improved the level of energy utilization, and continuously reduced pollutant emissions, incorporated “dual carbon” and “dual control” of energy consumption into the Company’s overall strategic development, fully implemented the “dual carbon” goal, and strictly controlled the total amount and intensity of energy consumption.

The Company entrusted CECEP Consulting Co., Ltd. to systematically sort out the current situation of energy consumption in various industrial sectors, comprehensively investigate loopholes in energy consumption management and energy saving potential, and promote the Company’s energy consumption management level and energy efficiency.



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY *(Continued)*

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES

For details, please refer to the 2021 Annual Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.

III. CONSOLIDATING AND EXPANDING THE RESULTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

In 2021, the Company actively participated in the targeted poverty alleviation work of "hundred enterprises in support of hundred villages", taking the opportunity to help poverty-stricken areas expand and strengthen characteristic and advantageous industries, and help locals win the fight against poverty. The Company has assisted 23 villages and towns in total, providing RMB75.4429 million of supplies and monetary funds and the number of beneficiaries reached 2,502.

SIGNIFICANT EVENTS

I. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

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

1. Formulation, execution or adjustment of cash dividend policy

As of 31 December 2021, the net profit attributable to owners of the parent company as set out in the audited consolidated statements of the Company for 2021 prepared under the Accounting Standards for Business Enterprises amounted to RMB8,643,452,999.77. After taking into full consideration of factors such as the performance in 2021, profitability in future and shareholders' return on investment, the board of directors recommended a cash dividend of RMB9.30 (tax inclusive) per 10 shares, calculated by the total share capital of 3,254,007,000 shares, to be paid to all shareholders. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working day after the date of the general meeting (namely the 2021 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average of middle rate of RMB against HKD as published by the People's Bank of China on the first working day after the general meeting (namely the 2021 annual general meeting) at which the resolution on distribution of dividend is approved.

The Company will convene the 2021 annual general meeting on Tuesday, 28 June 2022 for consideration and approval of relevant proposals, including the above proposal regarding final dividend for 2021. The aforesaid 2021 final dividend will be distributed on Monday, 25 July 2022 upon approval by general meeting.

2. Closure of register of members

(1) Record date and dividend distribution for B shares

Given that the Company will convene the 2021 annual general meeting on Tuesday, 28 June 2022, and under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares after the 2021 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B shares.

SIGNIFICANT EVENTS *(Continued)*

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

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

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

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

The Company will convene the 2021 annual general meeting on Tuesday, 28 June 2022. The register of members of H shares of the Company will be closed from 28 May 2022 to 28 June 2022 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H shares of the Company should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 27 May 2022.

The register of members of the Company will be closed from 6 July 2022 to 11 July 2022 (both days inclusive). In order to qualify for receiving dividend, holders of H shares of the Company should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on 5 July 2022.

3. Taxation

- (1) According to the provisions of the Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》(Guo Shui Han [2009] No. 394), the Company has withheld 10% enterprise income tax when it distributed cash dividends to the non-resident enterprise holders of B shares in 2021.

SIGNIFICANT EVENTS *(Continued)*

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

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

3. Taxation *(Continued)*

- (2) In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares of the Company not registered under the name of an individual shareholder, including under the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. After receiving dividends, non-resident enterprise shareholders may apply, personally or by proxy, to the competent taxation authorities to enjoy the treatment under taxation agreements (arrangement), and provide materials proving their eligibility to be the actual beneficiaries under the taxation agreements (arrangement) for tax refund.

Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agents or custodian organizations for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 11 July 2022.

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

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

SIGNIFICANT EVENTS (Continued)

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

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

3. Taxation (Continued)

(3) (Continued)

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

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

4. During the reporting period, no shareholders waived or agreed to waive the arrangement on the dividends.

(II) Particulars of Cash Dividend Policy

Was it in compliance with the requirements of the Company’s Articles of Association and the resolution of the general meeting	✓ Yes <input type="checkbox"/> No
Was the dividend distribution criteria and proportion well-defined and clear	✓ Yes <input type="checkbox"/> No
Was the related decision-making process and mechanism in place	✓ Yes <input type="checkbox"/> No
Did independent Directors fulfill their duties and play their roles	✓ Yes <input type="checkbox"/> No
Were the minority shareholders given opportunities to sufficiently voice their opinions and make requests and were their legal interests fully protected	✓ Yes <input type="checkbox"/> No

SIGNIFICANT EVENTS *(Continued)*

II. PERFORMANCE OF COMMITMENTS

1. The Company has entered into the Agreement on Avoidance of Horizontal Competition on 29 May 2012 with the controlling shareholder. To implement the strategy of expanding the coal business of the Company, and minimize the potential competition in the business of Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company acquired the target assets of Yitai Group under the agreement at the consideration RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group. The Company confirmed:
 - ① all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;
 - ② all coal products mined from the target mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;
 - ③ save as the retained business and target business group, during the effective period of the Agreement on Avoidance of Horizontal Competition, the controlling shareholder and its subsidiaries (excluding the Group) did not or did not procure their respective associates/associated companies not to engage in any activities that directly or indirectly compete with the core business of the Company in any manner through itself or in conjunction with other entities, or hold any interests or rights in any such competition business through a third party;
 - ④ the controlling shareholder did not engage or participate in any activities, by leveraging on their respective identity of shareholders or relationship with the Company's shareholders, resulting in damages to the legal interests of the Company or the Company's shareholders;
 - ⑤ upon completion of the proposed acquisition, (i) all transportation quotas of Yitai Group granted by the Ministry of Railways could be used by the Company at nil consideration; (ii) Yitai Group did not use transportation quotas or grant a third party any transportation quotas before satisfying the requirements of the Company; and (iii) Yitai Group applied to the Ministry of Railways for changing its account holder to the Company;
 - ⑥ since the listing date, Yitai Group did not sell any of the above coal products to any third parties or engage in coal trading business, including but not limited to purchase of coal products from a third party;
 - ⑦ Yitai Group did not make any notice to the Company in writing for the matters that constituted a business opportunity of horizontal competition thereby needed to be brought to the Company's attention, and confirmed that there were no business interests of horizontal competition transferred, disposed of, leased or permitted to a third party.

SIGNIFICANT EVENTS (Continued)

II. PERFORMANCE OF COMMITMENTS (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 exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell Hongqinghe Mine to the Company or its subsidiaries on reasonable and fair terms and conditions through ways of financing.

② Analysis on risks in respect of performance of contracts

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



SIGNIFICANT EVENTS *(Continued)*

II. PERFORMANCE OF COMMITMENTS *(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.

SIGNIFICANT EVENTS *(Continued)*

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

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

N/A

IV. GUARANTEES IN VIOLATION OF REGULATIONS

N/A

SIGNIFICANT EVENTS *(Continued)*

V. STATEMENTS OF THE BOARD ON THE “NON-STANDARD AUDITING REPORT” ISSUED BY THE ACCOUNTANT

N/A

VI. THE COMPANY’S ANALYSIS ON THE CAUSE AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The nature and the reasons of the changes in accounting policies	Approval procedure
The Company has changed the accounting policy for port miscellaneous charges, transportation charges, loading and unloading charges from 1 January 2021.	Approval at the eighteenth meeting of the eighth session of the board of directors
The Company has implemented the “Interpretation of Accounting Standards for Business Enterprises No. 14” issued by the Minister of Finance in 2021 from 2 February 2021.	Approval at the eighteenth meeting of the eighth session of the board of directors
The Company has implemented the “Interpretation of Accounting Standards for Business Enterprises No. 15” issued by the Minister of Finance in 2021 from 31 December 2021.	Approval at the eighteenth meeting of the eighth session of the board of directors

1. The impact of accounting treatment of port charges, transportation charges and loading and unloading charges on the Company

In order to further strengthen cost management, from 1 January 2021, the Company adjusted the accounting policies for port miscellaneous charges, transportation charges, and loading and unloading charges related to coal, coal chemical and other businesses under the Accounting Standards for Business Enterprises, and incorporated the port charges, miscellaneous expenses, transportation expenses, loading and unloading expenses under the original cost of sales in the production cost and cost of principal business, and the financial statements of the comparable period were restated based on the accounting method after the change of the accounting policy. The restatement has an impact on operating costs and selling expenses in 2020, but has no impact on other items, operating results, undistributed profits at the beginning of the year, and net profit in the Company’s financial statements in 2020. The restatement of the statement led to an increase of RMB1,006,250,783.67 in operating costs and a decrease of RMB1,006,250,783.67 in sales expenses.

2. The impact of implementing Interpretation of Accounting Standards for Business Enterprises No. 14 on the Company

On 2 February 2021, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 14 (Cai Kuai [2021] No. 1, hereinafter “Interpretation No.14”) which became effective on 2 February 2021. The Company implemented the Interpretation No.14 from the date on effect. The implementation of Interpretation No.14 has no material impact on the financial statement in the reporting period.

SIGNIFICANT EVENTS (Continued)

VI. THE COMPANY'S ANALYSIS ON THE CAUSE AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3. The impact of implementing Interpretation of Accounting Standards for Business Enterprises No. 15 on the Company

On 31 December 2021, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 15 (Cai Kuai [2021] No. 35, hereinafter "Interpretation No.15") which became effective on the date of implementation. Interpretation No. 15 regulated the presentation of the centralized and unified management of the funds of the parent company and member units through internal settlement centers and financial companies. The Company implemented the Interpretation No.15 from 31 December 2021. The implementation of Interpretation No.15 has no material impact on the financial statement in the comparable period.

VII. APPOINTMENT OF AUDITORS

Unit: yuan Currency: RMB

Current appointee	
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1,500,000
Term of audit of the domestic accounting firm	11
Name of the overseas accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the overseas accounting firm	2,200,000
Term of audit of the overseas accounting firm	3

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

Statement: The above-mentioned remuneration of accounting firms are fees of annual report auditing, interim report auditing and internal auditing services; other auditing and consulting service fees are not included.

SIGNIFICANT EVENTS (Continued)

VII. APPOINTMENT OF AUDITORS (Continued)

Explanation on appointment of auditors

Upon the consideration and approval at the second EGM in 2019, the Company prepared only one set of financial statements for the Company under the PRC Accounting Standards for Business Enterprises and no longer engaged Deloitte Touche Tohmatsu who was the overseas auditing organization of the Company and continued to appoint Da Hua Certified Public Accountants (Special General Partnership) to audit the Company's financial statements under the PRC Accounting Standards for Business Enterprises.

The seventh meeting of the eighth session of the Board of Directors of the Company was held on 30 March 2021 to consider and approve the resolutions in relation to the re-appointment of the finance auditor for the year 2021 and internal control auditor for the year 2021 by the Company, approving the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the finance auditor of the Company for the year 2021 and the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as internal control auditor of the Company for the year 2021. The aforesaid resolution on appointment of auditors for the year 2021 has been considered and approved at the general meeting of the Company in 2020. Save as disclosed above, the Company has not changed auditors for the previous three years.

VIII. MATERIAL LITIGATION AND ARBITRATION

Summary of Matters and Category

Query Indexes

In 2011, Dadijing Mine built a coal transportation road from the coal mining area to the Bianjia Highway, occupying 59.7389 mu of forest land, 4.6644 mu of natural grassland and 5.9985 mu of dryland, without the approval of the industry competent authorities. On 8 June 2021, the Company received a Decision Not to Prosecute (Da Jian Xing Bu Su [2021] No.47) in respect of Dadijing Mine issued by the People's Procuratorate of Dalateqi, which decided not to proceed with prosecution action against Dadijing Mine.

During the period from 2009 to 2015, Kaida Mine, the defendant unit, unlawfully occupied up to 391.1335 mu of agricultural land for the construction of new mining unit, coal washing plant, coal gangue dump site and air return shaft for Kaida Mine without approval. On 10 December 2021, the Company received the Criminal Judgement ([2021] Nei 0623 Xing Chu No. 81) issued by the People's Court of Etuokeqianqi on 10 December 2021. The case of suspected unlawful occupation of agricultural land by Kaida Mine of the Company has been concluded. According to the relevant requirements of the Criminal Law of the People's Republic of China, Kaida Mine, the defendant unit, committed the crime of unlawful occupation of agricultural land and sentenced to a single penalty of RMB200,000.

For further details of the matter, please see the Announcement in Relation to Criminal Litigation Involving Coal Mines of the Inner Mongolia Yitai Coal Co., Ltd. (Announcement No.: Lin 2021-049) (《內蒙古伊泰煤炭股份有限公司屬煤礦涉及刑事訴訟的公告》(公告編號:臨2021-049)), which was posted in the website of the Shanghai Stock Exchange, and published in Shanghai Securities News and Hong Kong Commercial Daily as at 17 September 2021.

For further details of the matter, please see the Announcement in Relation to Criminal Litigation Involving Coal Mines of the Inner Mongolia Yitai Coal Co., Ltd. (Announcement No.: Lin 2021-049) (《內蒙古伊泰煤炭股份有限公司屬煤礦涉及刑事訴訟的公告》(公告編號:臨2021-049)), and the Progress Announcement in Relation to Criminal Litigations Involving Coal Mines of the Inner Mongolia Yitai Coal Co., Ltd. (Announcement No.: Lin 2021-066) (《內蒙古伊泰煤炭股份有限公司屬煤礦涉及刑事訴訟的進展公告》(公告編號:臨2021-066)), which were posted in the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange as at 17 September 2021 and 13 December 2021.

SIGNIFICANT EVENTS (Continued)

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

China Securities Regulatory Commission Securities Regulatory Bureau of Inner Mongolia (hereinafter referred to as the “Inner Mongolia Bureau”) conducted an on-site inspection of the Company from 20 to 30 July 2021, and issued the Decision of Presenting a Letter of Warning to Inner Mongolia Yitai Coal Co., Ltd. as at 26 November 2021. After receiving the decision, the Company attached great importance to it, and organized its directors, supervisors, senior management personnels and personnels of related departments to conduct a careful analysis and research of problems found in on-site inspection and formulated feasible corrective measures. On 30 November 2021 and 29 December 2021, the Company submitted respectively the Inner Mongolia Yitai Coal Co., Ltd.’s Rectification Report of the Results of the On-site Inspection Conducted by the Regulatory Bureau of Inner Mongolia(《內蒙古伊泰煤炭股份有限公司關於內蒙古證監會現場檢查結果的整改報告》) and the Inner Mongolia Yitai Coal Co., Ltd.’s Report on Self-Inspection of the Information Disclosure (《內蒙古伊泰煤炭股份有限公司關於信息披露自查工作的報告》) to the Inner Mongolia Bureau.

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

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

SIGNIFICANT EVENTS *(Continued)*

XI. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions in relation to daily operation

1. Non-exempt continuing connected transactions

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

Yitai Group, directly and indirectly, holds 58.76% of the existing issued share capital of the Company and is a controlling shareholder of the Company, and thus constitutes a connected person of the Company. The Company and Yitai Group entered into the Yitai Group Framework Agreement on Purchase and Sale of Products and Services on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide products including equipment, materials, oil products, chemical products and electricity; standardized management, vehicle leasing, chemical examination, equipment leasing, guaranteed transportation, property leasing, agent sales and related services to Yitai Group and/or its subsidiaries from time to time. Yitai Group and/or its subsidiaries shall provide coal products, chemical-related materials, technologies, agricultural and sideline products, hazardous waste treatment services and other services related to coal and coal chemical products the Company and/or its subsidiaries from time to time.

Entering into this agreement does not affect parties to choose counterparties independently or conduct transactions with third parties.

To ensure that the transactions between the Company and Yitai Group are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures: In determining the price of coal products, it was determined reasonably on the basis of market price and the quality of coal product. The Company would make enquiries and survey on the prices of relevant similar products in certain areas regularly, including but not limited to (i) the price of coal provided by the Company to independent third parties; (ii) the open market price published by major suppliers in their quotations or on their websites which will be renewed from time to time; and (iii) the mainstream selling price of neighboring coal mines and the mainstream selling price in the ports. Based on the results of the above enquiries, the Company will determine the final price of the transaction upon negotiation with the counterparties according to the market price derived from the results of the above enquiries and reasonable cost-plus reasonable profit. For the reason that the coal products are provided exclusively by the Yitai Group to the Company, and their quality are higher than others within the same region, in determining the purchasing price, the Company will determine the final price of the coal products upon negotiation with the Yitai Group according to the market price derived from the results of the above enquiries, the quality of coal products, and that of coal products shall not higher than the price of the similar products sold by the Company to independent third parties. Meanwhile, the Company will refer to Bohai-rim Steam Coal Price Index and China's Coal Trading Price Index to ensure the final price of the transaction will not significantly deviate from the above price indexes.

SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

1. Non-exempt continuing connected transactions (Continued)

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

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

When determining the fees charged by Yitai Group from the Company for coal chemical new technology, the Company will require Yitai Group to provide the price for developing similar coal chemical new technology for the independent third party, to ensure that the price charged by Yitai Group from the Company for developing new technology is not higher than the cost of similar technology development costs in the market, and also will not higher than the similar new technology development costs paid by the Company to independent third parties.

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

Regarding other products provided by the Company, the Company will make reference to the market price provided to the independent third party. If market price is not available, price will be determined according to reasonable cost-plus reasonable profit, the Company would calculate the reasonable cost by adding all cost of raw materials, reasonable labour cost, management overhead and consumables associated with the production of the product. A reasonable profit margin calculated by making reference to the profit margin of similar products sold to independent third parties will then be added towards the cost of production. The Directors expected that the reasonable profit margin will be referenced to the average gross profit margin of the Group in the most recent financial year.

In regard to the hazardous waste treatment services provided to the Company and its subsidiaries by Yitai Group's subsidiaries, the relevant service prices are determined based on Notice of Inner Mongolia Development and Reform Commission on Issues Concerning Standardizing Hazardous Waste Disposal Charges”(Nei Fa Gai Fei Zi [2017] No. 1626)(《內蒙古自治區發展和改革委員會關於規範危險廢物處置收費有關問題的通知》(內發改費字[2017]1626號)).

SIGNIFICANT EVENTS *(Continued)*

XI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

The Company entered into the Guangdong Power Framework Agreement on Supply of Products with Guangdong Power on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties. Pursuant to the agreement, the Company and/or its subsidiaries shall provide coal to Guangdong Power and/or its subsidiaries from time to time. Their pricing policies are basically the same with the above-mentioned coal pricing policies.

(3) *Jingtai Power Generation Framework Agreement on Supply of Products*

Shareholdings in Suancigou Mining Co. is owned by the Company as to 52% and by Jingneng Power as to 24% respectively, and Jingtai Power Generation is a subsidiary of Jingneng Power, thus Jingtai Power Generation constitutes a connected person of the Company. The Company entered into the Jingtai Power Generation Framework Agreement on Supply of Products with Jingtai Power Generation on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties. Pursuant to the agreement, the Company and/or its subsidiaries shall provide coals and oil products to Jingtai Power Generation and/or its subsidiaries from time to time. Given that crushed coal slime sold through highway and coal gangue are coal products, their pricing policies are basically the same with the above-mentioned coal pricing policies. In regard to the selling price of oil products of the Company, the final transaction price is mainly determined by referring to the prices of the relevant refined oil products determined by the National Development and Reform Commission, and the factory prices of oil products of China National Petroleum Corporation and China Petrochemical Corporation. The final transaction price is subject to no further adjustment.

(4) *Jinglong Power Generation Framework Agreement on Supply of Products*

Shareholdings in Suancigou Mining Co. is owned by the Company as to 52% and by Jingneng Power as to 24% respectively, and Jinglong Power Generation is a subsidiary of Jingneng Power, thus Jinglong Power Generation constitutes a connected person of the Company. The Company entered into the Jinglong Power Generation Framework Agreement on Supply of Products with Jinglong Power Generation on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties. Pursuant to the agreement, the Company and/or its subsidiaries shall provide coals to Jinglong Power Generation and/or its subsidiaries from time to time. Their pricing policies are basically the same with the above-mentioned coal pricing policies.

SIGNIFICANT EVENTS *(Continued)*

XI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

The Company entered into the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services with Yitai Investment on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties. Pursuant to the agreement, Yitai Investment and/or its subsidiaries shall provide power, agricultural and sideline products and greenery service to the Company and/or its subsidiaries from time to time.

To ensure that the transactions between the Company and Yitai Investment are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures. For the power sold to the Company by Yitai Investment, the relevant price shall be determined to be RMB0.3419/kilowatt hour after negotiation by both parties with reference to the market price provided to independent third party(ies). This power purchase price is consistent with the market price, and it is not higher than the average market power price or power price paid to the independent third party by the Company. In regard to the greenery service, the Company mainly makes reference to the industry standard price and requires that the price provided by Yitai Investment's subsidiary shall not be higher than the price for the services of the same type and quality in the market, and ensures that the price for such services shall not be higher than the prices charged by the independent third party for provision of reclamation greenery services to the Company.

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

SIGNIFICANT EVENTS *(Continued)*

XI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

(6) *Jingtai Environmental Technology Framework Agreement on Purchase and Sale of Products and Services*

ErDOS Yitai Investment Holdings Company Limited holds 40.02% shareholdings in Jingtai Environmental Technology, and Mr. Zhang Donghai, a former connected person of the Company, is the controlling shareholder of ErDOS Yitai Investment Holdings Company Limited, thus Jingtai Environmental Technology constitutes a connected person of the Company.

The Company entered into the Jingtai Environmental Technology Framework Agreement on Purchase and Sale of Products and Services with Jingtai Environmental Technology on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, the Company and/or its subsidiaries shall provide equipment, oil products and project management services to Jingtai Environmental Technology and/or its subsidiaries from time to time, and Jingtai Environmental Technology and/or its subsidiaries shall provide operation and maintenance services to the Company and/or its subsidiaries from time to time.

To ensure that the transactions between the Company and Jingtai Environmental Technology are fair and reasonable and in line with market practices, the Company has adopted the following pricing policies and measures. For equipment and oil products, their pricing policies are basically the same with the above-mentioned oil and other product pricing policies. In regard to the operation and maintenance services, the Company negotiates with Jingtai Environmental Technology on arm's length basis mainly according to the actual operational needs to determine the final contracting service fees. These contracting fees mainly include but not limited to all labor costs, equipment and machine charges, charges for use of tools, costs of consumables, various measure fees, travel expenses, expenses on meals, communication costs, health and safety expenses, insurance expenses, management fees, profits, taxes and other fees necessary for work. The total contracting services fee shall be subject to further adjustment according to the resulting amount of all items above.

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

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

The Company entered into the Yanzhou Coal Neng Hua Framework Agreement on Purchase and Sale of Products and Services with Yanzhou Coal Neng Hua on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties. Pursuant to the agreement, the Company and/or its subsidiaries shall provide coals to Yanzhou Coal Neng Hua and/or its subsidiaries from time to time. Their pricing policies are basically the same with the above-mentioned coal pricing policies.

SIGNIFICANT EVENTS *(Continued)*

XI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

The Company entered into the Machine Equipment Complete Co. Tender Agent and Supervision Service Framework Agreement with Machine Equipment Complete Co. on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties.

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

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

(9) *Financial Services Framework Agreement*

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

The Company entered into the Financial Services Framework Agreement with Yitai Finance on 29 October 2020, which shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties.

Pursuant to the agreement, Yitai Finance shall provide financial services, including deposits, deposits, loans, settlement, entrusted loans, foreign economic guarantee, credit verification, and issuance of financial bonds services to the Company and/or its subsidiaries.

SIGNIFICANT EVENTS *(Continued)*

XI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

(10) Summary of continuing connected transactions in 2021

Unit: RMB'0,000

Category of transaction	Nature of transaction	Transaction amount for the year ended 31 December 2021	The cap of transaction amount for the year ended 31 December 2020
Products provided by the Company	Supply of equipment, materials, electricity and chemicals by the Company to Yitai Group and its subsidiaries	26,140	8,200
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	445,850	137,500
	Supply of coal by the Company to Jingtai Power Generation and its subsidiaries	545,870	60,000
	Supply of coal by the Company to Inner Mongolia Jinglong Power Generation Co., Ltd. and its subsidiaries	175,880	18,000
	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	1,700

SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

1. Non-exempt continuing connected transactions (Continued)

(10) Summary of continuing connected transactions in 2021 (Continued)

Category of transaction	Nature of transaction	Transaction amount for the year ended 31 December 2021	The cap of transaction amount for the year ended 31 December 2020
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	4,412,020	5,497,000
	Supply of electricity, agricultural and sideline products and other products by Inner Mongolia Yitai Investment Co., Ltd. and its subsidiaries to the Company	32,120	42,000
	Supply of coal by Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. to the Company	475,130	79,700
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	2,370	1,465
	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	1,100
Services provided to the Company	Supply of tender agent and supervision services by Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	8,990	7,100
	Supply of hazardous waste treatment and other services related to coal and coal chemical products by Yitai Group and its subsidiaries to the Company	40,970	20,700
	Supply of greening service by Inner Mongolia Yitai Investment Co., Ltd. and its subsidiaries to the Company	6,450	2,300
	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	42,580	14,000
Financial services	Supply of deposit services by Yitai Finance to the Company	11,699,740	1,170,000
	Interest on deposit services provided by Yitai Finance to the Company	35,000	18,840
	Fees on financial services provided by Yitai Finance to the Company	0	3,335

SIGNIFICANT EVENTS *(Continued)*

XI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

(10) Summary of continuing connected transactions in 2021 (Continued)

Statement:

1. 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.
2. The above-mentioned amount of deposit service provided by the Yitai Finance to the Company is the actual maximum amount in the daily deposit balance during the year, net of accrued interest.
3. The annual caps of above transaction amount are that of transaction amount for the year of 2021, for continuing connected transactions disclosed in the announcements of Company dated 29 October 2020, 16 December 2020 and 1 December 2021.

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

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

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

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

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

SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

4. Events disclosed in the extraordinary announcements with progress and or changes in the follow-up implementation

The proposal relating to the estimation of the Company for the maximum of daily related party transactions (B shares) for 2021-2023(《關於公司對2021-2023年度日常關聯交易(B股)上限進行預計的議案》) and the proposal relating to the estimation of the Company for the maximum of daily Continuing Connected Transactions (H shares) for 2021-2023 (《關於公司對2021-2023年度持續性關連交易(H股)上限進行預計的議案》) were considered and approved in the third meeting of the eighth session of the Board of Directors of the Company and the second EGM in 2020. Among which, the annual caps estimated by the Company of coal and oil products sold to the Jingtai Power Generation is RMB345 million, and that of coal products sold to the Jinglong Power Generation was RMB108 million.

As certain products required by Jingtai Power Generation and Jinglong Power Generation changed to coal products with higher calorific value and the selling price of coal has increased significantly since October 2021, combining the prevailing actual selling price and the subsequent demand of customers, the Company has adjusted the cap of daily connected transactions between the Company, Jingtai Power Generation and Jinglong Electricity for the year of 2021, which has been reviewed and approved. It is estimated that the annual cap of coal and oil products sold to the Jingtai Power Generation is RMB600 million, and that of coal products sold to Jinglong Power Generation is RMB180 million.

For further details of the event, please see the Announcement of Supplement and Estimation and Made by Inner Mongolia Yitai Coal Co., Ltd. on the Annual Caps of Daily Connected Transactions for the Year of 2021 (Announcement No.: Lin 2021-056) (《內蒙古伊泰煤炭股份有限公司關於對2021年度日常關聯交易上限進行補充預計的公告》(公告編號:臨2021-056), which was posted in the website of the Shanghai Stock Exchange, and published in Shanghai Securities News and Hong Kong Commercial Daily on 1 December 2021.

5. Please refer to Note XI to the financial statements for details of the related party transactions entered into by the Group during the reporting period. Save as the disclosed under “XI. MATERIAL CONNECTED TRANSACTIONS” (other than “(II) Connected transaction arising from asset or equity acquisition and disposal”) in the report, none of the related party transactions as disclosed in Note XI to the financial statements constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules which were required to comply with the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SIGNIFICANT EVENTS *(Continued)*

XI. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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) (上海漢磬企業管理合夥企業(有限合夥)) of the Company was approved at the ninth meeting of the eighth session of the board of directors convened on 24 May 2021. Based on the Company's strategic plans and Yitai Chemical's development prospect, the Company and Yitai Group acquired 32.20% of the equity interest in Yitai Chemical held by Shanghai Hanqing Corporate Management Partnership (Limited Partnership) ("Shanghai Hanqing") at a same proportion and settled by cash by proportion of shareholding. On 20 August 2021, the Company and Shanghai Hanqing entered into the Equity Transfer Agreement of Inner Mongolia Yitai Chemical Co., Ltd., pursuant to which, Shanghai Hanqing transferred 29.0475% equity interests held by it in Yitai Chemical at the consideration of RMB2,099,343,782.02 to the Company. As of the end of the reporting period, the changes of industrial and commercial registrations were completed.

For details, please refer to the Announcement on 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) (Announcement No.: Lin 2021-029) (《內蒙古伊泰煤炭股份有限公司關於收購上海漢磬企業管理合夥企業(有限合夥)所持內蒙古伊泰化工有限責任公司股權的關聯交易公告》(公告編號:臨2021-029)) and Announcement on the Progress of Related Party Transaction for Inner Mongolia Yitai Coal Co., Ltd. for Acquisition of the Equity Interest in Inner Mongolia Yitai Chemical Co., Ltd. Held by Shanghai Hanqing Corporate Management Partnership (Limited Partnership) (Announcement No.: Lin 2021-047) (《內蒙古伊泰煤炭股份有限公司關於收購上海漢磬企業管理合夥企業(有限合夥)所持內蒙古伊泰化工有限責任公司股權的關聯交易進展公告》(公告編號:臨2021-047)) published by the Company on the website of Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 24 May 2021 and 20 August 2021, respectively.

SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONNECTED TRANSACTIONS (Continued)

(III) Material related transactions relating to common external investments

Overview of matter	Query index
<p>To actively promote the project construction of phase II project of Jingtai Power Generation and to solve the compensation for overlaying Suancigou Mine's coal resources by phase II project of Jingtai Power Generation, shareholders of 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) intended to increase capital contribution total of RMB282.24 million to Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司) by proportion of shareholding for the compensation of overlaying Suancigou Mine's coal resources. After the capital contribution, the registered capital of Jingtai Power Generation increased from RMB1,578 million to RMB1,860.24 million, in particular, the Company, Beijing Jingnen Power and Shanxi Yudean injected capital of RMB81.8496 million, RMB143.9424 million and RMB56.448 million respectively. The shareholding of each shareholder held constant after the increase of capital contribution. Since Jingtai Power Generation is the same as the shareholders of Suancigou Mine, the above increase of capital contribution amount was offset by the dividend payable by Suancigou Mine to its shareholders, and the shareholders of Jingtai Power Generation were no need to pay cash to Jingtai Power Generation.</p>	<p>For details, please refer to the the Announcement on Related Parties Transaction Regarding the Increase of Capital Contribution to Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司) by Inner Mongolia Yitai Coal Co., Ltd. (Announcement No.: Lin 2021-060) (《內蒙古伊泰煤炭股份有限公司關於對內蒙古京泰發電有限責任公司增資的關聯交易的公告》(公告編號: 臨2021-060)) published by the Company on the website of Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 13 December 2021, and the Announcement on Connected Transaction in Relation to Capital Increase to Jingtai Power Generation published on the website of Hong Kong Stock Exchange.</p>

SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

Overview of matter	Query index
<p>Phase II project of Jingtai Power Plant overlays 14.7 million tons of coal resources of Suancigou Mine controlled by the Company. After negotiation, Jingtai Power Generation paid RMB282.24 million for overlaid resources in Suancigou Mine; the compensation for overlaid resources paid to Suancigou Mine by Jingtai Power Generation was offset by the increase of capital contribution from shareholders. Jingtai Power Generation was no need to pay cash to Suancigou Mine.</p>	<p>For details, please refer to the the Announcement on Related Parties Transaction of Inner Mongolia Yitai Coal Co., Ltd. Regarding the Coal Resources Overlaying Compensation Paid to 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) by Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司) (Announcement No.: Lin 2021-060) (《內蒙古伊泰煤炭股份有限公司關於內蒙古京泰發電有限責任公司向內蒙古伊泰京粵酸刺溝礦業有限責任公司支付煤炭資源壓覆補償款的關聯交易公告》(公告編號:臨2021-061)) published by the Company on the website of Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 13 December 2021, and the Announcement on Connected Transaction in Relation to the Resources Compensation Agreement published on the website of Hong Kong Stock Exchange.</p>

(IV) Related creditors' rights and debts transactions

On 30 March 2021, the seventh meeting of the eighth session of the Board of Directors of the Company has approved the entering into of cross-guarantee agreement between the Company and Yitai Group. Pursuant to the agreement, it was agreed that for the 3 accounting years of 2021, 2022 and 2023, the Company and its holding subsidiaries will provide guarantee for Yitai Group and its holding subsidiaries to borrow or finance from financial institutions not exceeding RMB2 billion each year. Yitai Group and its holding subsidiaries will provide guarantee for the Company and its holding subsidiaries to borrow or finance from financial institutions, subject to the actual amount and no maximum limit.

The guarantee amount of Yitai Group for the listed company and its holding subsidiaries this year was RMB49 million, and the guarantee balance was RMB3.257 billion; the amount of guarantee provided by the listed company for Yitai group and its holding subsidiaries was RMB0 billion yuan, and the balance was RMB0 billion.

SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONNECTED TRANSACTIONS (Continued)

(V) 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
					Total deposit in current period	Total withdrawal in current period	
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)		11,700,000,000.00	0.35%	7,604,329,520.68	154,608,610,216.94	152,036,469,977.17	10,176,469,760.45
Total	/	/	/	<u>7,604,329,520.68</u>	<u>154,608,610,216.94</u>	<u>152,036,469,977.17</u>	<u>10,176,469,760.45</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
					Total loan amount in current period	Total repayment amount in current period	
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Associate	12,300,000,000.00	3.85%	4,100,000,000.00	4,400,000,000.00	2,125,000,000.00	6,375,000,000.00
Total	/	/	/	<u>4,100,000,000.00</u>	<u>4,400,000,000.00</u>	<u>2,125,000,000.00</u>	<u>6,375,000,000.00</u>

SIGNIFICANT EVENTS (Continued)

XI. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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	12,300,000,000.00	6,375,000,000.00

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(I) Entrustment

Unit: yuan Currency: RMB

Name of entrusting party	Name of entrusted party	Entrusted assets	Amount of entrusted assets	Commencement date of entrustment	Termination date of entrustment	Earnings from entrustment	Basis for determination of earnings from entrustment	Effect of earnings from entrustment on the Company	Whether a related party transaction	Related relationship
Inner Mongolia Yitai Coal Co., Ltd.	Inner Mongolia Zhongtai Energy Co., Ltd. (內蒙古仲泰能源有限公司)	Certain 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	2,435,830,511.16	1 April 2020	Nil	5,203,710,026.31	See explanation	60.20%	No	Others

SIGNIFICANT EVENTS (Continued)

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (Continued)

(I) Entrustment (Continued)

Explanation on the entrustment

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

(II) Guarantee

Unit: yuan Currency: RMB

External guarantees of the Company (excluding those for subsidiaries)	
Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)	0
Total balance of guarantees at the end of the reporting period (A) (excluding those for subsidiaries)	0
Guarantees of the Company and its Subsidiaries for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the reporting period	1,330,000,000.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	9,701,066,486.69
Total Guarantee Amount of the Company (including those for subsidiaries)	
Total guarantee (A+B)	9,701,066,486.69
Percentage of total guarantee in the Company's net Assets (%)	23.74%
Including:	
Amount of guarantees for shareholders, de facto controllers and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	0
Amount of total guarantees in excess of 50% of net assets (E)	0
Amount of total three guarantees above (C+D+E)	0
Statement on the contingent joint liability in connection with unexpired guarantees	N/A
Statement on guarantee	The total guarantees above include a guarantee for commercial acceptance bill financing business of RMB879 million.

SIGNIFICANT EVENTS (Continued)

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (Continued)

(III) Entrusted Cash Assets Management

1. Overview of entrusted wealth management

Unit: yuan Currency: RMB

Type	Sources of funds	Actual amount	Amount not overdue	Overdue amount to be recovered
Wealth management products	Private capital	700,000,000.00	700,000,000.00	0

2. Single entrusted wealth management

Unit: yuan Currency: RMB

Entrustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Sources of funds	Investment orientation	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual gains or losses	Return actually received	Through a legal procedure or not	Whether the future entrusted wealth management plan exists
CITIC Securities Company Limited (中信證券股份有限公司內蒙古分公司)	Wealth management products	700,000,000.00	2021-12-29	2022-01-04	Private capital	Treasury bonds reverse repurchase	Fixed income	5.15%	592,569.2	0	Unmatured	Yes	Yes

SIGNIFICANT EVENTS (Continued)

XIII. EXPLANATION ON OTHER SIGNIFICANT EVENTS AFFECTING INVESTORS' VALUE JUDGMENT AND DECISION-MAKING

1. In March 2021, Yitai Chemical injected RMB21.1344 million to Inner Mongolia Yuanji Chemical Co., Ltd. (“Yuanji Chemical”). After the completion of the capital increase, Yitai Chemical held 42.46% equity interests of Yuanji Chemical. In December 2021, Yitai Chemical entered into equity transfer agreement with shareholders of Yuanji Chemical, namely Inner Mongolia Hongrui Group Company (內蒙古弘瑞能源集團有限公司) (“Hongrui Group”) and Yang Borenbatu (楊博仁叭吐), pursuant to which, Yitai Chemical acquired 36.23% equity interests of Yuanji Chemical held by Hongrui Group at the consideration of RMB62,324,547.83, and acquired 21.31% equity interests of Yuanji Chemical held by Yang Borenbatu (楊博仁叭吐) at a consideration of RMB36,661,549.32. The total consideration for the equity acquisition amounted to RMB98,986,097.15. Upon the completion of the equity acquisition, Yitai Chemical held 100% equity interest of Yuanji Chemical.
2. In December 2021, Yitai Chemical entered into an equity transfer agreement with Hongrui Group, a shareholder of Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司) (“Hengrui Xinke”), Su Mingji and Zhang Jizhong, pursuant to which, Yitai Chemical acquired 60%, 25% and 15% equity interest of Hengrui Xinke held respectively by Hongrui Group, Su Mingji, Zhang Jizhong at the consideration of RMB115,507,286.80, RMB48,128,036.17 and RMB28,876,821.70, respectively. The total consideration of the equity transfer amounted to RMB192,512,144.67. Upon the completion of the equity acquisition, Yitai Chemical held 100% equity interest of Hengrui Xinke.
3. On 18 January 2022, Yitai Chemical acquired 49% equity interests of Inner Mongolia Yitai Ningneng Fine Chemical Co., Ltd. (內蒙古伊泰寧能精細化有限責任公司) (“Yitai Ningneng”) held by Nanjing Ningneng Chemical Industry Investment Co., Ltd. (南京寧能化工產業投資有限公司) at a consideration of RMB78,262,653.00. After the equity acquisition, Yitai Chemical held 100% equity of Yitai Ningneng.



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 of the Company.

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of Securities During the Reporting Period

Not applicable

(II) Changes in the Total Number of Ordinary Shares, Shareholding Structure and the Structure of Assets and Liabilities of the Company

As at 31 December 2020, the gearing ratio of the Company was 49.61%. As at 31 December 2021, the gearing ratio of the Company was 46.29%, representing a decrease of 3.32 percentage points as compared with last year.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

III. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Total Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (in the number of accounts)	68,821
Total number of shareholders of ordinary shares at the end of the last month prior to the disclosure of annual report (in the number of accounts)	67,604
Total number of holders of preference shares with voting rights restored as at the end of the reporting period (in the number of accounts)	N/A
Total number of holders of preference shares with voting rights restored at the end of the last month prior to the disclosure of annual report (in the number of accounts)	N/A

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

Unit: Share

Name of shareholder (in full name)	Shareholdings of the Top Ten Shareholders						
	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	The number of shares held subject to selling restrictions	Pledged, marked or frozen shares		Class of Shareholder
					Status of the shares	No. of shares	
Inner Mongolia Yitai Group Co., Ltd.	0	1,600,000,000	49.17	1,600,000,000	Nil	0	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	500	325,959,200	10.02	-	Unknown	Unknown	Foreign legal person
Yitai (Group) Hong Kong Co., Ltd.	0	312,000,000	9.59	-	Nil	0	Foreign legal person
China Merchants Securities (HK) Co., Limited	890,000	23,185,200	0.71	-	Unknown	Unknown	Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	-1,508,000	15,120,466	0.46	-	Unknown	Unknown	Foreign legal person
VANGUARD EMERGING MARKETS STOCK INDEX FUND	703,800	14,958,496	0.46	-	Unknown	Unknown	Foreign legal person
Hu Jiaying	1,000	11,818,433	0.36	-	Unknown	Unknown	Domestic natural person
ISHARES CORE MSCI EMERGING MARKETS ETF	1,631,000	10,483,695	0.32	-	Unknown	Unknown	Foreign legal person
Liu Jingyuan	423,300	8,700,350	0.27	-	Unknown	Unknown	Domestic natural person
BANK JULIUS BAER & CO.LTD	0	7,108,416	0.22	-	Unknown	Unknown	Foreign legal person

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

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

Name of shareholder	Top Ten Holders of Shares Not Subject to Selling Restrictions		
	Number of shares held not subject to selling restrictions	Class	Class and number of shares
HKSCC NOMINEES LIMITED	325,959,200	Overseas listed foreign shares	325,959,200
Yitai (Group) Hong Kong Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
China Merchants Securities (HK) Co., Limited	23,185,200	Domestic listed foreign shares	23,185,200
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	15,120,466	Domestic listed foreign shares	15,120,466
VANGUARD EMERGING MARKETS STOCK INDEX FUND	14,958,496	Domestic listed foreign shares	14,958,496
Hu Jiaying	11,818,433	Domestic listed foreign shares	11,818,433
ISHARES CORE MSCI EMERGING ARKETS ETF	10,483,695	Domestic listed foreign shares	10,483,695
Liu Jingyuan	8,700,350	Domestic listed foreign shares	8,700,350
BANK JULIUS BAER & CO.LTD	7,108,416	Domestic listed foreign shares	7,108,416
ARROWSTREET EMK ALPHA EXTENSION FUND L.P.(AGZ7)	6,333,562	Domestic listed foreign shares	6,333,562
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	N/A		
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 whether there are other holders of foreign shares who are connected to each other or acting in concert.	
Details of the holders of preference shares with voting rights restored and number of shares held	N/A		
Details of the holders of preference shares with voting rights restored and number of shares held	N/A		

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

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

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

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

The number of shares held by 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

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Information on the controlling shareholder

1. Legal person

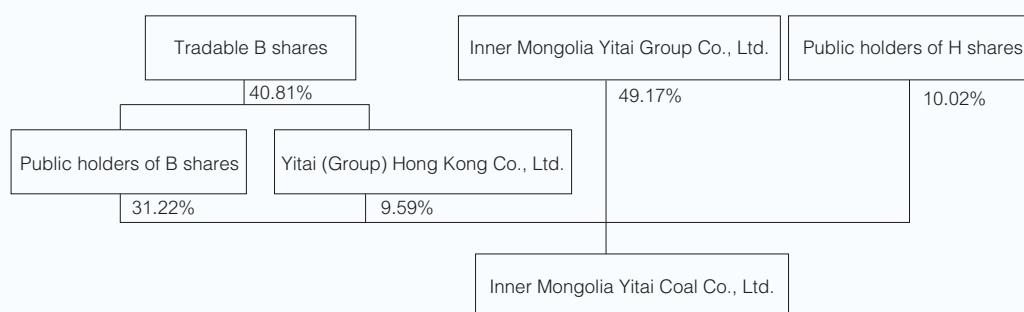
Name	Inner Mongolia Yitai Group Co., Ltd.
Responsible person of the institution or legal representative	Zhang Donghai
Date of incorporation	27 October 1999
Principal business	The production of raw coal; the processing, transportation and selling of raw coal; the railway construction and the railway transportation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

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

(I) Information on the controlling shareholder (Continued)

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



(II) Information on the de facto controller

1. Legal person

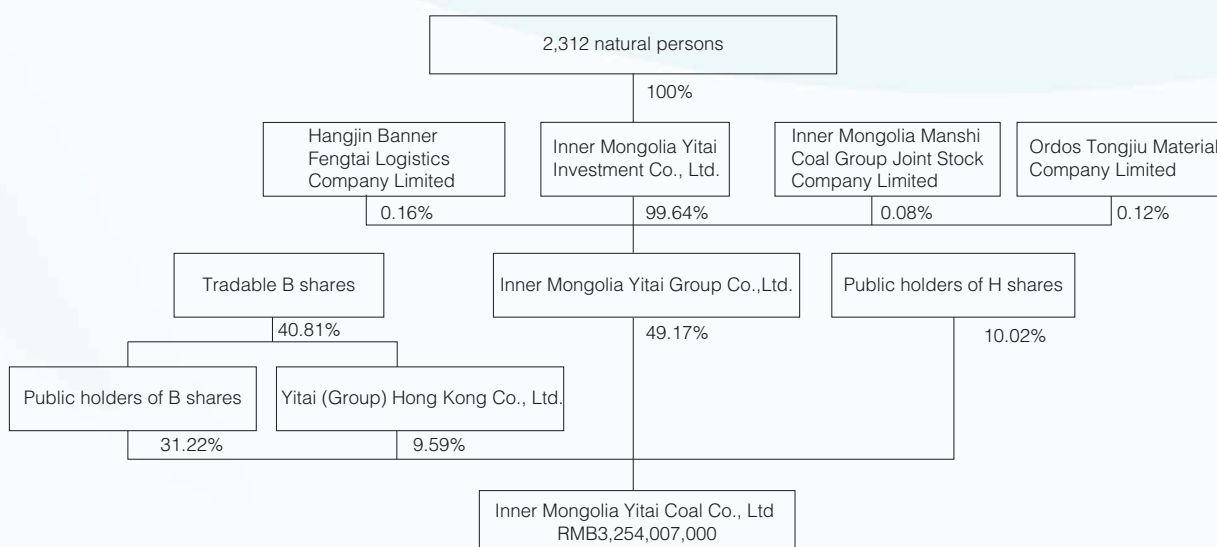
Name	Inner Mongolia Yitai Investment Co., Ltd. (內蒙古伊泰投資股份有限公司)
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of incorporation	2 December 2005
Principal business	The investment in the energy industry and the railway construction

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

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

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

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



Explanation: Yitai Investment intended to submit an application for the supervision of non-listed public companies and convened the inaugural meeting on 27 June 2017 to transform entirely into a company limited by shares with the share issue at the audited book value of net assets of RMB1,557,147,038.66 as of 31 December 2016, and with the witness of Global Law Office (Beijing), the on-site confirmation of the registered equity of unlisted public companies was completed and the authentic rights and shareholding were clear without dispute. On 14 October 2019, Yitai Investment signed the Equity Escrow Service Agreement with Inner Mongolia Equity Exchange Co., Ltd. (內蒙古股權交易中心股份有限公司). At present, the total number of shares under the escrow of Inner Mongolia Equity Exchange Co., Ltd. escrowed by Yitai Investment amounted to 720,495,144, with a total of 2,313 shareholders and the escrow ratio of 100%.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

V. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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:

Name of substantial shareholder	Class of share	Type of interest	Long/short position	Number of share	Percentage of 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 position	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 position	1,912,000,000	65.30	58.75
Yitai (Group) Hong Kong Co., Ltd. ¹	Non-overseas-listed foreign shares	Beneficial owner	Long position	312,000,000	10.65	9.58
Inner Mongolia Ordos Investment Holding Group Co., Ltd.	H shares	Beneficial owner	Long position	55,443,600	17.00	1.70
Ordos Hongrui Trade Company Limited	H shares	Trust beneficiary	Long position	44,711,200	13.71	1.37
China Datang Corporation	H shares	Interest of controlled corporation	Long position	36,062,200	11.06	1.11
Datang International (Hong Kong) Limited ³	H shares	Beneficial owner	Long position	36,062,200	11.06	1.11
Datang International Power Generation Co., Ltd.	H shares	Interest of controlled corporation	Long position	36,062,200	11.06	1.11
Inner Mongolia Manshi Investment Group Limited	H shares	Beneficial owner	Long position	28,321,000	8.68	0.87
Great Huazhong Energy Co. Ltd	H shares	Beneficial owner	Long position	27,168,000	8.33	0.83
Chen Yihong ⁴	H shares	Interest of controlled corporation	Long position	20,017,000	6.14	0.61
Harvest Luck Development Limited ¹	H shares	Interest of controlled corporation	Long position	20,017,000	6.14	0.61
Poseidon Sports Limited ¹	H shares	Beneficial owner	Long position	20,017,000	6.14	0.61

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

V. 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. 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 31 December 2021, the above 36,062,200 shares represented 11.06% of the H shares in issue.
4. Poseidon Sports Limited holds 20,017,000 shares (long position) of the Company. Harvest Luck Development Limited holds 100% interests of Poseidon Sports Limited 100%, and 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 31 December 2021, no person, other than the Directors and Supervisors of the Company whose interests are set out in the section headed "DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" below, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

RELEVANT INFORMATION ON BONDS

I. CORPORATE BONDS

1. Overview of corporate bonds

Unit: yuan Currency: RMB

Name of corporate bond	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 2019 (first tranche)	19 Yitai 01	155306	2 April 2019	4 April 2019	4 April 2024	500,000,000.00	4.90	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

RELEVANT INFORMATION ON BONDS (Continued)

I. CORPORATE BONDS (Continued)

1. Overview of corporate bonds (Continued)

Name of corporate bond	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 2019 (second tranche)	19 Yitai 02	155494	2 July 2019	2 July 2019	2 July 2024	1,000,000,000.00	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 Exchange	Stock	For professional Institutional investors	Auction, quotation, No inquiry and agreement
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (third tranche)	19 Yitai 03	155558	22 July 2019	23 July 2019	23 July 2024	1,000,000,000.00	4.70	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 Exchange	Stock	For professional Institutional investors	Auction, quotation, No inquiry and agreement

RELEVANT INFORMATION ON BONDS (Continued)

I. CORPORATE BONDS (Continued)

1. Overview of corporate bonds (Continued)

Reason for bond issue: To meet the needs of the production and operation of the Company, optimize and adjust the Company's debt structure, and reduce financing costs.

Bond interest payment during the reporting period

Bond name	Explanation on interest payment
2018 Bonds of Inner Mongolia Yitai Coal Co., Ltd. (first tranche)	The Company has completed principal repayment and interest payment in respect of 18 Yitai 01 on 8 June 2021.
2018 Bonds of Inner Mongolia Yitai Coal Co., Ltd. (second tranche)	The Company has completed principal repayment and interest payment in respect of 18 Yitai 02 on 18 December 2021.
2019 Bonds of Inner Mongolia Yitai Coal Co., Ltd. (first tranche)	The Company has completed principal repayment and interest payment in respect of 19 Yitai 01 on 4 April 2021.
2019 Bonds of Inner Mongolia Yitai Coal Co., Ltd. (second tranche)	The Company has completed principal repayment and interest payment in respect of 19 Yitai 02 on 2 July 2021.
2019 Bonds of Inner Mongolia Yitai Coal Co., Ltd. (third tranche)	The Company has completed principal repayment and interest payment in respect of 19 Yitai 03 on 23 July 2021.

RELEVANT INFORMATION ON BONDS (Continued)

I. CORPORATE BONDS (Continued)

2. Agency providing services for bond issuance and duration business

Agency's name	Office address	Contact persons	Tel
Haitong Securities Co., Ltd.	No. 689, Guangdong Road, Shanghai	Zheng Yunqiao, Zhu Shuai	010-88027190

3. The use of raised funds at the end of the reporting period

Unit: yuan Currency: RMB

Name of bonds	Total amount of funds raised	Utilized amount	Unutilized amount	Operation of special account for proceeds (if any)	Rectification of illegal use of proceeds (if any)	Whether it is consistent with the purpose, use plan and other agreements promised in the prospectus
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (first tranche)	500,000,000.00	500,000,000.00	0	Nil	Nil	Yes
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (second tranche)	1,000,000,000.00	1,000,000,000.00	0	Nil	Nil	Yes
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2019 (third tranche)	1,000,000,000.00	1,000,000,000.00	0	Nil	Nil	Yes

RELEVANT INFORMATION ON BONDS (Continued)

I. CORPORATE BONDS (Continued)

4. Description of other information on corporate bonds

To improve the Company's capital utilization efficiency, optimize the capital structure, reduce the gearing ratio, save financial costs and enhance investors' confidence, based on the recognition of its own value and confidence in its future development, and in combination with the current actual operation and financial situation, the Company made two bond repurchases in respect of "19 Yitai 01", "19 Yitai 02" and "19 Yitai 03" issued by Company after being approved at the fourteenth meeting of the eighth session of the Board of the Company. Such bond repurchases were targeted to all investors and the bond was repurchased in cash.

Unit: lot

	Date of repurchase	19 Yitai 01	19 Yitai 02	19 Yitai 03
Number of bonds repurchased at the first time	13 January 2022	320,000	871,000	/
Number of bonds repurchased at the second time	14 March 2022	0	0	998,000
Number of bonds outstanding upon completion of the repurchase		180,000	129,000	2,000

The Company has paid the fund on repurchase on 13 January 2022 and 14 March 2022, respectively. The closing amount of repurchase are RMB1,225,315,400.00 and RMB1,027,840,200.00 respectively.

RELEVANT INFORMATION ON BONDS (Continued)

I. CORPORATE BONDS (Continued)

5. Accounting data and financial indicators of the Company in the latest two years as at the end of the reporting period

Unit: yuan Currency: RMB

Major indicators	2021	2020	Increase or decrease as compared with the same period of last year (%)	Reasons for change
Net profit after deduction of non-recurring gain and loss	8,810,226,765.50	-1,010,423,325.19	971.93	
Liquidity ratio	1.36	1.16	0.20	
Quick ratio	1.27	1.07	0.20	
Debt to assets ratio (%)	46.29	49.61	-3.32	
EBITDA ratio	0.57	0.12	0.45	Mainly due to the decrease in EBITDA arising from the provision for depreciation loss on assets in current period.
Times interest earned	8.70	1.07	7.63	Mainly due to the decrease in profit arising from the provision for depreciation loss on assets in current period.
Cash times interest earned	12.89	4.88	8.01	
EBITDA times interest earned	10.37	2.18	8.19	Mainly due to the decrease in EBITDA arising from the provision for depreciation loss on assets in current period.
Loan repayment ratio (%)	100	100	—	
Interest payment ratio (%)	100	100	—	

AUDIT REPORT

Da Hua Shen Zi [2022]No. 004621

I. AUDIT OPINION

We have audited the financial statements of Inner Mongolia Yitai Coal Co., Ltd. (“Yitai Coal Company” or “the Company”), which comprise the consolidated balance sheet and balance sheet of the parent company as at 31 December 2021, and the consolidated income statement and income statement of the parent company, consolidated cash flow statement and cash flow statement of the parent company, and consolidated statement of changes in shareholders’ equity and consolidated statement of changes in shareholders’ equity of the parent company, and the notes to the financial statements in 2021.

In our opinion, the financial statements attached below give a fair view of the consolidated financial position of the Company and the parent company as at 31 December 2021, and of its consolidated financial performance and cash flows of the Company and the parent company in 2021 in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

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

III. KEY AUDIT MATTERS

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

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

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

AUDIT REPORT *(Continued)*

III. KEY AUDIT MATTERS *(Continued)*

2. Recognition of sales revenue from coal and coal-related chemical products *(Continued)*

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

1. Description of the matter

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

As of 31 December 2021, the carrying value of long-term assets of coal-related chemical projects of the Company was RMB25,493,139,100, accounting for 27.56% of the total assets. During the period, Yitai Coal Company provided impairment loss of RMB779,877,800 on certain long-term assets of the 2mt coal-to-oil project of Xinjiang Energy due to subsequent disposal. During the period, Yitai Coal Company provided for impairment loss on the 160,000t fixed assets of Coal-to-oil Company of RMB47.9088 million (see Note 14. Fixed assets and Note 15. Construction in progress under Note VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS for details). Due to the significant amount of long-term assets of coal-related chemical projects, and the sign of asset impairment and impairment test involves basic assumptions, parameter settings, and the amount for which impairment provision is made rely on significant judgments and estimates made by management, there may be error or potential deviation therein. Therefore, we identified the long-term asset impairment of coal-related chemical projects as a key audit matter.

2. How our audit addressed the key audit matter

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

- (1) We understood, evaluated and tested the effectiveness of key internal control design and implementation related to asset impairment, and evaluate whether its internal control is effective;
- (2) Reviewed the management's relevant documents on the judgment of the sign of impairment on long-term asset of coal-related chemical projects, and evaluated whether the management's major judgments are reasonable and sufficient;

III. KEY AUDIT MATTERS *(Continued)*

2. Recognition of sales revenue from coal and coal-related chemical products *(Continued)*

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

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

- (3) We acquired and reviewed the assessment report issued by the expert engaged by the management regarding the long-term asset impairment test for the coal-related chemical project, mainly including the following:
- 1) Evaluate the competency, professionalism and objectivity of the expert as engaged by the management;
 - 2) Evaluate the appropriateness of the impairment test methods selected for different groups of asset based on the assumption of the management.
 - 3) Make comparison and analysis between the key parameters involved in the impairment test with the historical figures, data of financial budget, market data of the same industry and recalculation of the accuracy of relevant arithmetical calculation of impairment test for different groups of asset.
 - 4) Review the discount rate, Sensitivity analysis on going concern basis, and consider the potential influence of those parameter and assumption on the impairment upon reasonably possible change to evaluate the impairment assessment conclusion.
- (4) Evaluate the reasonableness of the provision for asset impairment by the Yitai Coal Co., Ltd. and inspect the accounting processing of the provision for the asset impairment and the presentation and disclosure in the financial statement by the management according to the assessment report.

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

AUDIT REPORT *(Continued)*

III. KEY AUDIT MATTERS *(Continued)*

2. Recognition of sales revenue from coal and coal-related chemical products *(Continued)*

(II) Recognition of sales revenue from coal and coal-related chemical products

1. Description of the matter

For the accounting policies on operating revenue of Yitai Coal Company, please refer to Note IV, Principal Accounting Policies and Accounting Estimates: (XXXII) Revenue. For the carrying amount of operating revenue, please refer to Note 44. Operating revenue and operating costs under Note VI. Notes to Major Items of the Consolidated Financial Statements.

Yitai Coal Company's operating income in 2021 was RMB50,675,643,200, an increase of 49.97% over that of the same period of last year. Operating revenue of Yitai Cola Company mainly generated from coal sales, chemical products sales, and transportation services. Among them, the operating revenues of coal sales and sales of chemical products for the current period were RMB42,204,855,400 and RMB6,900,737,700, representing increases of 53.24% and 43.14% over that of the same period of the previous year, respectively.

The generation and integrity of sales income of coal and coal-related chemical products will have a great impact on the operating results, as the Company takes income as one of its key performance indicators and there may be risks associated with income recognition. Therefore, we recognize the recognition of sales income of coal and coal-related chemical products as a key audit matter.

2. How our audit addressed the key audit matter

We have performed the following key audit matter to address the sales income of coal and coal-related chemical products:

- (1) Understand, evaluate and examine the effectiveness of the design and implementation of coal sales income's key related internal controls, and evaluate whether the internal controls are effective. Meanwhile, the effectiveness of the internal control of the sales system of Yitai Coal Company was tested by the internal IT experts of the firm.
- (2) Review whether the recognition conditions and methods of income meet the requirements of the Accounting Standards for Business Enterprises and whether they are consistent in the previous and subsequent periods.
- (3) Implement the analytical procedures combining the operation of coal, coal-related chemical industry of the current period, including the major product sales income and analysis of the change of gross profit margin for the current period, the analysis of change in each month for the current period, the analysis of financial budget comparison and the analysis of comparison within the same industry.
- (4) Inquire about the market prices of major products, obtain pricing documents for the Company's major products, and review whether the prices of the major products are consistent with the market trend, and pay attention to the fairness of the pricing of related transactions.

III. KEY AUDIT MATTERS *(Continued)*

2. Recognition of sales revenue from coal and coal-related chemical products *(Continued)*

(II) Recognition of sales revenue from coal and coal-related chemical products *(Continued)*

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

- (5) Extract a certain number of billing vouchers, review whether the entry date, product name, quantity, amount and so on are consistent with the sales contract, shipping voucher, inspection report and sales invoice.
- (6) Extract a certain number of shipping vouchers, review whether the inventory delivery date, quantity, amount and so on are consistent with the sales contract, voucher, quality inspection report and sales invoice.
- (7) Combined with the letter certification procedures for the account receivables, select the major customers to confirm the current coal sales.
- (8) Implement coal sales revenue cut-off test.

Based on the audit work performed, we believe that the evidence we have obtained supports the management's judgment on the Company's income from sales of coal and coal-related chemical products.

IV. OTHER INFORMATION

The management of Yitai Coal Company is responsible for other information. Other information comprises the information included in the 2021 annual report of Yitai Coal Company, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



AUDIT REPORT (Continued)

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Yitai Coal Company is responsible for preparing of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Yitai Coal Company's ability to continue as a going concern, disclosure of matters regarding going concern (where applicable), and using the going concern basis of accounting unless the management either intend to liquidate Yitai Coal Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Yitai Coal Company's reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to affect the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yitai Coal Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yitai Coal Company to cease to continue as a going concern.

AUDIT REPORT *(Continued)*

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT *(Continued)*

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Yitai Coal Company to express an auditors' opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our auditors' opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, the PRC

Chinese Certified Public Accountant: (Project Partner)
Gong Xinping

Chinese Certified Public Accountant: Zhao Xi

29 March 2022

CONSOLIDATED BALANCE SHEET

At 31 December 2021

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

Unit: yuan Currency: RMB

Assets	Note VI	Closing balance	Opening balance
Current assets:			
Cash and bank balance	Note 1	17,435,397,989.24	12,235,897,104.62
Trading financial assets	Note 2		2,011,120.00
Notes receivable	Note 3	9,480,000.00	
Accounts receivable	Note 4	2,062,907,211.12	1,280,175,866.98
Financing receivable	Note 5	42,309,185.36	2,071,600.00
Prepayments	Note 6	807,294,885.73	573,875,955.11
Other receivables	Note 7	1,055,567,693.48	502,459,431.63
Inventories	Note 8	1,567,825,588.34	1,256,228,988.62
Other current assets	Note 9	1,375,631,949.39	765,304,428.89
Total current assets		<u>24,356,414,502.66</u>	<u>16,618,024,495.85</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2021

Assets	Note VI	Closing balance	Opening balance
Non-current assets:			
Long-term equity investments	Note 10	10,250,841,540.67	9,760,538,789.99
Investments in other equity instruments	Note 11	7,866,716,736.29	7,257,982,731.72
Other non-current financial assets	Note 12	1,665,376,554.35	1,571,136,033.21
Investment property	Note 13	701,374,773.44	690,286,105.94
Fixed assets	Note 14	29,367,375,927.88	31,539,509,938.70
Construction in progress	Note 15	10,412,594,323.74	11,264,401,667.07
Right-of-use assets	Note 16	39,158,623.81	44,453,181.22
Intangible assets	Note 17	4,401,859,596.20	3,234,890,864.17
Long-term deferred expenses	Note 18	1,883,476,053.30	2,166,704,910.77
Deferred income tax assets	Note 19	889,192,225.39	717,582,752.56
Other non-current assets	Note 20	653,537,306.36	694,092,566.11
Total non-current assets		<u>68,131,503,661.43</u>	<u>68,941,579,541.46</u>
Total assets		<u>92,487,918,164.09</u>	<u>85,559,604,037.31</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2021

Liabilities and shareholders' equity	Note VI	Closing balance	Opening balance
Current assets:			
Short-term borrowings	Note 21	30,029,241.65	1,000,000,000.00
Trading financial liabilities	Note 22		2,034,720.00
Notes payable	Note 23	1,919,032,313.94	1,296,438,553.80
Accounts payable	Note 24	2,192,974,798.18	2,164,149,682.62
Prepayments	Note 25	5,623.52	2,155,213.74
Contract liabilities	Note 26	768,311,985.85	507,734,000.67
Staff remuneration payable	Note 27	367,577,177.80	266,511,151.48
Taxes payable	Note 28	3,822,144,979.80	731,787,487.12
Other payables	Note 29	2,491,669,969.08	1,379,398,220.73
Non-current liabilities due within one year	Note 30	6,293,553,768.02	7,404,723,929.29
Other current liabilities	Note 31	113,913,030.07	65,924,584.16
Total current liabilities		<u>17,999,212,887.91</u>	<u>14,820,857,543.61</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2021

Liabilities and shareholders' equity	Note VI	Closing balance	Opening balance
Non-current liabilities:			
Long-term borrowings	Note 32	19,319,490,585.86	23,373,656,681.61
Bonds payable	Note 33	2,448,817,239.00	2,429,992,674.65
Lease liabilities	Note 34	3,954,457.27	9,795,893.40
Long-term payables	Note 35	751,315,837.42	491,000,000.00
Projected liabilities	Note 36	1,439,369,439.63	612,897,208.93
Deferred income	Note 37	83,226,852.13	76,635,745.32
Deferred income tax liabilities	Note 19	771,162,351.94	631,131,366.95
Total non-current liabilities		<u>24,817,336,763.25</u>	<u>27,625,109,570.86</u>
Total liabilities		<u>42,816,549,651.16</u>	<u>42,445,967,114.47</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2021

Liabilities and shareholders' equity	Note VI	Closing balance	Opening balance
Shareholders' equity:			
Share capital	Note 38	3,254,007,000.00	3,254,007,000.00
Capital reserves	Note 39	4,061,814,070.37	4,578,059,266.49
Other comprehensive income	Note 40	1,549,115,149.34	1,089,867,679.40
Special reserve	Note 41	146,701,402.26	191,254,433.25
Surplus reserve	Note 42	1,634,024,476.72	1,634,024,476.72
Undistributed profit	Note 43	30,221,859,474.37	22,313,812,056.60
Total equity attributable to shareholders of the parent company		40,867,521,573.06	33,061,024,912.46
Minority interests		8,803,846,939.87	10,052,612,010.38
Total shareholders' equity		49,671,368,512.93	43,113,636,922.84
Total liabilities and shareholders' equity		92,487,918,164.09	85,559,604,037.31

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong
Head of accounting department: Hu Guojun

BALANCE SHEET OF THE PARENT COMPANY

At 31 December 2021

Unit: yuan Currency: RMB

Assets	Note XVI	Closing balance	Opening balance
Current assets:			
Monetary funds		4,965,854,844.01	3,765,915,961.31
Accounts receivable	Note 1	403,552,742.37	498,688,217.88
Financing receivable			10,000,000.00
Prepayments		480,607,647.58	280,799,408.17
Other receivables	Note 2	10,843,867,126.68	9,447,785,727.14
Inventories		708,240,079.78	630,455,486.32
Other current assets		713,306,637.59	7,264,020.66
Total current assets		<u>18,115,429,078.01</u>	<u>14,640,908,821.48</u>

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 31 December 2021

Assets	Note XVI	Closing balance	Opening balance
Non-current assets:			
Long-term equity investments	Note 3	24,794,146,908.06	22,532,429,637.03
Investments in other equity instruments		6,608,736,778.49	5,803,275,453.24
Other non-current financial assets		6,453,385.64	12,159,778.32
Investment property		667,443,129.44	668,748,674.60
Fixed assets		3,185,874,312.45	3,629,888,170.18
Construction in progress		9,044,087.54	13,267,158.01
Intangible assets		811,979,599.79	782,485,888.12
Long-term deferred expenses		628,161,165.16	999,842,644.55
Deferred income tax assets		1,047,824,359.25	673,402,821.88
Other non-current assets			
Total non-current assets		<u>37,759,663,725.82</u>	<u>35,115,500,225.93</u>
Total assets		<u>55,875,092,803.83</u>	<u>49,756,409,047.41</u>

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 31 December 2021

Liabilities and shareholders' equity	Note XVI	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			1,000,000,000.00
Notes payable		1,947,405,277.46	124,886,677.55
Accounts payable		1,988,624,633.51	2,119,300,706.42
Prepayments			297,147.14
Contract liabilities		1,625,170,937.82	664,162,196.27
Staff remuneration payable		142,123,339.10	83,341,351.45
Taxes payable		1,907,041,127.08	320,178,784.26
Other payables		502,081,998.68	587,938,976.16
Non-current liabilities due within one year		5,176,742,108.95	5,416,520,900.18
Other current liabilities		227,942,998.90	88,720,405.16
Total current liabilities		<u>13,517,132,421.50</u>	<u>10,405,347,144.59</u>

BALANCE SHEET OF THE PARENT COMPANY (Continued)

At 31 December 2021

Liabilities and shareholders' equity	Note XVI	Closing balance	Opening balance
Non-current liabilities:			
Long-term borrowings		5,749,700,000.00	10,294,700,000.00
Bonds payable		2,448,817,239.00	2,429,992,674.65
Projected liabilities		1,004,096,202.77	464,179,701.60
Deferred income		1,754,999.94	1,734,999.98
Deferred income tax liabilities		<u>634,105,875.67</u>	<u>479,080,175.65</u>
Total non-current liabilities		<u>9,838,474,317.38</u>	<u>13,669,687,551.88</u>
Total liabilities		<u>23,355,606,738.88</u>	<u>24,075,034,696.47</u>
Shareholders' equity:			
Share capital		3,254,007,000.00	3,254,007,000.00
Capital reserve		1,475,392,366.76	1,475,231,932.09
Other comprehensive income		1,610,902,172.29	1,006,806,178.34
Special reserve		85,753,969.42	92,717,922.90
Surplus reserve		1,634,024,476.72	1,634,024,476.72
Undistributed profit		<u>24,459,406,079.76</u>	<u>18,218,586,840.89</u>
Total shareholders' equity		<u>32,519,486,064.95</u>	<u>25,681,374,350.94</u>
Total liabilities and shareholders' equity		<u>55,875,092,803.83</u>	<u>49,756,409,047.41</u>

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong
Head of accounting department: Hu Guojun

CONSOLIDATED INCOME STATEMENT

2021

(All amounts in RMB Yuan unless otherwise stated)

Items	Note VI	2021	2020
I. Total operating revenue	Note 44	50,675,643,199.43	33,790,579,585.88
Less: Operating cost	Note 44	31,827,244,234.38	26,300,639,094.36
Tax and surcharges	Note 45	2,415,961,068.28	1,319,087,469.35
Selling expenses	Note 46	204,676,592.69	161,174,439.76
Administrative expenses	Note 47	1,464,328,036.03	1,133,776,431.45
Research and development costs	Note 48	283,895,819.69	310,944,898.11
Finance costs	Note 49	1,569,063,419.24	1,680,344,649.22
Of which: Interest expenses		1,645,608,924.80	1,768,520,877.56
Interest income		85,406,814.36	97,209,757.95
Add: Other income	Note 50	75,597,390.13	83,921,661.90
Investment income	Note 51	787,189,778.61	275,492,216.18
Of which: Gains from investment in associates and joint ventures		551,646,196.47	164,982,849.09
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	5,578,382.39	335,878,295.75
Asset impairment loss	Note 53	-891,316,326.61	-3,209,285,264.78
Loss on credit impairment	Note 54	-11,538,804.38	-21,709,901.58
Gains from disposal of assets	Note 55	53,240,191.87	3,230,234.66
II. Profit from operations		12,929,224,641.13	352,139,845.76
Add: Non-operating income	Note 57	46,311,984.64	12,098,781.31
Less: Non-operating expense	Note 58	303,970,380.99	86,285,682.52
III. Total profit		12,671,566,244.78	277,952,944.55
Less: Income tax expenses	Note 59	2,797,140,702.07	823,852,724.61

CONSOLIDATED INCOME STATEMENT (Continued)

2021

Items	Note VI	2021	2020
IV. Net profit		9,874,425,542.71	-545,899,780.06
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		9,874,425,542.71	-545,899,780.06
(II) Classified according to the ownership			
Net profit attributable to the owners of the parent company		8,643,452,999.77	-657,055,254.05
Minority interests		1,230,972,542.94	111,155,473.99
V. Net other comprehensive income after taxes		453,500,440.53	-36,101,577.20
Net other comprehensive income attributable to owners of the parent company after taxes		459,247,469.94	-48,691,890.19
(I) Other comprehensive income that cannot be reclassified to profit and loss		459,824,800.78	-46,880,577.17
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		459,824,800.78	-46,880,577.17
4. Changes in fair value of enterprise's own credit risk			
(II) Other comprehensive income that may be reclassified to profit or loss		-577,330.84	-1,811,313.02
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		-577,330.84	-1,811,313.02
Net other comprehensive income attributable to minority interests after taxes		-5,747,029.41	12,590,312.99

CONSOLIDATED INCOME STATEMENT *(Continued)*

2021

Items	Note VI	2021	2020
VI. Total comprehensive income		10,327,925,983.24	-582,001,357.26
Total comprehensive income attributable to the owners of the parent company		9,102,700,469.71	-705,747,144.24
Total comprehensive income attributable to minority shareholders		1,225,225,513.53	123,745,786.98
VII. Earnings per share:			
(I) Basic earnings per share		2.66	-0.2019
(II) Diluted earnings per share			

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong
Head of accounting department: Hu Guojun

INCOME STATEMENT OF THE PARENT COMPANY

2021

(All amounts in RMB Yuan unless otherwise stated)

Items	Note XVI	2021	2020
I. Revenue from operations	Note 4	35,420,672,790.98	24,074,080,120.72
Less: Operating cost	Note 4	27,234,614,239.81	20,838,889,654.92
Tax and surcharges		1,296,337,663.52	694,831,660.30
Selling expenses		140,258,799.32	89,140,626.28
Administrative expenses		869,767,589.02	663,377,531.92
Research and development expense		9,552,652.31	48,364,352.06
Finance costs		669,136,102.80	752,180,083.01
Including: Interest expenses		696,773,156.07	797,446,242.22
Interest income		35,598,904.14	55,320,166.02
Add: Other income		8,274,407.84	7,948,517.03
Investment income	Note 5	4,293,425,993.76	401,411,262.35
Including: Investment income from associates and joint ventures		574,228,420.67	161,887,559.24
Gains from changes in fair value		-5,706,392.68	1,123,073.04
Asset impairment loss		-47,083,868.07	-1,273,085,287.24
Loss on credit impairment		-1,383,556,339.50	-1,875,273,399.27
Gains from disposal of assets		24,699,557.11	4,114,470.02
II. Profit from operations		8,091,059,102.66	-1,746,465,151.84
Add: Non-operating income		19,683,295.12	2,685,122.88
Less: Non-operating expense		125,652,299.46	67,057,857.63
III. Total profit		7,985,090,098.32	-1,810,837,886.59
Less: Income tax expenses		1,008,865,277.45	-232,484,520.64
IV. Net profit		6,976,224,820.87	-1,578,353,365.95
(I) Net profit from continuing operations		6,976,224,820.87	-1,578,353,365.95

INCOME STATEMENT OF THE PARENT COMPANY *(Continued)*

2021

Items	Note XVI	2021	2020
V. Net other comprehensive income after taxes		604,095,993.95	-80,335,965.65
(I) Other comprehensive income that cannot be reclassified into profit or loss		604,095,993.95	-80,335,965.65
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		604,095,993.95	-80,335,965.65
VI. Total comprehensive income		<u>7,580,320,814.82</u>	<u>-1,658,689,331.60</u>

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong
Head of accounting department: Hu Guojun

CONSOLIDATED CASH FLOW STATEMENT

2021

(All amounts in RMB Yuan unless otherwise stated)

Items	Note VI	2021	2020
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		56,803,180,037.44	38,869,814,506.30
Refunds of taxes		39,041,439.43	41,559,184.62
Other cash received from activities relating to operation	Note 60.1	250,756,437.95	279,898,137.41
Sub-total of cash inflows from operating activities		57,092,977,914.82	39,191,271,828.33
Cash paid for goods purchased and service received		31,502,386,326.11	26,190,059,493.88
Cash paid to and on behalf of employees		1,234,827,560.99	1,321,004,329.74
Taxes paid		5,936,603,525.45	4,023,696,535.84
Other cash paid for activities relating to operation	Note 60.2	667,035,448.15	916,458,234.38
Sub-total of cash outflow from operating activities		39,340,852,860.70	32,451,218,593.84
Net cash flows from operating activities		17,752,125,054.12	6,740,053,234.49
II. Cash flow from investment activities:			
Cash received from disposal of investments		45,551,502.59	595,599,517.35
Cash received from gains in investments		368,822,993.31	254,483,952.51
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		374,210,682.40	63,108,219.25
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investment activities	Note 60.3	657,171,045.24	656,998,737.93
Sub-total of cash inflows from investment activities		1,445,756,223.54	1,570,190,427.04
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		981,460,933.18	1,691,318,822.98
Cash paid for investment		974,322,893.15	894,863,719.72
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities	Note 60.4	734,955,800.00	670,040,000.00
Sub-total of cash outflow from investment activities		2,690,739,626.33	3,256,222,542.70
Net cash flow from investment activities		-1,244,983,402.79	-1,686,032,115.66

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

2021

Items	Note VI	2021	2020
III. Cash flow from financing activities:			
Cash received from investments		10,460,000.00	6,919,714.00
Of which: Proceeds received by subsidiaries from minority shareholder's investment		10,460,000.00	6,919,714.00
Cash received from borrowings		<u>5,971,973,204.91</u>	<u>7,027,371,243.47</u>
Sub-total of cash inflow from financing activities		<u>5,982,433,204.91</u>	<u>7,034,290,957.47</u>
Cash repayments of debts		12,332,665,813.65	13,362,747,607.35
Cash payments for dividend and profit distribution or interest repayment		2,269,781,963.36	3,046,286,786.10
Of which: Dividend and profit paid by subsidiary to minority shareholders			15,484,000.00
Other cash paid relating to financing activities	Note 60.5	<u>2,105,690,252.38</u>	<u>340,813,029.37</u>
Sub-total of cash outflow from financing activities		<u>16,708,138,029.39</u>	<u>16,749,847,422.82</u>
Net cash flow from financing activities		<u>-10,725,704,824.48</u>	<u>-9,715,556,465.35</u>
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates		-3,055,917.61	
V. Net increase in cash and cash equivalents		5,778,380,909.24	-4,661,535,346.52
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>17,070,891,520.47</u>	<u>11,292,510,611.23</u>

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong
Head of accounting department: Hu Guojun

CASH FLOW STATEMENT OF THE PARENT COMPANY

2021

(All amounts in RMB Yuan unless otherwise stated)

Items	Note XVI	2021	2020
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		40,978,744,059.22	26,673,927,217.88
Refunds of taxes			
Other cash received from activities relating to operation		99,890,844.20	154,615,740.40
Sub-total of cash inflows from operating activities		41,078,634,903.42	26,828,542,958.28
Cash paid for goods purchased and service received		27,375,925,391.91	20,252,777,837.30
Cash paid to and on behalf of employees		412,267,171.43	422,358,721.54
Taxes paid		3,109,870,239.49	2,023,894,117.22
Other cash paid for activities relating to operation		358,168,055.65	402,827,871.13
Sub-total of cash outflow from operating activities		31,256,230,858.48	23,101,858,547.19
Net cash flows from operating activities		9,822,404,044.94	3,726,684,411.09
II. Cash flow from investment activities:			
Cash received from disposal of investments		38,847,842.12	4,141,186,010.80
Cash received from gains in investments		2,858,627,732.18	633,946,526.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		293,804,514.83	42,083,557.95
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investment activities		24,667,851.20	1,170,409,204.76
Sub-total of cash inflows from investment activities		3,215,947,940.33	5,987,625,299.59
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		499,361,323.24	485,457,506.32
Cash paid for investment		3,076,732,275.17	905,720,000.00
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities		715,604,376.10	5,169,730,746.76
Sub-total of cash outflow from investment activities		4,291,697,974.51	6,560,908,253.08
Net cash flow from investment activities		-1,075,750,034.18	-573,282,953.49

CASH FLOW STATEMENT OF THE PARENT COMPANY *(Continued)*

2021

Items	Note XVI	2021	2020
III. Cash flow from financing activities:			
Cash received from borrowings		<u>1,700,000,000.00</u>	6,850,000,000.00
Sub-total of cash inflows from financing activities		<u>1,700,000,000.00</u>	6,850,000,000.00
Cash repayments of debts		<u>7,579,875,000.00</u>	11,822,925,000.00
Cash payments for dividend and profit distribution or interest repayment		<u>1,599,155,085.85</u>	2,181,975,237.45
Other cash paid relating to financing activities			56,258.12
Sub-total of cash outflow from financing activities		<u>9,179,030,085.85</u>	14,004,956,495.57
Net cash flow from financing activities		<u>-7,479,030,085.85</u>	<u>-7,154,956,495.57</u>
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates			
V. Net increase in cash and cash equivalents			
Add: Balance of cash and cash equivalents at the beginning of the period		<u>1,267,623,924.91</u>	-4,001,555,037.97
		<u>3,676,155,738.44</u>	<u>7,677,710,776.41</u>
VI. Balance of cash and cash equivalents at the end of the period		<u>4,943,779,663.35</u>	<u>3,676,155,738.44</u>

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong
Head of accounting department: Hu Guojun

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2021

(All amounts in RMB Yuan unless otherwise stated)

Items	2021							Total shareholders' equity
	Equity attributable to shareholders of the parent company							
	Share capital	Capital reserve	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	49,113,636,922.84
II. Opening 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	22,313,812,056.60	10,052,612,010.38	49,113,636,922.84
III. Changes for the current year		-516,405,196.12	459,247,469.95	-44,553,030.99		7,908,047,417.77	-1,248,765,070.51	6,557,731,590.09
(I) Total comprehensive income		-516,405,196.12	459,247,469.95			8,643,452,999.77	1,225,225,513.53	10,327,925,983.24
(II) Shareholder contribution and capital decrease							-1,582,478,151.23	-2,098,883,782.02
1. Ordinary shares contributed by shareholders							460,000.00	460,000.00
2. Others		-516,405,630.79					-1,582,938,151.23	-2,089,343,782.02
(III) Profit distributions						-735,405,582.00	-864,000,000.00	-1,599,405,582.00
1. Appropriations of surplus reserve								
2. Distributions to shareholders						-735,405,582.00	-864,000,000.00	-1,599,405,582.00
(IV) Special reserve				-44,553,030.99				
1. Appropriations in the period				453,619,155.17				
2. Utilisation in the period				-498,172,186.16				
(V) Others		160,434.67						160,434.67
IV. Closing balance for the current year	3,254,007,000.00	4,061,614,070.37	1,549,115,149.35	146,701,402.26	1,634,024,476.72	30,221,859,474.37	8,803,846,939.87	49,671,368,512.93

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong Head of accounting department: Hu Guojun

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Continued)

2021

Items	2020						Total shareholders' equity	
	Equity attributable to shareholders of the parent company							
	Share capital	Capital reserve	Other comprehensive income	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	9,901,065,988.04	44,828,010,408.71
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	9,901,065,988.04	44,828,010,408.71
III. Changes for the current year		161,399.84	-48,691,890.19	-21,461,313.81		-1,795,957,704.05	151,576,022.34	-1,714,373,465.87
(I) Total comprehensive income			-48,691,890.19			-667,055,254.05	123,745,786.98	-582,001,357.26
(II) Shareholder contribution and capital decrease		-3,625.62					6,917,728.88	6,914,103.06
1. Ordinary shares contributed by shareholders							6,919,714.00	6,919,714.00
2. Others		-3,625.62					-1,985.32	-5,610.94
(III) Profit distributions						-1,138,902,450.00	-15,484,000.00	-1,154,386,450.00
1. Appropriations of surplus reserve								
2. Distributions to shareholders						-1,138,902,450.00	-15,484,000.00	-1,154,386,450.00
(IV) Special reserve				-21,461,313.81			36,366,506.68	14,905,192.87
1. Appropriations in the period				457,432,588.52			149,241,503.84	606,674,092.36
2. Utilisation in the period				-478,893,902.33			-112,844,997.16	-591,738,899.49
(V) 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	43,113,639,922.84

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong Head of accounting department: Hu Guojun

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	2021					Total shareholders' equity	
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profit
I. Closing balance of the previous year	3,254,007,000.00	1,475,231,932.09	1,006,806,178.34	92,717,922.90	1,634,024,476.72	18,218,586,840.89	25,681,374,350.94
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		160,434.67	604,095,993.95	-6,963,953.48		6,240,819,238.87	6,838,111,714.01
(I) Total comprehensive income			604,095,993.95			6,976,224,820.87	7,580,320,814.82
(II) Profit distributions						-735,405,582.00	-735,405,582.00
1. Appropriations of surplus reserve						-735,405,582.00	-735,405,582.00
2. Distributions to shareholders							
(III) Special reserve				-6,963,953.48			-6,963,953.48
1. Appropriations in the period				218,951,819.90			218,951,819.90
2. Utilisation in the period				-225,915,773.38			-225,915,773.38
(IV) Others		160,434.67					160,434.67
IV. Closing balance for the current year	3,254,007,000.00	1,475,392,366.76	1,610,902,172.29	85,753,969.42	1,634,024,476.72	24,459,406,079.76	32,519,486,064.95

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong Head of accounting department: Hu Guojun

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

2021

Item	2020					Total shareholders' equity	
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profit
I. Closing balance of the previous year	3,254,007,000.00	1,475,066,906.63	1,087,142,143.99	159,878,281.51	1,634,024,476.72	20,935,842,656.84	28,545,961,465.69
II. Opening balance of current year	3,254,007,000.00	1,475,066,906.63	1,087,142,143.99	159,878,281.51	1,634,024,476.72	20,935,842,656.84	28,545,961,465.69
III. Changes for the current year		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) Profit distributions						-1,138,902,450.00	-1,138,902,450.00
1. Appropriations of surplus reserve							
2. Distributions to shareholders						-1,138,902,450.00	-1,138,902,450.00
(III) Special reserve				-67,160,358.61			-67,160,358.61
1. Appropriations in the period				193,734,767.40			193,734,767.40
2. Utilisation in the period				-260,895,126.01			-260,895,126.01
(IV) Others		165,025.46					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	18,218,586,840.89	25,681,374,350.94

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

Legal representative of the enterprise: Zhang Jingquan Person in charge of accounting: Jin Rong Head of accounting department: Hu Guojun

NOTES TO THE FINANCIAL STATEMENTS

I. BASIC INFORMATION OF THE COMPANY

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

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

After years of issuing bonus share, selling new shares, increasing share capital and issuing new shares, by 31 December 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 in issue totaled 326,007,000 shares, accounting for 10.02% of the total share capital. The registered address of the Company: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia, the PRC. Address of the headquarters: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia, the PRC. The parent company is Inner Mongolia Yitai Group Co., Ltd., and the ultimate parent company of the Group is Inner Mongolia Yitai Investment Co., Ltd.

(II) Business Scope

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

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

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

(IV) Approval of Financial Statements for Issue

These financial statements were approved for issue by all directors of the Company on 29 March 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the period, 37 entities were consolidated in the consolidated financial statements, which include:

No.	Name of Subsidiary	Place of incorporation/ registration and business	Nature of the enterprise	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)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
2	Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	PRC/Mainland China	Limited liability	Controlling subsidiary	One	52.00	52.00
3	Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	PRC/Mainland China	Limited liability	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)	PRC/Mainland China	Limited liability	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)	PRC/Mainland China	Limited liability	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)	PRC/Hong Kong	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
7	Ulanqab Yitai Coal Sales Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	PRC/Mainland China	Limited liability	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)	PRC/Mainland China	Limited liability	Controlling subsidiary	One	72.66	72.66
9	Jungar Banner Huzhun Ruji Logistics Co., Ltd. (准格爾旗呼准如意物流有限責任公司)	PRC/Mainland China	Limited liability	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)	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	61.42	61.42
11	Inner Mongolia Yitai Zhundong Jintai Storage and Transportation Co., Ltd. (內蒙古伊泰准東金泰儲運有限責任公司)	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	51.00	51.00
12	Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤制油有限責任公司)	PRC/Mainland China	Limited liability	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)	PRC/Mainland China	Limited liability	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)	PRC/Mainland China	Limited liability	Controlling subsidiary	One	90.20	90.20
15	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	PRC/Mainland China	Limited liability	Controlling subsidiary	One	90.27	90.27
16	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	PRC/Mainland China	Limited liability	Controlling subsidiary	One	90.20	90.20
17	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	PRC/Mainland China	Limited liability	Controlling subsidiary	One	90.20	90.20
18	Hangjin Banner Xinnuo Municipal Construction and Investment Co., Ltd. (杭錦旗信諾市政建設投資有限責任公司)	PRC/Mainland China	Limited liability	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)	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	51.00	51.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

No.	Name of Subsidiary	Place of incorporation/ registration and business	Nature of the enterprise	Type of Subsidiary	Grade	Shareholding Percentage (%)	Percentage of Voting Rights (%)
20	Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司)	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	100.00	100.00
21	Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	100.00	100.00
22	Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	PRC/Mainland China	Limited liability	Controlling subsidiary	One	90.20	90.20
23	Yitai Clean Oil Products (Beijing) Co., Ltd. (伊泰清潔油品(北京)有限公司)	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	100.00	100.00
24	Yitai Chemical (Shanghai) Co., Ltd. (伊泰化學(上海)有限公司)	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	100.00	100.00
25	Inner Mongolia Yitai Railway Investment Co., Ltd. (內蒙古伊泰鐵路投資有限責任公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
26	Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海臨港伊泰供應鏈有限公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
27	Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限責任公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
28	Yitai Shanxi Coal Transportation and Sales Co., Ltd. (伊泰(山西)煤炭運銷有限責任公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
29	Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰騰方合成新材料研究院有限公司)	PRC/Mainland China	Limited liability	Controlling subsidiary	One	60.00	60.00
30	Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
31	Hangzhou Xinyu Investment Management Partnership (Limited Partnership (杭州信聿投資管理合夥企業(有限合夥))	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
32	Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供應鏈管理有限公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
33	Inner Mongolia Yitai Dadi Coal Co., Ltd. (內蒙古伊泰大地煤炭有限公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
34	Yitai Equity Investment Management Co., Ltd. (伊泰股權投資管理有限公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00
35	GQC Yitai Jiuyou Investment Management Partnership (Limited Partnership) (共青城伊泰久友投資管理合夥企業(有限合夥))	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	98.33	98.33
36	Shenzhen Taiyu Private Equity Fund Management Co., Ltd. (深圳泰譽私募基金管理有限公司)	PRC/Mainland China	Limited liability	Subsidiary of controlling subsidiary	Two	100.00	100.00
37	Inner Mongolia Yitai Baijieliang Coal Co., Ltd. (內蒙古伊泰白家梁煤炭有限公司)	PRC/Mainland China	Limited liability	Wholly-owned subsidiary	One	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As compared with the same period of last year, there is 3 new entities involved and 1 entity removed in the current period. They are:

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

Name	Reason for change
Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司)	Business combinations not under common control
Inner Mongolia Yuanji Chemicas Co., Ltd. (內蒙古垣吉化工有限公司)	Business combinations not under common control
Shenzhen Taiyu Private Equity Fund Management Co., Ltd. (深圳泰譽私募股權基金管理有限公司)	Newly-established
Inner Mongolia Yitai Baijialiag Coal Co., Ltd. (內蒙古伊泰白家梁煤炭有限公司)	Newly-established

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

Name	Reason for change
Shenzhen Yitai Investment Co., Ltd (深圳伊泰投資有限公司)	Cancelled

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation of the Financial Statements

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

(II) Sustainability

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

(III) Book-keeping Basis and Measurement Principle

The Company adopts the accrual basis as the basis of book-keeping in accounting. Except for financial instruments classified as measured at fair value (as detailed in Note X), these financial statements have been prepared on historical cost basis. In case of asset impairment, the corresponding impairment provision will be made in accordance with relevant requirements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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 significant impact the carry value of assets and liabilities in subsequent accounting years:
 - (1) Fair value of financial assets: Certain financial assets of the Company are measured at fair value in the financial statements. In estimating the fair value of an asset, the Company preferentially uses market-observable data to the extent it is available. If market-observable data is not available, the Company will set up an internal evaluation group or engage a qualified third party valuer for performing the evaluation. The Company's finance department and evaluation group will work closely with the qualified external valuer to determine appropriate valuation techniques and inputs of relevant models. The Company has made a best estimate of the fair value of such part of assets. However, the continuous impacts brought by the COVID-19 pandemic have caused market fluctuations, which may impact certain assets of the Company and in turn give rise to material uncertainties of the fair value estimation during the year.
 - (2) Expected credit losses on accounts receivable: For accounts receivable provided for expected credit losses by using impairment matrix, the Company determines the corresponding loss provision ratio for various types of accounts receivable with shared risk characteristics based on the internal credit ratings. The impairment matrix is determined based on the Company's historical credit loss experience and by considering the reasonable and supportable forwardlooking information that is available without undue cost or effort. As at 31 December 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)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. (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)*

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

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

2. *(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 carry amount of projected liabilities; ④ the carrying amount of deferred income tax assets may change due to changes in estimate of the likely recovery of tax benefits.

- (8) Estimate of mine geological environment restoration, land reclamation and decommissioning obligations: Mine geological environment restoration, land reclamation and decommissioning obligations are determined by the Group based on its past experience and best estimate of future expenditure and by considering the existing relevant laws and regulations, and discounting the expected expenditure to its present value. As the current coal mining activities proceed with obvious impacts on the land and environment in the future, estimate of relevant cost may be subject to modification from time to time.
- (9) Stripping cost: Accounting of stripping cost is based on the management's estimate about whether the stripping cost incurred corresponds to the future economic benefits. Such estimate may be affected by changes in actual geological conditions and coal reserve as well as changes in the future mining plan of the management.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

3. Business combinations not under common control *(Continued)*

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)*

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Consolidation procedure *(Continued)*

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

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

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

(1) *Add subsidiaries or businesses*

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Consolidation procedure *(Continued)*

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

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.

(2) *Disposal of subsidiaries or businesses*

1) General treatment

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Consolidation procedure *(Continued)*

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

2) Disposal of subsidiaries step by step

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

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

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

If each transaction on disposal of the equity investment in a subsidiary until the loss of control is not a package transaction, it shall be treated according to the relevant policies on partial disposal of the equity investment in the subsidiary without losing control before 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)*

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

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

2. Consolidation procedure *(Continued)*

(3) *Purchase of minority interests in subsidiaries*

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

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

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

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

1. Classification of joint venture arrangements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Accounting methods for joint operations

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

- (1) recognition of assets held separately and recognition of assets held jointly by their shares;
- (2) recognition of liabilities assumed separately and recognition of liabilities jointly assumed by their shares;
- (3) recognition of the proceeds from the sales of their share of the outputs of the joint operations;
- (4) recognition of the income generated by the joint operations as a result of the sales of the outputs based on their shares;
- (5) recognition of the expenses incurred separately and recognition of the expenses incurred in the joint operations according to their shares.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Accounting methods for joint operations *(Continued)*

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)*

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)*

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

(XI) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the net carrying amount of the financial asset or the amortized cost of financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability including earlier repayment, extension, call option or other similar options etc. without considering expected credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

1. Classification, recognition and measurement of financial instruments

The Company classifies financial assets into the following 3 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 amortized cost.
- (2) Financial assets measured at fair value through other comprehensive income.
- (3) Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition, but if the accounts receivable or bills receivable due to the sale of goods or the provision of services do not contain a significant financing component or do not consider financing components not exceeding one year, the transaction price will be used for initial measurement.

For financial assets measured at fair value through profit or loss, the related transaction costs are directly included in the current profit and loss, and other types of financial assets related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification if and only if the Company. The company only reclassifies all affected financial assets when changing the management of business model of financial assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

1. Classification, recognition and measurement of financial instruments *(Continued)*

(1) *Classified as Financial assets measured at amortized cost*

The contractual provisions of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the goal of the business model for managing the financial asset is to collect contractual cash flow. The Company classifies the financial assets as financial assets measured at amortized cost. The Company classifies financial assets measured at amortized cost including monetary funds, note receivable, accounts receivable, other receivables, debt investment, long-term receivables, among others.

The Company uses the effective interest rate method to recognize interest income for such financial assets, and then performs subsequent measurement based on amortized cost. The gains or losses arising from the impairment or termination of recognition and modification are included in the current profit and loss. Except for the following circumstances, the Company calculates and determines interest income based on the financial asset book balance multiplied by the actual interest rate:

- 1) For financial assets purchased or originated that have suffered credit impairment, the Company has calculated and determined its interest income based on the amortized cost of the financial asset and the credit-adjusted actual interest rate since initial recognition.
- 2) For the financial assets purchased or originated without credit impairment, but become credit impairment in the subsequent period, the Company will calculate and determine the interest according to the amortized cost of the financial asset and the actual interest rate in the subsequent period income. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, the company will use the actual interest rate multiplied by the financial asset book balance to calculate and determine the interest income.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

1. Classification, recognition and measurement of financial instruments *(Continued)*

- (2) *Financial assets classified as fair value measured and their changes included in other comprehensive income*

The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of the outstanding principal, and the business model for managing the financial asset is to both target the contractual cash flow and sell. If the financial asset is the target, the company classifies the financial asset as a financial asset that is measured at fair value and its changes are included in other comprehensive income.

The company uses the effective interest rate method to recognize interest income for such financial assets. Except for interest income, impairment losses and exchange differences recognized as current gains and losses, the remaining changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

Bills receivable and accounts receivable that are measured at fair value and whose changes are included in other comprehensive income are reported as receivable financing, and other such financial assets are reported as other debt investments, including: Other debt investments due within the year are reported as non-current assets due within one year, and other debt investments with original maturity within one year are reported as other current assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

1. Classification, recognition and measurement of financial instruments *(Continued)*

- (3) *Financial assets designated to be measured at fair value through other comprehensive income*

For initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and their changes included in other comprehensive income on the basis of individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is required. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings. During the period when the Company holds the equity instrument investment, the Company's right to receive dividends has been established, and the economic benefits related to the dividends are likely to flow into the Group, and when the amount of dividends can be reliably measured, the dividend income is recognized and included in the current profit and loss. The Company reports the following investment items of such financial assets in other equity instruments.

Equity instrument investment that meets one of the following conditions is a financial asset measured at fair value through profit or loss the purpose of obtaining the financial asset is mainly for the recent sale; the initial confirmation is part of the centralized management of the identifiable financial asset instrument combination, and there is objective evidence that the short-term gain actually exists in the near future. Profit model; is a derivative (except for derivatives that meet the definition of a financial guarantee contract and are designated as effective hedging instruments).

- (4) *Financial assets classified as fair value through profit or loss*

Financial assets that do not meet the requirements for classification as a financial asset measured at amortized cost or measured at fair value and whose changes are included in other comprehensive income, and are not designated as financial assets measured at fair value and whose changes are included in other comprehensive income are classified as Financial assets measured at fair value and their changes are included in the current profit and loss.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit and loss.

The Company reports such financial assets in transactional financial assets and other noncurrent financial assets based on their liquidity.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

1. Classification, recognition and measurement of financial instruments *(Continued)*

(4) *Financial assets classified as fair value through profit or loss (Continued)*

(1) Financial assets designated to be measured at fair value through profit or loss

At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, financial assets can be irrevocably designated as financial assets measured at fair value through profit or loss on single financial asset basis.

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 needs to be split, 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 amortized cost, the prepayment right does not need to be split.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit and loss.

The Company reports such financial assets in transactional financial assets and other noncurrent financial assets based on their liquidity.

The Company classifies the financial instrument or its component parts as financial liabilities or Equity instruments. Financial liabilities are classified at initial recognition as: financial liabilities measured at fair value and whose changes are included in current profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities that are measured at fair value and whose changes are included in the current profit or loss, the related transaction costs are directly included in the current profit and loss; for other types of financial liabilities, the related transaction costs are included in the initial recognition amount.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

1. Classification, recognition and measurement of financial liabilities *(Continued)*

The subsequent measurement of financial liabilities depends on their classification:

(1) *Financial liabilities measured at fair value through profit or loss*

Such financial liabilities includes transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss at initial recognition.

Financial liability that meets one of the following conditions is transactional: the purpose of assuming related financial liabilities is mainly to sell or repurchase in the near future; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the company recently adopted Short-term profit model; belongs to derivatives, except for derivatives designated as effective hedging instruments and derivatives that comply with financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value are included in the current profit and loss.

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

- 1) it can eliminate or significantly reduce accounting mismatches.
- 2) According to the enterprise risk management or investment strategy specified in the official written documents, manage and evaluate the financial liability portfolio or financial assets and financial liabilities based on fair value, and report to key management personnel on the basis of this.

The company uses fair value for subsequent measurement of such financial liabilities. Except for changes in fair value caused by changes in the Company's own credit risk, other changes in fair value are included in the current profit and loss. Unless the fair value changes caused by the Company's own credit risk changes are included in other comprehensive income, or the accounting mismatch in profit or loss will be caused or expanded, the Company will include all fair value changes (including the amount of its own credit risk changes) into the current profit and loss.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

1. Classification, recognition and measurement of financial liabilities *(Continued)*

(2) *Other financial liabilities*

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost. The actual interest rate method is adopted for such financial liabilities, and subsequent measurement is made according to the amortized cost, and the gains or losses arising from the termination of recognition or amortization are included in the current profit and loss:

- 1) Financial liabilities measured at fair value through profit or loss.
- 2) Financial assets transfer does not meet the conditions for derecognition or financial liabilities arising from the transfer of transferred financial assets.
- 3) Financial guarantee contracts that are not in the first two categories of this article, and loan commitments that are not subject to the market interest rate for loans that are not in the first category of this article.

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms. Financial guarantee contracts that are not designated as financial liabilities measured at fair value and whose changes are included in the current profit or loss, and after the initial confirmation, it is measured according to the higher of the loss provision amount and the initial confirmation amount after deducting the accumulated amortization amount during the guarantee period.

2. Termination of financial assets and financial liabilities

- (1) Financial assets that meet one of the following conditions shall be terminated, which means financial assets are written off from their accounts and balance sheets:
 - 1) The contractual right to receive the cash flow of the financial asset is terminated.
 - 2) The financial assets have been transferred, and the transfer meets the requirements regarding the derecognition of financial assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

2. Termination of financial assets and financial liabilities *(Continued)*

(2) Conditions for termination of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) is derecognized.

When the Company and the lender sign an agreement to replace the original financial liabilities with new financial liabilities, and the contract terms of the new financial liabilities and the original financial liabilities are substantially different, or if substantial change is made to the contractual terms of the original financial liability (or a part thereof), the original financial liability is derecognized and a new financial liability is recognized; and the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

If the Company repurchases part of the financial liabilities, the book value 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 book value 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 and loss.

3. Confirmation basis and measurement method of financial asset transfer

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

3. Confirmation basis and measurement method of financial asset transfer *(Continued)*

- (3) There is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (i.e, other than (1), (2)), depending on whether they retain control over financial assets, respectively. The situations are handled as follows:
- 1) If the financial assets are not retained, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
 - 2) If the control over the financial assets is retained, the relevant financial assets shall continue to be recognized according to the extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognized 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 of the above-mentioned financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets:

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

3. Confirmation basis and measurement method of financial asset transfer *(Continued)*

- (2) If the financial assets are partially transferred and the transferred part as a whole meets the conditions for derecognition, the book value of the financial assets as a whole will be transferred, in the derecognition part and the continuation confirmation part (in this case, the retained service assets should be Depending on the relative fair value of each of the transfer dates, the difference between the following two amounts is included in the current profit and loss:
- 1) The book value of the derecognition part on the date of termination confirmation.
 - 2) The amount of the consideration received in the derecognized portion and the amount of the derecognized portion of the accumulated changes in the fair value of other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income) The sum of assets).

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

4. Determination of the fair value of financial assets and financial liabilities

For financial assets and financial liabilities of the Company measured at fair value which an actively traded market exists, their fair values are determined based on the prices quoted on the actively traded market, unless such financial assets have a restricted period. For financial assets which have restricted period, their fair values are determined by the quoted prices in active markets less the compensation amount requested by market players for assuming the risk of not able to sell such financial assets in the public market during the designated period; Quotations in active markets include quotes for related assets or liabilities, which can be easily and regularly obtained from exchanges, traders, brokers, industry groups, pricing institutions or regulators, and which represent the actual and frequently fair trade transaction are occurring in the market.

For financial assets initially obtained or derived or financial liabilities assumed, fair value is determined based on market transaction prices.

For financial assets and financial liabilities which no actively traded market exists, their fair values are determined using valuation techniques; For valuation, the Company adopts those adequate data available and suitable for current situation and valuation techniques supported by other information, and choose input value with same features used by market players for transactions of relevant assets or liabilities, and managed to preferentially use relevant observable input value. Under the circumstance that is unable to obtain observable input value or infeasible, use unobservable input value.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

5. Impairment of financial instrument

The Company assesses impairment for the financial assets measured at amortized cost and recognises provision for loss based on expected credit losses.

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 receivable from the contract and all cash flows expected to be received by the Company at the original actual interest rate, and the present value of all cash shortages. Among them, the financial assets purchased or originated by the Company that have suffered credit impairment should be discounted at the credit-adjusted actual interest rate of the financial asset.

For the receivables and contract assets and lease receivables formed by the transactions regulated by the income standard, the Company uses a simplified measurement method to measure the loss provision based on the amount equivalent to the expected credit loss throughout the entire period.

For financial assets purchased or originated that have suffered credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses for the entire duration of the period since initial recognition are recognized as loss provisions. On each balance sheet date, the amount of change in expected credit losses throughout the useful life is included in the current profit and loss as an impairment loss or gain. Even if the expected credit loss for the entire duration determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, the favorable change in expected credit loss is recognized as an impairment gain.

In addition to the above-mentioned simplified measurement methods and other financial assets that have been purchased or originated from credit impairment, the Company assesses on each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and according to the following circumstances measures their loss provision and confirms expected credit losses and their changes:

- (1) If the credit risk of the financial instrument has not increased significantly since the initial recognition, the financial instrument is in the first stage. Its loss provision is measured at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and its interest income is calculated according to the book balance and the actual interest rate.
- (2) If the credit risk of the financial instrument has increased significantly but the credit impairment has not occurred since the initial recognition, the financial instrument is in the second stage. Its loss provision is measured at the amount equivalent to the expected credit loss for the entire duration of the financial instrument, and its interest income is calculated according to the book balance and the actual interest rate.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

5. Impairment of financial instrument *(Continued)*

- (3) If the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage. The Company measures its loss provision at an amount equivalent to the expected credit loss for the entire period of the financial instrument, and at the amortized cost and calculates its interest income actual interest rate.

The increase or reversal of the credit loss provision for financial instruments is included in the current profit and loss as an impairment loss or gain. Except for financial assets that are classified as fair value and whose changes are included in other comprehensive income, credit losses are provided to offset the book balance of financial assets. For financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its credit loss provisions in other comprehensive income and does not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period, the Company has measured the loss provision according to the amount of expected credit losses for the entire duration of the financial instrument, but on the balance sheet date of the current period, the financial instrument is no longer a significant increase in credit risk since initial recognition. In the case of the current situation, the Company measures the loss provision of the financial instrument at the current balance sheet date according to the amount of expected credit losses in the next 12 months, and the resulting amount of the loss provision is included in the current period as an impairment gain. profit and loss.

- (1) *Credit risk increased significantly*

The Company determines whether the credit risk of the financial instrument has increased significantly by using reasonable and evidence-based forward-looking information available to it to compare the default risk of financial instruments on the balance sheet date with that on the initial confirmation date. For financial guarantee contracts, when the Company applies the financial instrument impairment provisions, the day when the Company becomes the party making the irrevocable commitment is used as the initial confirmation date.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

5. Impairment of financial instrument *(Continued)*

(1) Credit risk increased significantly *(Continued)*

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the debtor's regulatory, economic or technological environment has undergone significant adverse changes;
- 3) Whether there has been a significant change in the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement, and these changes are expected to reduce the economic motivation of the debtor to repay the loan within the time limit specified in the contract or affect the probability of default;
- 4) Whether the debtor's expected performance and repayment behaviour have changed significantly;
- 5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company judges that a financial instrument has only a low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of financial instruments is low, the borrower has a strong ability to fulfil its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's performance of the flow obligation, the financial instrument is considered to have lower credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

5. Impairment of financial instrument *(Continued)*

(2) *Financial assets with credit impairment*

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit losses have occurred in financial assets includes the following observable information:

- 1) significant financial difficulty of the issuer or debtor;
- 2) breach of contract by the debtor: such as delinquency or default in interest and principal payments;
- 3) the creditor, for debtor in financial difficulties contractual consideration or legal reasons, granting concession to the debtor that would not be made under other circumstances;
- 4) it becoming probable that the debtor will enter bankruptcy or financial reorganization;
- 5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
- 6) A substantial discount during acquisition or sourcing of a financial asset reflects the fact the occurrence of credit losses.

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separately identifiable events.

(3) *Determination of expected credit losses*

The Company assesses the expected credit losses of financial instruments based on individual items and portfolios. When evaluating expected credit losses, it considers reasonable and well-founded information about past events, current circumstances, and future economic situations.

The Company divides financial instruments into different combinations based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: types of financial instruments, credit risk ratings, aging portfolios, overdue aging portfolios, contract settlement cycles, and the debtor's industry. For the individual evaluation criteria of the relevant financial instruments and the characteristics of the combined credit risk, please refer to the accounting policies of the relevant financial instruments.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

5. Impairment of financial instrument *(Continued)*

(3) *Determination of expected credit losses*

The Company determines the expected credit losses of related financial instruments according to the following methods:

- 1) For financial assets, the credit loss is the present value of the difference between the contractual cash flow that the Company should charge and the expected cash flow.
- 2) For lease receivables, the credit loss is the present value of the difference between the contractual cash flow that the Company should charge and the expected cash flow.
- 3) For a financial guarantee contract, the credit loss is the present value of the difference between the company's estimated payment to the contract holder for the credit loss and the company's expected payment to the contract holder, debtor or any other party.
- 4) For financial assets that have suffered credit impairment on the balance sheet date but are not purchased or have been credit-impaired, the credit loss is the difference between of the financial asset's book balance and the estimated future cash flow discounted at the original effective interest rate present value of the.

The Company's method of measuring the expected credit loss of financial instruments reflects the following factors: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of money; the availability of reasonable and evidence-based information on the balance sheet date about past events, current conditions, and future economic conditions without spending unnecessary additional costs or efforts.

(4) *Write-down of financial assets*

When the Company no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the book value of the financial asset is directly written down. Such write-down constitutes the derecognition of related financial assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XI) Financial Instruments *(Continued)*

6. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented in the balance sheet respectively and are not offset with each other. However, the net value after offset is presented in the balance sheet when the following conditions are satisfied:

- (1) The Company has the legal right to offset the recognized amount and such right is exercisable;
- (2) The Company plans to settle by net amount or realize the financial assets and repay the financial liabilities at the same time.

(XII) Accounts Receivable

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

1. Receivables that provided expected credit losses on single basis

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

2. Receivables that provided expected credit losses on portfolio basis

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Inventory

1. Classification of inventory

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

2. Valuation method of inventory

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Inventory (Continued)

4. Stock inventory system

Perpetual inventory system is adopted.

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

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

(XIV) Contract Assets

Contract Asset refers to the Company's right to receive consideration for the goods transferred to the customer and which is determined depending on other factors beyond the passage of time. The Company's unconditional (i.e. depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting treatment method of the expected credit losses of the contract assets of the Company based on the expected credit losses to the lifetime, please refer to Note XI 6. Impairment of financial instruments.

(XV) Contract Costs

1. Contract performance cost

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XV) Contract Costs *(Continued)*

2. Contract obtainment cost

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

3. Amortisation of contract costs

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

4. Contract cost impairment

For assets related to contract costs, if the book value is higher than the difference between the remaining consideration expected to be received by the Company for transfer of the goods related to the assets and the estimated cost of transferring the relevant goods, the excess should be depreciated and confirmed as an asset impairment loss.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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)*

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)*

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)*

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)

V. 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)*

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)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

- (1) In the individual financial statements, the difference between the carrying amount of the disposed equity and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exert joint control or significant influence on the investee, it shall be accounted for under the equity method, and the residual equity shall be deemed to be adjusted by equity method when it is acquired; if the remaining equity after disposal cannot exert joint control or significant influence over the investee, it shall be accounted for by the relevant provisions of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, and the difference between the fair value and the carrying amount on the date of loss of control is included in the current profit or loss.
- (2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, capital reserve (share premium) is adjusted for the difference between the disposal price and the share of the net assets corresponding to the disposed long-term equity investment that the subsidiary has continuously calculated from the date of purchase or the merger date; if the capital reserve is insufficient to offset, the retained earnings will be adjusted; when the control of the subsidiary is lost, the remaining equity shall be remeasured according to its fair value on the date of loss of control. The sum of the consideration for the disposal of the equity and the fair value of the remaining equity, less the share of the net assets that the original subsidiary has continuously calculated from the date of purchase calculated based on the original shareholding, is included in the investment income for the period of loss of control, while reducing goodwill. Other comprehensive income related to the original subsidiary’s equity investment will be converted into current investment income when control is lost.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

5. Judging criteria for joint control and significant influence

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XVIII) Investment Property

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Fixed Assets (Continued)

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

(1) Depreciation of fixed assets (Continued)

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%	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.

(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.



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXI) Borrowing Costs *(Continued)*

1. Recognition principle for capitalisation of borrowing costs *(Continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXI) Borrowing Costs *(Continued)*

4. Calculation for capitalisation amount of borrowing costs

Interest charges on special borrowings (excluding interest income on unused borrowings deposited in the bank, or investment income on temporary investment) and their ancillary expenses shall be capitalised before the assets purchased or produced that meet the capitalisation conditions are ready for intended use or sale.

The amount of capitalised interest on general borrowings is calculated by the weighted average of the excess portion of the accumulative asset expenditures over the special borrowings multiplied by the capitalisation rate of general borrowings. The capitalisation rate is determined based on the weighted average interest rate of general borrowings.

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

(XXII) Charity Biological Assets

1. Classification of biological assets

All of the biological assets of the Company are charity biological assets, which represent the biological assets that primarily serve the purposes of prevention and protection of the environment, including forests for the purposes of wind-breaking and sand fixation, prevention of soil erosion, conservation of water supply, etc.

A biological asset is recognised if it meets all of the following conditions:

- (1) An enterprise possesses or controls this biological asset as a result of past transaction or event;
- (2) The economic benefits or service potentials concerning this biological asset are likely to flow into the enterprise;
- (3) The cost of this biological asset can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXII) Charity Biological Assets *(Continued)*

2. Initial measurement of biological assets

The biological assets acquired by the Company are measured at their acquisition cost. The cost of externally purchased biological assets consists of the purchase price, the relevant taxes, freights, insurance premiums and other expenses that are directly attributable to the purchase of the assets. The cost of self-cultivated charity biological assets shall be determined by the essential expenses incurred prior to crown closure, such as afforestation fees, tending costs, forest protection fees, costs of forest operating facilities, seed testing fees, survey and design fees, and share of any indirect costs. For biological assets contributed by investors, their cost shall be determined by the value stipulated in the investment contract or agreement, except for the value stipulated in the contract or agreement is not fair.

3. Subsequent measurement of biological assets

Charity biological assets shall not be depreciated. As charity biological assets cannot generate economic benefits, it is not necessary to depreciate them.

No provision shall be made for impairment losses on charity biological assets. As charity biological assets are held for the purposes of prevention and protection of the environment, which is non-operating in nature, no provision will be made for impairment losses thereon.

(XXIII) Right-of-use Assets

The Company initially measures the right-to-use assets at cost, which includes:

- 1) initial measurement amount of lease liabilities;
- 2) lease payments made before or at the beginning of the lease term, and deduction of the relevant amount of rental incentives if any;
- 3) initial direct expenses incurred by the Company;
- 4) expected costs to be incurred by the Company for dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the state agreed in the lease terms (excluding costs incurred for the production of inventory).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXIII) Right-of-use Assets *(Continued)*

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 accordance with the above principles in future periods.

(XXIV) Intangible Assets and Development Expenditure

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

1. Initial measurement of intangible assets

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

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, its initial measurement cost includes the fair value of the waived creditor's rights and taxes and other costs directly attributable to bringing the asset to expected usage. The difference between the fair value of the waived creditor's rights and the carrying amount shall be recognised in profit or loss for the period.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Intangible Assets and Development Expenditure (Continued)

1. Initial measurement of intangible assets (Continued)

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.

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 right	Yield	Mineable reserves
Resource assets – others	15 years-50 years	Useful life
Patented technology	15 years	Useful life
Road use rights	18 years-20 years	Useful life

The useful life and depreciation method of intangible assets with a limited useful life are reassessed at the end of each period. If there is a difference from the original estimate, corresponding adjustments will be made.

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

(2) Intangible assets with an indefinite useful life

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Intangible Assets and Development Expenditure (Continued)

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

Research stage: a stage of scheduled innovative investigations and research activities for the acquisition and understanding of new scientific or technical knowledge.

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

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

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

The expenditure of an internal research and development project in the development stage is recognised as an intangible asset when meeting all of the following conditions:

- (1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- (2) With an intention to complete the intangible asset and to use or sell it;
- (3) The way the intangible asset generates economic benefits can prove the existence of a market for the products produced using the intangible asset or a market for the intangible asset itself, and if the intangible asset will be used internally, its usefulness can be proven;
- (4) Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset, and having the ability to use or sell the intangible asset;
- (5) Expenditure attributable to the development stage of the intangible asset can be reliably measured.

Expenditures incurred in the development stage that do not meet the above conditions shall be included in the current profit or loss at the time of occurrence. The development expenditures which have been included in the profit or loss in the previous periods will not be recognised as an asset in the future period. The capitalised expenditures in the development phase are shown in the balance sheet as development expenditures and are converted into intangible assets from the date of the project's intended use.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXV) Impairment on Long-term Assets

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

The estimated recoverable amount of an asset is the higher of its fair value less the cost of disposal and the present value of the expected future cash flow of the asset.

The measurement results of recoverable amount show that when the recoverable amount of an long-term asset is lower than its book value, the book value of the long-term asset is reduced to its recoverable amount. The reduced amount is recognised as an impairment loss on the asset and included in the current profit or loss, at the same time, asset impairment provision will be made accordingly. Asset impairment loss shall not be reversed during the subsequent accounting period once recognised.

After the asset impairment loss is recognised, the depreciation or amortisation expenses of the impaired assets will be adjusted accordingly in the future period, so that the assets' book value after adjustment (deducting the estimated net residual value) will be systematically apportioned over the remaining useful life of the assets.

No matter whether there is any sign of impairment or not, the impairment test is carried out every year for goodwill and intangible assets with an indefinite useful life arising from an enterprise merger.

In the impairment test of goodwill, the book value of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise merger. When taking an impairment test on the relevant asset group or portfolio of asset group containing goodwill, if there is a sign of impairment on the asset group or portfolio of asset group related to the goodwill, the Company first calculates the recoverable amount after testing the asset group or portfolio of asset group which does not contain the goodwill for impairment, and then compares it with the related book value to recognise the corresponding impairment loss. Next, the Company conducts an impairment test on the asset group or portfolio of asset group which contains the goodwill and compares the book value of the related asset group or portfolio of asset group (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of the related asset group or portfolio of asset group is lower than the book value, the Company will recognise the impairment loss of goodwill.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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)*

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.

During the year ended 31 December 2021, there was no forfeited contributions under the defined contribution plan of the Company. Accordingly, no forfeited contribution was utilised during the year, and there was no forfeited contribution available as at 31 December 2021 and 2020 to reduce level of contributions.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXVII) Employee Remuneration *(Continued)*

3. Termination benefits *(Continued)*

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

4. Other long-term employee benefits

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXVII) Employee Remuneration *(Continued)*

4. Other long-term employee benefits *(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 31 December 2021, the Company did not implement any defined benefit plans.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Projected Liabilities

1. Basis for recognition of projected liabilities

The Company will recognise projected liabilities if the obligation relating to contingent matters meets all of the following conditions:

This obligation is a present obligation assumed by the Company;

The fulfillment of this obligation will probably cause the outflow of economic benefits from the Company;

The amount of this obligation can be measured reliably.

2. Measurement method of projected liabilities

The initial measurement of projected liabilities of the Company is based on the best estimate of the expenditure required for the performance of the related present obligations.

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

The best estimate is determined in different situations as follow:

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

Where there is not a continuous range (or interval) of the required expenditure, or there is a continuous range, but the probability of the occurrence of all the results in the range is different, if the contingencies involve a single project, the best estimate is determined by the amount which is most likely to occur; if the contingencies involve a number of projects, the best estimate is determined based on various possible results and related probability calculation.

If all or part of the expenses of the Company required to settle projected liabilities are expected to be compensated by a third party and it is basically certain to receive the amount of compensation, it is independently recognised as an asset. The amount of compensation recognised will not exceed the book value of the projected liabilities.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXIX) Lease Liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. In calculating the present value of lease payments, the Company adopts the interest rate implicit in the lease as the discount rate. If it is impossible to determine the interest rate implicit in the lease, the incremental borrowing rate of the Company shall be used as the discount rate. Lease payments include:

- 1) Fixed payments and substantive fixed payments after deducting the relevant amount of lease incentives;
- 2) Variable lease payments depending on an index or rate;
- 3) Where the Company reasonably determines that the option will be exercised, the amount of the lease payment includes the exercise price of purchase option;
- 4) Where the lease term reflects that the Company will exercise the option to terminate the lease, the amount of the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;
- 5) Expected payments based on the guaranteed residual value provided by the Company.

The Company calculates the interest charges of the lease liabilities for each period of the lease term at a fixed discount rate and includes the same in the profit or loss of the current period or the related asset costs.

Variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the related asset costs when they actually occur.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 cashsettled 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)*

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

(XXX) Share-based Payment *(Continued)*

4. **Relevant accounting treatment for implementation, amendment and termination of sharebased 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Share-based Payment (Continued)

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

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

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

In accordance with the provisions of the Financial Instruments Standards, the financial instruments or their components issued by the Company are classified into financial liabilities or equity instruments on the basis of the contractual terms of preference shares, perpetual bonds and other financial instruments and their economic nature instead of only the legal form, together with the definition of financial liabilities and equity instruments on initial recognition:

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

- (1) The contractual obligation to pay cash or deliver other financial assets to other parties;
- (2) The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;
- (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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

3. Accounting treatment

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Revenue

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXII) Revenue *(Continued)*

2. Revenue treatment principles for specific transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXII) Revenue *(Continued)*

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

(5) After-sale repurchase

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXII) Revenue *(Continued)*

3. Detailed method for revenue recognition

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXII) Revenue *(Continued)*

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

For performance obligation satisfied 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)*

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 recognizes 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 recognizes 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)

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 recognized 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXIII) Government Subsidies *(Continued)*

3. Accounting treatment *(Continued)*

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 nonoperating income and expense.

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

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

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

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

1. Criteria for recognition of deferred income tax assets

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

- (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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

2. Criteria for recognition of deferred income tax liabilities

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

- (1) temporary difference arising from the initial recognition of goodwill;
- (2) a transaction or event arising from non-business combination, and neither the accounting profit or the taxable income (or deductible losses) will be affected when the transaction or event occurs;
- (3) for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the temporary difference can be controlled and the temporary difference is probably not reversed in a foreseeable future.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) Hedge Accounting

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

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

- (1) The hedging relationship only consists of eligible hedging instruments and hedged items.
- (2) At the beginning of hedging, the Company officially designates hedging instruments and hedged items, and prepares written documents on hedging relationships and risk management strategies and risk management objectives for hedging.
- (3) The hedging relationship meets the requirement of hedging validity.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXV) Hedge Accounting *(Continued)*

2. Method of fair value hedge accounting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXV) Hedge Accounting *(Continued)*

3. Method of cash flow hedge accounting

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXV) Hedge Accounting *(Continued)*

4. Overseas operation net investment hedging

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

- (1) The part of gains or losses generated by the hedging instruments, which is an effective hedging, shall be included in other comprehensive income.

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

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

5. Termination of hedge accounting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXV) Hedge Accounting *(Continued)*

6. Fair value selection of credit risk exposure

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

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

(XXXVI) Lease

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

On the commencement date of the contract, the Company evaluates whether the contract is a lease or contains a lease. If one party to a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1. Spin off of lease contracts

When the contract contains a number of separate leases, the Company will split the contract into separate leases for accounting individually.

When the contract contains both leasing and non-leasing parts, the Company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the lease standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for business enterprises.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXVI) **Lease** *(Continued)*

2. Consolidation of lease contracts

When two or more lease-containing contracts concluded by the Company with the same trader or its related parties at the same time or at a similar time meet one of the following conditions, the Company shall merge them into one contract for accounting:

- (1) Such two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognised.
- (2) The amount of consideration for a contract in such two or more contracts depends on the pricing or performance of other contracts.
- (3) The right-of-use assets transferred by such two or more contracts together constitute a separate lease.

3. Accounting treatment for the Company as a lessee

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

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset is a new asset.

The Company recognises right-of-use assets and lease liabilities for leases other than short-term leases and low-value asset leases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXVI) Lease *(Continued)*

4. Accounting treatment for the Company as a lessor

(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)*

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)*

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXVI) **Lease** *(Continued)*

5. **Sale-leaseback** *(Continued)*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXVII) Other Significant Accounting Policies, Accounting Estimates and Method of Preparing Financial Statements *(Continued)*

According to the requirements of the Ministry of Finance, the National Coal Mine Safety Administration and relevant government departments, the Company provides coal mine safety expenses based on coal production output and includes the same in production costs, of which well mining is provided at RMB15.00/tonne and surface mines provided at RMB5.00/tonne. Safety expenses for transportation enterprises of the Company are provided based on the actual operating revenue for the previous year, and 1.00% is adopted for ordinary cargo transportation business. Safety expenses for coal-to-oil enterprises of the Company are provided as per the actual operating revenue for the previous year month by month with excessive and accumulative withdrawal method based on the following standards: 4.00% for operating revenue not exceeding RMB10 million; 2.00% for the proportion exceeding RMB10 million but less than RMB100 million; 0.50% for the proportion exceeding RMB100 million but less than RMB1.0 billion; and 0.20% for the proportion exceeding RMB1.0 billion.

Coal mine safety expenses are mainly incurred from the upgrade and transformation of major mine ventilation equipment, improvement and renovation of gas monitoring system and drainage system for mines, comprehensive prevention and control of coal and gas outburst, fire prevention and extinguishing, water control, safety maintenance for electromechanical equipment and facilities, safety maintenance for power supply and distribution system as well as other safety production directly-related investments; transportation sector safety expenses are mainly incurred from the improvement, renovation and maintenance of safeguard facilities and equipment (exclusive of those initially invested under the “Three Simultaneous” requirements), including safety inspection and maintenance system for roadway, waterway, railway and pipeline transporting facilities and equipment and handling instruments, ancillary safety equipment for transporting facilities and equipment and handling instruments, etc.; coal-to-oil safety expenses are mainly incurred from the improvement, renovation and maintenance of safeguard facilities and equipment (exclusive of those initially invested under the “Three Simultaneous” requirements), including monitoring, inspection, ventilation, sun block, temperature control, fireproof, fire extinguishing, anti-explosion, pressure relief, anti-virus, disinfection, neutralisation, moisture-proof, anti-lighting, anti-static, anti-corrosion, leak-proof, protective fence or isolation facilities and equipment for workshops, warehouses, tank fields and other workplaces.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXVIII) Changes in Significant Accounting Policies and Accounting Estimates

1. Changes in accounting policies

The nature and the reasons of the changes in accounting policies	Approval procedure	Remark
The Company has changed the accounting policy for port miscellaneous charges, transportation charges, loading and unloading charges from 1 January 2021.	Approval at the eighteenth meeting of the eighth session of the board of directors	(1)
The Company has implemented the "Interpretation of Accounting Standards for Business Enterprises No. 14" issued by the Minister of Finance in 2021 from 2 February 2021.	Approval at the eighteenth meeting of the eighth session of the board of directors	(2)
The Company has implemented the "Interpretation of Accounting Standards for Business Enterprises No. 15" issued by the Minister of Finance in 2021 from 31 December 2021.	Approval at the eighteenth meeting of the eighth session of the board of directors	(3)

(1) *The impact of accounting treatment of port miscellaneous charges, transportation charges and loading and unloading charges on the Company*

In order to further strengthen cost management, on 1 January 2021, the Company adjusted the accounting policies for port and miscellaneous expenses, freight, loading and unloading expenses related to coal and coal chemical and other business under the Accounting Standards for Business Enterprises, which were adjusted from the selling cost to the production cost and main business cost. Meanwhile, the financial statements of the comparable period are restated according to the accounting methods after the change of the accounting policy. The restatement affected operating costs and selling expenses for the year 2020, which did not affect other items, operating results, undistributed profits at the beginning of the year, and net profit in the Company's financial statements for the year 2020. The restatement of the statement led to an increase of RMB1,006,250,783.67 in operating costs of previous period and a decrease of RMB1,006,250,783.67 in selling expenses.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(XXXVIII) **Changes in Significant Accounting Policies and Accounting Estimates** *(Continued)*

1. Changes in accounting policies *(Continued)*

- (2) *The impact of implementing Interpretation of Accounting Standards for Business Enterprises No. 14 on the Company*

On 2 February 2021, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 14 (Cai Kuai [2021] No. 1, hereinafter "Interpretation No.14") which became effective on 2 February 2021 ("Date of Implementation"). The Company implemented the Interpretation No.14 from the Date of Implementation. The implementation of Interpretation No.14 has no material impact on the financial statement in the reporting period.

- (3) *The impact of implementing Interpretation of Accounting Standards for Business Enterprises No. 15 on the Company*

On 31 December 2021, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 15 (Cai Kuai [2021] No. 35, hereinafter "Interpretation No.15") which became effective on the date of implementation. Interpretation No. 15 regulated the presentation of the centralized and unified management of the funds of the parent company and member units through internal settlement centers and financial companies. The Company implemented the Interpretation No.15 from 31 December 2021. The implementation of Interpretation No.15 has no material impact on the financial statement in the comparable period.

2. Changes in accounting estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. TAXATION

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

1. Turnover tax and surcharges

Category of tax	Tax basis	Tax rate
Value added tax	Sale of goods, intangible assets or real estate	13.00%, 9.00%, 6.00%
Enterprise income tax	Income tax payable	15.00%, 20.00%, 25.00%, 16.50%
City maintenance and construction tax	Payment of the turnover tax	5.00%, 7.00%, 1.00%
Education surcharges	Payment of the turnover tax	3.00%
Local education surcharges	Payment of the turnover tax	2.00%
Water conservancy construction fund	Operating income	0.10%
Resource tax	Coal sales	ad valorem 9.00%, ad valorem 10.00%
Water tax	Dredge, drain and recycle(including recharge)	RMB2/m ³ , 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 , RMB37/m ²

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. TAXATION (Continued)

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

2. Enterprise income tax

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

Name of company	Tax rate	Remark
The Company	25.00%	
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	15.00%	Preferential tax treatment policy for the western development
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (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
Inner Mongolia Yitai Ningeng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	15.00%	Preferential tax treatment policy for hi-tech enterprises
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	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 with low profit
Inner Mongolia Anchuang Inspection and Testing Co., Ltd. (內蒙古安創檢驗檢測有限公司)	20.00%	SMEs with low profit
Shenzhen Taiyu Private Equity Fund Management Co., Ltd. (深圳泰譽私募股權基金管理有限公司)	20.00%	SMEs with low profit
Yitai HK	16.50%	Overseas institutions
Other subsidiaries	25.00%	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. TAXATION (Continued)

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

2. Preferential tax treatment policy for hi-tech enterprises (Continued)

According to the relevant requirements of the Administrative Measures for the Hi-tech Enterprise Recognition (Guo Ke Fa Huo [2008] No. 172) and the Guidelines for the Administration of Hi-tech Enterprise Recognition (Guo Ke Fa Huo [2008] No. 362), the Department of Science and Technology of Inner Mongolia Autonomous Region (內蒙古自治區科學技術廳), the Finance Department of Inner Mongolia Autonomous Region (內蒙古自治區財政廳), the State 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 certified Inner Mongolia Yitai Ningneng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司) as a hi-tech enterprise (the Certificate for Hi-tech Enterprise (《高新技術企業證書》) has not been issued as of the date of the report) for a term of three years. In accordance with the relevant regulations, the enterprise income tax will be levied at 15.00% within three years (2021-2023) after the certification of hi-tech enterprise in 2021.

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.: GR202015000411) to Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司) and certified it as a hi-tech enterprise for a term of three years. In accordance with the relevant regulations, Inner Mongolia Yuanji Chemical Co., Ltd. will be levied enterprise income tax at 15.00% within three years (2020-2022) after the certification of hi-tech enterprise in 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. TAXATION (Continued)

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

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

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)

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1. Monetary funds

item	Closing balance	Opening balance
Cash on hand	1,034,107.00	1,443,941.53
Deposits at banks	17,069,857,413.47	11,291,066,669.70
Other monetary funds	364,506,468.77	943,386,493.39
Total	<u>17,435,397,989.24</u>	<u>12,235,897,104.62</u>
Of which: Total amount deposited abroad	129,357,829.61	133,761,566.09

The breakdown of restricted monetary funds is as follows:

Item	Closing balance	Opening balance
Deposit of bank acceptance bills	240,277,137.62	754,585,229.54
Environmental deposit	17,114.04	149,881.28
Wage guarantee for workers	3,020,367.47	3,008,926.61
Special fund for mine geologic environment governance	121,191,849.64	185,642,455.96
Total	<u>364,506,468.77</u>	<u>943,386,493.39</u>

Note 1: 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 31 December 2021, the closing balance of the special fund for mine geologic environment governance was RMB121,191,849.64.

Note 2: The balance of the bank deposit with the Yitai Group Finance Company was RMB10,176,469,760.45.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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		2,011,120.00
Derivative financial assets		2,011,120.00
Total		2,011,120.00

Explanation: Trading financial assets at the beginning of the period were gains on changes in futures of RMB2,011,120.00.

Note 3. Notes receivable

1. Classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance bills	1,800,000.00	
Commercial acceptance bills	7,680,000.00	
Total	9,480,000.00	

2. Presentation of expected credit loss on notes receivable

Category	Carrying balance		Closing balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Notes receivable that provided expected credit losses on single basis					
Notes receivable that provided expected credit losses on portfolio basis	9,480,000.00	100.00			9,480,000.00
Of which: Customers with extremely low credit risk	9,480,000.00	100.00			9,480,000.00
Total	9,480,000.00	100.00			9,480,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	Carrying balance	Closing balance Loss provision	Percentage (%)
Customers with extremely low credit risk	9,480,000.00		
Total	<u>9,480,000.00</u>	<u></u>	<u></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:

Item	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance bills	40,000.00	
Total	<u>40,000.00</u>	<u></u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 4. Accounts receivable

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	1,925,595,679.05	1,255,962,719.50
1 to 2 years	128,948,982.26	21,512,757.11
2 to 3 years	10,371,443.81	
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	2,084,991,094.02	1,320,849,654.46
Less: Bad debts provision	22,083,882.90	40,673,787.48
Total	2,062,907,211.12	1,280,175,866.98

Explanation: 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	22,083,882.90	1.06	22,083,882.90	100.00	
Accounts receivable that provided expected credit losses on portfolio basis	2,062,907,211.12	98.94			2,062,907,211.12
Of which: Customers with extremely low credit risk	2,062,907,211.12	98.94			2,062,907,211.12
Total	2,084,991,094.02	100.00	22,083,882.90	1.06	2,062,907,211.12

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 4. Accounts receivable (Continued)

2. Disclosure of accounts receivable by type (Continued)

Continued:

Type	Carrying balance		Opening balance		Carrying value
	Amount	Percentage(%)	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	Expected to be unrecoverable
Wuhan Dongli Photovoltaic Electronic Co., Ltd.	2,008,894.00	2,008,894.00	100.00	Expected to be unrecoverable
Suzhou Thvow Technology Co., Ltd. (蘇州天沃科技股份有限公司)	110,000.00	110,000.00	100.00	Expected to be unrecoverable
Total	22,083,882.90	22,083,882.90	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 4. Accounts receivable (Continued)

2. Disclosure of accounts receivable by type (Continued)

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

Portfolio	Accounts receivable	Closing balance Loss provision	Percentage(%)
Customers with extremely low credit risk	2,062,907,211.12		
Total	2,062,907,211.12		

Continued:

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

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)

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

Note 4. Accounts receivable (Continued)

3. Bad debts provision made, recovered or reversed during the period

Type	Opening balance	Provision	Movements during the period			Closing balance
			Recovered or Reversed	Write-off	Other changes	
Accounts receivable that provided expected credit losses on single basis	40,673,787.48	110,000.00	261,549.87	18,438,354.71		22,083,882.90
Total	40,673,787.48	110,000.00	261,549.87	18,438,354.71		22,083,882.90

The account receivable with material amounts reversed or recovered from bad debt provision is as follow:

Name of entity	Amount reversed or recovered	Reversal or recovery approach	Note
Dongying Haifeng Petrochemical Co., Ltd. (東營海豐石油化工股份有限公司)	261,549.87	Debt offset	
Total	261,549.87		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 4. Accounts receivable (Continued)

4. Actual write-off of accounts receivable during the current period:

Name of entity	Nature of accounts receivable	Write-off amount	Reason	Fulfillment procedure	Whether the amount was generated by a connected transaction
Dongying Haifeng Petrochemical Co., Ltd. (東營海豐石油化工有限公司)	Accounts receivable	18,438,354.71	Be unrecoverable	Approved by the management	No

5. Accounts receivable with top five closing balances collected as per the borrowers

Name of entity	Closing balance	Proportion in the closing balance of accounts receivable (%)	Provision for bad debts
Zhejiang Zheneng Fuxing Fuel Co., Ltd. (浙江浙能富興燃料有限公司)	211,325,999.05	10.14	
Huayang Electric Power Co., Ltd. (華陽電業有限公司)	147,567,369.99	7.08	
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	142,495,053.94	6.83	
China Huaneng Group Fuel Co., Ltd. (中國華能集團燃料有限公司)	137,729,613.92	6.61	
Guangdong Zhutou Power Fuel Co., Ltd. (廣東珠投電力燃料有限公司)	128,613,307.18	6.17	
Total	767,731,344.08	36.83	

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 5. Receivables financing

1. Receivables financing

Item	Closing balance	Opening balance
Bank acceptance bills with a high credit rating	<u>42,309,185.36</u>	<u>2,071,600.00</u>
Total	<u><u>42,309,185.36</u></u>	<u><u>2,071,600.00</u></u>

2. Endorsed or discounted receivables financing that are not mature on balance sheet date at the end of the period

Item	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance bills	<u>4,088,596.78</u>	
	<u><u>4,088,596.78</u></u>	

3. The provision for bad debt

The Company is of the view the bank acceptance bills it holds are with a high credit rating and there's no significant credit risk, thus no provision was made for impairment losses.

Note 6. Prepayments

1. Presentation of prepayments by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage(%)	Amount	Percentage(%)
Within 1 year	<u>721,403,457.64</u>	<u>89.36</u>	469,728,996.45	81.85
1 to 2 years	<u>48,206,203.46</u>	<u>5.97</u>	56,966,903.28	9.93
2 to 3 years	<u>35,071,567.90</u>	<u>4.34</u>	37,147,884.80	6.47
Over 3 years	<u>2,613,656.73</u>	<u>0.33</u>	<u>10,032,170.58</u>	<u>1.75</u>
Total	<u><u>807,294,885.73</u></u>	<u><u>100.00</u></u>	<u><u>573,875,955.11</u></u>	<u><u>100.00</u></u>

Explanation 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 6. Prepayments (Continued)

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

Name of entity	Closing balance	Aging	Reason
Mine Migrant Services Centre of Ejin Horo Banner (伊金霍洛旗礦區移民服務中心)	28,071,808.84	1-2 years	Demolition not yet complete
Shanghai Jingyu Environmental Engineering Holdings Limited (上海晶宇環境工程股份有限公司)	34,914,609.10	2-3 years	Goods not yet available
Ordos Biqingyuan Environmental Protection Technology Co., Ltd. (鄂爾多斯市碧清源環保科技有限責任公司)	6,113,852.48	1-2 years	Service not yet available
Junger Banner Yongcheng Power Engineering Co., Ltd. (准格爾旗永誠電力工程有限公司)	5,382,400.00	1-2 years	Service not yet available
Jiangsu Shengman Drying Equipment Co. Ltd. (江蘇聖曼乾燥設備工程有限公司)	2,097,575.00	Over 3 years	Goods not yet available
	1,925,155.05	1-2 years	Goods not yet available
Total	<u>78,505,400.47</u>		

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

Name of entity	Closing balance	Proportion of total prepayment (%)	Prepayment time	Reason
Natural Resources Agency of Jungar Banner (准格爾旗自然資源局)	150,000,000.00	18.58	2021	Demolition not yet complete
Dazhun Railway Branch of China Energy Xinshuo Railway Co., Ltd. (國能新朔鐵路有限責任公司大准鐵路分公司)	133,712,692.87	16.56	2021	Service not yet available
Mine Migrant Services Centre of Ejin Horo Banner (伊金霍洛旗礦區移民服務中心)	42,558,922.80	5.27	2021	Demolition not yet complete
	28,071,808.84	3.48	2020	
	34,914,609.10	4.32	2019	
Daqin Railway Co., Ltd. (大秦鐵路股份有限公司)	88,652,741.87	10.98	2021	Service not yet available
Mine Business Development Centre of Jungar Banner (准格爾旗礦區事業發展中心)	73,838,611.00	9.15	2021	Demolition not yet complete
Total	<u>551,749,386.48</u>	<u>68.34</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	120,000,000.00	60,000,000.00
Other receivables	935,567,693.48	442,459,431.63
Total	<u>1,055,567,693.48</u>	<u>502,459,431.63</u>

(I) Dividends receivable

1. 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)	120,000,000.00	60,000,000.00
Total	<u>120,000,000.00</u>	<u>60,000,000.00</u>

2. Material dividends receivable with an aging of over 1 year at the end the reporting period

Investee	Closing balance	Aging	Reason for uncollected	Whether impairment occurred and its causes
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	30,000,000.00	1-2 years	Unpaid by the investee	No
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	30,000,000.00	2-3 years	Unpaid by the investee	No
Total	<u>60,000,000.00</u>			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables (Continued)

(II) Other receivables

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	786,789,534.01	214,835,364.54
1 to 2 years	7,642,880.23	100,630,325.53
2 to 3 years	61,673,667.79	74,037,194.65
3 to 4 years	46,310,509.82	62,894,878.60
4 to 5 years	54,779,787.57	100,000.00
Over 5 years	100,000.00	
Sub-total	957,296,379.42	452,497,763.32
Less: Bad debts provision	21,728,685.94	10,038,331.69
Total	935,567,693.48	442,459,431.63

Explanation: 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)

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 types

Type	Carrying balance		Closing balance Loss provision		Carrying value
	Amount	Percentage(%)	Amount	Percentage(%)	
Other receivables that provided expected credit losses on single basis	24,894,843.15	2.60	21,728,685.94	87.28	3,166,157.21
Other receivables that provided expected credit losses on portfolio basis	932,401,536.27	97.40			932,401,536.27
Of which: Customers with extremely low credit risk	932,401,536.27	97.40			932,401,536.27
Total	<u>957,296,379.42</u>	<u>100.00</u>	<u>21,728,685.94</u>	<u>2.27</u>	<u>935,567,693.48</u>

Continued:

Type	Carrying balance		Opening balance Loss provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage(%)	
Other receivables that provided expected credit losses on single basis	13,058,201.69	2.89	10,038,331.69	76.87	3,019,870.00
Other receivables that provided expected credit losses on portfolio basis	439,439,561.63	97.11			439,439,561.63
Of which: Customers with extremely low credit risk	439,439,561.63	97.11			439,439,561.63
Total	<u>452,497,763.32</u>	<u>100.00</u>	<u>10,038,331.69</u>	<u>2.22</u>	<u>442,459,431.63</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of other receivables by types (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(%)	
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
Inner Mongolia Tianhe Water Co., Ltd. (內蒙古天河水務有限公司)	7,128,579.20	7,128,579.20	100.00	Expected to be unrecoverable
GD Yitai Dongsheng Power Generation Co., Ltd. (國電伊泰東勝發電有限公司)	4,000,000.00	833,842.79	20.85	Expected to be partially unrecoverable
Jin Li (靳莉)	2,078,540.35	2,078,540.35	100.00	Expected to be unrecoverable
Finance Division, Department of Land and Resources of Inner Mongolia Autonomous Region (內蒙古自治區國土資源廳財務處)	1,292,830.00	1,292,830.00	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
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
Zhang Dingchen (張鼎臣)	160,540.00	160,540.00	100.00	Expected to be unrecoverable
Beijing Andu Electrical Equipment Co., Ltd. (北京安都機電設備有限公司)	37,530.00	37,530.00	100.00	Expected to be unrecoverable
Liu Zhaocheng (劉兆成)	32,900.00	32,900.00	100.00	Expected to be unrecoverable
Zhengzhou Nanrui Electric Co., Ltd. (鄭州南瑞電器有限公司)	7,586.21	7,586.21	100.00	Expected to be unrecoverable
Total	<u>24,894,843.15</u>	<u>21,728,685.94</u>	<u>-</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of other receivables by types (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	932,401,536.27		
Total	<u>932,401,536.27</u>		

Continued:

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

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		11,870,194.25		11,870,194.25
Recovery or reversal during the period		179,840.00		179,840.00
Write-off during the period				
Closing balance		<u>13,356,004.45</u>	<u>8,372,681.49</u>	<u>21,728,685.94</u>

4. Loss provision made by the Company for other receivables during the current period was RMB11,870,194.25, and loss provision recovered and reversed was RMB179,840.00.

The other receivable with material reversal or recovery or reversal of bad debt provision in current reporting period:

Name of entity	Amounts reversed or recovered	Approach of reversal or recovery	Note
Finance Division, Department of Land and Resources of Inner Mongolia Autonomous Region	179,840.00	Bank deposit	
Total	<u>179,840.00</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 7. Other receivables (Continued)

(II) Other receivables (Continued)

5. No write-off other receivables in the current period
6. Other receivables by nature of amount

Item	Closing balance	Opening balance
Amount of asset transference	521,604,804.21	
Intercourse funds	30,514,978.58	84,335,356.94
Security	397,827,791.91	353,885,172.60
Advances	336,922.29	1,538,770.25
Employee borrowing	6,159,387.21	11,172,301.45
Deposit	694,919.71	1,474,995.50
Others	157,575.51	91,166.58
Total	957,296,379.42	452,497,763.32

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

Name of entity	Nature of amounts	Closing balance	Aging	Proportion to closing balance of other receivables (%)	Closing balance of bad debts provision
Inner Mongolia Zhongtai Energy Co., Ltd. (內蒙古仲泰能源有限公司)	Asset transferring amounts	349,395,730.34	Within 1 year	36.50	
Zhunjqi Branch of Inner Mongolia Zhongtai Energy Co., Ltd. (內蒙古仲泰能源有限公司准旗分公司)	Asset transferring amounts	168,137,706.92	Within 1 year	17.56	
Donghai Futures Co., Ltd. (東海期貨有限責任公司)	Futures deposits	157,456,442.55	Within 1 year	16.45	
Land Resources Agency of Jungar Banner (准格爾旗國土資源局)	Security	12,779,255.00	Within 1 year	1.33	
		28,994,835.00	2-3 years	3.03	
		30,476,055.00	3-4 years	3.18	
		31,810,875.00	4-5 years	3.32	
Pingan Futures Co., Ltd. (平安期貨有限公司)	Futures deposits	50,000,000.00	Within 1 year	5.22	
Total		829,050,899.81		86.59	

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 8. Inventories

1. Classification of Inventories

Item	Carrying balance	Closing balance		Carrying balance	Opening balance	
		Provision for decline in value of inventories	Carrying value		Provision for decline in value of inventories	Carrying value
Finished goods	1,053,410,736.39	9,654,412.60	1,043,756,323.79	830,937,966.07	9,549,310.96	821,388,655.11
Raw materials	581,473,182.87	57,504,709.11	523,968,473.76	496,672,374.11	61,836,159.60	434,836,214.51
Low-value consumables	100,790.79		100,790.79	4,119.00		4,119.00
Total	1,634,984,710.05	67,159,121.71	1,567,825,588.34	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	5,566,071.72			5,460,970.08		9,654,412.60
Raw materials	61,836,159.60				4,331,450.49		57,504,709.11
Total	71,385,470.56	5,566,071.72			9,792,420.57		67,159,121.71

Note 9. Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	667,492,330.20	761,360,108.12
Enterprise income tax prepaid	7,843,334.59	3,943,692.67
Short-term debt investments	700,296,284.60	
Others		628.10
Total	1,375,631,949.39	765,304,428.89

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 10. Long-term equity investments

Investee	Opening balance	Added investment	Decrease in investment	Investment profits and losses recognised under equity method	Increase/decrease in the current period				Closing balance	Closing balance of impairment provisions
					Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision for impairment		
I. Joint Ventures										
Oros Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限公司)	52,887,448.84			652,483.19						53,239,918.03
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海聖泰石化科技有限公司)	2,982,370.47			308,640.04						2,982,370.47
Inner Mongolia Yitai Galuibi Mining Co., Ltd. (內蒙古伊泰盟國礦業有限公司)	472,846,613.42									472,956,253.46
Tianjin Fengyuan Fongkang Venture Investment Center (Limited Partnership) (天津源峰康創業投資中心(有限合夥))		119,350,000.00		12,450,983.63						131,800,983.63
Sub-total	528,216,432.73	119,350,000.00		13,413,092.86						660,979,525.59
II. Associates										
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限公司)	162,704,014.09			94,958,042.35						257,662,056.44
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財濟有限公司)	554,821,350.40			91,202,848.30			-68,104,385.96			577,019,812.74
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰藥科技開發有限公司)										
Inner Mongolia Jinqilai Power Generation Co., Ltd. (內蒙古京泰發電有限公司)	561,310,708.71			7,544,678.51	160,434.67		-1,685,291.12			567,330,530.77
Chifeng Huayuan Liquor Factory Co., Ltd. (內華遠酒業有限公司)	13,924,097.58			-68,981.97						13,857,115.61

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

Note 10. Long-term equity investments

Investee	Opening balance	Added investment	Decrease in investment	Investment profits and losses recognised under equity method	Increase/decrease in the current period				Closing balance	
					Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision for impairment		Others
Oros 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)										
Oros Tiantai Huanin Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤礦裝備有限責任公司)										250,288.45
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰蒙聯煤化有限責任公司)	7,800,489,082.65			335,072,285.27		-60,000,000.00		8,075,561,347.92		
Oros Gonggouyangtia Storage and Transportation Co., Ltd. (鄂爾多斯市公濤陽儲運有限責任公司)	63,744,130.81			5,002,180.31				68,746,311.12		
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古元吉化工有限公司)	45,228,988.02	21,134,400.00		3,835,210.36			-70,198,603.38			
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			-315,153.52				29,684,846.48		
Sub-total	9,232,322,357.26	21,134,400.00		537,233,103.61	160,434.67	-130,789,677.08	-70,198,603.38	9,569,862,015.08		250,288.45
Total	9,760,558,789.99	140,484,400.00		550,646,196.47	160,434.67	-130,789,677.08	-70,198,603.38	10,250,841,540.67		250,288.45

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 11. Other equity instruments investments

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)	491,000,000.00	484,000,000.00
Mengji Railway Co., Ltd.	1,661,000,000.00	1,040,000,000.00
Haoji Railway Co., Ltd. (浩吉鐵路股份有限公司)	1,025,000,000.00	1,197,000,000.00
Qinhuangdao Port H Share (秦皇島港H股)	19,586,736.29	20,802,731.72
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	32,000,000.00	45,000,000.00
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	2,892,000,000.00	2,555,000,000.00
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	1,630,000,000.00	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	104,130,000.00	101,180,000.00
Total	<u>7,866,716,736.29</u>	<u>7,257,982,731.72</u>

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		291,000,000.00			
Mengji Railway Co., Ltd.	Non-transactional equity instrument investment			1,039,045,000.00		
Haoji Railway Co., Ltd. (浩吉鐵路股份有限公司)	Non-transactional equity instrument investment			172,000,000.00		
Qinhuangdao Port H Share (秦皇島港H股)	Non-transactional equity instrument investment	1,094,012.06		59,651,173.78		
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Non-transactional equity instrument investment			40,000,000.00		
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	Non-transactional equity instrument investment	194,358,920.00	2,359,200,000.00			
Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司)	Non-transactional equity instrument investment		764,713,000.00			
China National Coal Exchange Co., Ltd. (全國煤炭交易中心有限公司)	Non-transactional equity instrument investment					
Industrial and Commercial Bank of China Limited	Non-transactional equity instrument investment	4,200,000.00	4,130,000.00			
Total		<u>199,652,932.06</u>	<u>3,419,043,000.00</u>	<u>1,310,696,173.78</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 12. Other non-current financial assets

Item	Closing balance	Opening balance
Sub-total of other non-current financial assets at fair value through profit or loss	1,665,376,554.35	1,571,136,033.21
Transactional equity instrument investment	175,886,726.31	109,337,689.72
Fund investment	1,489,489,828.04	1,461,798,343.49
Total	<u>1,665,376,554.35</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	84,990,083.22	84,990,083.22
Transfer from fixed assets	84,990,083.22	84,990,083.22
3. Decrease during the period		
4. Closing balance	1,075,892,957.11	1,075,892,957.11
II. Accumulated depreciation (amortisation)		
1. Opening balance	300,616,767.95	300,616,767.95
2. Addition during the period	73,901,415.72	73,901,415.72
Provision or amortisation	38,139,872.19	38,139,872.19
Transfer from fixed assets	35,761,543.53	35,761,543.53
3. Decrease during the period		
4. Closing balance	374,518,183.67	374,518,183.67
III. Impairment provision		
1. Opening balance		
2. Addition during the period		
3. Decrease during the period		
4. Closing balance		
VI. Carrying amount		
1. At the end of the period	701,374,773.44	701,374,773.44
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)

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 value	Reason for pending certificates of ownership
Wanbo Plaza House (3/F)	27,841,281.07	Still under processing
Wanbo Plaza House (4/F)	30,999,717.47	Still under processing
Wanbo Plaza House (5/F)	31,043,095.21	Still under processing
Total	<u>89,884,093.75</u>	

3. Rental income

Item	2021	2020
Rental income from investment properties	<u>24,094,928.28</u>	<u>20,959,242.39</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 13. Investment properties (Continued)

4. Maturity analysis of lease receipts

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

As at 31 December 2021, the lease receipts of the Company by undiscounted contractual cash flows based on the remaining contractual term are presented as follows:

Unit (yuan)

Item	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years and above	Total
Future lease receipts	<u>18,038,169.95</u>	<u>11,838,231.61</u>	<u>6,810,681.81</u>	<u>4,732,029.82</u>	<u>4,762,527.82</u>	<u>7,159,040.73</u>	<u>53,340,681.74</u>

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:

Unit (yuan)

Item	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years and above	total
Future lease receipts	<u>16,011,670.70</u>	<u>10,123,226.17</u>	<u>4,254,654.74</u>	<u>3,874,714.34</u>	<u>3,826,026.84</u>	<u>9,631,646.01</u>	<u>47,721,938.80</u>

Note 14. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	<u>29,367,375,927.88</u>	31,539,509,938.70
Total	<u>29,367,375,927.88</u>	<u>31,539,509,938.70</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 14. Fixed assets (Continued)

(I) Fixed assets

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	1,984,982,653.23	659,143,070.91	11,797,367,273.26	191,794,924.09	18,547,844,304.11	1,344,878,753.39	45,707,788,658.51
2. Addition during the period	425,004,741.12	9,107,325.21	675,276,577.86	485,841,513.27	58,559,659.93	4,859,329.39	476,108,772.91	4,802,325,763.62	6,937,083,663.32
Acquisition	45,304,920.33	8,664,847.33	674,386,094.27		23,546,671.43	3,424,447.56	99,016,195.34	50,589,631.96	903,942,808.22
Transfer from construction in progress	338,465,401.95		108,566.14		35,012,988.50		162,036,433.49	48,466,619.02	584,080,008.10
Business combination not under common control	41,264,418.84	442,477.88	771,918.45	4,080,338.42		1,434,881.83	216,056,144.08	40,504,186.90	303,339,970.07
Other transfers-in				481,761,174.85				4,662,745,325.74	5,145,720,896.92
3. Decrease during the period	1,113,429,461.51	2,242,687.17	189,881,823.73	819,617.76	1,042,736,042.82	15,965,453.98	6,946,546,121.27	101,902,504.46	9,413,583,712.50
Disposal or scrapping	318,514,533.31	2,242,687.17	189,881,823.73	819,617.76	71,697,456.23	14,744,893.73	2,670,467,379.61	101,702,811.29	3,370,071,352.83
Transfer to investment properties	84,790,390.05							199,693.17	84,990,083.22
Other transfers-out	710,124,488.15								5,958,522,276.45
4. Closing balance	10,089,861,824.48	410,325,772.69	2,470,387,407.36	1,144,164,966.42	10,813,130,890.57	180,688,799.50	12,077,406,955.75	6,045,302,012.55	43,231,268,629.33

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	349,402,800.86	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	401,554,654.68	23,442,111.17	74,564,429.64	109,644,134.48	424,898,557.78	12,859,442.51	625,254,527.77	789,638,697.35	2,441,876,555.38
Provision	397,779,268.76	17,541,022.09	74,544,628.50	58,515,364.18	359,146,528.56	11,634,469.39	609,366,595.37	332,131,964.46	1,857,659,861.31
Business combination not under common control	3,775,385.92			531,057.24		1,224,954.12	16,887,932.40	5,268,099.59	27,687,429.27
Other transfers-in		5,901,089.08	19,801.14	52,597,713.06	65,752,028.22			432,258,633.30	556,529,264.80
3. Decrease during the period	746,620,679.64	1,241,476.93	44,251,704.40	110,284.46	23,791,464.74	13,450,899.83	1,970,806,120.17	48,579,634.58	2,849,832,264.75
Disposal or scrapping	167,879,547.25	1,241,476.93	44,251,704.40	110,284.46	21,341,658.55	12,907,739.23	1,889,759,298.04	48,435,971.28	2,185,927,679.14
Transfer to investment properties	35,617,880.23							143,669.30	35,761,549.53
Other transfers-out	543,123,252.16				2,449,806.19	543,161.60	81,046,822.13		827,163,042.08
4. Closing balance	2,678,396,153.38	353,593,909.95	575,608,947.65	438,936,880.88	2,843,823,221.54	152,844,159.11	4,440,593,940.99	1,600,838,255.92	13,104,635,275.42

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 14. Fixed assets (Continued)

(I) Fixed assets (Continued)

1. Fixed assets (Continued)

Item	Houses and buildings	Automobile	Mining structures	Road	Railway	Transportation equipment	Mechanical equipment	Other equipment	Total
III. Impairment provision									
1. Opening balance	546,860,375.04	34,200.00	2,078,777.30	2,575,666.81		28,611.11	98,888,660.23	6,191,544.53	656,647,735.02
2. Addition during the period	117,974,518.13					100,792.12	62,184,754.90	1,148,843.74	213,664,223.59
Provision	117,974,518.13		32,855,314.70			100,792.12	62,184,754.90	644,110.46	180,304,175.61
Other transfer-in								504,733.28	33,360,047.98
3. Decrease during the period	47,250,753.13	34,200.00				28,611.11	63,257,570.63	483,397.71	111,054,632.58
Disposal or scrapping	47,250,753.13	34,200.00				28,611.11	63,257,570.63	483,397.71	111,054,632.58
4. Closing balance	616,974,140.04		34,934,092.00	2,575,666.81		100,792.12	97,815,844.50	6,856,890.56	759,257,426.03
IV. Carrying amount									
1. At the end of the period	6,794,491,525.06	56,731,862.74	1,859,844,367.71	682,652,718.73	7,969,307,660.03	27,743,848.27	7,539,997,170.26	4,437,606,766.07	29,367,375,927.88
2. At the beginning of the period	7,207,973,985.49	72,033,659.94	1,437,617,653.32	307,164,673.24	9,354,651,144.76	38,330,696.55	12,662,810,110.49	459,928,015.71	31,539,509,936.70

Explanation 1: Other significant transfers-in and transfers-out in the current period was due to the asset split of 120-tonne project of Yitai Chemical and Huzhuh Railway based on the project final report in the current period.

Explanation 2: The Company provided for impairment loss on the 160,000t fixed assets of Coal-to-oil Company of RMB47.9088 million and provided for impairment loss on the 2mt fixed assets of Xinjiang Energy of RMB116.8091 million.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 14. Fixed assets (Continued)

(I) Fixed assets (Continued)

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

Item	Original carrying amount	Accumulated depreciation	Impairment provision	Carrying value
Houses and buildings	23,979,454.06	5,089,857.29	–	18,889,596.77
Mechanical equipment	245,246,064.68	149,629,275.34	32,521,824.20	63,094,965.14
Transportation equipment	415,384.61	394,615.39	–	20,769.22
Other equipment	<u>7,019,482.70</u>	<u>4,530,417.51</u>	<u>62,138.69</u>	<u>2,426,926.50</u>
Total	<u>276,660,386.05</u>	<u>159,644,165.53</u>	<u>32,583,962.89</u>	<u>84,432,257.63</u>

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

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

Item	Carrying value	Reason for pending certificates of ownership
Houses and buildings	<u>750,756,574.40</u>	Still in processing
Total	<u>750,756,574.40</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 15. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	8,768,494,593.70	9,607,557,793.31
Construction materials	1,644,099,730.04	1,656,843,873.76
Total	<u>10,412,594,323.74</u>	<u>11,264,401,667.07</u>

(I) Construction in progress

1. Construction in progress

Item	Carrying balance	Closing balance impairment provision	Carrying value
Construction in progress	<u>12,459,215,126.95</u>	<u>3,690,720,533.25</u>	<u>8,768,494,593.70</u>
Total	<u>12,459,215,126.95</u>	<u>3,690,720,533.25</u>	<u>8,768,494,593.70</u>

Continued:

Item	Carrying balance	Opening balance Impairment provision	Carrying value
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)

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	12,847,554.09		16,282,051.20	5,257,481,049.14
Xinjiang Energy-2 million tonnes coal-to-oil project	4,623,829,571.43	71,871,275.69		2,769,327.30	4,692,931,519.82
Yili Mining- Auxiliary mining project	904,796,086.40	2,298,351.83	12,990,600.00		894,103,838.23
Coal-to-oil-2 million tonnes indirect coal-to-liquids conversion project	793,643,519.15	46,875,149.77			840,518,668.92
Dama railway	563,720,724.48				563,720,724.48
Other projects	487,985,773.24	312,755,680.47	585,053,459.43	5,228,667.92	210,459,326.36
Total	12,634,891,220.95	446,648,011.85	598,044,059.43	24,280,046.42	12,459,215,126.95

Continued:

Name of project	Budget (ten thousand yuan)	Investment percentage to budget (%)	Project progress (%)	Accumulated amount of interest capitalized	Of which: Amount of interest capitalized during the period	Interest capitalization rate of the period (%)	Source of the fund
Yili Energy-1 million tonnes coal-to-oil project	1,606,800.00	40.90	40.90	1,540,191,022.16			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	203,552,203.59			Loan, others
Coal-to-oil-2 million tonnes indirect coal-to-liquids conversion project	2,934,231.04	3.15	3.15	71,830,182.11			Loan, others
Dama railway	329,500.00	19.77	19.77				Self-owned fund
Other projects				61,578,109.92			Others
Total	-	-	-	3,280,742,125.52	-	-	-

Explanation 1: The proportion of project investment in the budget is calculated based on the proportion of the total expenditures incurred in the project to the budget. The project expenditures include fixed assets, intangible assets, and construction in progress.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 15. Construction in progress (Continued)

(I) Construction in progress (Continued)

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

Item	Provision made in the period	Reason for provision
2 Mt coal-to-oil project of Xinjiang Energy	663,068,741.98	See explanation 1 and 2 below
Others	<u>318,363.63</u>	See explanation 3 below
Total	<u>663,387,105.61</u>	

Explanation 1: The Company intended to disposal of some assets of Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司) ("Xinjiang Energy") to Xinjiang Central Hesheng Silicon Co., Ltd. (新疆中部合盛硅业有限公司) ("Hesheng Silicon"). Due to the different processes of the project invested by Hesheng Silicon and the Yitai Ganquanbao 2 Mtpa coal-to-oil pilot project of Xinjiang Energy, Hesheng Silicon only has the intention to purchase some assets of Xinjiang Energy, and the Company was unable to sell Xinjiang Energy's equipment and materials, land, real estate and structures under construction on the ground as a whole as planned, resulting in the useless value of Xinjiang Energy's assets such as electronic equipment, civil engineering and some engineering materials attached to the land and real estate. Based on the principle of prudence, Xinjiang Energy conducted a comprehensive inventory of the remaining assets after the disposal, and decided to scrap the assets that have no use value at present. In the current period, an impairment loss of RMB296,825,714.33 (including fixed assets of RMB 138,874.34 and construction in progress of RMB296,686,839.99) was accrued for such assets to be scrapped; for the assets to be sold, the Company provided for impairment loss at the book value deducting the fair value (being the estimated trading price minus costs of disposal) of RMB469,076,404.27 (including fixed assets of RMB116,670,210.27 and construction in progress of RMB352,406,194.00).

Explanation 2: In current period, Xinjiang Energy estimated the cost of disposal based on the inspection of the 2020 annual report by the Inner Mongolia Securities Regulatory Bureau. The proposed cost of disposal would increase the impairment loss of the construction in progress by RMB13,975,707.99 in the current period.

Explanation 3: In the current period, provision for impairment loss of RMB318,363.63 was made for petrochemical equipment under construction.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 15. Construction in progress (Continued)

(II) Construction materials

Item	Closing balance	Opening balance
Construction materials	956,129,942.40	968,371,180.25
Equipment not yet installed	687,969,787.64	688,472,693.51
Total	1,644,099,730.04	1,656,843,873.76

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	1,148,200.72	1,148,200.72
Lease	1,148,200.72	1,148,200.72
3. Decrease during the period	—	—
4. Closing balance	53,311,861.71	53,311,861.71
II. Accumulated depreciation		
1. Opening balance	7,710,479.77	7,710,479.77
2. Addition during the period	6,442,758.13	6,442,758.13
Provision	6,442,758.13	6,442,758.13
3. Decrease during the period	—	—
4. Closing balance	14,153,237.90	14,153,237.90
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	39,158,623.81	39,158,623.81
2. At the beginning of the period	44,453,181.22	44,453,181.22

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 17. Intangible assets

1. Intangible assets

Item	Land use rights	Resource assets	Patented technology	Software	Road use rights	Total
I. Original carrying amount						
1. Opening balance	1,926,192,121.27	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	887,374,382.91	524,919,410.34	80,572,165.83	8,791,105.04		1,501,657,064.12
Acquisition	32,532.99	330,112,185.27		4,070,609.70		334,215,327.96
Transfer from construction in progress		12,990,600.00		973,451.33		13,964,051.33
Addition from business combination	11,818,889.72		80,572,165.83	321,286.67		92,712,342.22
Other transfers-in	875,522,960.20	181,816,625.07	—	3,425,757.34		1,060,765,342.61
3. Decrease during the period	7,321,250.98	60,253,049.56	36,373,675.20	5,484,919.69		109,432,895.43
Disposal and scrapping	7,321,250.98			5,484,919.69		12,806,170.67
Other transfers-in		60,253,049.56	36,373,675.20			96,626,724.76
4. Closing balance	2,806,245,253.20	2,106,290,522.94	368,918,027.47	142,022,437.76	213,842,927.52	5,637,319,168.89
II. Accumulated depreciation						
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	154,229,939.52	81,851,458.99	33,306,081.01	11,808,833.09	4,645,470.07	285,841,782.68
Provision	45,674,188.10	81,851,458.99	31,195,884.44	8,181,911.56	4,645,470.07	171,548,913.16
Addition from business combination	2,197,631.92		2,110,196.57	201,164.19		4,508,992.68
Other transfers-in	106,358,119.50			3,425,757.34		109,783,876.84
3. Decrease during the period	1,487,132.52	60,253,049.56	35,650,745.28	5,254,392.33		102,645,319.69
Disposal and scrapping	1,487,132.52			5,254,392.33		6,741,524.85
Other transfers-out		60,253,049.56	35,650,745.28			95,903,794.84
4. Closing balance	465,973,676.17	375,300,893.07	65,817,993.69	127,679,734.30	153,514,129.24	1,188,286,426.47

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

Note 17. Intangible assets (Continued)

1. Intangible assets (Continued)

Item	Land use rights	Resource assets	Patented technology	Software	Road use rights	Total
III. Impairment provision						
1. Opening balance	4,221,384.55	892,788.00				5,114,172.55
2. Addition during the period	41,731,477.34		327,496.33			42,058,973.67
Provision	41,731,477.34		327,496.33			42,058,973.67
3. Decrease during the period						
4. Closing balance	45,952,861.89	892,788.00	327,496.33			47,173,146.22
IV. Carrying amount						
1. At the end of the period	2,294,318,715.14	1,730,096,841.87	302,772,537.45	14,342,703.46	60,328,798.28	4,401,859,596.20
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)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 17. Intangible assets (Continued)

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

Item	Carrying value	Reason for pending certificates of ownership
Land use rights	<u>779,255,321.65</u>	Still under processing
Total	<u><u>779,255,321.65</u></u>	

Explanation 1: Other significant transfers-in and transfers-out in the current period were due to the asset split of 120-tonne project of Yitai Chemical and Huzhun Railway based on the project final report.

Note 18. Long-term deferred expenses

Item	Opening balance	Increase during the period	Amortization during the period	Other decreases	Closing balance
Compensation and divestiture fees for open-pit mining and demolition	2,104,010,872.71	354,210,910.09	593,857,937.32		1,864,363,845.48
Water rights fees	6,965,276.45		1,305,854.40		5,659,422.05
Others	<u>55,728,761.61</u>	<u>1,420,499.69</u>	<u>43,696,475.53</u>		13,452,785.77
Total	<u><u>2,166,704,910.77</u></u>	<u><u>355,631,409.78</u></u>	<u><u>638,860,267.25</u></u>		<u><u>1,883,476,053.30</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	416,999,927.29	70,026,255.55	442,710,993.57	74,074,013.90
Provision for assets impairment	632,873,949.00	150,229,722.64	666,704,352.47	162,947,030.82
Deferred earnings and others	425,436,106.79	103,248,563.75	292,457,529.08	68,348,314.61
Ecological compensation	7,414,486.24	1,853,621.56	11,742,805.40	2,935,701.35
Unrealised profit of internal transaction	657,615,428.42	162,158,340.43	665,461,612.36	164,667,647.23
Deductible losses	2,649,401,563.02	400,413,863.16	1,563,356,013.11	244,604,144.65
Fair value changes	5,047,433.21	1,261,858.30	23,600.00	5,900.00
Total	<u>4,794,788,893.97</u>	<u>889,192,225.39</u>	<u>3,642,456,905.99</u>	<u>717,582,752.56</u>

2. Deferred income tax liabilities

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Fair value changes	2,102,640,433.55	514,729,875.09	1,516,982,707.66	365,842,711.56
Accelerated depreciation of fixed assets	645,950,380.67	135,863,096.64	632,480,078.78	151,110,098.64
Commissioning loss	19,487,460.67	2,923,119.10	21,411,306.60	5,352,826.65
Unrealised loss of internal transaction			2,365,520.10	591,380.03
Undistributed gains of partnership	470,515,904.69	117,299,335.82	432,937,400.29	108,234,350.07
Instalment payment for acquisition of mining rights	2,312,835.25	346,925.29	—	—
Total	<u>3,240,907,014.83</u>	<u>771,162,351.94</u>	<u>2,606,177,013.43</u>	<u>631,131,366.95</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 19. Deferred income tax assets and deferred income tax liabilities

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

Item	Closing balance	Opening balance
Deferred earnings	52,658,499.98	53,959,354.92
Provision for assets impairment	3,975,248,847.05	3,148,114,860.92
Deductible loss	1,390,643,347.37	815,092,249.80
Total	5,418,550,694.40	4,017,166,465.64

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
2022	47,227,344.02	47,227,344.02
2023	107,516,437.07	98,178,092.94
2024	80,441,487.46	113,871,336.40
2025	447,724,945.67	465,362,000.07
2026	707,733,133.15	
Total	1,390,643,347.37	815,092,249.80

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 assets	127,729,009.47	127,729,009.47
Others	11,000,000.00	791,060.73
Input tax expected to be deducted over one year	464,135,892.89	514,900,091.91
Total	653,537,306.36	694,092,566.11

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 21. Short-term borrowings

1. Classification of short-term borrowings

Item	Closing balance	Opening balance
Secured borrowings	15,934,000.00	
Credit borrowings		1,000,000,000.00
Guaranteed borrowings	14,066,000.00	
Interest accrued but not due	29,241.65	
Total	<u>30,029,241.65</u>	<u>1,000,000,000.00</u>

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

Note 22. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities		2,034,720.00
Of which: Derivative financial liabilities		2,034,720.00
Total	<u></u>	<u>2,034,720.00</u>

Note 23. Notes payable

Type	Closing balance	Opening balance
Bank acceptance bills	240,214,007.46	742,520,909.86
Commercial acceptance bills	<u>1,678,818,306.48</u>	<u>553,917,643.94</u>
Total	<u>1,919,032,313.94</u>	<u>1,296,438,553.80</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 24. Accounts payable

1. Disclosure by aging

Item	Closing balance	Opening balance
Within 1 year	2,006,022,980.21	2,051,975,036.65
1 to 2 years	117,410,219.02	68,599,735.62
2 to 3 years	42,988,150.49	17,706,430.86
Over 3 years	26,553,448.46	25,868,479.49
Total	<u>2,192,974,798.18</u>	<u>2,164,149,682.62</u>

Explanation: 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 by nature of amount

Item	Closing balance	Opening balance
Coal purchasing payable	394,152,934.34	422,873,991.01
Materials and equipment payable	862,231,882.40	874,665,957.90
Mining and mining works payable	794,577,925.61	719,782,667.80
Freight payable	115,772,632.19	65,107,964.28
Maintenance fee payable	9,084,700.92	8,170,418.62
Others	17,154,722.72	73,548,683.01
Total	<u>2,192,974,798.18</u>	<u>2,164,149,682.62</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 unrepayment or carrying over
Beijing Langxinming Environmental Protection Technology Co., Ltd.(北京朗新明環保科技有限公司)	25,603,491.56	Outstanding payment period
Ordos Wanjixin Construction Engineering Co., Ltd. (鄂爾多斯市萬吉鑫建築工程有限責任公司)	8,452,961.92	Outstanding payment period
Jiangsu Suzhong Construction Co., Ltd. (江蘇蘇中建設股份有限公司)	5,572,426.92	Outstanding payment period
Zhejiang Zhongmei Machinery Technology Co., Ltd (浙江中煤機械科技有限公司)	5,027,558.03	Outstanding payment period
Guanban Wusu Mine Branch of Inner Mongolia Jungar Banner Tehong Coal Co., Ltd. (內蒙古准格爾特弘煤炭有限公司官板烏素煤礦)	4,522,948.51	Outstanding payment period
Total	<u>49,179,386.94</u>	

Note 25. Advances

1. Advances

Item	Closing balance	Opening balance
Advances of land transfer fee		919,310.00
Advances of asset disposal		930,756.60
Others	<u>5,623.52</u>	<u>305,147.14</u>
Total	<u>5,623.52</u>	<u>2,155,213.74</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 26. Contract liabilities

1. Contract liabilities

Item	Closing balance	Opening balance
Contract liabilities relating to sales contract	<u>768,311,985.85</u>	<u>507,734,000.67</u>
Total	<u>768,311,985.85</u>	<u>507,734,000.67</u>

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

Explanation: The Company's sales contract usually constitutes a single performance obligation, which is an obligation to perform at a certain point in time. The Company recognises income when the customer obtains control of the relevant commodity. At 31 December 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.

Note 27. Employee benefits payable

1. Presentation of employee benefits payable

Item	Opening balance	Addition during the period	Decrease during the period	Closing balance
Short-term remuneration	258,571,167.34	1,220,715,522.64	1,121,128,293.24	358,158,396.74
Post-employment – Defined contribution plan	7,939,984.14	115,362,462.64	113,883,665.72	9,418,781.06
Termination benefits		785,013.00	785,013.00	–
Total	<u>266,511,151.48</u>	<u>1,336,862,998.28</u>	<u>1,235,796,971.96</u>	<u>367,577,177.80</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 27. Employee benefits payable (Continued)

2. Presentation of short-term remuneration

Item	Opening balance	Addition during the period	Decrease during the period	Closing balance
Salary, bonus, allowances and subsidies	244,634,955.82	1,062,372,955.82	966,021,237.45	340,986,674.19
Employee welfare	–	43,328,387.44	43,328,387.44	0.00
Social insurance	3,170,029.03	40,127,623.02	39,533,786.35	3,763,865.70
Of which: Basic medical insurance	2,482,864.38	30,977,867.72	30,509,542.45	2,951,189.65
Work injury insurance	281,152.75	4,249,945.71	4,186,376.56	344,721.90
Maternity insurance	406,011.90	4,899,809.59	4,837,867.34	467,954.15
Housing fund	4,148,309.50	49,669,448.80	49,469,089.60	4,348,668.70
Union expenses and employees education expenses	6,617,872.99	25,217,107.56	22,775,792.40	9,059,188.15
Other short-term remuneration				
Total	<u>258,571,167.34</u>	<u>1,220,715,522.64</u>	<u>1,121,128,293.24</u>	<u>358,158,396.74</u>

3. Presentation of defined contribution plan

Item	Opening balance	Addition during the period	Decrease during the period	Closing balance
Basic retirement insurance	6,460,133.17	96,684,422.86	95,191,979.68	7,952,576.35
Unemployment insurance	201,900.97	3,044,764.98	2,998,775.24	247,890.71
Enterprise annuity payment	<u>1,277,950.00</u>	<u>15,633,274.80</u>	<u>15,692,910.80</u>	<u>1,218,314.00</u>
Total	<u>7,939,984.14</u>	<u>115,362,462.64</u>	<u>113,883,665.72</u>	<u>9,418,781.06</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 27. Employee benefits payable (Continued)

3. Presentation of defined contribution plan (Continued)

Description of defined contribution plan: According to the Labor Law of the People's Republic of China, Enterprise Annuity Tentative Procedures, Interim Measures for the Administration of Enterprise Annuity Funds, based on the actual situation of the Company, Inner Mongolia Yitai Coal Co., Ltd. established an enterprise annuity plan on 1 January 2009. Its trustee is China Construction Bank Corporation, the account manager is Ping An Annuity Insurance Company of China, Ltd., and the custodian is Bank of China. The scope of the annuity plan is for employees who sign formal labor agreements with enterprises and participate in basic endowment insurance. The monthly contribution salary base of employees is RMB2,500.00, the enterprise contribution ratio is 10.00%, and the individual contribution ratio is 2.00%. As of 31 December 2021, there is no significant change in annuity plan.

Note 28. Taxes payable

Item of tax	Closing balance	Opening balance
Value-added tax	1,158,895,282.95	144,326,586.79
Enterprise income tax	1,699,662,548.11	450,237,294.91
Resources tax	838,636,022.81	109,579,225.22
City maintenance and construction tax	49,658,690.19	7,148,529.66
Withholding tax	1,401,965.56	1,079,584.65
Education surcharge	11,095,399.20	4,183,310.37
Individual income tax	7,774,731.53	4,170,461.68
Foundation for water works	4,804,802.49	2,581,779.89
Local education surcharge	7,396,932.82	2,801,365.02
Stamp duty	6,177,675.69	3,160,123.88
Soil and water conservation compensation	17,520,571.80	
Water resources tax	1,440,115.00	853,443.00
Environmental tariff	760,953.12	383,711.29
Farmland occupation tax	2,391.68	
Others	16,916,896.85	1,282,070.76
Total	3,822,144,979.80	731,787,487.12

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	864,000,000.00	
Other payables	1,627,669,969.08	<u>1,203,238,741.72</u>
Total	<u>2,491,669,969.08</u>	<u>1,379,398,220.73</u>

(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		<u>9,469,388.89</u>
Total		<u>176,159,479.01</u>

(II) Dividends payable

Item	Closing balance	Opening balance	Reason for nonpayment more than one year
Ordinary share dividends	864,000,000.00		
Total	<u>864,000,000.00</u>		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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	690,170,862.86	760,497,394.89
Deposits and margins	414,048,059.51	354,058,156.07
Consideration of equity transfer	291,498,241.82	
Demolition compensation	83,210,678.00	
Others	148,742,126.89	88,683,190.76
Total	1,627,669,969.08	1,203,238,741.72

2. Significant other payables aged over one year

Name of entity	Closing balance	Reason for outstanding or carry-forward
Nalinmiao Mine of Ordos Guangli Coal Co., Ltd. (鄂爾多斯市廣利煤炭有限責任公司納林廟煤礦)	103,000,000.00	Deposits
Dalian Jinzhou Heavy Machinery Group Co., Ltd.	57,304,790.95	Undue
Synfuels China Engineering Holdings Co., Ltd. (中科合成油工程有限公司)	37,749,922.07	Undue
Synfuels China Technology Co. Ltd.	36,000,000.00	Undue
Jungar Banner Hongxin Nahugou Coal Co., Ltd. (准格爾旗鴻鑫納戶溝煤炭有限責任公司)	30,000,000.00	Deposits
Total	264,054,713.02	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 30. Non-current liabilities due within one year (Continued)

Item	Closing balance	Opening balance
Long-term borrowings due within one year	6,164,629,464.23	3,886,099,835.14
Bonds payable due within one year	62,416,666.67	3,480,945,900.13
Lease liabilities due within one year	7,057,637.12	5,978,193.97
Long-term payables due within one year	59,450,000.00	31,700,000.05
Total	<u>6,293,553,768.02</u>	<u>7,404,723,929.29</u>

Note 31. Other current liabilities

Item	Closing balance	Opening balance
Taxation to be written off	113,913,030.07	65,924,584.16
Total	<u>113,913,030.07</u>	<u>65,924,584.16</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	12,471,358,397.06	16,644,756,516.75
Credit borrowings	12,962,000,000.00	10,615,000,000.00
Secured borrowings	15,000,000.00	
Undue interest	35,761,653.03	
Less: Long-term borrowings due within one year	<u>6,164,629,464.23</u>	<u>3,886,099,835.14</u>
Total	<u>19,319,490,585.86</u>	<u>23,373,656,681.61</u>

Explanation1: The ending balance of the loan obtained from the Finance Company in the credit borrowings was RMB6,375,000,000.00.

2. Maturity analysis of long-term borrowings

Maturity	Closing balance	Opening balance
Within 1 year	6,164,629,464.23	3,886,099,835.14
1 to 2 years	4,702,867,811.20	8,275,645,792.36
2 to 5 years	10,772,122,774.66	9,670,510,889.25
Over 5 years	<u>3,844,500,000.00</u>	<u>5,427,500,000.00</u>
Total	<u>25,484,120,050.09</u>	<u>27,259,756,516.75</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 33. Bonds payable

1. Type of bonds payable

Type of borrowings	Closing balance	Opening balance
Other bonds payable	2,448,817,239.00	5,910,938,574.78
Undue interests payable	62,416,666.67	—
Less: Bonds payable due within one year	62,416,666.67	3,480,945,900.13
Total	2,448,817,239.00	2,429,992,674.65

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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) (Continued)

Continued:

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		38,750,000.00	1,428,043.51	1,500,000,000.00	
18 Yitai 02		96,388,888.89	17,626,056.38	2,000,000,000.00	
19 Yitai 01		24,500,000.00	4,156,808.86		489,700,632.91
19 Yitai 02		47,500,000.00	7,185,018.05		980,197,616.36
19 Yitai 03		47,000,000.00	7,482,737.42		978,918,989.73
Total		254,138,888.89	37,878,664.22	3,500,000,000.00	2,448,817,239.00

3. Maturity analysis of bonds payable

Maturity	Closing balance	Opening balance
Within 1 year	62,416,666.67	3,480,945,900.13
1 to 2 years	—	—
2 to 5 years	2,448,817,239.00	2,429,992,674.65
Over 5 years	—	—
Total	2,511,233,905.67	5,910,938,574.78

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	7,057,637.12	5,978,193.97
1 to 2 years	4,343,994.88	6,696,003.32
2 to 3 years	13,320.06	4,106,500.14
3 to 4 years		
4 to 5 years		
Over 5 years		
Sub-total of lease payment	11,414,952.06	16,780,697.43
Less: Unrecognised finance costs	402,857.67	1,006,610.06
Sub-total of present value of lease payment	11,012,094.39	15,774,087.37
Less: Lease liabilities due within one year	7,057,637.12	5,978,193.97
Total	3,954,457.27	9,795,893.40

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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	492,610,000.00	522,700,000.05
Instalment payment for acquisition of mining rights	473,280,000.00	
Less: Unrecognised finance costs	155,124,162.58	
Less: Long-term payables due within one year	<u>59,450,000.00</u>	<u>31,700,000.05</u>
Total	<u>751,315,837.42</u>	<u>491,000,000.00</u>

2. Maturity analysis of long-term payables

Maturity	Closing balance	Opening balance
Within 1 year	59,450,000.00	31,700,000.05
1 to 2 years	62,840,000.00	30,000,000.00
2 to 5 years	173,520,000.00	95,000,000.00
Over 5 years	<u>670,080,000.00</u>	<u>366,000,000.00</u>
Total	<u>965,890,000.00</u>	<u>522,700,000.05</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 36. Estimated liabilities

Item	Closing balance	Opening balance	Formation reason
Reclamation fee	1,439,369,439.63	612,897,208.93	Provision was made based on the estimation of the management
Total	<u>1,439,369,439.63</u>	<u>612,897,208.93</u>	

Explanation: In the current period, the projected liabilities increased significantly as the Company re-estimated the land reclamation obligations based on the latest land reclamation proposals of each coal mine.

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	3,960,000.00	2,860,933.02	77,665,749.37	See the table 1 below
Government subsidy related to income	69,062.93	5,492,894.76	854.93	5,561,102.76	
Total	<u>76,635,745.32</u>	<u>9,452,894.76</u>	<u>2,861,787.95</u>	<u>83,226,852.13</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 37. Deferred income (Continued)

1. Deferred income related to government subsidy

Liability	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		180,000.00		1,080,000.00	Relating to assets
Intelligent coal seam mining project	474,999.98		50,000.04		424,999.94	Relating to assets
Development and application project of Yitai coal-related chemical big data technology		250,000.00			250,000.00	Relating to assets
Boiler flue gas desulfurisation project	5,900,000.00		400,000.00		5,500,000.00	Relating to assets
Fischer-Tropsch process water comprehensive utilisation project	4,050,000.00		265,000.00		3,785,000.00	Relating to assets
Waste steam power generation project	2,625,000.00		250,000.00		2,375,000.00	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	525,000.00		50,000.00		475,000.00	Relating to assets
Support funds for concentrated brine zero-emission technological transformation project	1,525,000.00	3,050,000.00	156,250.00		4,418,750.00	Relating to assets
Large pressure vessel project with an annual capacity of 60,000 tonnes	2,240,000.00		1,120,000.00		1,120,000.00	Relating to assets
Comprehensive waste water zero-discharge project	500,000.00		25,000.00		475,000.00	Relating to assets
Ultra-low boiler flue gas emission project		410,000.00	10,250.00		399,750.00	Relating to assets
R&D funds for coal indirect liquefaction process	1,783,333.42		99,999.96		1,683,333.46	Relating to assets
The project of optimisation and renovation of overall water treatment and zero-discharge process	3,131,330.47		164,806.92		2,966,523.55	Relating to assets
The project of oil and gas recycling facilities for intermediate tankage units	2,093,518.52		77,777.76		2,015,740.76	Relating to assets
Subsidy from the Employment Bureau – New apprenticeship project	68,208.00	168,000.00			236,208.00	Relating to income
High-salt waste water treatment and resource utilisation project		250,000.00	11,848.34		238,151.66	Relating to assets
Subsidy from the Employment Bureau-post stabilization subsidies for struggling enterprises		5,324,894.76			5,324,894.76	Relating to income
R&D subsidy from Tianjin University	854.93		854.93			Relating to income
Infrastructure subsidy	50,458,500.00				50,458,500.00	Relating to assets
Total	76,635,745.32	9,452,894.76	2,861,787.95		83,226,852.13	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	3,254,007,000.00						3,254,007,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 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		516,405,630.79	5,740,273,179.95
(2) Effect of business merger under common control	-3,092,292,572.13			-3,092,292,572.13
Sub-total	3,164,386,238.61		516,405,630.79	2,647,980,607.82
2. Other capital reserve				
(1) Other changes in owners' equity of the investee excluding net profit or loss	147,044,144.92			147,044,144.92
(2) Income tax effect of business merger under common control	1,272,657,415.75			1,272,657,415.75
(3) Amount carried forward due to disposal of subsidiaries	-5,275,596.20			-5,275,596.20
(4) Others	-752,936.59	160,434.67		-592,501.92
Sub-total	1,413,673,027.88	160,434.67		1,413,833,462.55
Total	<u>4,578,059,266.49</u>	<u>160,434.67</u>	<u>516,405,630.79</u>	<u>4,061,814,070.37</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 39. Capital reserve (Continued)

Explanations:

1. In the current period, Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司) injected capital of RMB3.00 million to Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司) in cash. Upon completion of such capital increase, Ordos Dama Railway Co., Ltd. was owned as to 61.42% by Inner Mongolia Yitai Huzhun Railway Co., Ltd. As at 31 December 2021, such capital increase has been completed and the Company made an adjustment of RMB-6,035.23 to capital reserve in this regard in preparation of the consolidated financial statements.
2. RMB160,434.67 was recognized under the equity method in capital reserve – other capital reserve.
3. In the current period, the Company acquired equities from the minority shareholders of the Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司). Upon the completion of above equity transfer, 90.20% of the shares of the Inner Mongolia Yitai Chemical Co., Ltd were held by the Company. As of 31 December 2021, such equity transfer has been completed, and the Company made an adjustment of RMB-516,399,595.56 to capital reserve in this regard in preparation of the consolidated financial statements.

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

Note 40: Other comprehensive income

Item	Amount in the period							Closing balance	
	Opening balance	Amount before income tax in the period	Less: Amount included in other comprehensive income in previous periods and transferred to current profit or less earnings in the period	Less: Amount included in other comprehensive income in previous periods and transferred to financial assets measured at amortised cost in the period	Less: Initial recognition amount of hedging reserve transferred to related assets or liabilities	Less: Income tax expenses	Attributable to the parent company after tax		Attributable to minority shareholders after tax
I. Other comprehensive income that cannot be subsequently reclassified into profit or loss									
Loss	1,089,580,723.73	608,734,004.57				154,656,233.20	459,824,800.78	-5,747,029.41	1,549,405,524.51
1. Changes in re-measurement of defined benefit plans									
2. Other comprehensive income that cannot be transferred to profit or loss under equity method									
3. Changes in fair value of investments in other equity instruments	1,089,580,723.73	608,734,004.57				154,656,233.20	459,824,800.78	-5,747,029.41	1,549,405,524.51
4. Changes in fair value of the enterprise's own credit risk									

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

Note 40: Other comprehensive income (Continued)

Item	Amount in the period								Closing balance	
	Opening balance	Amount before income tax in the period	Less: Amount included in other comprehensive income in current period or less	Less: Amount included in other comprehensive income in previous periods and transferred to retained earnings in the period	Less: Amount included in other comprehensive income in previous periods and transferred to financial assets measured at amortised costs in the period	Less: initial recognition amount of hedging reserve transferred to related assets or liabilities	Less: income tax expenses	Attributable to parent company after tax		Attributable to minority shareholders after tax
II. Other comprehensive income that will be subsequently reclassified into profit or loss										
1. Other comprehensive income that can be transferred to profit or loss under equity method	286,955.67	-577,330.84					-577,330.84			-290,375.17
2. Changes in fair value of other debt investments										
3. Amount of financial assets reclassified into other comprehensive income										
4. Provision for credit impairment of other debt investments										
5. Cash flow hedging reserves										
6. Exchange differences on translation of foreign currency financial statements										
7. Income from package disposal of equity investments in subsidiaries before the loss of control	286,955.67	-577,330.84					-577,330.84			-290,375.17
8. Non-investment properties converted into investment properties measured with fair value model										
Total other comprehensive income	1,089,867,679.40	608,156,673.73					154,656,233.20	453,247,489.94	-5,747,029.41	1,549,115,146.34

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	453,619,155.17	498,172,186.16	146,701,402.26
Total	191,254,433.25	453,619,155.17	498,172,186.16	146,701,402.26

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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	8,643,452,999.77	—
Less: Extract for statutory surplus reserve	735,405,582.00	See Note 42 to
Ordinary share dividends payable		Note VI for details
Undistributed profits at the end of the period	<u>30,221,859,474.37</u>	

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	<u>49,747,648,094.26</u>	<u>31,108,150,814.57</u>	32,821,442,758.44	25,363,912,248.70
Other businesses	<u>927,995,105.17</u>	<u>719,093,419.81</u>	969,136,827.44	936,726,845.66
Total	<u>50,675,643,199.43</u>	<u>31,827,244,234.38</u>	<u>33,790,579,585.88</u>	<u>26,300,639,094.36</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 44. Operating income and operating cost (Continued)

2. Segment information of income

Type of contract	Coal segment	Coal-related chemical segment	Transportation segment	Others	Total
(1) Major operating regions					
Northeast China	94,004,291.34	465,141,667.00	1,522,721.32		560,668,679.66
North China	12,224,918,093.79	2,531,686,839.03	636,280,396.02	31,898,299.12	15,424,783,627.96
East China	22,556,325,782.01	2,071,003,809.06	29,781,210.33		24,657,110,801.40
South China	5,693,271,973.48	286,380,538.10			5,979,652,511.58
Central China	136,387,380.28	761,634,946.59			898,022,326.87
Northwest China	1,798,324,275.22	1,247,350,575.18	2,818,913.13		3,048,493,763.53
Southwest China		106,864,318.60		47,169.83	106,911,488.43
Sub-total	42,503,231,796.12	7,470,062,693.56	670,403,240.80	31,945,468.95	50,675,643,199.43
(2) Major product types					
Coal	42,204,855,370.58				42,204,855,370.58
Chemical products		6,900,737,657.59			6,900,737,657.59
Freight			590,623,302.89		590,623,302.89
Others products disclosed in revenue from principal businesses		15,305,711.26	19,855,629.00	16,270,422.94	51,431,763.20
Others products disclosed in revenue from other businesses	298,376,425.54	554,019,324.71	59,924,308.91	15,675,046.01	927,995,105.17
Sub-total	42,503,231,796.12	7,470,062,693.56	670,403,240.80	31,945,468.95	50,675,643,199.43
(3) Revenue recognition time					
Transfer at a certain point in time	42,503,231,796.12	7,470,062,693.56	79,779,937.91	31,945,468.95	50,085,019,896.54
Transfer during a certain period of time			590,623,302.89		590,623,302.89

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 44. Operating income and operating cost (Continued)

2. Segment information of income (Continued)

(continued):

Category of contract	Amount in previous period				Total
	Coal segment	Coal-related chemical segment	Transportation segment	Others	
(1) Major operating regions					
Northeast China	91,409,372.36	49,556,403.91			140,965,776.27
North China	11,045,358,474.72	3,822,144,466.68	480,030,189.48	25,798,237.75	15,373,331,368.63
East China	12,239,999,402.45	809,023,727.20			13,049,023,129.65
South China	3,770,745,552.48	132,394,144.30			3,903,139,696.78
Central China	24,108,087.58	232,946,922.27			257,055,009.85
Northwest China	764,455,213.91	264,587,800.46			1,029,043,014.37
Southwest China	11,585,503.10	26,436,087.23			38,021,590.33
Sub-total	27,947,661,606.60	5,337,089,552.05	480,030,189.48	25,798,237.75	33,790,579,585.88
(2) Major product types					
Coal	27,541,234,617.79				27,541,234,617.79
Chemical products		4,821,060,100.01			4,821,060,100.01
Freight			410,848,347.35		410,848,347.35
Others products disclosed in revenue from principal businesses		18,834,830.39	16,549,773.06	12,915,089.84	48,299,693.29
Others products disclosed in revenue from other businesses	406,426,988.81	497,194,621.65	52,632,069.07	12,883,147.91	969,136,827.44
Sub-total	27,947,661,606.60	5,337,089,552.05	480,030,189.48	25,798,237.75	33,790,579,585.88
(3) Revenue recognition time					
transfer at a certain point in time	27,947,661,606.60	5,337,089,552.05	69,181,842.13	25,798,237.75	33,379,731,238.53
transfer during a certain period of time			410,848,347.35		410,848,347.35

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	1,852,961,392.29	967,536,707.73
City construction tax	170,844,755.70	87,750,015.38
Education surcharge	95,740,984.28	47,520,156.18
Local education surcharge	63,814,831.52	31,680,104.74
Property tax	43,914,685.19	29,260,572.40
Land use tax	76,013,609.71	69,313,862.56
Stamp duty	48,472,006.90	32,759,075.16
Vehicle and vessel use tax	287,990.72	302,156.88
Water resources tax	7,546,913.16	4,621,288.58
Environmental tariff	14,594,425.04	22,178,814.28
Others	41,769,473.77	26,164,715.46
Total	<u>2,415,961,068.28</u>	<u>1,319,087,469.35</u>

Note 46. Cost of sales

Item	Amount in current period	Amount in previous period
Payroll	123,958,873.31	75,400,346.92
Depreciation and amortisation	30,238,800.79	34,533,602.79
Operating expenses	8,256,363.63	7,699,027.44
Travel expenses	5,061,514.96	3,179,524.18
Leasehold charges	1,017,007.07	2,287,374.28
Utilities	963,154.17	465,717.29
Maintenance fee	925,324.73	3,255,145.45
Others	34,255,554.03	34,353,701.41
Total	<u>204,676,592.69</u>	<u>161,174,439.76</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	631,164,217.00	503,757,043.75
Depreciation and amortisation	257,893,829.18	200,314,471.78
Service fee	56,881,356.87	47,306,967.44
Travel expenses	12,192,268.93	9,247,005.79
Operating expenses	91,401,108.32	67,972,273.11
Greening property management expenses	82,488,509.76	55,307,763.08
Office expenses	9,037,941.88	10,194,598.09
Audit and consulting fee	33,560,072.42	36,222,467.72
Maintenance fee	35,780,405.54	17,996,565.76
Insurance fee	14,132,451.39	17,826,665.49
Design fee	5,618,984.27	5,053,447.45
Technical service fee	48,516,185.15	47,818,475.67
Others	185,660,705.32	114,758,686.32
Total	1,464,328,036.03	1,133,776,431.45

Explanation: The amount of audit and consulting fee in current period included total audit and internal control audit fee for the 2020 annual report and interim review fee for 2021 paid to Da Hua Certified Public Accountants of RMB4,292,452.83 (excluding tax) or RMB4,550,000.00 (including tax), 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 for the 2019 annual report and interim review fee for 2020 paid to Da Hua Certified Public Accountants of RMB4,292,452.83 (excluding tax) or RMB4,550,000.00 (including tax), and the rest was the payment of evaluation and other consulting fees to intermediary agencies by the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 48. R&D expenditure

Item	Amount in current period	Amount in previous period
Rentals		12,422,474.94
Payroll	108,152,753.55	118,412,870.69
Materials consumption	173,906,897.55	136,779,976.81
Depreciation and amortisation	1,644,221.95	38,525,344.38
Repair and maintenance costs		325,390.94
Utilities		3,726,787.42
Others	191,946.64	752,052.93
Total	<u>283,895,819.69</u>	<u>310,944,898.11</u>

Note 49. Finance costs

Type	Amount in current period	Amount in previous period
Interest expenses	1,645,608,924.80	1,768,520,877.56
Less: Interest income	85,406,814.36	97,209,757.95
Exchange gain or loss	6,979,847.02	5,058,577.88
Commission charges	1,881,461.78	3,974,951.73
Total	<u>1,569,063,419.24</u>	<u>1,680,344,649.22</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 50. Other gains

1. Breakdown of other gains

Item	Amount in current period	Amount in previous period
Government subsidy	73,646,056.19	82,631,983.88
Individual income tax handling fee refund	1,576,211.21	1,289,678.02
Additional deduction for input tax	375,122.73	
Total	75,597,390.13	83,921,661.90

2. Government subsidy included in other gains

Item	Amount in current period	Amount in previous period	Relating to assets/Relating to income
Financial support funds	21,297,567.83	12,746,002.01	Relating to income
Unemployment insurance subsidy for job stabilisation of enterprises	15,327,930.22	3,153,434.98	Relating to income
Special funds for financial support	15,090,196.00	24,023,000.00	Relating to income
Incentives for scientific research and innovation	7,668,000.00	3,679,200.00	Relating to income
Incentive funds for investment	6,840,000.00		Relating to income
Incentives for scientific research and innovation	3,179,600.00	1,992,000.00	Relating to income
Large pressure vessel project with an annual capacity of 60,000 tonnes	1,120,000.00	1,120,000.00	Relating to assets
Subsidy for staff education expenses	540,000.00	260,000.00	Relating to income
Boiler flue gas desulfurisation project	400,000.00	400,000.00	Relating to assets
Demand-side power subsidy	300,000.00		Relating to income
Vocational training	268,166.04		Relating to income
Fischer-Tropsch process water comprehensive utilisation project	265,000.00	250,000.00	Relating to assets
Waste steam power generation project Relating	250,000.00	250,000.00	Relating to assets
Housing allowance	207,860.50		Relating to income

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
Hongyi Mine airtight cylinder coal storage warehouse project	180,000.00	180,000.00	Relating to assets
The project of optimisation and renovation of overall water treatment and zero-discharge process	164,806.92	68,669.53	Relating to assets
Support funds for concentrated brine zero-emission technological transformation project	156,250.00	75,000.00	Relating to assets
R&D funds for coal indirect liquefaction process	99,999.96	216,666.58	Relating to assets
The project of oil and gas recycling facilities for intermediate tankage units	77,777.76	6,481.48	Relating to assets
Intelligent coal seam mining project	50,000.04	25,000.02	Relating to assets
High temperature slurry bed Fischer-Tropsch process project	50,000.00	50,000.00	Relating to assets
Government training subsidy	40,320.00	136,380.00	Relating to income
Comprehensive waste water zero-discharge project	25,000.00		Relating to assets
Office rental subsidy	14,227.65		Relating to income
High-salt waste water treatment and resource utilisation project	11,848.34		Relating to assets
Talent subsidy	10,400.00	168,589.59	Relating to income
Ultra-low boiler flue gas emission project	10,250.00		Relating to assets
R&D subsidy from Tianjin University	854.93		Relating to income

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
Unemployment insurance subsidy from Ordos Finance Bureau in 2019		11,053,650.00	Relating to income
Bonus for Innovation and Operating Skills Competition		51,500.00	Relating to income
Supportive development fund and incentive fund		14,030,000.00	Relating to income
Subsidy from the Employment Bureau – New apprenticeship project		123,792.00	Relating to income
Qianhai Enterprise Support Funds		5,329,700.00	Relating to income
Refund of the special account for the payment managed by Yuepu Town People's Government, Baoshan District, Shanghai		1,580,000.00	Relating to income
Port construction subsidy from Tianjin Maritime Bureau of the PRC		16,140.80	Relating to income
Yitai integrated intelligent coal chemical management project		1,480,000.00	Relating to income
Import Expo subsidy from Jungar Banner Industrial and Technology Bureau		3,000.00	Relating to income
Subsidy for excellent and model enterprises in terms of intelligent property rights from the Market Supervision and Administration Bureau of the Autonomous Region		100,000.00	Relating to income
Bonus from China Merchants		63,776.89	Relating to income
Total	<u>73,646,056.19</u>	<u>82,631,983.88</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 51. Gain on investment

1. Breakdown of gain on investment

Item	Amount in current period	Amount in previous period
Investment gain on disposal of trading financial assets	-65,627,137.74	-5,459,434.41
Gain on long-term equity investments under equity method	550,646,196.47	164,982,849.09
Investment income received during the period of ownership from investment in other equity instruments	199,652,932.06	93,974,920.89
Investment income from disposal of long-term equity investments	1,000,000.00	
Investment income from disposal of trading financial assets	98,379,132.36	21,993,880.61
Gains from remeasurement of equity at fair value upon the control obtaining	2,842,370.86	
Investment income received during the period of ownership from equity investments	296,284.60	
Total	<u>787,189,778.61</u>	<u>275,492,216.18</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	3,543,662.39	334,877,955.75
Gain or loss on change in fair value of trading financial liabilities	2,034,720.00	1,000,340.00
Total	<u>5,578,382.39</u>	<u>335,878,295.75</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 53. Loss on asset impairment

Item	Amount in current period	Amount in previous period
Inventory depreciation loss	5,566,071.72	37,319,374.90
Impairment loss on fixed assets	180,304,175.61	144,632,462.24
Impairment loss on construction in progress	663,387,105.61	3,027,333,427.64
Impairment loss on other long-term assets	42,058,973.67	
Total	<u>891,316,326.61</u>	<u>3,209,285,264.78</u>

Note 54. Loss on credit impairment

Item	Amount in current period	Amount in previous period
Bad debt loss	<u>11,538,804.38</u>	<u>21,709,901.58</u>
Total	<u>11,538,804.38</u>	<u>21,709,901.58</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	50,431,223.26	2,487,573.45
Gains or losses on disposal of intangible assets	2,592,625.99	742,661.21
Gains or losses on disposal of construction in progress	216,342.62	
Total	<u>53,240,191.87</u>	<u>3,230,234.66</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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			
Intelligent coal seam mining project	Relating to assets	474,999.98			
Development and application project of Yitai coal-related chemical big data technology	Relating to assets		250,000.00		
Boiler flue gas desulfurisation project	Relating to assets	5,900,000.00			
Fischer-Tropsch process water comprehensive utilisation project	Relating to assets	4,050,000.00			
Waste steam power generation project	Relating to assets	2,625,000.00			
Relating					
High temperature slurry bed Fischer-Tropsch process project	Relating to assets	525,000.00			
Support funds for concentrated brine zero-emission technological transformation project	Relating to assets	1,525,000.00	3,050,000.00		
Large pressure vessel project with an annual capacity of 60,000 tonnes	Relating to assets	2,240,000.00			
Comprehensive waste water zero-discharge project	Relating to assets	500,000.00			
Ultra-low boiler flue gas emission project	Relating to assets		410,000.00		
R&D funds for coal indirect liquefaction process	Relating to assets	1,783,333.42			
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			
Subsidy from the Employment Bureau – New apprenticeship project	Relating to income	68,208.00	168,000.00		
High-salt waste water treatment and resource utilisation project	Relating to assets		250,000.00		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
Subsidy from the Employment Bureau-post stabilization subsidies for struggling enterprises	Relating to income		5,324,894.76		
R&D subsidy from Tianjin University	Relating to income	854.93			
Infrastructure subsidy	Relating to assets	50,458,500.00			
Funds for financial support	Relating to income		21,297,567.83		
Unemployment insurance benefits and employment subsidy	Relating to income		15,327,930.22		
Special funds for financial support	Relating to income		15,090,196.00		
Incentives for scientific research and innovation	Relating to income		7,668,000.00		
Incentive funds for investment	Relating to income		6,840,000.00		
High-tech Award	Relating to income		3,179,600.00		
Subsidy for staff education expenses	Relating to income		540,000.00		
Demand-side power subsidy	Relating to income		300,000.00		
Vocational training	Relating to income		268,166.04		
Housing allowance	Relating to income		207,860.50		
Government training subsidy	Relating to income		40,320.00		
Office rental subsidy	Relating to income		14,227.65		
Talent subsidy	Relating to income		10,400.00		
Total		<u>76,635,745.32</u>	<u>80,237,163.00</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 income in the current period	Government subsidy included in non-operating income and expenses in the current period	Government subsidy refund in the current period	Closing balance of deferred income related to government subsidy	Reason for refund of government subsidy in the current period
Hongyi Mine airtight cylinder coal storage warehouse project	180,000.00			1,080,000.00	
Intelligent coal seam mining project	50,000.04			424,999.94	
Development and application project of Yitai coal-related chemical big data technology				250,000.00	
Boiler flue gas desulfurisation project	400,000.00			5,500,000.00	
Fischer-Tropsch process water comprehensive utilisation project	265,000.00			3,785,000.00	
Waste steam power generation project Relating	250,000.00			2,375,000.00	
High temperature slurry bed Fischer-Tropsch process project	50,000.00			475,000.00	
Support funds for concentrated brine zero-emission technological transformation project	156,250.00			4,418,750.00	
Large pressure vessel project with an annual capacity of 60,000 tonnes	1,120,000.00			1,120,000.00	
Comprehensive waste water zero-discharge project	25,000.00			475,000.00	
Ultra-low boiler flue gas emission project	10,250.00			399,750.00	
R&D funds for coal indirect liquefaction process	99,999.96			1,683,333.46	
The project of optimisation and renovation of overall water treatment and zero-discharge process	164,806.92			2,966,523.55	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 income in the current period	Government subsidy included in non-operating income and expenses in the current period	Government subsidy refund in the current period	Closing balance of deferred income related to government subsidy	Reason for refund of government subsidy in the current period
The project of oil and gas recycling facilities for intermediate tankage units	77,777.76			2,015,740.76	
Subsidy from the Employment Bureau – New apprenticeship project				236,208.00	
High-salt waste water treatment and resource utilisation project	11,848.34			238,151.66	
Subsidy from the Employment Bureau-post stabilization subsidies for struggling enterprises				5,324,894.76	
R&D subsidy from Tianjin University	854.93			50,458,500.00	
Infrastructure subsidy					
Funds for financial support	21,297,567.83				
Unemployment insurance benefits and employment subsidy	15,327,930.22				
Special funds for financial support	15,090,196.00				
Incentives for scientific research and innovation	7,668,000.00				
Incentive funds for investment	6,840,000.00				
High-tech Award	3,179,600.00				
Subsidy for staff education expenses	540,000.00				
Demand-side power subsidy	300,000.00				
Vocational training	268,166.04				
Housing allowance	207,860.50				
Government training subsidy	40,320.00				
Office rental subsidy	14,227.65				
Talent subsidy	10,400.00				
Total	73,646,056.19			83,226,852.13	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	5,865.51		5,865.51
Including: Gain on scrapping of fixed assets	5,865.51		5,865.51
Penalty and confiscatory income	4,944,750.17	9,387,428.79	4,944,750.17
Compensation income from breach of contract	2,577,103.60		2,577,103.60
Long outstanding income	24,852,484.43		24,852,484.43
Others	13,931,780.93	2,711,352.52	13,931,780.93
Total	46,311,984.64	12,098,781.31	46,311,984.64

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	162,398,227.32	6,751,174.51	162,398,227.32
Including: Loss on scrapping of fixed assets	162,398,227.32	6,751,174.51	162,398,227.32
Expenditure on public welfare donations	53,356,008.55	45,338,761.10	53,356,008.55
Expenditure on penalties	8,285,301.10	8,203,703.58	8,285,301.10
Long outstanding expenses	1,160,363.50		1,160,363.50
Late tax payment fees	8,653,286.54		8,653,286.54
Undeductible input tax	55,701,595.31		55,701,595.31
Others	14,415,598.67	25,992,043.33	14,415,598.67
Total	303,970,380.99	86,285,682.52	303,970,380.99

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	2,983,375,423.10	1,017,945,529.37
Deferred income tax expenses	-186,234,721.03	-194,092,804.76
Total	<u>2,797,140,702.07</u>	<u>823,852,724.61</u>

2. Adjustment of accounting profits and income tax expenses

Item	Amount in current period
Total profits	12,671,566,244.78
Income tax expenses calculated at statutory/applicable tax rates	3,167,891,561.19
Impact of different tax rates applied to subsidiaries	-347,480,803.78
Impact of adjustment of income tax of previous periods	-191,551,476.73
Impact of income tax credit	-844,955.50
Impact of non-deductible costs, expenses and losses	-18,937,587.11
Impact of utilising deductible temporary differences or deductible losses on deferred income tax assets unrecognised in previous periods	-8,920,404.83
Impact of deductible temporary differences or deductible losses on deferred income tax assets unrecognised in current period	374,926,716.12
Additional deduction for R&D expenditure	-33,605,982.35
Impact of non-taxable income	-157,398,500.76
Impact of tax rate movements	13,062,135.82
Income tax expenses	<u>2,797,140,702.07</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 59. Income tax expenses (Continued)

2. Adjustment of accounting profits and income tax expenses (Continued)

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 Suancigou 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 Suancigou 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 Suancigou 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.

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	85,406,814.36	97,208,084.93
Revolving fund, warranty premium and deposit	95,437,623.31	121,362,186.03
Government subsidy	48,458,365.58	49,229,085.14
Others	21,453,634.70	12,098,781.31
Total	250,756,437.95	279,898,137.41

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 60. Notes to the cash flow statement

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.	209,778,910.29	385,016,291.10
Travel expenses	17,253,783.89	12,426,529.97
Operating expenses	99,657,471.95	75,671,300.55
Expenditure on public welfare donations	53,356,008.55	45,338,761.10
R&D expenditure	191,946.64	270,267,854.48
Others	286,797,326.83	127,737,497.18
Total	667,035,448.15	916,458,234.38

3. Other cash receipts relating to investing activities

Item	Amount in current period	Amount in previous period
Futures deposits received	629,668,248.09	656,998,737.93
Cash received for acquisition of subsidiaries	27,502,797.15	
Total	657,171,045.24	656,998,737.93

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 60. Notes to the cash flow statement

4. Other cash payments relating to investing activities

Item	Amount in current period	Amount in previous period
Futures deposits paid	<u>734,955,800.00</u>	<u>670,040,000.00</u>
Total	<u><u>734,955,800.00</u></u>	<u><u>670,040,000.00</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>6,346,470.36</u>	<u>340,756,771.25</u>
Acquisition of equities from the minority shareholders of Yitai Chemical	<u>2,099,343,782.02</u>	
Total	<u><u>2,105,690,252.38</u></u>	<u><u>340,813,029.37</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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	9,874,425,542.71	-545,899,780.06
Add: Provision for impairment of assets	902,855,130.99	3,230,995,166.36
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	1,902,242,491.63	1,954,486,947.81
Amortisation of intangible assets	171,548,913.16	109,357,421.70
Amortisation of long-term deferred expenses	638,860,267.25	352,044,987.38
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-53,240,191.87	-3,230,234.66
Losses from scrapping of fixed assets ("-" for gains)	162,392,361.81	6,751,174.51
Losses from changes in fair value ("-" for gains)	-5,578,382.39	-335,878,295.75
Finance costs ("-" for gains)	1,645,608,924.80	1,768,520,877.56
Investment losses ("-" for gains)	-787,189,778.61	-275,492,216.18
Decrease in deferred income tax assets ("-" for increase)	-171,609,472.83	-311,451,947.72
Increase in deferred income tax liabilities ("-" for decrease)	-14,625,248.22	117,359,142.96
Decrease in inventories ("-" for increase)	-307,370,250.87	791,356,290.64
Decrease in operating receivables ("-" for increase)	-1,004,313,780.94	401,310,394.17
Increase in operating payables ("-" for decrease)	4,798,118,527.50	-520,176,694.23
Others		
Net cash flow from operating activities	17,752,125,054.12	6,740,053,234.49
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	17,070,891,520.47	11,292,510,611.23
Less: Opening balance of cash	11,292,510,611.23	15,954,045,957.75
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	5,778,380,909.24	-4,661,535,346.52

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

2. Payment of consideration for acquisition of subsidiaries in the current period

Items	Amount for current period
Cash or cash equivalents paid during the period from business combination during the period	
Including: Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	
Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司)	
Less: cash and cash equivalents held by a subsidiary on the acquisition date	27,502,797.15
Including: Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	27,414,156.79
Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司)	88,640.36
Add: Cash or cash equivalents paid during the period from business combination in previous periods	
Net cash paid for acquiring subsidiaries	-27,502,797.15

3. No disposal of subsidiaries in the current period

4. Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	17,070,891,520.47	11,292,510,611.23
Of which: Treasury cash	1,034,107.00	1,443,941.53
Bank deposits that can be used for payment at any time	17,069,857,413.47	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>17,070,891,520.47</u>	<u>11,292,510,611.23</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Item	Balance	Cause for the restriction
Monetary funds	364,506,468.77	For details of the bank acceptance bill deposit, guarantee deposit and environmental protection deposit, please see Note 1 to this Note VI.
Fixed-assets	73,490,260.82	Secured borrowings
Intangible assets	9,555,654.02	Secured borrowings
Total	447,552,383.61	

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	22,840,618.68	6.3757	145,624,932.52
HKD	6,798,417.47	0.8176	5,558,386.12
Long-term borrowings (including those due within one year)	—	—	—
Including: KWD	<u>1,916,500.00</u>	<u>21.0753</u>	<u>40,390,812.45</u>

2. Descriptions of foreign business entity

The overseas operating entity subsidiary included in the consolidated financial statements of the Company is Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司), which operates in Hong Kong, with USD as the recording currency. The exchange rate for main statements of the balance sheet is the spot exchange rate on the balance sheet date, that is, the exchange rate of USD on 31 December 2021: USD1 = RMB6.3757.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

(I) Business merger under different control:

1. Business merger under different control occurred in the reporting period

Acquiree	Time point of equity acquisition	Acquisition cost	Shareholding (%)	Acquisition method
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	10 December 2021	169,184,700.53	100%	Business merger achieved at stages
Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司)	10 December 2021	192,512,144.67	100%	Business merger achieved in one-step

Continued:

Acquiree	Acquisition date	Recognition basis of acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net profits of acquiree from the acquisition date to the end of the period
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	10 December 2021	Equity transfer agreement, articles of association, director appointment documents	23,593,592.60	834,927.90
Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司)	10 December 2021	Equity transfer agreement, articles of association, director appointment documents		9,058,879.80

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VII. CHANGES IN THE SCOPE OF CONSOLIDATION (Continued)

(I) Business merger under different control: (Continued)

1. Business merger under different control occurred in the reporting period (Continued)

Explanation 1: In December 2018, Inner Mongolia Yitai Chemical Co., Ltd. (hereinafter referred to as the “Yitai Chemical”), a subsidiary of the Company, injected capital of RMB46.80 million to Inner Mongolia Yuanji Chemical Co., Ltd. (hereinafter referred to as the “Yuanji Chemical”). Upon the completion of such capital injection, Yuanji Chemical was owned as to 36.00% by Inner Mongolia. In March 2021, Yitai Chemical injected capital of RMB21.11344 million to Yuanji Chemical. Upon the completion of such capital injection, Yuanji Chemical was owned as to 42.46% by Yitai Chemical. In December 2021, Yitai Chemical, a subsidiary of the Company, entered into equity transfer agreement with shareholders of Yuanji Chemical, namely Inner Mongolia Hongrui Group Company (內蒙古弘瑞能源集團有限公司) (“Hongrui Group”) and Yang Borenbatu (楊博仁叭吐), pursuant to which, Yitai Chemical acquired 57.54% equity interests of Yuanji Chemical held by Hongrui Group and Yang Borenbatu (楊博仁叭吐) at the consideration of RMB98,986,097.15. Upon the completion of the equity acquisition, Yitai Chemical held 100% equity interest of Yuanji Chemical.

Explanation 2: In December 2021, Yitai Chemical, a subsidiary of the Company, entered into an equity transfer agreement with Inner Mongolia Hongrui Group Company (內蒙古弘瑞能源集團有限公司) (“Hongrui Group”), a shareholder of Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司) (“Hengrui Xinke”), Su Mingji and Zhang Jizhong, pursuant to which, Yitai Chemical acquired 100% equity interest of Hengrui Xinke held by Hongrui Group, Su Mingji and Zhang Jizhong at the consideration of RMB192,512,144.67. Upon the completion of the equity acquisition, Yitai Chemical held 100.00% equity interest of Hengrui Xinke.

2. Merger cost and goodwill

Merger cost	Inner Mongolia Yuanji Chemical Co., Ltd.	Inner Mongolia Hengrui Xinke Chemical Co., Ltd.
Cash	98,986,097.15	192,512,144.67
Fair value of the equity interests held prior to the acquisition date on the acquisition date	73,040,974.24	
Total of merger cost	172,027,071.39	192,512,144.67
Less: share of fair value of identifiable net assets acquired	172,027,071.39	192,512,144.67
The amount of goodwill/merger cost less than the fair value of identifiable net assets		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VII. CHANGES IN THE SCOPE OF CONSOLIDATION (Continued)

(I) Business merger under different control: (Continued)

3. Identifiable assets and liabilities of the acquiree as at the acquisition date

Item	Inner Mongolia Yuanji Chemical Co., Ltd.		Inner Mongolia Hengrui Xinke Chemical Co., Ltd.	
	Fair value as at the acquisition date	Carrying amount as at the acquisition date	Fair value as at the acquisition date	Carrying amount as at the acquisition date
Monetary funds	27,414,156.79	27,414,156.79	88,640.36	88,640.36
Amounts receivable	40,772,840.72	40,772,840.72	3,842.52	3,842.52
Inventories	41,758,289.31	41,758,289.31	1,451,382.68	1,451,382.68
Fixed assets	93,814,593.18	86,722,056.81	181,837,947.62	111,377,715.78
Construction in progress	4,940,140.52	4,940,140.52		
Intangible assets	26,100,067.57	22,977,265.29	62,103,281.86	31,042,125.06
Long-term deferred expenses	37,643.71	37,643.71		
Less: Borrowings	20,000,000.00	20,000,000.00	30,000,000.00	30,000,000.00
Amounts payable	42,810,660.41	42,810,660.41	22,972,950.38	22,972,950.38
Net assets	172,027,071.39	161,811,732.74	192,512,144.67	90,990,756.02
Less: Minority interests				
Net assets obtained	172,027,071.39	161,811,732.74	192,512,144.67	90,990,756.02

(1) Determination of fair value of identifiable assets and liabilities

- The Company adopts valuation technology to determine fair value of assets and liabilities of Inner Mongolia Yuanji Chemical Co., Ltd. as at the acquisition date. The principal asset valuation method and its critical assumptions are as follow: the acquiree has the basis and conditions for continuous operation, and there is a relatively stable correspondence between operation and profit, as well as that its future profit and risk can be predicted and quantified. The value derived from income method is selected as the final equity value, and the weighted average discount rate of acquiree is 12.72%.
- The Company adopts valuation technology to determine fair value of assets and liabilities of Inner Mongolia Hengrui Xinke Chemical Co., Ltd. as at the acquisition date. The principal asset valuation method and its critical assumptions are as follow: the acquiree has the basis and conditions for continuous operation, and there is a relatively stable correspondence between operation and profit, as well as that its future profit and risk can be predicted and quantified. The value derived from income method is selected as the final equity value, and the weighted average discount rate of acquiree is 12.58%.

(2) Contingent liabilities of the acquiree assumed in business merger: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VII. CHANGES IN THE SCOPE OF CONSOLIDATION (Continued)

(I) Business merger under different control: (Continued)

4. Profit and loss generated from re-measuring the equity interests held prior to the acquisition date at fair value

Acquiree	Carrying amount of the original equity interests held prior to the acquisition date on the acquisition date	Fair value of the original equity interests held prior to the acquisition date on the acquisition date	Profit and loss generated from re-measuring the original equity interests held prior to the acquisition date at fair value	Determination method and key assumptions for the fair value of the original equity interests held prior to the acquisition date on the acquisition date	Amount of other comprehensive income related to the original equity interests held prior to the acquisition date transferred to investment income
Inner Mongolia Yuanji Chemical Co., Ltd.	70,198,603.38	73,040,974.24	2,842,370.86	The acquiree has the basis and conditions for continuous operation, and there is a relatively stable correspondence between operation and profit, as well as that its future profit and risk can be predicted and quantified. The value derived from income method is selected as the final equity value.	
Total	<u>70,198,603.38</u>	<u>73,040,974.24</u>	<u>2,842,370.86</u>		

5. Description of consideration for merger or identifiable assets and liabilities of the acquired party whose fair value cannot be appropriately determined as at the date of acquisition or at the end of the period of merger: Nil

6. Other explanation: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VII. CHANGES IN THE SCOPE OF CONSOLIDATION (Continued)

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

(III) Counter purchase by the Company in the current period: Nil.

(IV) Disposal of subsidiaries by the Company in the current period: Nil.

(V) Changes in the scope of consolidation due to other reasons:

1. In July 2021, the Company established a wholly-owned subsidiary, Shenzhen Taiyu Private Equity Fund Management Co., Ltd. (深圳泰譽私募股權基金管理有限公司), with registered capital of RMB10 million. On 26 July 2021, it obtained the Business License for Enterprise Legal Person (Unified Social Credit Code: 91440300MA5GWYH57N) issued by Shenzhen Administration For Market Regulation. A wholly-owned subsidiary was added to the scope of consolidation in the current period.
2. In July 2021, the Company established a wholly-owned subsidiary, Inner Mongolia Yitai Baijialiang Coal Co., Ltd. (內蒙古伊泰白家梁煤炭有限公司), with registered capital of RMB1 million. On 30 July 2021, it obtained the Business License for Enterprise Legal Person (Unified Social Credit Code: 91150627MA0R7JAG6R) issued by Market Supervision and Administration Bureau of Yijinhuoluo Banner. A wholly-owned subsidiary was added to the scope of consolidation in the current period.
3. During the current period, the Company completed the liquidation and cancellation of a wholly-owned subsidiary, Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投資有限公司). A wholly-owned subsidiary was removed from the scope of consolidation in the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Composition of the Group

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Ordos	Nalin Taohai Town, Yijin Holo Banner, Ordos	Coal mining	100.00		A subsidiary acquired through business combination under common control
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	Ordos	Majjata Village, Haji Gaole Township, Jungar Banner	Coal mining	52.00		A subsidiary acquired through establishment or investment
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	Shanghai	Lingshi Road, Shanghai	Sales of coal	100.00		A subsidiary acquired through establishment or investment
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	Shanghai	Room 368, Part 302 No. 211 Futebei Road, Shanghai Pilot Free Trade Zone, China	Sales of coal	100.00		A subsidiary acquired through establishment or investment
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Shenzhen	Room 201, Block A, No. 1, Qianwan Road 1, Qianhai Shenzhen Hong Kong Cooperative District, Shenzhen	Sales of coal	100.00		A subsidiary acquired through establishment or investment
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	Hong Kong	Room 3312, 33/F, Rian Centre, 6-8 Harbour Road, Wanchai, Hong Kong	International trade	100.00		A subsidiary acquired through establishment or investment
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Ulanqab	Xinghe Miaoliang Coal Logistics Park, Ulanqab	Sales of coal	100.00		A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Ordos	Zhoujiawan Village, Xinglong Street, Jungar Banner, Ordos, Inner Mongolia Autonomous Region	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		61.42	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	Guanniujia, East Kongdai Village, Dalu Town, Jungar Banner	Storage and loading of goods		51.00	A subsidiary acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Ordos	Dalu Town, Jungar Banner	Coal-related chemical	51.00		A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Petrochemical Equipment Co., Ltd. (內蒙古伊泰石化裝備有限責任公司)	Ordos	Dalu New District, Jungar Banner	Manufacturing		83.89	A subsidiary acquired through business combination not under common control
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)	Yili	Yinan Industrial Park, Chabuhaer County, Yili, Xinjiang	Coal-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, Chabuhaer 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	No.2979, Herun Street, Ganquanbao Economic and Technological Development Zone, Urumqi, Xinjiang	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	(North Jintai Industrial Avenue, South Jinliu Road, West Taisi Road) Duguitala South Industrial District, Hangjin Banner, Ordos, Inner Mongolia Autonomous Region	Coal-related chemical	90.20		A subsidiary acquired through establishment or investment
Hangjin Banner Xinnuo Municipal Construction and Investment Co., Ltd. (杭錦旗信諾市政建設投資有限責任公司)	Ordos	South Project Area, Dugui Tala Industrial Park, Hangjin Banner, Ordos	Municipal administration for infrastructure		80.00	A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Ningeng Fine Chemicals Co., Ltd. (內蒙古伊泰寧能精細化工有限公司)	Ordos	Dugui Tala Industrial Park, Hangjin Banner, Ordos	Coal-related chemical		51.00	A subsidiary acquired through establishment or investment
Inner Mongolia Hengrui Xinke Chemical Co., Ltd. (內蒙古恆瑞新科化工有限公司)	Ordos	Room 402, Unit 2, No. 3, Area B, Riyuexuan, Xini Town, Hangjin Banner, Ordos City, Inner Mongolia Autonomous Region	Coal-related chemical		100.00	A subsidiary acquired through business combination not under common control

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Inner Mongolia Yuanji Chemical Co., Ltd. (內蒙古垣吉化工有限公司)	Ordos	South Coal Chemical Industry Park, Dalu Coal Chemical Base, Jungar Banner, Ordos City, Inner Mongolia Autonomous Region	Coal-related chemical		100.00	A subsidiary acquired through business combination not under common control
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)煤炭運銷有限公司)	Taiyuan	Room 210-4, 2/F, Zizhengyuan Building B, No. 46 Jingyuan Road, Private District, Taiyuan	Sales of coal	100.00		A subsidiary acquired through establishment or investment
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重慶伊泰騰方合成新材料研究院有限公司)	Chongqing	2-1, Unit 3, Building 2, No. 53 Gangcheng West Road, Jiangbei District, Chongqing	Research and development	60.00		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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Hangzhou Xinyu Investment Management Partnership (Limited Partnership) (杭州信譽投資管理合夥企業(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
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
Shenzhen Taiyu Private Equity Fund Management Co., Ltd. (深圳泰譽私募股權基金管理有限公司)	Nanshan District, Shenzhen	L1704, China Resources Building, No. 2666, Keyuan South Road, Haizhu Community, Yuehai Street, Nanshan District, Shenzhen	Capital market services		100.00	A subsidiary acquired through establishment or investment
Inner Mongolia Yitai Baijieliang Coal Co., Ltd. (內蒙古伊泰白家梁煤炭有限公司)	Yijinhuoluo Banner, Ordos	No. 1 Community of Burdunta Village, Nalintaohai Town, Yijinhuoluo Banner, Ordos, Inner Mongolia Autonomous Region	Coal mining	100.00		A subsidiary acquired through establishment or investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

2. Significant non-wholly-owned subsidiaries (it is applicable when the interests held by minority shareholders of a subsidiary are important to the Group)

Unit: RMB'0,000

Name of subsidiary	Minority shareholder's shareholding proportion (%)	Profit and loss attributable to the minority shareholders in the current period	Dividends declared to be distributed to the minority shareholders in the current period	Accumulated ending book value of minority interests
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	49.00	-18,756.60		104,068.17
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	48.00	154,941.55	86,400.00	464,196.05
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	27.34	7,079.11		230,738.51
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	9.80	-6,545.75		50,231.58

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

3. Main financial information for significant non-wholly-owned subsidiaries

Unit: RMB'0,000

Name of subsidiary	Current assets	Non-current assets	Closing balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	30,951.19	324,465.06	355,416.25	68,664.28	71,654.85	140,319.13
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)	1,018,298.59	357,537.52	1,375,836.11	342,905.65	65,855.35	408,761.00
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	36,644.98	1,142,272.05	1,178,917.03	83,504.08	214,426.73	297,930.82
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	185,045.12	1,422,447.02	1,607,492.14	182,553.62	907,422.63	1,089,976.25

Continued:

Name of subsidiary	Current assets	Non-current assets	Opening balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	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)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

3. Main financial information for significant non-wholly-owned subsidiaries (Continued)

Continued:

Name of subsidiary	Operating income	Amount in current period		
		Net profit	Total comprehensive income	Cash flow from operating activities
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	78,611.00	-39,197.27	-39,197.27	-14,770.63
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)	573,656.47	322,794.89	322,794.89	319,599.53
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	175,682.08	26,789.09	24,687.27	104,522.75
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	642,551.48	-39,511.12	-39,511.12	37,398.60

Continued:

Name of subsidiary	Operating income	Amount in previous period		
		Net profit	Total comprehensive income	Cash flow from operating activities
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	77,339.78	-14,861.79	-14,861.79	2,654.24
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	391,554.54	150,304.92	150,304.92	160,210.26
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	155,084.68	18,954.08	23,558.65	24,226.67
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	439,053.95	-59,897.98	-59,897.98	49,778.12

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

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

(II) Transactions for which the share of owner's equity in subsidiary changes but the subsidiary is controlled: Nil

(III) Equity in joint arrangements or associates

1. Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Accounting treatment
				Direct	Indirect	
1. Joint ventures						
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Ordos	Dugui Tala Town Industry Park, Hangjin Banner	Provision of industrial water		49.00	Equity method
Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖礦業有限公司)	Ordos	Galutu Town, Wushen Banner, Ordos, Inner Mongolia Autonomous Region	Production and sales of raw coal	47.23		Equity method
2. Associates						
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	Ordos	Wanbo Square, Tianjiao North Road, Dongsheng District, Ordos	Non-bank finance	40.00		Equity method
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Ordos	Data Village, Xuejiawan Town, Jungar Banner	Power generation and sales of coal gauge	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)

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	28,127,015.98	35,754,250.02
Of which: Cash and cash equivalents	15,748,040.86	34,040,853.37
Non-current assets	85,369,009.12	965,646,721.17
Total assets	113,496,025.10	1,001,400,971.19
Current liabilities	4,843,131.16	11,486.83
Non-current liabilities		
Total liabilities	4,843,131.16	11,486.83
Minority interests		
Equity attributable to shareholders of the parent company	108,652,893.94	1,001,389,484.36
Net assets calculated by proportion of shareholding	53,239,918.03	472,956,253.46
Adjusting items		
– Goodwill		
– Internal transaction unrealised profit		
– Others		
Book value of equity investments in joint ventures	53,239,918.03	472,956,253.46
Fair value of equity investments with public offer		
Operating income	12,378,975.12	
Financial costs	-168,792.78	-950,432.43
Income tax expenses	195,740.00	220,736.32
Net profit	1,370,179.99	655,600.34
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	1,370,179.99	655,600.34
Dividends received by the Company from joint ventures in the current period		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

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

2. Key financial information of significant joint ventures (Continued)

Continued:

Item	Opening balance/ Amount in previous period	
	Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水 務有限責任公司)	Inner Mongolia Yitai Galutu Mining Co., Ltd. (內蒙古伊泰嘎魯圖 礦業有限公司)
Current assets	24,091,746.22	78,119,639.76
Of which: Cash and cash equivalents	12,873,552.94	78,096,444.42
Non-current assets	89,185,151.63	922,969,450.49
Total assets	113,276,897.85	1,001,089,090.25
Current liabilities	5,955,573.70	355,206.23
Non-current liabilities		
Total liabilities	5,955,573.70	355,206.23
Minority interests		
Equity attributable to shareholders of the parent company	107,321,324.15	1,000,733,884.02
Net assets calculated by proportion of shareholding	52,587,448.84	472,646,613.42
Adjusting items		
– Goodwill		
– Internal transaction unrealised profit		
– Others		
Book value of equity investments in joint ventures	52,587,448.84	472,646,613.42
Fair value of equity investments with public offer		
Operating income	11,218,193.28	
Financial costs	-78,964.61	-1,127,119.65
Income tax expenses	109,793.42	246,836.66
Net profit	768,553.93	684,558.15
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	768,553.93	684,558.15
Dividends received by the Company from joint ventures in the current period		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

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

3. Key financial information of significant associates

Item	Closing balance/Amount in current period		
	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有 限公司)	Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發 電有限責任公司)	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊 泰廣聯煤化有限責 任公司)
Current assets	12,418,132,492.16	226,192,709.03	3,858,256,436.01
Non-current assets	1,513,202.65	5,751,013,357.66	43,709,390,187.66
Total assets	12,419,645,694.81	5,977,206,066.69	47,567,646,623.67
Current liabilities	10,977,096,162.97	1,223,606,807.31	3,166,040,423.18
Non-current liabilities		2,797,287,084.34	4,023,799,460.89
Total liabilities	10,977,096,162.97	4,020,893,891.65	7,189,839,884.07
Minority interests			
Equity attributable to shareholders of the parent company	1,442,549,531.84	1,956,312,175.04	40,377,806,739.60
Net assets calculated by proportion of shareholding	577,019,812.74	567,330,530.77	8,075,561,347.92
Adjusting items			
– Goodwill			
– Internal transaction unrealised profit			
– Others			
Book value of equity investments in associates	577,019,812.74	567,330,530.77	8,075,561,347.92
Fair value of equity investments with public offer			
Operating income	383,336,532.27	994,441,041.71	4,179,063,876.82
Net profit	228,007,121.06	23,487,925.87	1,675,248,807.98
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	228,007,121.06	23,487,925.87	1,675,248,807.98
Dividends received by the Company from associates in the current period	69,104,385.96	1,685,291.12	60,000,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

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

3. Key financial information of significant associates (Continued)

Continued:

Item	Opening balance/Amount in previous period		
	Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有 限公司)	Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發 電有限責任公司)	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊 泰廣聯煤化有限責 任公司)
Current assets	10,395,325,013.70	145,488,147.95	1,912,077,038.65
Non-current assets	728,561.69	4,287,612,205.17	43,843,454,729.46
Total assets	10,396,053,575.39	4,433,100,353.12	45,755,531,768.11
Current liabilities	9,008,750,199.72	951,279,376.26	1,688,298,025.10
Non-current liabilities		1,546,266,808.88	5,064,788,429.75
Total liabilities	9,008,750,199.72	2,497,546,185.14	6,753,086,454.85
Minority interests			
Equity attributable to shareholders of the parent company	1,387,303,375.67	1,935,554,167.98	39,002,445,313.26
Net assets calculated by proportion of shareholding	554,921,350.40	561,310,708.71	7,800,489,062.65
Adjusting items			
– Goodwill			
– Internal transaction unrealised profit			
– Others			
Book value of equity investments in associates	554,921,350.40	561,310,708.71	7,800,489,062.65
Fair value of equity investments with public offer			
Operating income	323,170,210.88	695,664,029.96	2,458,624,809.74
Net profit	200,617,334.67	12,000,164.85	629,332,366.71
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	200,617,334.67	12,000,164.85	629,332,366.71
Dividends received by the Company from associates in the current period	112,000,000.00	3,763,678.92	30,000,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

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

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	504,733,677.75	318,583,605.97
Total amount of the following items calculated by proportion of shareholding		
Net profit	115,864,275.16	17,587,050.83
Other comprehensive income		
Total comprehensive income	115,864,275.16	17,587,050.83

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 the current period
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)	132,857,483.96	223,840.69	133,081,324.65
Total	132,857,483.96	223,840.69	133,081,324.65

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENT

The major financial instruments of the Company primarily include cash at bank and on hand, equity investments, borrowings, accounts receivable, accounts payables and bond payables. The Company is exposed to risks from various financial instruments in day-to-day operation, mainly including credit risk, liquidity risk and market risk. The risks in connection with such financial instruments and the risk management policies adopted by the Company to mitigate such risks are summarised as follows:

The board of directors is responsible for planning and establishing the risk management structure for the Company, developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyse risks exposed by the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk management. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. Risk management of the Company is carried out by the Risk Management Committee based on the policies as approved by the board of directors. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company. The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

(I) Credit risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties. The management has developed proper credit policies and continuously monitors credit risk exposures.

The Company has adopted the policy of transacting with creditworthy counterparties only. In addition, the Company evaluates the credit qualification of customers and sets up corresponding credit term based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Company monitors the balances and recovery of bills and accounts receivable, and contract assets on a continual basis. As for bad credit customers, the Company will use the written reminders, shorten the credit term or cancel the credit term to ensure that the Company is free from material credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure adequate expected credit loss provision is made for relevant financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENT (Continued)

(I) Credit risk (Continued)

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

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

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

As of 31 December 2021, the book balance and expected credit losses of related assets are as follows:

Item	Book balance	Loss provision
Notes receivable	9,480,000.00	
Accounts receivables	2,084,991,094.02	22,083,882.90
Prepayments	807,294,885.73	
Other receivables	957,296,379.42	21,728,685.94
Total	<u>3,859,062,359.17</u>	<u>43,812,568.84</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENT (Continued)

(II) Liquidity risk

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

As of 31 December 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
				1-2 year(s)	2-5 years	Over 5 years	
Short-term borrowings	155,566.65	30,188,533.33					30,344,099.98
Trading financial liabilities							
Notes payable			1,919,032,313.94				1,919,032,313.94
Accounts payable			2,192,974,798.18				2,192,974,798.18
Other payables			2,491,669,969.08				2,491,669,969.08
Long-term borrowings	137,471,319.55	922,685,043.99	6,117,511,510.13	5,496,594,493.38	11,819,616,624.81	4,144,194,802.08	28,638,073,793.94
Bonds payable	72,663,888.89	19,833,333.33	90,902,777.78	120,652,777.78	2,556,579,166.67		2,860,631,944.45
Lease liabilities	588,136.43	1,176,272.86	5,293,227.87	4,343,994.88	13,320.07		11,414,952.11
Long-term payables	2,110,416.44	968,547.95	62,201,260.27	68,282,082.19	187,545,205.48	690,885,534.25	1,011,993,046.58
Total	212,989,327.96	974,851,731.46	12,822,286,182.47	5,689,873,348.23	14,563,754,317.03	4,835,080,336.33	39,156,134,918.26

Continued:

Item	Within 1 month	1-3 months	3 months-1 year	Opening balance			Total
				1-2 year(s)	2-5 years	Over 5 years	
Short-term borrowings	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)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENT (Continued)

(III) Market risk

1. Exchange rate risk

The principal places of operations of the Company are located in China and the major businesses are settled in Renminbi (“RMB”). However, the Company’s recognised foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly US dollar (“USD”) and Kuwait dinar (“KWD”)) remain exposed to exchange rate risk. The finance department of the Company is in charge of supervising the foreign currency transactions and the size of foreign assets and liabilities so as to minimise the exposure to exchange rate risk.

- (2) As of 31 December 2021, the carrying amounts in RMB equivalent of the Company’s financial assets and liabilities denominated in foreign currencies are summarized below:

Item	USD	Closing balance		Total
		HKD	KWD	
Foreign currency financial assets:				
Monetary funds	145,624,932.52	5,558,386.12		151,183,318.64
Sub-total	145,624,932.52	5,558,386.12		151,183,318.64
Foreign currency financial liabilities:				
Long-term borrowings due within one year			16,156,327.68	16,156,327.68
Long-term borrowings			24,234,484.77	24,234,484.77
Sub-total			40,390,812.45	40,390,812.45

Continued:

Item	USD	Opening balance		Total
		HKD	KWD	
Foreign currency financial assets:				
Monetary funds	148,211,893.78	4,613,602.86		152,825,496.64
Sub-total	148,211,893.78	4,613,602.86		152,825,496.64
Foreign currency financial liabilities:				
Long-term borrowings due within one year			16,445,792.36	16,445,792.36
Long-term borrowings			41,114,483.63	41,114,483.63
Sub-total			57,560,275.99	57,560,275.99

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENT (Continued)

(III) Market risk (Continued)

2. Interest rate risk

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

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

(1) As of 31 December 2021, the Company's long-term interest-bearing debts are mainly the floating rate contracts denominated in RMB, with a contract value of RMB25,448,358,397.06. See Note VI. (30) and (32) for details.

(2) Sensitivity analysis:

As of 31 December 2021, if the interest rate on floating rate borrowings increases or decreases by 50 base points with all other variables held constant, the net profit of the Company will decrease or increase by approximately RMB128,655,589.67.

The above sensitivity analysis assumption of interest rate changes has taken place on the balance sheet date and have been applied to all loans obtained by our Company at long-term floating interest rates.

3. Price risk

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

X. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the book value of the financial asset instruments measured at fair value on 31 December 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)

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	
Financing receivables			42,309,185.36	42,309,185.36
Investment in other equity instruments	19,586,736.29	104,130,000.00	7,743,000,000.00	7,866,716,736.29
Other non-current financial assets	4,846,871.57		1,660,529,682.78	1,665,376,554.35
Total assets	24,433,607.86	104,130,000.00	9,445,838,868.14	9,574,402,476.00

Continued:

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	5,252,778.74		1,565,883,254.47	1,571,136,033.21
Total assets	28,066,630.46	101,180,000.00	8,703,954,854.47	8,833,201,484.93
Trading financial liabilities	2,034,720.00			2,034,720.00
Total liabilities	2,034,720.00			2,034,720.00

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

X. FAIR VALUE (Continued)

(III) Basis for determination of the market value of sustained level 1 fair value measuring items

The fair value of futures contract, investment in other equity instruments – H shares of Qinhuangdao Port and HuaXia Monetary Fund B is measured based on the unadjusted quotations in an active market as at the date of the balance sheet, which belongs to level 1 fair value.

Financial assets/liabilities	Fair value as at			Valuation Technique and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	31 December 2021 (RMB)	31 December 2020 (RMB)	Fair value hierarchy			
Financial assets at fair value through profit or loss – futures contract		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		2,034,720.00	Level 1	There are quotations in active markets.	N/A	N/A
Financial assets at fair value through other comprehensive income – listed equity investments	19,586,736.29	20,802,731.72	Level 1	There are quotations in active markets.	N/A	N/A
Financial assets at fair value through profit or loss – unlisted open-ended equity funds	4,846,871.57	5,252,778.74	Level 1	There are quotations in active markets.	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (Continued)

X. FAIR VALUE (Continued)

(IV) Sustained level 2 fair value measuring items:

The fair value of investment in preference shares is calculated based on the market quotation in the inactive market close to the balance sheet date. The amounts of assets have observable inputs at the balance sheet date, which belong to the level 2 fair value.

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation Technique and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	31 December 2021 (RMB)	31 December 2020 (RMB)				
Financial assets at fair value through other comprehensive income – preference shares	104,130,000.00	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

(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 receivable 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

X. FAIR VALUE (Continued)

(V) Qualitative and quantitative information of valuation techniques and important parameters used in sustained level 3 fair value measuring items (Continued)

1. Valuation techniques and inputs description (Continued)

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
	31 December 2021 (RMB)	31 December 2020 (RMB)					
Financial assets at fair value through other comprehensive income – unlisted equity investments	7,743,000,000.00	7,136,000,000.00	Level 3	Market comparison 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, profit margin adjustment factor and liquidity discount	1.2-8.3; 5%-20%; 6%-17%; 30%	The higher the industry price multiplier, and profit margin adjustment factor, the higher the fair value. The smaller the liquidity discount, the higher the fair value.
Financial assets at fair value through profit or loss – unlisted open-end equity funds	1,515,587,214.25	1,486,145,564.75	Level 3	Market multiplier approach, the fair value is calculated based on the financial performance of comparable listed companies, P/E ratio, P/B ratio and P/S ratio.	P/E ratio, P/B ratio, P/S ratio, liquidity discount	21.92-78.40; 0.77-8.27; 2.55; 20%-35%;	The higher the P/E ratio, P/B ratio, P/S ratio, the higher the fair value. T, the lower the liquidity discount, the higher the fair value.
Financial assets at fair value through profit or loss – unlisted open-end equity funds	123,491,159.52	57,840,000.00	Level 3	Latest financing approach, the fair value is calculated based on the latest financing equity price multiplying the shareholding percentage.	N/A	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (Continued)

X. FAIR VALUE (Continued)

(V) Qualitative and quantitative information of valuation techniques and important parameters used in sustained level 3 fair value measuring items (Continued)

1. Valuation techniques and inputs description (Continued)

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
	31 December 2021 (RMB)	31 December 2020 (RMB)					
financial assets at fair value through profit or loss – unlisted open-end equity funds	21,451,309.01	21,897,689.72	Level 3	Income approach, 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.	6.68%-22.00%	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	42,309,185.36	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)

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	1,565,883,254.47	2,071,600.00	8,703,954,854.47
Disposal			2,071,600.00	2,071,600.00
Redemption		44,746,847.23		44,746,847.23
Additions		133,838,493.15	42,309,185.36	176,147,678.51
Change in fair value	607,000,000.00	5,554,782.39		612,554,782.39
Closing balance	7,743,000,000.00	1,660,529,682.78	42,309,185.36	9,445,838,868.14

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Information on the Company's parent company

Name of the parent company	Registration place	Nature of business	Register capital (RMB'0,000)	Shareholding percentage in the Company (%)	Proportion of voting rights to the Company (%)
Inner Mongolia Yitai Group Co., Ltd.	Liuzhongnan Jiefang Area No. 14 South Yimei Road, Dongsheng District	Production of raw coal; processing, transportation and sales of raw coal, railway construction and transportation; coal-related chemical operation and sales of coal-related chemical products	125,000.00	49.17	49.17

1. Explanations on the parent company of the Company

Inner Mongolia Yitai Group Co., Ltd. was established in October 1999 at Liuzhongnan Jiefang Area, No. 14 South Yimei Road, Dongsheng District, Ordos, Inner Mongolia, with a registered capital of RMB1.250 billion. The businesses operated by Yitai Group include the production of raw coal; processing, transportation and sales of raw coal; railway construction, railway transportation of passengers and goods; import of equipment, accessories and technologies for mines; construction and operation of highways; coal-related chemical operation and sales of coal-related chemical products; farming and aquaculture. Inner Mongolia Yitai Group Co., Ltd. is owned as to 99.64% by Inner Mongolia Yitai Investment Co., Ltd.

2. Ultimate controller of the Company

The ultimate parent company of the Company is Inner Mongolia Yitai Investment Co., Ltd. with no de facto controller.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 (Explanation 1)

Explanation 1: The subsidiary of the Company Inner Mongolia Yitai Chemical Co., Ltd. ultimately acquired control over Inner Mongolia Yuanji Chemical Co., Ltd. (hereinafter referred to as Yuanji Chemical) at the 10 December 2021 through segment transactions, thus Yuanji Chemical no longer belonged to the connected parties that are not included in the consolidated scope of the Company since 10 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Information on other related parties

Name of other related party	Relationship between the other related party with the Company
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
Hainan Yitai Real Estate Co., Ltd.	A company controlled by the related natural person Indirect subsidiary of the parent company
Keling Environmental Protection Co., Ltd.	Subsidiary of the parent company
Liu Xianghua	supervisor of the 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 company controlled by the related natural person
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Shareholder of a subsidiary(Explanation 1)
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	Shareholder of a subsidiary
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.	Associates of the parent company

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Yiqiang New Energy Co., Ltd. (內蒙古益強新能源有限公司)	Director as the related natural person
Inner Mongolia Machine Equipments Complete Co., Ltd.	A company controlled by the related natural person
Shanxi Yudean Energy Co., Ltd.	Joint stock company of a key subsidiary
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.	Indirect subsidiary of the parent company
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Indirect subsidiary of the parent company
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Indirect subsidiary of the parent company
Yitai (Group) Hong Kong Co., Ltd.	Wholly-owned subsidiary of the shareholder of a subsidiary
Yitai Jet Aviation (Shenzhen) Co., Ltd.	Subsidiary of the parent company
Yitai Real Estate (Baotou) Co., Ltd.	A company controlled by the related natural person
Synfuels China Engineering Holdings Co., Ltd.	Indirect subsidiary of the parent company
Synfuels China Technology Co., Ltd.	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

Explanation 1: 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)

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
Synfuels China Inner Mongolia Co., Ltd.	Catalysts	11,892.41	26,746.79
Synfuels China Technology Co., Ltd.	Catalysts, technical services	15,447.34	7.55
Inner Mongolia Yitai Group Co., Ltd.	Coal, electricity	412,962.73	244,602.92
Inner Mongolia Yitai Western Coal Co., Ltd.	Fixed assets, coal	84.88	559.97
Yitai Aviation Services (Shenzhen) Co., Ltd.	Fixed assets	2.21	
Yigudao (Beijing) Food Marketing Co., Ltd. Ordos Branch	Agricultural by-products	33.16	
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Agricultural by-products	779.70	590.35
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Agricultural by-products, greening services	663.59	621.72
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity	3,036.81	2,907.70
Inner Mongolia Yitai Impression Flowers Co., Ltd	Flowers	73.23	187.59
Beijing Yitai Lingnong Technology Co., Ltd. (北京伊泰領農科技有限公司)	Agricultural by-products	70.95	113.87
Inner Mongolia Yitai Beimu Pastoral High-tech Co., Ltd.	Agricultural by-products, fixed assets	4.31	
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Coal	99.28	
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Industrial water	1,238.01	1,121.82
Beijing Yitai Huafu Ecological Farm Co., Ltd.	Agricultural by-products	0.49	
Synfuels China Engineering Holdings Co., Ltd.	Technical services	1,118.98	8,948.49

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

2. Related party transactions on purchase of goods and acceptance of services (Continued)

Related party	Content of related party transactions	Amount in the current period	Amount in the last period
Keling Environmental Protection Co., Ltd.	Treatment of hazardous waste	2,977.73	1,907.90
Inner Mongolia Machine Equipments Complete Co., Ltd.	Tender agent and supervision services	898.65	4,463.77
Inner Mongolia Yitai Information Technology Co., Ltd.	Information services	3,275.75	4,495.49
Mengji Railway Co., Ltd.	Transportation services	49,710.55	45,969.13
Inner Mongolia Yitai Real Estate Co., Ltd.	Property management services	27.25	61.29
Inner Mongolia Jingtai Environmental Technology Co., Ltd.	Operation and maintenance services, consultancy services	4,258.23	4,138.73
Xin Baoshen Railway Co., Ltd.	Transportation services	1,076.29	
Inner Mongolia Yiqiang New Energy Co., Ltd. (內蒙古益強新能源有限公司)	Geological management	1,018.75	
Shanxi Yudean Energy Co., Ltd.	Labor services	359.75	
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	Coal	47,512.79	52,967.23
Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Technical services		0.49
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	414.36	233.99
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Fixed assets		9.95
Inner Mongolia Yitai Finance Company Limited	Fixed assets		0.85
Total		<u>559,038.18</u>	<u>400,657.59</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

Unit: RMB'0,000

Related party	Content of related party transactions	Amount in the current period	Amount in the last period
Inner Mongolia Yitai Group Co., Ltd. Hongjingta Mine No. 2	Fixed assets	94.93	464.19
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	Fixed assets	0.67	2,245.48
Synfuels China Inner Mongolia Co., Ltd.	Equipment, chemical products, common media, electricity fees	1,812.74	619.05
Synfuels China Technology Co., Ltd.	Common media, food and accommodation	179.57	40.35
Synfuels China Inner Mongolia Technology Institute Co., Ltd.	Equipment, chemical products, common media	135.50	
Synfuels China Engineering Holdings Co., Ltd.	Equipment	107.08	
Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	Fixed assets, consultancy services	9.19	1.09
Keling Environmental Protection Co., Ltd.	Equipment, chemical products	246.57	151.07
Yigudao (Beijing) Food Marketing Co., Ltd.	Fixed assets	0.22	
Yigudao (Beijing) Food Marketing Co., Ltd. Hohhot Branch	Fixed assets	0.04	
Inner Mongolia Yitai Eco-agriculture Co., Ltd.	Fixed assets	0.77	9.08
Inner Mongolia Yitai Agricultural Development Co., Ltd.	Fixed assets	0.77	
Inner Mongolia Yitai Group Co., Ltd.	Fixed assets, food and accommodation, management services	163.55	169.23
Inner Mongolia Yitai Tongda Coal Co., Ltd.	Utilities	3,723.14	1,673.65
Inner Mongolia Yitai Real Estate Co., Ltd.	Fixed assets	1.92	8.24
Yitai Real Estate (Baotou) Co., Ltd.	Fixed assets	1.85	
Inner Mongolia Yitai Information Technology Co., Ltd.	Fixed assets	21.99	5.81

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

Related party	Content of related party transactions	Amount in the current period	Amount in the last period
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Chemical products, sewage treatment and utilities	21.72	17.99
Inner Mongolia Yitai New Energy Development Co., Ltd.	Electricity, fixed assets	26.41	21.62
Beijing Yitai Lingnong Technology Co., Ltd.	Fixed assets	0.80	
Inner Mongolia Jingtai Power Generation Co., Ltd.	Coal, chemical products, utilities	54,586.71	20,764.42
Inner Mongolia Jinglong Power Generation Co., Ltd.	Coal	17,588.38	4,885.28
Guangdong Power Industry Fuel Co., Ltd.	Coal	44,585.13	80,495.12
Ordos Gonggouyangta Storage and Transportation Co., Ltd.	Management services	630.66	
Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	Transportation services		14,718.65
Inner Mongolia Yitai Investment Co., Ltd.	Legal services	10.00	9.43
Inner Mongolia Yitai Impression Flowers Co., Ltd.	Common media, heating fees		14.77
Inner Mongolia Yuanji Chemical Co., Ltd.	Chemical products	18,161.53	21,834.37
Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.	Coal, oil products		33.03
Inner Mongolia Jingtai Environmental Technology Co., Ltd.	Project management fees, chemical equipment		623.94
Inner Mongolia Yitai Finance Company Limited	Fixed assets		1.68
Inner Mongolia Yitai Western Coal Co., Ltd.	Material and equipment		0.50
Total		<u>142,111.84</u>	<u>148,808.04</u>

4. There was no related entrusting business in the Company.

5. There was no related contracting business in the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

6. Related party leasing

(1) The Company acts as a lessee

Unit: RMB

Name of lessee	Type of leased assets	Rental expenses recognised in the period	Rental expenses recognised in last period
Hainan Yitai Real Estate Co., Ltd. (海南伊泰置業有限責任公司)	Vehicles	26,548.67	
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Houses and buildings	77,105.50	
Guangbo Huitong Finance Leasing (Shenzhen) Company Limited	Equipment		3,291,666.67
Guangbo Huitong Finance Leasing Company Limited	Equipment		3,950,000.00
Total		<u>103,654.17</u>	<u>7,241,666.67</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

6. Related party leasing (Continued)

(2) The Company acts as a lessor

Unit: RMB

Name of lessor	Type of Leased assets	Rental expenses recognised in the period	Rental expenses recognised in last period
Inner Mongolia Yitai Group Co., Ltd.	Vehicles, houses and buildings	65,036.42	
Keling Environmental Protection Co., Ltd.	Houses and buildings and equipment	775,998.62	692,024.29
Synfuels China Technology Co., Ltd.	Houses and buildings	160,655.05	
Inner Mongolia Yitai Information Technology Co., Ltd.	Houses and buildings	22,935.78	55,045.87
Inner Mongolia Yitai Real Estate Co., Ltd.	Houses and buildings	2,752,293.58	2,755,193.88
Inner Mongolia Yitai New Energy Development Co., Ltd.	Land	1,698.20	
Inner Mongolia Yitai Beimu Pastoral Resources Development Group	Houses and buildings	11,504.42	
Inner Mongolia Yuanji Chemical Co., Ltd.	Houses and buildings	83,333.33	
Total		3,873,455.40	3,502,264.04

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

7. Financial services

(1) Acceptance of financial services from Inner Mongolia Yitai Group Finance Company Limited

In 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	154,608,610,216.94	152,036,469,977.17	10,176,469,760.45	34,995,863.31
Loans from the Finance Company	<u>4,100,000,000.00</u>	<u>4,400,000,000.00</u>	<u>2,125,000,000.00</u>	<u>6,375,000,000.00</u>	<u>216,939,479.15</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

8. Related party guarantees

- (1) The Company acts as a guarantor: nil
- (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.	1,441,411.25	2014/11/19	2025/10/22	No
Inner Mongolia Yitai Group Co., Ltd.	1,691,950.00	2013/12/26	2029/11/10	No
Inner Mongolia Yitai Group Co., Ltd.	57,425,316.33	2020/9/30	2025/9/30	No
Inner Mongolia Yitai Group Co., Ltd.	7,937,320.00	2014/3/25	2028/3/25	No
Inner Mongolia Yitai Group Co., Ltd.	352,800,000.00	2017/6/28	2029/6/15	No
Inner Mongolia Yitai Group Co., Ltd.	19,600,000.00	2017/8/15	2023/12/15	No
Inner Mongolia Yitai Group Co., Ltd.	98,000,000.00	2017/9/6	2028/12/15	No
Inner Mongolia Yitai Group Co., Ltd.	5,880,000.00	2017/7/25	2028/12/15	No
Inner Mongolia Yitai Group Co., Ltd.	25,872,000.00	2017/9/30	2028/12/15	No
Inner Mongolia Yitai Group Co., Ltd.	27,048,000.00	2017/10/31	2028/12/15	No
Inner Mongolia Yitai Group Co., Ltd.	25,872,000.00	2018/12/28	2028/12/15	No
Inner Mongolia Yitai Group Co., Ltd.	30,870,000.00	2018/1/16	2030/1/12	No
Inner Mongolia Yitai Group Co., Ltd.	20,580,000.00	2018/2/2	2030/1/12	No
Inner Mongolia Yitai Group Co., Ltd.	13,720,000.00	2018/2/2	2030/1/12	No
Inner Mongolia Yitai Group Co., Ltd.	20,580,000.00	2018/4/28	2030/1/12	No
Inner Mongolia Yitai Group Co., Ltd.	13,720,000.00	2018/4/28	2030/1/12	No
Inner Mongolia Yitai Group Co., Ltd.	49,000,000.00	2021/9/29	2024/9/28	No
Inner Mongolia Yitai Group Co., Ltd.	20,923,000.00	2014/1/9	2029/1/8	No
Inner Mongolia Yitai Group Co., Ltd.	8,330,000.00	2016/9/29	2031/9/28	No
Inner Mongolia Yitai Group Co., Ltd.	297,000,000.00	2020/3/25	2022/3/23	No
Inner Mongolia Yitai Group Co., Ltd.	100,000,000.00	2019/3/26	2022/3/26	No
Inner Mongolia Yitai Group Co., Ltd.	395,000,000.00	2020/3/31	2023/3/30	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.	16,700,000.00	2019/9/29	2024/8/26	No
Inner Mongolia Yitai Group Co., Ltd.	158,000,000.00	2020/2/28	2025/1/23	No
Inner Mongolia Yitai Group Co., Ltd.	173,000,000.00	2020/9/30	2025/9/30	No
Inner Mongolia Yitai Group Co., Ltd.	15,934,000.00	2021/3/31	2022/3/29	No
Total	<u>3,256,924,997.58</u>			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

10. **Remuneration of directors, supervisors and key management personnel**

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

Unit: RMB'0,000

Item	Amount in the current period	Amount in the last period
Total remuneration of directors, supervisors and key management personnel	1,903.74	1,452.59

(2) *Remuneration of directors and supervisors*

The remuneration of directors and supervisors of the Group for 2021 are as follows:

Unit: RMB'0,000

Executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Jingquan	2.40	176.86	152.48	3.65	335.39
Liu Chunlin	2.40				2.40
Lv Junjie	2.40	102.55	155.22	3.65	263.82
Zhang Dongsheng	2.40				2.40
Ge Yaoyong	2.40				2.40
Liu Jian	2.40	127.18	155.37	3.65	288.60
Lv Guiliang	2.40	84.27	71.06	3.35	161.08

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

(2) Remuneration of directors and supervisors (Continued)

Continued:

Independent non-executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Wong Hin Wing	25.00				25.00
Zhang Zhiming	8.33				8.33
E Erdun Tao Ketao	11.67				11.67
Huang Sujian	20.00				20.00
Du Yingfen	20.00				20.00

Continued:

Supervisors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Zhenjin	0.60				0.60
Chen Rong					
Liu Xianghua	1.20				1.20
Li Cailing	0.30				0.30
Jia Zheyu	1.20	31.00	26.04	3.21	61.45
Zhang Wei	1.20	72.38	126.40	3.65	203.63
Wang Yongliang	10.00				10.00
Wu Qu	10.00				10.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

(2) Remuneration of directors and supervisors (Continued)

The remuneration of directors and supervisors of the Group for 2020 are as follows:

Executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Jingquan	2.40	154.66	102.80	4.23	264.09
Liu Chunlin	2.40				2.40
Lv Junjie	2.40	98.34	42.42	4.23	147.38
Zhang Dongsheng	2.40				2.40
Ge Yaoyong	2.40				2.40
Liu Jian	2.40	115.44	50.03	4.23	172.09
Lv Guiliang	2.40	93.47	25.29	4.23	125.40

Continued:

Independent non-executive Directors	Fees	Salaries and allowances	Bonus	Pension	Total
Wong Hin Wing	25.00				25.00
Zhang Zhiming	20.00				20.00
Huang Sujian	20.00				20.00
Du Yingfen	20.00				20.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

(2) Remuneration of directors and supervisors (Continued)

Continued:

Supervisors	Fees	Salaries and allowances	Bonus	Pension	Total
Zhang Zhenjin	1.20				1.20
Liu Xianghua	1.20				1.20
Li Cailing	1.20				1.20
He Peixun	1.20	25.23	8.17	4.20	38.80
Jia Zheyu		21.30	8.39	3.36	33.05
Zhang Wei	1.10	53.98	13.30	4.23	72.61
Wang Yongliang	10.00				10.00
Wu Qu	10.00				10.00

Note: The Company has no amount to facilitate the directors or the supervisors to join the Company or the amount payable to the directors or the supervisors when they join the Company during the accounting year or the amount payable to the directors or the supervisors as compensation for their loss of any positions as director, supervisor or management personnel in the member in the issuer group. There were no directors who had waived or agreed to waive any compensation arrangement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

(3) Five highest paid employees

The remuneration of the five highest paid employees of the Group for 2021, which included 1 director and 4 individuals (the five highest paid employees of the Group for 2020 included 1 director and 4 individuals) are as follows:

Unit: RMB'0,000

Item	2021	2020
Salaries and allowances	519.39	549.22
Bonus	1,508.73	797.54
Pension	18.27	20.83
Total	<u>2,046.39</u>	<u>1,367.59</u>

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

Range (RMB)	Number of employees in 2021	Number of employees in 2020
HK\$2,500,001 to HK\$3,000,000		1
HK\$3,000,001 to HK\$3,500,000		2
HK\$3,500,001 to HK\$4,000,000		1
HK\$4,500,001 to HK\$5,000,000	1	
HK\$5,000,001 to HK\$5,500,000	3	
Total	<u>4</u>	<u>4</u>

Note: The Company has no amount to facilitate the aforementioned highest paid personnel to join the Company or the amount payable to the highest paid personnel when they join the Company during the accounting year or the amount payable to the highest paid personnel as compensation for their loss of any positions as management personnel in the member in the issuer group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

11. Accounts receivable from and accounts payable to related parties

(1) Receivables from related parties of the Company

Unit: RMB

Items	Related party	Closing balance		Opening balance	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Accounts receivable					
	Ordos Gonggouyangta Storage and Transportation Co., Ltd.			738,929.56	
	Guangdong Power Industry Fuel Co., Ltd.	119,844,711.36		36,296,509.05	
	Keling Environmental Protection Co., Ltd.	4,310.00		826,883.37	
	Inner Mongolia Jinglong Power Generation Co., Ltd.	20,731,757.35			
	Inner Mongolia Jingtai Power Generation Co., Ltd.	142,495,053.94		28,423,167.03	
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	545,804.00		3,131,215.41	
	Inner Mongolia Yitai Beimu Pastoral Resources Development Group	8,546.59		4,702.92	
	Inner Mongolia Yitai Group Co., Ltd.	1,272,000.00		40,000.00	
	Inner Mongolia Yitai Tongda Coal Co., Ltd.			2,042.46	
	Inner Mongolia Yitai New Energy Development Co., Ltd.	29,867.98			
	Synfuels China Engineering Holdings Co., Ltd.	847,000.00		4,282,150.00	
	Synfuels China Technology Co., Ltd.	21,478.00			
	Synfuels China Inner Mongolia Technology Institute Co., Ltd.	1,169,268.24			
	Synfuels China Inner Mongolia Co., Ltd.	9,970,765.23		5,748,616.71	
	Inner Mongolia Mengtai Buliangou Coal Co., Ltd.			18,550,451.77	
	Inner Mongolia Yitai Coal-based New Materials Research Institute Co., Ltd.	35,000.00			
	Inner Mongolia Yuanji Chemical Co., Ltd.			77,220,542.06	
Prepayments					
	Inner Mongolia Yitai Information Technology Co., Ltd.	509,257.50			
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.	1,522,876.80			
	Inner Mongolia Machine Equipments Complete Co., Ltd.	11,000,500.00		4,767,080.53	
	Xin Baoshen Railway Co., Ltd.	3,032.70			
	Inner Mongolia Yiqiang New Energy Co., Ltd.(内蒙古益强新能源有限公司)	25,369,621.79			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

(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
Other receivables					
	Liu Xianghua			3,300,000.00	
	Ordos Gonggouyangta Storage and Transportation Co., Ltd.			475,161.89	
	Ordos Tiandi Huarun Mine Equipment Co., Ltd.	8,372,681.49	8,372,681.49	8,372,681.49	8,372,681.49
	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)	937,371.29		937,371.29	
	Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	4,511.30			
	Inner Mongolia Yitai Tongda Coal Co., Ltd.			18,156.18	
	Synfuels China Engineering Holdings Co., Ltd.	210,328.02		210,328.02	
	Synfuels China Technology Co., Ltd.			10,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

(2) Payables to related parties of the Company

Unit: RMB

Items	Related party	Closing balance	Opening balance
Notes payable	Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	19,000,000.00	
	Inner Mongolia Machine Equipments Complete Co., Ltd.	5,000,000.00	
	Synfuels China Engineering Holdings Co., Ltd.		16,818,083.00
	Synfuels China Technology Co., Ltd.	49,840,000.00	
	Synfuels China Inner Mongolia Co., Ltd.		85,030,000.00
Accounts payable	Ordos Yitai Water Co., Ltd.	12,381,770.33	11,218,193.28
	Keling Environmental Protection Co., Ltd.		2,584,471.97
	Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	14,491,792.02	27,466,822.16
	Inner Mongolia Yitai New Energy Development Co., Ltd.	2,934,748.19	2,462,296.84
	Inner Mongolia Yitai Information Technology Co., Ltd.	1,308,158.55	149,276.53
	Inner Mongolia Machine Equipment Complete Co., Ltd.	35,696.00	
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.		13,023,873.37
	Synfuels China Engineering Holdings Co., Ltd.	3,370,027.38	11,712,874.17
	Synfuels China Technology Co., Ltd.	54,848,141.19	
	Synfuels China Inner Mongolia Co., Ltd.	111,640.00	58,179,717.03
	Inner Mongolia Yitai Group Co., Ltd.	232,236,661.05	261,216,280.29
	Mengji Railway Co., Ltd.	1,453,860.22	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on related party transactions (Continued)

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

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

Items	Related party	Closing balance	Opening balance
Other payables			
	Keling Environmental Protection Co., Ltd.	3,207,486.19	1,317,833.13
	Inner Mongolia Jingtai Environmental Technology Co., Ltd. (內蒙古晶泰環境科技有限責任公司)	1,121,184.47	4,063,363.41
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	60.30	53.60
	Inner Mongolia Yitai Information Technology Co., Ltd.	2,652,024.57	2,297,892.70
	Inner Mongolia Machine Equipments Complete Co., Ltd.	214,173.92	10,246,741.34
	Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd.		61,486.49
	Synfuels China Engineering Holdings Co., Ltd.	82,562,843.77	49,376,428.53
	Synfuels China Technology Co., Ltd.	36,000,000.00	36,000,000.00
	Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)		600,000.00
	Inner Mongolia Yitai Group Co., Ltd.	7,122.84	7,215.50
	Inner Mongolia Yitai Western Coal Co., Ltd.		250.80
	Mengji Railway Co., Ltd.	179,948.50	179,948.50
	Shanxi Yudean Energy Co., Ltd.	1,876,848.00	
	Yitai (Group) Hong Kong Co., Ltd.	2,987.27	
	Inner Mongolia Yuanji Chemical Co., Ltd.		34,000.00
Contract liabilities			
	Inner Mongolia Jingneng Kangbashi Thermal Power Co., Ltd.		135,651.59
	Inner Mongolia Jingtai Environmental Technology Co., Ltd.	4,354.83	44,920.96
	Inner Mongolia Jingtai Power Generation Co., Ltd.	1,027.81	
	Inner Mongolia Yitai Tongda Coal Co., Ltd.	2,561,543.86	
	Inner Mongolia Yitai Impression Flowers Co., Ltd.	71,189.73	23,323.89
	Synfuels China Inner Mongolia Co., Ltd.	481,712.39	51,000.00
	Inner Mongolia Yuanji Chemical Co., Ltd.		6,285.03
	Synfuels China Inner Mongolia Technology Institute Co., Ltd.		1,326.10

12. Commitments of related parties: Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XII. THERE WAS NO SHARE-BASED PAYMENT IN THE PERIOD OF THE COMPANY.

XIII. COMMITMENTS AND CONTINGENT EVENTS

(I) Significant commitments

1. Capital commitment

Unit: RMB'0,000

Item	2022	2021
Capital expenditures approved by the Board	105,895.12	258,412.81

2. Matters on bonds proposed to be repurchased

In order to improve the Company's capital utilization efficiency, optimize capital structure, reduce the asset-liability ratio, reduce financial costs, and enhance investor confidence, Inner Mongolia Yitai Coal Co., Ltd. (the "Company") intends to repurchase 19 Yitai 01, 19 Yitai 02 and 19 Yitai 03 it issued with its internal funds ("Bond Repurchase"). The Bond Repurchase will be open to all investors. The bond will be repurchased in cash, and the total amount of repurchased bonds will not exceed RMB2.6 billion.

3. 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)

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.. We received an appellate petition of Bei Energy Company on 31 May 2021 that it required to repeal the (2020 Nei 06 Min Chu 114) ruling by the Intermediate Court and required the retrial of the case. We received notice on 10 September 2021 that the Higher Court of Inner Mongolia repealed the the (2020 Nei 06 Min Chu 114) Civil Ruling by the Intermediate Court of Ordos, and stated that the case would be heard by the Intermediate Court of Ordos. Currently we have been waiting for the judgment of the court.

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)*

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) *(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 31 December 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

At the 18th meeting of the 8th session of the board of directors held on 29 March 2022 by the Company, the Proposal on 2021 Profit Distribution Plan of Inner Mongolia Yitai Coal Co., Ltd. was reviewed and approved. Based on the total share capital of 3,254,007,000 shares, the Company intended to distribute a cash dividend of RMB9.30 (tax inclusive) every ten shares to all shareholders, totaling RMB3,026,226,510.00. The proposal shall be submitted for approval by shareholders at a general meeting.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XIV. POST-BALANCE SHEET DATE EVENT (Continued)

(II) The intention of Yitai Xinjiang Energy Co., Ltd. to disposal of assets to Xinjiang Central Hesheng Silicon Co., Ltd. and asset retirement

On 24 March 2021, Inner Mongolia Yitai Coal Co., Ltd. (the “Company”) held the 2021 first extraordinary general meeting, at which the proposal relating to the suspension of the Yitai Ganquanbao 2 Mtpa coal-to-oil pilot project of Yitai Xinjiang Energy Co., Ltd. was considered and approved. After the project was suspended, the Company intends to sell the assets including equipment, materials, land, real estate and structures under construction on the ground owned by the holding subsidiary Yitai Xinjiang Energy Co., Ltd. (“Xinjiang Energy”) as a whole, and transfer the proprietary equipment and materials to the holding subsidiary, Inner Mongolia Yitai Coal-to-oil Co., Ltd. for the Yitai Ganquanbao 2 Mtpa coal-to-oil pilot project of Yitai Xinjiang Energy Co., Ltd.. Affected by the national macro-economy, dual control of energy consumption, carbon peaking, carbon neutrality, and policies on coal-related chemical industry, the overall sale of projects and the transfer of proprietary equipment and materials may not be achieved in a short period of time. Affected by the Guiding Opinions of the Ministry of Ecology and Environment on Strengthening the Prevention and Control of Eco-environmental Sources for High-energy-consuming and High-emission Construction Projects issued on 31 May 2021, it is more difficult to approve new coal-related chemical projects in the park and there is great uncertainty in the overall sale of assets to the outside world. Besides, due to the uncertainty caused by the large fluctuation in coal prices and the influence of policies on coal-related chemical industry, it is extremely difficult to find trading partners in the same industry in the short term. In order to improve the utilization efficiency of idle assets and withdraw funds as soon as possible, after negotiation between the two parties, the transfer price of the assets that Hesheng Silicon intends to purchase is RMB814.68 million (tax inclusive).

The Company intends to sell part of assets of Yitai Xinjiang Energy Co., Ltd. (“Xinjiang Energy”) to Xinjiang Central Hesheng Silicon Co., Ltd. (“Hesheng Silicon”). Due to the different processes of the project invested by Hesheng Silicon and the Yitai Ganquanbao 2 Mtpa coal-to-oil pilot project of Xinjiang Energy, Hesheng Silicon only has the intention to purchase some assets of Xinjiang Energy, and the Company was unable to sell Xinjiang Energy’s equipment and materials, land, real estate and structures under construction on the ground as a whole as planned, resulting in the useless value of Xinjiang Energy’s assets such as electronic equipment, civil engineering and some engineering materials attached to the land and real estate. Based on the principle of prudence, Xinjiang Energy conducted a comprehensive inventory of the remaining assets after the disposal, and decided to scrap the assets that have no use value at present.

In the current period, an impairment loss of RMB296,825,714.33 (including fixed assets of RMB138,874.34 and construction in progress of RMB296,686,839.99) was accrued for such assets to be scrapped; for the assets to be sold, the Company provided for impairment loss at the book value deducting the fair value (being the estimated trading price minus costs of disposal) of RMB469,076,404.27 (including fixed assets of RMB116,670,210.27 and construction in progress of RMB352,406,194.00).

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Annuity plan

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

(II) Segment information

1. Determination criterion and accounting policies of the reporting segments

Operating segments of the Company are identified on the basis of internal 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 management to make decisions on resources allocation and performance assessment;
- (3) Its financial conditions, operating results, cash flow and related accounting information are available to the Company.

The Company determines the reporting segment based on the operating segment, and the operating segment that meets any of the following conditions is determined as the reporting segment:

- (1) The segment income of the operating segment accounts for 10.00% or more of total income of all segments;
- (2) The absolute amount of profits (losses) of the segment account for 10.00% or more of the higher of the absolute amount of total profits of the profiting segment and the absolute amount of total losses of the unprofitable segment.

Where the proportion of the total external revenue of the operating segment determined to be reporting segments according to the accounting policies above does not amount to 75.00%, the number of reporting segments should be increased; operating segments that are not determined to be reporting ones can be included in the scope of reporting ones according to the following rules till the proportion reaches 75.00%:

- (1) The operating segments, which the management believes may be useful for users of accounting information if their information is disclosed, are determined as reporting segments;
- (2) One or more operating segments with economic features with similar features that are qualified for combination the operating segment are combined as one reporting segment.

The transfer price among segments is determined with reference to the market price, and assets used jointly by segments and relevant expenses are distributed among segments according to the proportion of income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS (Continued)

(II) Segment information (Continued)

2. Factors considered when determine reportable segments of the Company, types of products and services of reportable segments

The Company's reportable segments are business units that offer different products and services. Since various businesses require different technologies and market strategies, the Company separately manages the production and operation activities of each reporting segment, and evaluates their operating results respectively to determine the resources allocation and evaluates their business results.

The Company has three reporting segments: coal segment, coal-related chemical segment and transportation segment. The coal segment is responsible for the production and sale of coal products; the coal-related chemical segment is responsible for the production and sale of coal-related chemical products; the transportation segment is responsible for providing railway and road transportation services.

3. Financial information of the reporting segments

Unit of amount: RMB'0,000

Item	Closing balance/Amount in the current period					Total
	Coal segment	Coal-related chemical segment	Transportation segment	Others	Elimination	
I. Operating revenue	4,328,174.98	747,490.53	175,682.08	3,194.55	-186,977.82	5,067,564.32
Of which: revenue from external transactions	4,250,323.18	747,006.27	67,040.32	3,194.55		5,067,564.32
Revenue from intersegment transactions	77,851.80	484.26	108,641.76		-186,977.82	
II. Operating expenses	2,874,386.38	796,720.16	127,914.47	8,134.37	-187,544.80	3,619,610.58
Of which: income from investment in associates and joint ventures	53,000.42	450.40	500.22	1,213.58		55,164.62
Impairment loss of assets	5,869.62	84,383.14		32.75		90,285.51
Depreciation and amortization expenses	129,186.88	89,932.55	53,074.98	361.66	-1,290.90	271,265.17
III. Total profit (loss)	1,446,134.90	-233,464.55	31,798.90	6,945.62	15,741.75	1,267,156.62
IV. Income tax expenses	289,961.11	-16,283.64	5,009.80	1,742.19	-715.39	279,714.07
V. Net profits (losses)	1,156,173.79	-217,180.91	26,789.09	5,203.44	16,457.14	987,442.55
VI. Total assets	7,430,367.80	2,975,206.85	1,178,917.03	297,592.66	-2,633,292.52	9,248,791.82
VII. Total liabilities	2,746,761.84	2,420,619.80	297,930.82	72,058.20	-1,255,715.69	4,281,654.97
VIII. Other significant non-monetary items						
1. Capital expenditure	187,914.73	33,446.31	14,065.09	36.27		235,462.40

Explanation: The long-term assets of coal-related chemical projects include fixed assets, construction in progress and intangible assets. The total book value of long-term assets at the end of the current period was RMB 25,493,139,100, accounting for 27.56% of the total assets.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 1. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Closing balance	Opening balance
Within 1 year	277,702,652.97	498,688,217.88
1 to 2 years	125,850,089.40	
2 to 3 years		
3 to 4 years		
4 to 5 years		
Over 5 years		
Sub-total	403,552,742.37	498,688,217.88
Less: Bad debts provisions		
Total	<u>403,552,742.37</u>	<u>498,688,217.88</u>

2. Disclosure of classification of accounts receivable

Category	Book balance		Closing balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that provided expected credit losses on single basis					
Accounts receivable that provided expected credit losses on portfolio basis	403,552,742.37	100.00			403,552,742.37
Of which: customers with extremely low credit risk	403,552,742.37	100.00			403,552,742.37
Total	<u>403,552,742.37</u>	<u>100.00</u>			<u>403,552,742.37</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

Continued:

Category	Book 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

Portfolio	Accounts receivable	Closing balance Loss provision	Percentage (%)
Customers with extremely low credit risk	403,552,742.37		
Total	403,552,742.37		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

Continued:

Portfolio	Accounts receivable	Opening balance Loss provision	Percentage (%)
Customers with extremely low credit risk	498,688,217.88		
Total	498,688,217.88		

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.
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
Inner Mongolia Zhongtai Energy Co., Ltd. (內蒙古仲泰能源有限公司)	120,942,324.19	29.97	
Inner Mongolia Datang Fuel Company Limited (內蒙古大唐燃料有限公司)	99,133,211.35	24.57	
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	63,469,999.00	15.73	
Inner Mongolia Jingning Thermal Power Co., Ltd. (內蒙古京寧熱電有限責任公司)	23,954,848.46	5.94	
Ordos Zhongyu Taide Coal Co., Ltd. (鄂爾多斯中鈺泰德煤炭有限公司)	23,006,483.24	5.70	
Total	330,506,866.24	81.91	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 1. Accounts receivable (Continued)

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.

Note 2. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	1,056,000,000.00	60,000,000.00
Other receivables	<u>9,787,867,126.68</u>	<u>9,387,785,727.14</u>
Total	<u>10,843,867,126.68</u>	<u>9,447,785,727.14</u>

(I) Dividends receivable

3. Dividends receivable

Investee	Closing balance	Opening balance
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	120,000,000.00	60,000,000.00
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	<u>936,000,000.00</u>	
Total	<u>1,056,000,000.00</u>	<u>60,000,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 2. Other receivables (Continued)

(I) Dividends receivable (Continued)

4. Significant dividends receivable aging over 1 year at the end of the reporting period

Investee	Closing balance	Aging	Reasons for uncollected amounts	Whether the amount is impaired and reasons
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	30,000,000.00	1-2 years	Not paid by the investee	No
Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	30,000,000.00	2-3 years	Not paid by the investee	No
Total	<u>60,000,000.00</u>			

(II) Other receivables

1. Disclosure of other receivables by aging

Aging	Closing balance	Opening balance
Within 1 year	2,315,753,888.27	5,436,289,156.55
1 to 2 years	5,150,709,171.77	5,710,970,718.30
2 to 3 years	5,490,216,379.14	63,445,494.65
3 to 4 years	45,778,760.39	62,392,088.60
4 to 5 years	54,276,997.57	—
Over 5 years	—	—
Sub-total	13,056,735,197.14	11,273,097,458.10
Less: Bad debts provisions	<u>3,268,868,070.46</u>	<u>1,885,311,730.96</u>
Total	<u>9,787,867,126.68</u>	<u>9,387,785,727.14</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 2. Other receivables (Continued)

(II) Other receivables (Continued)

2. Disclosure of classification of other receivables

Category	Book balance		Closing balance		Carrying value
	Amount	Percentage (%)	Loss provision		
			Amount	Percentage (%)	
Other receivables that provided expected credit losses on single basis	5,585,544,179.78	42.78	3,268,868,070.46	58.52	2,316,676,109.32
Other receivables that provided expected credit losses on portfolio basis	7,471,191,017.36	57.22			7,471,191,017.36
Of which: customers with extremely low credit risk	7,471,191,017.36	57.22			7,471,191,017.36
Total	13,056,735,197.14	100.00	3,268,868,070.46	25.04	9,787,867,126.68

Continued:

Category	Book balance		Opening balance		Carrying value
	Amount	Percentage (%)	Loss provision		
			Amount	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)

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
		Loss provisions	Percentage (%)	
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	5,500,325,079.96	3,189,106,632.68	57.98	Expected partly not to be unrecoverable
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	60,402,272.88	58,110,768.05	96.21	Expected partly not to be unrecoverable
Ordos Tiandi Huarun Mine Equipment Co., Ltd.	8,372,681.49	8,372,681.49	100.00	Expected to be unrecoverable
Inner Mongolia Tianhe Water Co., Ltd. (內蒙古天河水務有限公司)	7,128,579.20	7,128,579.20	100.00	Expected to be unrecoverable
Guodian Yitai Dongsheng Power Generation Co., Ltd. (Preparatory Group) (國電伊泰東勝發電有限公司(籌備組))	4,000,000.00	833,842.79	20.85	Expected partly not to be unrecoverable
Jin Li (靳莉)	2,078,540.35	2,078,540.35	100.00	Expected to be unrecoverable
Finance Division, Department of Land and Resources of Inner Mongolia Autonomous Region (內蒙古自治區國土資源廳財務處)	1,292,830.00	1,292,830.00	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
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
Zhang Dingchen (張鼎臣)	160,540.00	160,540.00	100.00	Expected to be unrecoverable
Total	5,585,544,179.78	3,268,868,070.46	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Loss provisions	Percentage (%)
Customers with extremely low credit risk	<u>7,471,191,017.36</u>	—	—
Total	<u>7,471,191,017.36</u>	—	—

Continued:

Portfolio	Other receivables	Opening balance Loss 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)

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 Expected credit losses over the next 12 months	Phase II Lifetime expected credit losses (no credit impairment occurred)	Phase III Lifetime expected credit losses (credit impairment occurred)	Total
Opening balance		1,665,650.20	1,883,646,080.76	1,885,311,730.96
Opening balance during the period				
Transfer into the phase III				
Provisions during the period		11,792,178.04	1,371,944,001.46	1,383,736,179.50
Recovery or reversal during the period		179,840.00		179,840.00
Write-off during the period				
Other changes during the period				
Closing balance		13,277,988.24	3,255,590,082.22	3,268,868,070.46

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

4. During the period, loss provisions were RMB1,383,736,179.50, reversal or recovery of loss provision was RMB179,840.00.

Other receivables with significant amount of bad debt provision reversal or recovery during the reporting period

Name of entity	Amount of reversal or recovery	Method of reversal or recovery	Remark
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)	<u>179,840.00</u>	Deposits at banks	
Total	<u><u>179,840.00</u></u>		

5. There was no other receivables actually written off by the Company during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 2. Other receivables (Continued)

(II) Other receivables (Continued)

6. Classification of other receivables by nature

Item	Closing balance	Opening balance
Transfer of assets	302,641,778.71	
Transfer of shares	519,166,340.28	
Current accounts	12,106,850,720.94	11,114,155,040.57
Advances	208,356.99	
Security	122,796,035.44	150,278,326.45
Employee borrowing	5,053,164.78	8,645,291.08
Deposits	18,800.00	18,800.00
Total	13,056,735,197.14	11,273,097,458.10

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

Name of entity	Nature of amounts	Closing balance	Aging	Proportion to closing balance of other receivables (%)	Closing balance of provisions for bad debts
The Largest	Current accounts	301,251,210.19	Within 1 year	2.31	
		3,738,004,626.80	1-2 years	28.63	
		1,743,602,241.20	2 to 3 years	13.35	
The Second largest	Current accounts	1,098,558,920.81	Within 1 year	8.41	3,189,106,632.68
		1,248,929,899.91	1-2 years	9.57	
		3,152,836,259.24	2 to 3 years	24.15	
The Third Largest	Consideration of transfer of shares	519,166,340.28	Within 1 year	3.98	
The Fourth Largest	Current accounts	76,410,569.03	Within 1 year	0.59	
		160,764,502.00	1-2 years	1.23	
		222,173,816.50	2 to 3 years	1.70	
The Fifth Largest	Consideration of transfer of assets	298,995,730.34	Within 1 year	2.29	
Total		12,560,694,116.30		96.21	3,189,106,632.68

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provisions	Carrying value		Impairment provisions	Carrying value
Investment in subsidiaries	16,656,299,750.33	1,276,720,000.00	15,379,579,750.33	14,318,015,317.28	1,276,720,000.00	13,041,295,317.28
Investments in associates and joint ventures	9,414,817,446.18	250,288.45	9,414,567,157.73	9,491,384,608.20	250,288.45	9,491,134,319.75
Total	26,071,117,196.51	1,276,970,288.45	24,794,146,908.06	23,809,399,925.48	1,276,970,288.45	22,532,429,637.03

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公司)	215,447,203.47	215,447,203.47			215,447,203.47		
Suancang coal mine of Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限公司)	561,600,000.00	561,600,000.00			561,600,000.00		
Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司)	50,000,000.00	50,000,000.00			50,000,000.00		
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	50,000,000.00	50,000,000.00			50,000,000.00		
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	100,000,000.00	100,000,000.00			100,000,000.00		
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	19,136,100.00	19,136,100.00			19,136,100.00		
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公司)	1,200,160,000.00	1,200,160,000.00			1,200,160,000.00		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. (伊泰伊犁能源有限公司)	1,416,140,000.00	1,416,140,000.00			1,416,140,000.00		
Yitai Yili Mining Co., Ltd. (伊泰伊犁矿业有限公司)	591,300,000.00	591,300,000.00			591,300,000.00		
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	1,226,720,000.00	1,226,720,000.00			1,226,720,000.00		1,226,720,000.00
Inner Mongolia Yitai Chemical Co., Ltd. (内蒙古伊泰化工有限责任公司)	5,707,343,782.02	3,608,000,000.00	2,099,343,782.02		5,707,343,782.02		
Inner Mongolia Yitai Petrochemical Co., Ltd. (内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. (内蒙古伊泰铁路投资有限公司)	550,000,000.00	520,000,000.00	30,000,000.00		550,000,000.00		
Yitai Shanxi Coal Transportation Co., Ltd. (伊泰(山西)煤炭运输有限责任公司)	50,000,000.00	50,000,000.00			50,000,000.00		
Yitai Bohai Energy Co., Ltd. (伊泰渤海能源有限责任公司)	50,000,000.00	50,000,000.00			50,000,000.00		
Yitai Chongqing Research Institute of Synthetic Materials Co., Ltd. (重庆伊泰鹏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. (内蒙古安创检验检测有限公司)	1,000,000.00	1,000,000.00			1,000,000.00		

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) (杭州信丰投资管理合伙企业(有限合伙))	917,272,157.88	955,720,000.00		38,447,842.12	917,272,157.88		
Shenzhen Yitai Investment Co., Ltd. (深圳伊泰投资有限公司)							
Yitai Bohai Supply Chain Management Co., Ltd. (伊泰渤海供应链管理有限公司)							
Inner Mongolia Yitai Dadi Coal Co. Ltd. (内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. (伊泰股权投资管理有限公司)	442,388,493.15	195,000,000.00	247,388,493.15		442,388,493.15		
Shanghai Lingang Yitai Supply Chain Co., Ltd. (上海临港伊泰供應鏈有限公司)	20,000,000.00	20,000,000.00			20,000,000.00		
Total	<u>16,656,299,750.33</u>	<u>14,318,015,317.28</u>	<u>2,376,732,275.17</u>	<u>38,447,842.12</u>	<u>16,656,299,750.33</u>		<u>1,276,720,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 3. Long-term equity investment (Continued)

2. Investments in associates and joint ventures

Investee	Opening balance	Additional investments	Changes in the period		Adjustments to other comprehensive income
			Decrease in investments	Gain or loss of investment recognized using equity approach	
I. Joint ventures					
Shanghai Jitai Petrochemical Technology Co., Ltd. (上海暨泰石化科技有限公司)	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		-472,300,000.00	-346,613.42	
Sub-total	475,628,983.89		-472,300,000.00	-346,613.42	
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			94,958,042.35	
Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限公司)	554,921,350.40			91,202,848.30	
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		-10,391,706.45	8,516,927.80	
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	561,310,708.71			7,544,678.51	
Chifeng Hua Yuan Wine & Spirits Co., Ltd. (赤峰華遠酒業有限公司)	13,924,097.58			-66,981.97	
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有限責任公司)	7,800,489,062.65			335,072,285.27	
Sub-total	9,015,505,335.86		-10,391,706.45	537,227,800.26	
Total	9,491,134,319.75		-482,691,706.45	536,881,186.84	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 3. Long-term equity investment (Continued)

2. Investments in associates and joint ventures (Continued)

Continued:

Investee	Changes in other equity	Changes 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)						
Sub-total					2,982,370.47	
II. Associates						
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)					177,815,980.22	
Inner Mongolia Yitai Finance Co., Ltd. (內蒙古伊泰財務有限公司)			-69,104,385.96		577,019,812.74	
Beijing Xinyitai Pharmaceutical Technology Development Co., Ltd. (北京信益泰醫藥科技開發有限公司)	-127,400.00					
Inner Mongolia Jingtai Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	160,434.67	-1,685,291.12			567,330,530.77	
Chifeng Huayuan Liquor Factory Co., Ltd. (赤峰華遠酒業有限公司)					13,857,115.61	
Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊政煤田滅火工程有限責任公司)						
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)						250,288.45
Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限責任公司)			-60,000,000.00		8,075,561,347.92	
Sub-total	33,034.67	-130,789,677.08			9,411,584,787.26	250,288.45
Total	33,034.67	-130,789,677.08			9,414,567,157.73	250,288.45

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 4. Operating incomes and operating costs

1. Operating incomes and operating costs

Item	Amount in current period		Amount in previous period	
	Income	Cost	Income	Cost
Principal businesses	35,195,156,709.13	27,147,784,343.86	23,500,385,042.32	20,352,207,144.14
Other businesses	225,516,081.85	86,829,895.95	573,695,078.40	486,682,510.78
Total	<u>35,420,672,790.98</u>	<u>27,234,614,239.81</u>	<u>24,074,080,120.72</u>	<u>20,838,889,654.92</u>

2. Income generated from contracts

Category of contract	Coal segment	Others	Total
(1) Main business regions			
Northeast China	85,982,324.32		85,982,324.32
North China	8,826,992,907.72	28,395,819.33	8,855,388,727.05
East China	21,064,059,891.78		21,064,059,891.78
South China	4,057,702,722.16		4,057,702,722.16
Central China	136,387,380.28		136,387,380.28
Northwest China	1,221,151,745.39		1,221,151,745.39
Southwest China			
Sub-total	35,392,276,971.65	28,395,819.33	35,420,672,790.98
(2) Main product types			
Coal	35,182,324,549.67		35,182,324,549.67
Other products disclosed at income from principal businesses		12,832,159.46	12,832,159.46
Other products disclosed at income from other businesses	209,952,421.98	15,563,659.87	225,516,081.85
Sub-total	35,392,276,971.65	28,395,819.33	35,420,672,790.98
(3) Revenue recognition time			
Transferred at a point of time	35,392,276,971.65	28,395,819.33	35,420,672,790.98

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 4. Operating incomes and operating costs

2. Income generated from contracts (Continued)

(continued):

Type of contract	Amount in previous period		Total
	Coal segment	Others	
(1) Main business regions			
Northeast China	88,023,664.43		88,023,664.43
North China	8,717,052,249.63	23,064,827.97	8,740,117,077.60
East China	11,981,140,736.82		11,981,140,736.82
South China	3,131,285,846.36		3,131,285,846.36
Central China	24,108,087.58		24,108,087.58
Northwest China	97,819,204.83		97,819,204.83
Southwest China	11,585,503.10		11,585,503.10
Sub-total	24,051,015,292.75	23,064,827.97	24,074,080,120.72
(2) Main product types			
Coal	23,490,203,362.26		23,490,203,362.26
Others products disclosed in revenue from principal businesses		10,181,680.06	10,181,680.06
Others products disclosed in revenue from other businesses	560,811,930.49	12,883,147.91	573,695,078.40
Sub-total	24,051,015,292.75	23,064,827.97	24,074,080,120.72
(3) Revenue recognition time transfer at a certain point in time	24,051,015,292.75	23,064,827.97	24,074,080,120.72

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Note 5. Investment income

Item	Amount in current period	Amount in previous period
Income from long-term equity investments under equity method	529,004,236.82	161,887,559.24
Income from long-term equity investments under cost method	3,523,591,687.79	10,200,000.00
Investment income from disposal of trading financial assets		8,704,805.31
Investment income received during the period of ownership from investment in other equity instruments	199,652,932.06	93,974,920.89
Investment income from disposal of long-term equity investments	45,817,619.10	131,233,237.09
Investment income received during the period of ownership from trading financial assets		1,510,739.84
Investment income from holding of debt investments	296,284.60	
Others	-4,936,766.61	-6,100,000.02
Total	<u>4,293,425,993.76</u>	<u>401,411,262.35</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVII.SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss statement of the period

Item	Amount in the current period	Explanation
Profit or loss from disposal of non-current assets	-109,152,169.94	—
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)	75,222,267.40	
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	2,842,370.86	
Profit or loss from exchange of non-monetary assets		
Profit or loss from investment or management of assets by the others	98,675,416.96	
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	-60,048,755.35	
Reversal of the provisions for impairment of receivables subject to impairment test separately	441,389.87	
Profit or loss from external entrusted loans		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVII.SUPPLEMENTARY INFORMATION (Continued)

(I) Non-recurring profit or loss statement of the period (Continued)

Item	Amount in the current period	Explanation
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	-215,245,294.98	
Fees income from custodian business		
Other operating incomes and expenses other than the abovementioned items	-94,890,911.81	
Other profit or loss items falling within the meaning of non-recurring profit or loss		
Less: Impact of income tax	-28,577,329.24	
Less: Impact of minority shareholders' interests (after tax)	-106,804,592.02	
Total	-166,773,765.73	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVII.SUPPLEMENTARY INFORMATION (Continued)

(II) Net return rate of assets and earnings per share

Profit generated during the reporting period	Weighted average net return rate of assets (%)	Earning per shares	
		Basic earning per share	Diluted earning per share
Net profit attributable to ordinary shareholders of the Company	22.93	2.66	/
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	23.37	2.71	/

Basic earnings per share is calculated based on the net profit attributable to ordinary shareholders and the number of ordinary shares issued at the end of the year. Since there was no any potential ordinary shares issued by the Group for the years ended 31 December 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 2021 (RMB)	31 December 2020 (RMB)
Net profit attributable to ordinary shareholders	8,643,452,999.77	-657,055,254.05
Number of shares		
Number of ordinary shares issued at the end of the year	3,254,007,000.00	3,254,007,000.00

(III) Supplementary disclosure of the Group's operating costs classified by nature:

Item	Notes	2021	2020
Cost of sale of commercial goods	Note 45	31,264,692,951.11	25,781,770,776.59
Labor cost	Note 45	562,551,283.27	524,135,273.13
Depreciation of fixed assets	Note 14	1,857,659,861.31	1,911,682,216.56
Depreciation of investment properties	Note 13	38,139,872.19	38,668,478.40
Amortisation of intangible assets	Note 17	171,548,913.16	109,357,421.70
Amortisation of long-term unamortized expenses	Note 19	638,860,267.25	352,044,987.38
Depreciation of right-of-use assets	Note 16	6,442,758.13	4,136,252.85
Total depreciation and amortisation		<u>2,712,651,672.04</u>	<u>2,415,889,356.89</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVII.SUPPLEMENTARY INFORMATION (Continued)

(IV) Supplementary disclosure of capital management:

Item	2021/12/31	2020/12/31
Interest-bearing borrowings	25,514,149,291.74	28,259,756,516.75
Long-term bonds	2,511,233,905.67	5,910,938,574.78
Trade and bills payables	4,112,007,112.12	3,460,588,236.42
Financial liabilities at fair value through profit or loss		2,034,720.00
Financial liabilities included in other payables and accruals	2,491,669,969.08	1,379,398,220.73
Other borrowings	977,304,952.06	538,474,087.42
Less: Cash and cash equivalents	17,070,891,520.47	11,292,510,611.23
Net debt	18,535,473,710.20	28,258,679,744.87
Equity attributable to equity holders of parent company	40,867,521,573.06	33,061,024,912.46
Gearing ratio	31.20%	46.08%

As at 31 December 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.

(V) Dividend

Item	2021	2020
Ordinary shares dividend	3,026,226,510.00	735,405,582.00
Total	3,026,226,510.00	735,405,582.00

At the 18th meeting of the 8th session of the board of directors held on 29 March 2022 by the Company, the Proposal on 2021 Profit Distribution Plan of Inner Mongolia Yitai Coal Co., Ltd. was reviewed and approved. Based on the total share capital of 3,254,007,000 shares, the Company intended to distribute a cash dividend of RMB9.30 (tax inclusive) every ten shares to all shareholders, totaling RMB3,026,226,510.00. The proposal shall be submitted for approval by shareholders at a general meeting.

APPENDIX I

2021 ANNUAL ENVIRONMENT, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

DESCRIPTION OF THE REPORT

Inner Mongolia Yitai Coal Co., Ltd. – 2021 Annual Environment, Social Responsibility and Corporate Governance Report is an annual report which gives a systematically description of Inner Mongolia Yitai Coal Co., Ltd.’s practices of corporate social responsibility, and the acts and performance in pursuit of maximal economic, environmental and social and governance value in the year 2021 in an objective, standardized, good-faith and transparent principle.

- **Subjects of the Report**

The report subjects are Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries. For the convenience of expression and reading of this report, “Inner Mongolia Yitai Coal Co., Ltd.” is also referred to as “the Company” or “our Company” or “Company Ltd.” or other titles.

- **Time Period**

The time period covered in this report was from 1 January 2021 to 31 December 2021. Taking into account the continuity and comparability of information disclosed, certain content may be beyond the aforesaid period.

- **Scope of Report**

The scope of this report is Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries.

- **Basis of Preparation**

This report was prepared according to Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited, with a reference to Notice on Strengthening the Listed Companies’ Social Responsibility Work and Issuing Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies, Shanghai Stock Exchange Guidelines on Environmental Information Disclosure of Listed Companies and Guidelines for Compiling Corporate Social Responsibility Report issued by Shanghai Stock Exchange, and Sustainable Development Report Standards (GRI Standards) issued by Global Sustainability Standard Board (“GSSB”).



- **Principles of Reporting**

Materiality: Our ESG materiality is determined by the Board, and communication with stakeholders, identification process of substantive issues and the matrix of substantive issues are disclosed in this report.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and source of conversion factors are all explained in the definitions of the report.

Balance: This report shall provide an unbiased picture of the Company's performance during the reporting period and should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment made by the readers of the report.

Consistency: The statistical methodologies applied to the data disclosed in this report shall be consistent.

- **Principle of Data Processing**

The financial data in this report were derived from audited annual report of Inner Mongolia Yitai Coal Co., Ltd. (China accounting standards) and other data from the Company's internal and relevant statistical data. If there is any difference from the annual report, the annual report shall prevail.

- **Availability of the Report**

The Report was prepared in English, and you can download it in electronic form from the website of Inner Mongolia Yitai Coal Co., Ltd. or Shanghai Stock Exchange or the Hong Kong Stock Exchange.

URL: <http://www.sse.com.cn/> or <http://www.hkexnews.hk/> or <http://www.yitaicoal.com/>

- **Contact**

Contact Tel: 0477-8565732

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Address: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia

SPEECH OF SENIOR MANAGEMENT

In 2021, the Company, upholding the principle of “given priority to ecological protection and promoting green development” and the principle of integrity and compliant operation, actively performed our social responsibilities, stuck to the bottom line of safe productions, and proactively assumed the responsibility of guaranteeing the supply of energy. The Company has been dedicated to building the future featuring resources-saving and environment-friendly in accordance with the carbon peaking and carbon neutrality as well as dual control in emission and energy consumption, while unswervingly pushing forward the high-quality development of our principal coal business.

In 2021, the Company realized production of commodity coal of 43.2062 million tonnes and sales of coal of 62.9105 million tonnes. In terms of railway sector, the Company dispatched a total of 87.5619 million tonnes of coal. In terms of coal chemical sector, the Company realized total production of oil products and chemicals of 1.3942 million tonnes. The Company recorded revenue of RMB50.676 billion, and net profit attributable to the owners of the parent of RMB8.643 billion.

Clarify the responsibilities of safety production and adopt the safety philosophy

Safety is an important cornerstone to ensure the Company’s sustainable development and the lifeline for the Company’s survival and development. The Company attached great importance to safety production guidelines and red-line awareness under the guidance of General Secretary Xi Jinping’s important idea of safety production for the new era. Abiding by the policy of “safety foremost, prevention-oriented and comprehensive treatment”, the Company complied with safety production laws and regulations, implemented the main responsibility for safety production, guaranteed investment in safety production, improved the safety production responsibility system, consolidated the standardization of safety production, intensified the efforts in promoting safety production and maintained the stable enhancement of safety production.

Contribute to achieving the dual carbon target and focus on climate change

Upholding the environment and energy policy of “hundred-year Yitai, green energy, energy saving, efficiency increasing and sustainable development”, the Company has been making continuous efforts in refining its mechanism for pollution prevention and control as well as dual control of energy consumption, improving its clean production ability through technological and process innovation and by phasing out obsolete highly energy consuming equipment, while carrying out afforestation and carbon capturing and disaster management projects to protect the lucid water and lush mountain of the mining areas, thus practising our commitments of ecological civilization construction through concrete actions. In 2021, the Company carried out several projects for technological improvement in energy saving to address the climate change: the completion and commissioning of the renovation project of Coal-to-oil Company in respect of ultra-low boiler flue gas emission, which is expected to reduce sulfur dioxide by 27 tonnes/year, nitrogen oxides by 77 tonnes/year and particulate matters by 21 tonnes/year and the initiation of the project of improving the performance of Fischer-Tropsch catalyst for coal-to-oil process, which is expected to save 18,800 tonnes of standard coal every year after being put into use.



Optimize product services and ensure supply

Upholding the operating philosophy of “zero defect in product quality and 100% customer satisfaction”, the Company continued to enhance the construction of quality management system, comprehensively carried out quality monitoring and quality and efficiency improvement projects to improve the product quality, production efficiency as well as customer satisfaction in all respect. In terms of coal production, in the context of tight supply and demand in the PRC coal market and the trend of rising coal price, the Company, under the requirements of national and competent local energy departments, scientifically organized production and optimized allocation and management to maintain advanced capacity and ensure supply of the coal market, and successfully ensured supply.

Persistent to talent strategy and lay a solid foundation for innovation

The Company continued to focus on the development of staff and took proactive actions to build a talent team with equality, unity, harmony and diversity. In order to accelerate the cultivation of talent, the Company formulated comprehensive talent development management system, set up the development platform for staff training, continuously improved the innovation capacity of the workforce, actively enhanced the communication among employees, exercised the philosophy of caring for the staff, and created a fair environment conducive to talent development.

In respect of innovative development, the Company strived to advance the innovative development strategy and improve the system of innovation platform and outcome incentive policy. The Company improved the innovative environment, enhanced the efforts in the industrialization of major technological outcomes, conducted industry-university-research cooperation and senior talent cultivation and unleashed the innovation vitality of the Company. In 2021, the Company collected a total of 287 internal science and technology achievements. Among these, the interim project of generating syngas from carbon dioxide electrolysis of the Yitai Chemical Company, the project of big data research and application of the Yitai Coal and Chemical of the Company and ultra-low boiler flue gas emission of Coal-to-oil Company project were the first batch of science and technology projects approved in Ordos in 2021. The project of connected cloud platform of coal supply industrial chain of the Company was approved as the special development project of key industries in the autonomous region in 2021. The model project of the industrialization of generating a series of high quality normal paraffins and iso-paraffins of the Ningneng Company was granted the third prize of Science and Technology in the autonomous region.

Dedicate to charity program and shoulder social responsibilities

The original aspiration is extraordinary precious while the responsibility is the soul of the corporate. The Company strived to make contribution to the country through the industry, actively engaging in boosting the development for the country and local communities and dedicating itself to social charity undertakings. The grassroot unit of the Company have actively taken part in the battle against poverty of “promoting economic development of villages with the support of various enterprises” and assisted 23 villages and the total amount of assistance fund reached RMB75.4429 million which benefited 2,502 people. Meanwhile, the Company continuously monitored the dynamic of the COVID-19 pandemic and provided support to the regions where there were COVID-19 outbreak and helped the people go through the difficulties. The Company also made efforts in preventing and controlling the pandemic by donating integrated automated nucleic acid test laboratory and materials which worth RMB7.81 million to the medical and health system of Ordos and RMB200,000 to Manzhouli to help them fight against the COVID-19 pandemic. The donations, including money and materials the Company has made since the outbreak of COVID-19 pandemic reached RMB59.6179 million.

In the future, the Company will continue to uphold the policy of “given priority to ecological protection and promoting green development”, actively explore opportunities for low-carbon transformation, accelerate industrial upgrading and structural adjustments, and build up a new pattern of diversified development with complementary industries, complementary benefits and complementary markets.

ABOUT US

Inner Mongolia Yitai Coal Co., Ltd. is a listed company in “B+H” shares markets funded and established exclusively by Inner Mongolia Yitai Group Co., Ltd. The Company was founded in August 1997, and in the same year listed on Shanghai Stock Exchange where its stock is referred to as “Yitai B Shares” (stock code 900948). In July 2012, the Company was listed on the Stock Exchange of Hong Kong Limited, where its stock is referred to as “Yitai Coal” (stock code 03948). The Company is a large clean energy enterprise based on coal production, transportation and sale and integrating railway and coal chemical business.

The Company has abundant coal resource reserve with high quality, and its coal mining is modernized at a very high level. The Company directly owns and controls 9 coal mines in total. As a major product of the Company at present, environment-friendly and quality thermal coal mainly serves as fuel coal of enterprises in downstream thermal power, metallurgy, construction materials, chemical and other industries. The Company conducted business in North China, East China, South China, Central China, Northeast China, Northwest China and other regions, and has established long-term, friendly, mutually beneficial strategic partnership with users from thermal power, metallurgy, construction materials and chemical industries. Such partnership had delivered satisfactory brand benefits.

The Company owns comprehensive railway network, road and transportation system equipped with infrastructure. The Company also actively stepped up the construction of equipped railway network through self-construction or shareholding to promote its capacity in respect of the delivery and sales of coal. Currently, the Company controls 3 main railways under operation through shareholding: Zhundong Railway, Huzhun Railway and a special railway line for Suancigou Mine. At the same time, the Company also holds shares in Xin Baoshen Railway (15% equity interest), Zhunshuo Railway (12.36% equity interest), Mengji Railway (9% equity interest), South Ordos Railway (3.9226% equity interest), and Haoji Railway (2% equity interest). In addition, the Company has built the mine roads with a total length of 150 km, covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area. Over the years, the Company has been continuously increasing technology and equipment investment in railway management. Its coal collection and transportation capacity has been continuously improved, and the transportation network covering the Company’s main mining areas has been continuously enhanced, thus creating good conditions for coal transportation of the Company and its surrounding areas.

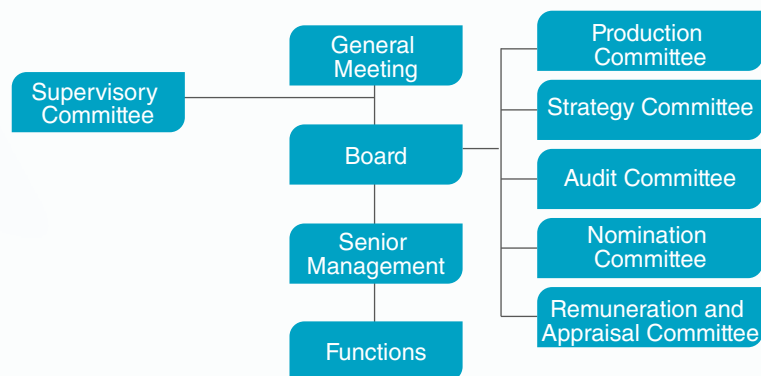
The Company has been committed to developing clean coal technologies, increasing added value of its products and extending coal industry chain to deploy large coal chemical projects in Inner Mongolia and Xinjiang area through the application of world-leading indirect coal liquefaction technology. The major products of the 160,000 tonnes/year coal-to-liquid demonstration project of the Coal-to-oil Company that was completed and in operation include but are not limited to Fischer-Tropsch refined wax, 1# Fischer-Tropsch crude liquid wax, normal stable light hydrocarbons, normal Fischer-Tropsch soft wax, liquefied gas, and the major products of the 1.2 million tonnes/year fine chemicals project of Yitai Chemical include but are not limited to 2# Fischer-Tropsch crude liquid wax, 1# Fischer-Tropsch crude liquid wax, normal stable light hydrocarbon and Fischer-Tropsch refined wax. An integrated industry system of research, production and sale covering upstream coal production, coal-to-oil and downstream coal-based fine chemicals has also been formed. The coal and chemical industry will follow the development direction of “green and environmentally friendly, energy conservation and carbon reduction, innovation-oriented, enhanced efficiency” and take advantage of upstream and downstream integration in the coal sector to lay a foundation for the sustainable development of Yitai.

1. COMPLIANCE MANAGEMENT

The Company attached great importance to compliance management, actively set up and improved the Company's governance and structure system to ensure that the corporate operates in accordance with relevant laws and regulations. It also enhanced the clean operations and built up the awareness of anti-corruption, while improving the implementation of EGS management to perform its social responsibilities and to achieve sustainable development.

1.1 Governance and Structure

The Company has improved its corporate governance system and standardized its operation pursuant to the Company Law (《公司法》), the Securities Law (《證券法》) and relevant laws and regulations. The Company has set up the corporate governance structure which comprises the general meeting, the Board and its special committees, the supervisory committee, the senior management and other functioning departments that interacted with each other and carried out their own duties in an effective manner. In 2021, the Company organized and successfully held ten Board meetings, eleven supervisory meetings and three general meetings and reviewed and passed over 20 material matters of the Company which had brought positive effects on the compliant operations of the Company.



Case Study: Special action on governance of listed companies

In April 2021, according to the “Announcement on Launching Special Actions on Corporate Governance of Listed Companies” ([2020] No. 69) issued by the China Securities Regulatory Commission, the Company arranged a self-examination on various aspects of its organization and functions, including the operation and decision-making, the performance and management of the directors, supervisors and senior management, the conduct, connected transactions, financial transactions and guarantees of the controlling shareholders, the construction of the internal control systems and the transparency of the information disclosure. The self-examination and rectification played a positive role in improving the Company's internal control, standardizing the connected transactions, guaranteeing and promoting the construction of “three committees” and the refinement and rationalization of the decision-making mechanism.

1.2 Anti-corruption and Integrity Promotion

The Company strictly complied with the Company Law and laws and regulations relating to anti-corruption and antibribery. In addition, the Company formulated various provisions and measures such as the Regulation on Strengthening Honesty and Dedication Building and Improving Cadres' Work Style and the Measures on Strengthening the Assessment of Honesty and Dedication Building and Improving Cadres' Workstyle, which provides system guarantee for the Company's anti-corruption efforts, while unceasingly strengthened the supervision on the Company's production, operation, management and other activities. During the reporting period, the Company was not aware of any enquiry, notification, or penalty caused by any contravention of laws and regulations on anti-corruption, anti-blackmail, anti-fraud, and anti-money laundering.

- Integrity supervision – The Company conducted face-to-face warning education to management personnel at all levels and employees of its subsidiaries, functioning departments and foreign offices through conversations on integrity and collective discussions to prevent the development of wrong ideas and behaviors.
- The Company signed a letter of responsibility for the construction of party style and clean administration with the functioning departments and the grass root units and implemented the responsibility of integrity at all levels to ensure the efficient and effective performance of the deployment of production management and ideological style.
 - The Company attached great importance to the work related to petition letters and visits and whistleblowing, and set up dedicated anti-corruption reporting channels such as telephone and e-mail to fix management loopholes, while taking active measures to protect the information of the person who reports, and guiding the construction of a harmonious and stable development environment.
 - The Company democratically evaluated the performance of managers at all levels in daily work such as democratic decision-making, acceptance of supervision and diligence and thrift, and evaluated managers based on the assessment results provided by the disciplinary inspection committee.
- Integrity training – The Company conducted Honesty and Dedication Building educational promotion activities targeted at directors and all employees, and fully leveraged on other internal educational promotion activities, effectively integrating other teaching resources and channels to promptly carry out the promotion and implementation of aspirations and faiths, party disciplines and regulations, laws and regulations, warning education and rules and policies of the Company, to emphasize constant vigilance on wrongdoings.
- The Company actively organized disciplinary inspection cadres to participate in the training and study of the Municipal Commission for Discipline Inspection to improve their ideal awareness, theoretical standards and professional skills to step up the construction of disciplinary inspection team.

1.3 ESG Management

- **ESG Statement of the Board**

The Board of the Company, which attaches great importance to environment, social and governance (“ESG”) issues, engages in reviewing the Company’s ESG strategy to ensure the philosophy of ESG is in line with the Company’s strategy; evaluates the risks and opportunities of the Company’s sustainable development, and determines the key points in pursuing sustainable development based on the management operation and requirements of stakeholders; regularly reviews ESG managing policies, key issues and the progress towards achieving goals, with a view to better realizing the responsibilities for sustainable development. The Board is also responsible for reviewing the disclosed information in the Company’s Environment, Social Responsibility and Corporate Governance Report. The Report will also be reviewed by the Board before issuance.

- **Communication with stakeholders**

The Company continued to maintain communication with stakeholders, established diversified communication channels, kept on listening to the expectations and demands of stakeholders, and responded promptly to their comments. While operating in compliance with laws and regulations, the Company was committed to fulfilling its social responsibilities and creating value for stakeholders. From the perspective of sustainable development, the Company organized and formed a stakeholder communication schedule to provide a basis for the Company’s identification of material issues.

Stakeholders	Expectations and Demand	Communication Method	Response
Shareholders	<ul style="list-style-type: none"> – Sustained and stable performance growth – Standardized and clean operation – Timely and accurate information disclosure – Responsible investment – ESG responsibility concept – ESG governance structure 	<ul style="list-style-type: none"> – Periodic disclosure – General meeting – Investor investigation – Results presentation – Results roadshow – Telephone meeting 	<ul style="list-style-type: none"> – Stable operation – Timely and effective information disclosure – Investment management

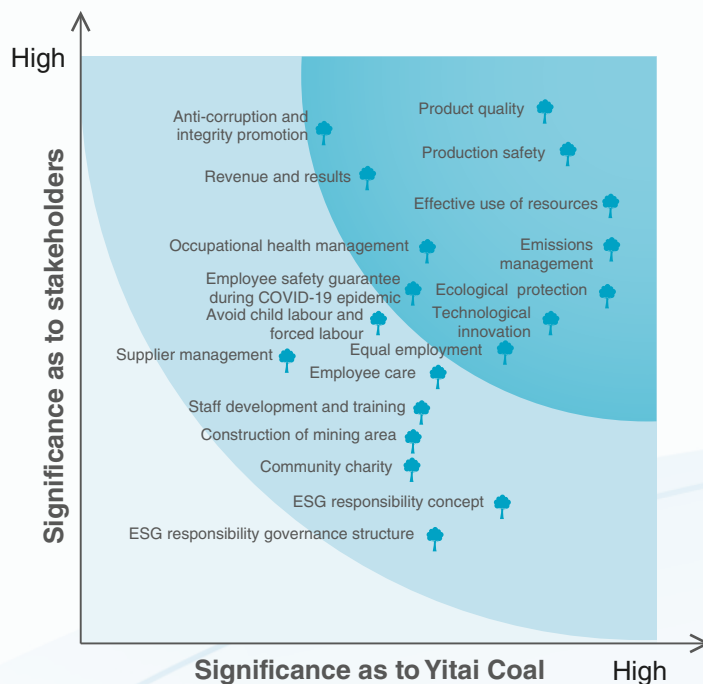
Stakeholders	Expectations and Demand	Communication Method	Response
Regulators	<ul style="list-style-type: none"> - Operation safety - Lawful and compliant - Stable tax revenue growth - Serve the local economy - Promote the development of the industry 	<ul style="list-style-type: none"> - Special report - Policy interpretation - Information announcement 	<ul style="list-style-type: none"> - Compliance management - Compliance with laws and regulations - Paying tax according to the law - Construction of mining area - Railway operation - Technological innovation
Environment	<ul style="list-style-type: none"> - Compliant pollutant emissions - Saving energy and resources - Improving the efficiency in the utilization of energy - Ecological protection 	<ul style="list-style-type: none"> - Environmental information disclosure - Insight into trend - Technological innovation - Awareness improvement 	<ul style="list-style-type: none"> - Establishment of environmental management system - Emissions management - Effective use of resources - Minimize environmental impact
Employees	<ul style="list-style-type: none"> - Equal employment opportunities - Reasonable salary and welfare - Smooth development channel - Safe and healthy working environment - Employee care 	<ul style="list-style-type: none"> - Daily communication - Communication platforms such as e-mail and website - Employee representative meetings - Employee activities 	<ul style="list-style-type: none"> - Equal employment - Diversified recruitment - Occupational promotion channel - Training system - Occupational health management - Employee care activities - Pandemic prevention and control measures
Customers	<ul style="list-style-type: none"> - Provide quality compliance coal and coal chemical products - Stable and efficient railway operation 	<ul style="list-style-type: none"> - Customer visits - Customer service call and E-mail - Mobile platform - Satisfaction questionnaire 	<ul style="list-style-type: none"> - Quality management - Technological innovation



Stakeholders	Expectations and Demand	Communication Method	Response
Suppliers and partners	<ul style="list-style-type: none"> – Transparent procurement – Win-win cooperation – Keep commitment 	<ul style="list-style-type: none"> – Partner meeting – Supplier visits – Online service platform 	<ul style="list-style-type: none"> – Supply chain responsibility management – Sunshine procurement – Green procurement
Community	<ul style="list-style-type: none"> – Environmental protection – Response to national policies – Community assistance 	<ul style="list-style-type: none"> – Understand community demands and national key projects 	<ul style="list-style-type: none"> – Environmental charity – Targeted poverty alleviation – Charity activities – Volunteer activities

- **Materiality matrix**

The Company forms environmental, social and governance issues based on the actual situations and industry features, and communicates with the stakeholders to evaluate, identify and rank issues in terms of the significance of the issues to stakeholders and to the environment and society, and subsequently forms a matrix of material ESG issues of the Company and makes key disclosures.



2. PRODUCT VALUE

In strict compliance with the Product Quality Law of the People's Republic of China, the Standardization Law of the People's Republic of China, the Measures for the Implementation of Regulations of the PRC for the Administration of Production Licences for Industrial Products, Law on Protection of the Rights and Interests of Consumers of the PRC, and Interim Measures on the Quality Control of Commercial Coal and other laws and regulations and industry standards, the Company strictly controlled product quality, and improved the supply chain management platform, striving to provide customers with high-quality products and services.

2.1 Product Quality Management

Adhering to the principle of "quality is the life of an enterprise", the Company revised, and updated the version of the Quality Control Manual as our management standards for quality management system, explored technological innovation, facilitated the improvement of product quality, and completed various production operations with quality and quantity. In addition, the Company utilized a quality evaluation mechanism to implement positive incentives for product quality control to provide guarantee for product quality with a complete quality control system which has achieved significant results in the quality management of coal and coal chemical products.

In 2021, the Company's SHQ management system was further improved. The Annual Audit Framework was implemented smoothly as planned the responsibility interface of each unit and department within the scope of the system of operation become clearer, and we have seen a continuous improvement in the professional capability of internal auditors.

All management works had been carried out steadily in accordance with the requirements of the ISO management system standard, and the benefits of the application of "process method + PDCA loop model + risk-based thinking" system dynamic cycle management model was further demonstrated. The Company's SHQ management system continued to operate effectively and maintained its registered qualification for certification on the "National Certification and Accreditation Information Public Service Platform" of the National Accreditation and Supervision Commission, which has built a positive public image for the Company and has enhanced its credibility and reputation and its competitiveness in the industry.

- **Coal product quality control**

According to the "Interim Measures on the Quality Control of Commercial Coal" jointly issued by the six ministries and commissions of the state, the Company has formulated the Measures for Coal Quality Management and Assessment Rules of Inner Mongolia Yitai Coal Co., Ltd. Focusing on its quality policy, the Company has been adhering to the principle of "highlighting the source control, paying attention to process supervision, expanding the service radius, and issuing trustworthy data", and controls the coal quality management work. In the actual implementation process, combined with the "Coal Purchase and Sale Contract" signed by the two parties to the transaction, the Company has adhered to the settlement principle of "pricing based on quality" to ensure product quality.



Aiming to converge force, expand projects and enhance capabilities, we carried out coal test work in strict compliance with the “Laboratory Accreditation Standards – Testing and Calibration Laboratory Capability Accreditation Guidelines” and actively promoted the implementation of testing equipment technical transformation projects to steadily improve the management level of laboratories. The Company sampled the coal products from various suppliers everyday through an automatic sampling machine, and blind samples of coal products were inspected with the automatic information collection system of laboratory, thus effectively guaranteeing the fairness of the operation of quality-based pricing mechanism and the stability of product quality. The Company did not record any coal quality incident during the year.

– *Improvement in product technology*

The Company continued to optimize coal production technology to ensure product quality. In terms of reducing external water, the Company set up more waterproof canopies on the belt conveyors to prevent the roadway pouring water from entering the coal flow system during the transportation; the Company increased the deployment of drainage pipelines and temporary drainage pumps on the comprehensive mining work face to ensure that the water in the working area is discharged rapidly and to avoid the external water entering the coal flow system. In terms of ash reduction, the Company strictly implemented the separate loading and separate transportation measures in the process of excavation. All coal gangue was discharged to the coal gangue dumping alley; on the comprehensive mining work surface, the quality of projects was strictly controlled, and avoided the cutting of the top and bottom of coal gangue. Large pieces of coal gangue were picked out manually to reduce ash and effectively improve the heat generation of coal. Meanwhile, coal preparation plants were established to support the grading of block coal and the sludge drying system, which significantly improved the quality of coal products.

• **Quality management of coal chemical products**

The Company adhered to the Management Measures for Quality of Coal Chemical Segment, the Incentive Management Measures for Quality of Coal Chemical Segment, the Administrative Measures for Substandard Coal Chemical Products and the Administrative Measures for Customer Complaints and Feedback in the Coal Chemical Sector, and promoted the comprehensive improvement in the level of quality management through regular supervision and inspection as well as quality special reward mechanism. As a result of these efforts, we have seen remarkable enhancement in the quality and efficiency of coal chemical products, and did not record any quality accidents during the year. In 2021, the Company rewarded six quality improvement and efficiency improvement projects, and cashed in a total of RMB361,389 in quality special awards.

– *Quality system certification*

During the reporting period, all subsidiaries of the coal chemical industry maintained the effective operation of the quality management system and successfully passed the audit and certification of third-party manufacturers.

Yitai Chemical Co., Ltd. – In September 2021, the internal audit of the management system was organized, and the management review and external audit were carried out in October.

Yitai Coal-to-oil Co., Ltd. – In October 2021, the revision of quality management system documents and internal audit were completed, and the external audit of quality management system was completed in November.

Yitai Petrochemical Co., Ltd. – In 2021, the revision of quality management system documents, internal audit and management review were completed, and the external audit of the quality management system was completed in December.

Yitai Ningneng Fine Chemicals Co., Ltd. – In early September 2021, the internal audit of the quality management system was organized, and the external audit of the quality management system was completed in mid-September.



– *Quality technical improvement measures*

During the reporting period, the Company took a number of quality improvement technical transformation measures to effectively improve product quality.

Improvement in the quality of salt and nitrate content in the by-products of coal chemical industry – Based on the internal miscellaneous salt operation and the process operation characteristics of other players in the industry, the Company implemented the process operation scheme of “joint adjustment” featuring new and old evaporative crystallization, and completed the transformation of the miscellaneous salt system through multiple tests, thus effectively removing the impurities and COD that were constantly enriched in the system, improving the product qualification rate, and further saving operating costs for the Company.

Improvement in the quality of nitrogen content in ammonium sulfate by-products – Through process adjustment and optimization, the Company ensured the stable level of nitrogen content of over 20.5%, improved product quality, and increased the market competitiveness of the products.

Low grade refined wax molding improvement – After the technical transformation project to solve the problem of low-grade refined wax products cannot be molded and granulated, it was able to ensure the supply of low-grade products reduce costs while alleviating the pressure of liquid inventory after the project putting into use to promote the improvement of production capacity.

Improvement of NC14 products and environmentally-friendly heavy wax products – Through technological transformation, the purity of NC14 could be guaranteed to be more than 99% for a long time while ensuring the quality of environmentally-friendly heavy wax and improving the output of environmentally-friendly heavy wax. This process technology was safe, stable, reliable, flexible in operation, and the application effect far exceeded the expected effect of design and technology transformation.

– *Product management and control measures*

The Company has put in place strict control standards and procedures for the entry of raw materials into the factory, the processing of process products and the delivery of finished products from the factory, as well as for customer feedback. We also prepared and conducted regular review on rules and regulations in respect of control standards for the entry of raw materials into the factory, inspection plans, and product quality control. Meanwhile, various measures have been implemented to ensure that the process is under control and that the product quality meets relevant standards. These measures included quality confirmation prior and subsequent to loading for shipment, timely warning for quality abnormalities, and timely response to customer feedbacks.

2.2 Improvement of Customer Service

The Company has formulated a range of systems to safeguard the rights and interests of customers, and strived to provide customers with better products and services. Such systems include: the Employee Accountability System, the Credit Sales Management System, the Management System for Customers, Suppliers and Other Related Parties, and the Gas Station Management System

- **Privacy protection**

The Company actively abided by the Consumer Rights Protection Law of the People's Republic of China and other laws and regulations, and formulated the Measures for the Administration of Customer Files and Customer Evaluation of coal transportation and marketing division (Trial) to clarify the confidentiality clauses of customer information. Efforts were also made to respect customer privacy, strengthen staff training management, and to avoid any incidents involving the leakage of customer documents and feedback information. Employees who violate the corresponding system are punished internally with penalties ranging from fines to suspension based on the severity of the circumstances. During the reporting period, the Company did not have any case that entered the lawsuit due to violation of customer privacy.

- **Customer communication**

The Company always values communication feedback with customers, according to the "Coal Quality Management Measures of the Coal Transportation and Marketing Division", "The Coal Transportation and Marketing Division Coal Mine Sales Management Measures", "The Coal Transportation and Marketing Division Coal Shipping and Sales Business Management Measures", "The Coal Chemical Industry Plate Customer Complaints and Feedback Management Measures", "Yitai Petrochemical Company Customer Complaint Feedback and Handling Methods", etc., through a variety of channels to communicate with customers, timely carry out customer talks, customer visits, customer satisfaction survey, online communication, telephone return visits to have comprehensive and all-round communication with customers.

- The Company set up offices in Shanghai, Nanjing, Guangzhou, Chengdu and other areas where customers are concentrated, which understands the market dynamics and customer needs, as well as solved the difficulties encountered in the sales process and the problems raised by customers, and responded quickly in the formulation of sales strategies through long-term dispatch of sales to dock nearby, has reached cooperation intentions with a number of customers;
- The Company organized and conducted customer satisfaction surveys, each of which contained "product quality, service, price" and other content. After summarizing the information, a report was formed and submitted to the Company. During the survey process, we carefully listened to the voice of customers, objectively summarized the shortcomings identified during the cooperation process, accepted suggestions for improvement, improved service quality, and strengthened cooperative relations;
- The Company opened Douyin, WeChat public account and Alibaba online trading platform, using the Internet as a medium to carry out customer exchanges and information sharing, timely understand customer needs, analyze market dynamics and improve;

- Irregular telephone return visits to customers. Through telephone communication to analyze the problems existing in the cooperation between the two sides, understand the use of downstream products, help the Company adjust various coping strategies in a timely manner, and establish a stable and orderly partnership.

In addition, the Company paid more attention to customer feedback, established a timely and efficient feedback mechanism, implemented special control over customer feedback, and established a customer satisfaction survey platform and a customer complaint platform to ensure that customer feedback was handled in a timely manner. In the event of customer feedback on product quality problems, the Company's quality management personnel responded immediately, verified product quality retrospectively, found the cause of the problem in time, and communicated solutions.

Case Study: One-on-one Talk Between Petrochemical Company and Key Customers

In July 2021, Petrochemical Company invited customers of various products to communicate in Manzhouli and build a bridge of cooperation with customers. During the period, the chairman of the board of directors of Petrochemical Company and the deputy general manager in charge of sales work conducted one-on-one discussions and exchanges with key customers of the Fischer-Tropsch wax, light and heavy products and normal heterogeneous products, listened to the opinions and suggestions of customers on the products and sales work in a timely manner, carefully analyzed the current and future market conditions, and discussed and made arrangement and deployment for the future procurement plans of and model of cooperation with such customers.



2.3 Encouraging Innovative Development

The Company attached great importance to technological innovation and development. The Company complied with the requirements of Internal regulations including the Technology Management System of Inner Mongolia Yitai Coal Co., Ltd., the Management and Incentive System of Technological Achievements of Inner Mongolia Yitai Coal Co., Ltd., Management Measures on Scientific Research Project of Inner Mongolia Yitai Coal Co., Ltd., Evaluation Rules of Technical Management Organization Award of Inner Mongolia Yitai Coal Co., Ltd. In 2021, the Company formulated and issued the Science and Technology Innovation Fund Management Measures of Inner Mongolia Yitai Coal Co., Ltd. and the Postdoctoral Research Workstation Management Measures of Inner Mongolia Yitai Coal Co., Ltd., which further improved the management system of scientific and technological innovation.

- **Innovative achievements**


The Company continued to carry out a number of scientific and technological innovation projects, and leveraging on the strength of advanced scientific research teams, explored to achieve professional and technical improvement, effectively enhanced the Company's industry strength, and promoted the high-quality development of the Company.

In the year 2021, the Company collected 287 internal scientific and technological achievements. Among them, the pilot project of carbon dioxide electrolysis to syngas of Yitai Chemical Company, the research and application project of big data technology of Yitai Coal Chemical Industry, and the ultra-low emission project of boiler flue gas of Coal-to-oil Company were approved as the first batch of scientific and technological plan projects in Ordos City in 2021, and the Company's "Coal Supply Chain Industrial Interconnection Cloud Platform" project was approved as a special project for the development of key industries in the autonomous region in 2021. In addition, "Fischer-Tropsch Alkanes Series High-quality Positive and Isomeric Alkane Industrialization Demonstration Project" project of Ningneng Company won the third prize of the Autonomous Region Science and Technology Progress Award.

- **Standard setting**

In 2021, the Company made significant efforts in developing industry standards, and actively participated in revising national standards, industrial standards as well as group standards. During the year, the Company participated in the review of 16 national, industry and group standards, contributing to the development and progress of the industry. The industry standards co-developed or independently developed by the Company during the period were as follows:

- The Company played a leading role in the development of HG/T 5822-2021 "Coal-based Fischer-Tropsch synthesis of mixed olefins" (《煤基費托合成混合烯烴》) and participated in the development of HG/T 5823-2021 "Coal-based Fischer-Tropsch synthesis of solid waxes" (《煤基費托合成固體蠟》), which have been approved for publication and became effective on 5 March 2021. Of which, "Coal-based Fischer-Tropsch synthesis of mixed olefins (《煤基費托合成混合烯烴》)" was the first industry standard project independently developed by the Company.

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- The Company participated in the development of two national standards, namely GB/T 23251-2021 “Coal Technical guidelines for coal chemical industry” (《煤化工用煤技術導則》), and GB/T 34273-2021 “Coal liquefied diesel cetane index calculation method four-variable formula method” (《煤液化柴油十六烷指數計算法四變量公式法》), which have been approved for publication and became effective on 31 December 2021.

- **Industry-university cooperation**

In 2021, the Company further launched a number of industry-university cooperative research projects, and jointly explored the research of advanced technologies in the industry to help the enhancement of the Company’s product value:

- The Company carried out research on the optimization of washing system in Talahao Mine in collaboration with China University of Mining and Technology;
- The Company carried out the optimization of coal discharge process and the reasonable width of coal pillars in the comprehensive discharge face of the extra-thick coal seam of the Acid Thorn Gully Coal Mine in collaboration with Chongqing University;
- The Company carried out the establishment of a surrounding rock control system for the whole life cycle of the roadway in collaboration with Taian Taishuo Rock Formation Control Technology Co., Ltd.

- **Intellectual property and patent protection**

The Company values the protection of intellectual property rights and patents. In strict compliance with laws and regulations such as the Copyright Law of the PRC and the Patent Law of the PRC, the Company developed Patent Classification and Hierarchical Administration Measures of Inner Mongolia Yitai Coal Co., Ltd. in addition to Administration Measures for Intellectual Property Rights of Inner Mongolia Yitai Coal Co., Ltd., Measures for the Risk Management of Intellectual Property Rights of Inner Mongolia Yitai Coal Co., Ltd., Management Measures for the Expert Database of Technology and Intellectual Property Right Review of Inner Mongolia Yitai Coal Co., Ltd., Confidentiality Management System of Inner Mongolia Yitai Coal Co., Ltd. and existing intellectual property rights and patent protection system, to consolidate the management system of intellectual property rights and patent protection. During the Reporting period, the Company carried out a number of measures to enhance the level of intellectual property and patent protection:

- Improvement in the intellectual property-related training: the Company focused on special training on “Enterprise Trade Secret Asset Management Practice” and “Collection and Management Sharing of Evidence of Enterprise Trademark Use”;
- Enhance database search capabilities: the Company opened new channels for external patent database search and two database use permissions of the “incoPat global science and technology analysis operation platform” and “PatSnap” patent search and analysis database to improve the application capacity of the database;
- Implementation of intellectual property incentive mechanism: In 2021, 119 intellectual property rights were granted, and award amount of RMB181,000 was received.

2.4 Optimize Supply Chain Management

The Company had made optimizing the procurement and supply cooperation environment and building a symbiotic, win-win and shared industry ecosystem one of the key tasks in the 14th Five-Year Plan of the Company's business function strategy. The Company strictly abided by the relevant national laws and regulations such as the Bidding Law of the People's Republic of China, formulated the internal management policies such as the Procurement Management Measures of Inner Mongolia Yitai Coal Co., Ltd. And the Supplier Management Measures of Inner Mongolia Yitai Coal Co., Ltd. The Company also strictly imposed stringent regulations on supplier cooperation process management, strengthened management of environmental and social risks involving our suppliers, proactively procured environmentally-friendly products, and promoted the comprehensive optimization of the Company's supply chain management.

- **Supplier management**

The Company has established a sound compliance management of the entire process of supplier access, supervision and evaluation to ensure cooperation with quality suppliers.

Supplier access – The Company requires suppliers to comply with relevant national and regional laws and regulations, supplier management rules and other requirements, also set out requirements on integrity and compliance, professional qualification and operating results, strictly select qualified and quality suppliers.

Supplier supervision – Review self-registered suppliers and suppliers we invited in accordance with established procedures, and recommend quality supplier according to procurement requirements or make a request for inspection, organize joint inspection, and issue inspection report.

Supplier evaluation Suppliers were evaluated with the approach combining monthly performance assessment and annual comprehensive assessment:

- The Company would adopt a management mechanism to suspend the cooperation with enterprises who had violated the rules such as failure to submit tenders without reasonable grounds, failure to pass product quality sampling, and failure to update platform information as required;

- The Company would adopt a management mechanism to terminate cooperation with enterprises that had committed serious breaches of contract, defaulted or lost their ability to perform.

- **Environmental and social risk management of the supply chain**

Environmental and social risk management of the supply chain is of great significance to the Company's normal production activities. The Company incorporated the requirements of environmental and social risk control into the data review of the supplier access and the supervision and inspection of subsequent cooperation process to strengthen the supply chain environmental and social risk management.

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|----------------------------------|--|
| Phase of registration and access | <ul style="list-style-type: none">– The registered and cooperating suppliers must comply with relevant laws and regulations, obtain quality, environment, occupational health management system certification or comply with the requirements of environmental management system, and have put in place corresponding management measures;– Business enterprises of hazardous chemicals must obtain corresponding business licenses;– Pharmaceutical suppliers shall strictly follow the scope of business license review, and control the transport companies it cooperates with. |
| Phase of subsequent cooperation | <ul style="list-style-type: none">– Supervise and manage suppliers in the manufacturing and other processes through third-party supervision agencies, produce in strict compliance with the contract and agreement, and resolutely put an end to acts that pollute the environment and jeopardize to staff working environment;– Organize inspection of cooperation suppliers, conduct comprehensive assessments of suppliers' production capacity, environment protection and employment. |

- **Prefer to environmentally-friendly products**

The Company deeply understands the significance of environmentally-friendly products in supply chain management and had invested a lot of efforts in the field of supply chain environmental protection, while constantly raising the environmental requirements in supply chain management, upgrading the level of environmentally-friendliness of the Company's products, and establishing relevant regulations for the selection of processes and procurement of equipment:

- Reducing energy consumption, optimizing production process and procedure, gradually phasing out highly polluting, high energy-consuming and outdated production process, technology and equipment, preferring energy-saving and energy-reducing products, and avoiding using mechanical and electronic products eliminated according to relevant laws and regulations of the State;
- While submitting procurement plans, the procurement of products in the catalogue of phase-out products with high energy consumption is strictly prohibited, and priority should be given to energy-saving and environmentally-friendly products.

3. SAFETY DEVELOPMENT

Safety is the foremost politics and the guarantee for survival of the Company, and the greatest welfare of the employees. The Company firmly established the responsibility awareness of “life first” and always puts the safety of employees’ lives and the production safety of the enterprise in the first place. The Company insists on the responsibility of “four consciousnesses”, continues to perfect the safety management structure, strengthens the occupational health protection of employees, and promotes the safety development of the Company. During the reporting period, the Company did not record any accident involving minor injuries or above, nor did it record any accident involving personal injuries or death or risk-related accident, and no new case of occupational diseases had been identified.

3.1 Safety Operation

In strict compliance with relevant laws and regulations on safety production, such as the Safety Production Law of the People’s Republic of China, Special Equipment Safety Law of the People’s Republic of China, the Fire Protection Law of the People’s Republic of China, the Opinions on the Construction of Dual Prevention Mechanism for the Implementation of the Guidelines for Curbing Serious Accidents of the Safety Committee Office of the State Council and the Notice on Comprehensively Strengthening the Work Safety Responsibility System for All Employees of the Safety Committee Office of the State Council, the Company upheld the direction for safety production featuring “safety first, prevention first, comprehensive management”, continued to improve its safety management system, paid attention to the implementation of safety protection, and dedicated to building a safe and controllable production environment, while actively strengthening the construction of safety culture and striving to enhance the safety awareness of all employees.

- **Safety Management System**

The Company formulated a number of safety control systems, such as the Management Measures on Classified Control on Safety Risk, the System of Identifying and Eliminating the Potential Risks in Production, Reward and Punishment Measures for Safety Supervision Leaders, Measures for Graded Rating of Safety Management Level of Production and Business Units, the Safety Responsibility System for All Employees, Safety Operation Technical Regulations, Standardized Management System of Safety Production in Coal Mines, the Management System of the Entrance in Mines, “three simultaneousness” Safety Management System for Construction Project Safety Facilities and the Standardized Management System of Safety Production in Coal Mines, and established a safety production management organization system under the safety production management organization led by the Security Committee, also required units at all levels to sign a certificate of responsibility for safety management, clarified the classified management of production and business units and functional management departments, implemented the identification of the Company’s safety management responsibilities and improved the Company’s safety management system.



- **Guarantee for Safety Production**

The Company takes the establishment of a sound safety production responsibility system as the basis, the commencement of safety management grading assessment as the grasp, the promotion of dual prevention mechanism as the main line, consolidation of standardization of safety production as the driving force, to maintain the operation of the occupational health and safety management system as the cornerstone, constantly strengthen safety management, innovative safety monitoring methods, to ensure the Company's production safety in an orderly manner.

During the year, the Company has taken strong safety measures in the whole production process from assessment, reward and punishment, as well as learning from external experience:

- | | |
|---|--|
| Rewards and punishments based on assessment | <ul style="list-style-type: none">– To carry out evaluation and assessment of the classification and management of production and operation units and the grading of safety management levels;– Optimize evaluation and assessment standards for coal, chemical, railway, transportation and sales, agriculture and home ownership segments;– Formulation of rewards and punishments for coal mine contractors and revision of rewards and punishments for safe production of the Company. |
| Crucial actions on safety | <ul style="list-style-type: none">– Steadily promote intelligent mining and construction of smart mines, continue to promote the technological transformation and upgrade of the chemical sector;– To build a multi-system coupling application to promote the steady development of the twin engines;– Strengthen the inspection of support materials, cables and oil products, and strictly control the safety access and process control. |
| Standardization construction results | <ul style="list-style-type: none">– To conduct in-depth benchmarking, comprehensively promote the construction of standardization of each version, strengthen the construction of safety monitoring system and ensure that production safety funds are put in place;– Organize the audit and certification (external audit) and internal audit of the Company's occupational health and safety/quality management system;– Study typical accident cases, learn lessons from production safety accidents in the industry, strengthen safety monitoring, highlight safety risk control and eliminate safety hazards. |

- **Safety Culture Cultivation**

In 2021, the Company continued to promote the safety culture cultivation, enhance the safety awareness of all employees, and to consolidate the operation of its safe production. The Company strictly abided by the national requirements such as the Safety Training Regulations for Production and Management Units, the Safety Training Regulations for Coal Mines, the Notice on Conducting Coal Mine Safety Training and Renovating and Promoting the Quality, formulated safety systems such as the Safety Education and Training Management System and an Annual Safety Training Plan, and organize a number of safety culture cultivation activities such as “Learning Laws and Regulations, Grasping Implementation and Strengthening Management”, “Collecting and promoting safety highlights, promoting mutual learning and improvement”, which significantly improved the quality of employee safety education and the effectiveness of safety office meetings.

In addition, the Company gave full play to the publicity and guidance role of platforms such as “Safety and Quality Briefing” and “Yitai Safety” WeChat official account, to encourage employees to actively learn safety production-related knowledge, establish employees’ risk awareness, publicize safety production and safety protection measures, and implement prevent and control measures.

Case: “Yitai Safety” published “Standardized Construction and Grading Measures for Enterprise Safety Production” and interpretation

In December 2021, to further standardize and promote safety production standardization construction of enterprise, the Emergency Management amended the Management Measures for Assessment on Enterprise Safety Production Standardization (Trial) (General Administration of Security [2014] No. 49, hereinafter referred to as the “Original Measures”), and published Standardized Construction and Grading Measures for Enterprise Safety Production (Emergency [2021] No. 83) (hereinafter referred to as the “Grading Measures”).

To facilitate the understanding and implementation of the Grading Measures, “Yitai Safety” official account published article in time to interpreted the policy, and summarized several key points such as the background of the amendment, main contents and main improvement, to assist all employees to comprehend the spirit of the policy and grasp its key points.

3.2 Occupational Health

The Company formulated system documents such as Occupational Health Management System, Administrative Measures for Prevention and Control of Occupational Disease Hazards in Coal Mine Workplaces, Responsibility System for Occupational Disease Prevention and Control, Occupational Health Operating Procedures for the Post, Annual Occupational Health and Safety Targets, Annual Plan and Implementation Scheme of Occupational Disease Prevention and Control and Emergency Rescue Plan for Occupational Disease Hazards Accidents in strict compliance with relevant laws and regulations on occupational health, such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and by following the 71 industry standards of safe area and safe production regarding occupational health managed by National Health Commission, and improved Organization Component of Occupational Health Management of All Units, Occupational Health Archives of All Units and Archives of Occupational Health Surveillance for Workers, and explicitly stipulated Standards of Labor Protection Equipment for Employees, to ensure a healthy and smooth career of its employees.

The Company has established and achieved the annual target of occupational disease prevention and control, strived to achieve the goal of no new cases of occupational diseases, and arranged professionally qualified occupational health management personnel to protect the health of employees. The Company also paid close attention to the occupational health of employees, conducted occupational health supervision and inspection of each unit on a quarterly basis, and timely discovered and supervised the rectification of problems identified.

In addition, the Company attached great importance to occupational health training, and has developed a three-level safety education and training system for its employees. In 2021, the Company organized nine occupational health education and training sessions, and verified the effectiveness of the training through a survey questionnaire. With a passing rate of 100%, such initiatives further enhanced the health awareness of the employees.

4. ENVIRONMENTAL PROTECTION

4.1 Enhancement of Emission Management

In accordance with the national strategy deployments of “carbon emissions peaking and carbon neutrality”, the Company complied with the guidelines of the laws and regulations relating to environmental protection such as the Law on Environmental Protection, the Law on Air Pollution Prevention and Control, the Law on the Prevention and Treatment of Water Pollution, the Law on Prevention and Control of Environmental Pollution by Solid Waste and Soil Pollution Control Law, formulating the Environmental Management Measures, the Measures for Reward and Punishment of Environmental Protection Inspection and Assessment and other related policies, continuously promoted optimization and adjustment of industrial structure and transformation and upgrade, and was committed to improving its emission control capabilities and implementing energy saving and emission reduction measures to reduce the negative impact on the environment.

During the reporting period, the Company did not have any environmental lawsuits due to violation of emissions regulations.

- **Greenhouse Gas Management**

The greenhouse gases emitted by the Company are mainly carbon dioxide, methane and nitrous oxide produced in coal production, coal chemical production and fuel use. To reduce greenhouse gas emissions from the source, achieve the target of green gas reduction, the Company took targeted improvement measures:

- Coordinated the planning of green development strategy, accelerated the layout of new energy industry, significantly improved the level of energy utilization, continuously reduced pollutant emissions, incorporated “dual carbon” and “dual control” of energy consumption into the entire scope of the Company’s strategic development, and comprehensively implementing the “dual carbon” target and strictly controlling the total amount and intensity of energy consumption;
- Entrust external third-party companies to systematically sort out the current energy consumption status of each industrial sector, comprehensively investigate energy consumption management loopholes and energy saving potential, and promote energy consumption management level and energy utilization efficiency of the Company;
- Through afforestation and other mining area greening projects, thoroughly implemented carbon sequestration projects, to effectively reduce greenhouse gas emissions.

Case Study: project of performance improvement for coal-to-oil Fischer-Tropsch catalyst

The Company invested RMB1 million in developing high-performance catalyst through the optimization of Fischer-Tropsch catalysts to produce high calorific value chemical products, which was expected to save 18,800 tonnes of standard coal per year. The project has not only reduced the amount of raw coal used, but also increased the value added of the products and significantly reduced the greenhouse gas emissions during the production process.

The Company will adhere to the implementation of the national “dual carbon” policy and initiatives, improve the system and mechanism to cope with climate change, strive to improve the capacity to control carbon emission, continue to promote optimization and adjustment of industrial structure and transformation and upgrade, and actively organize and conduct relevant training. The Company will also further reduce energy consumption and greenhouse gas emissions in accordance with the “Action Plan for Carbon Dioxide Peaking Before 2030” and the tasks set by the local government authorities, thus contributing to the achievement of “carbon peak”.



- **Waste Management**

The hazardous waste generated by the Company is mainly waste oil generated during equipment maintenance, waste oil and waste catalyst generated during the production of coal chemicals. The non-hazardous waste produced by the Company is mainly coal gangue generated during the process of coal mining and coal washing. The Company formulated the Management Measures for Prevention and Control of Pollution by Solid Wastes to refine the requirements for management of hazardous and non-hazardous wastes. The Company reduced the generation of industrial solid waste and hazardous industrial solid waste through reasonable selection and the use of raw materials, energy and other resources, as well as the application of advanced production process and equipment. The Company formulated corresponding measures based on different types of waste:

- Non-hazardous waste
 - Pursuing full optimization of utilization on the basis of compliant disposal. For example, in terms of gangue, priority would be given to comprehensive use in accordance with relevant legal and regulatory requirements; reasonable mining sequence, method, and process are adopted for each coal mine to reduce the amount of gangue generated.
- Hazardous waste
 - The Company stored the hazardous waste in compliance with relevant laws and regulates, and entrusted to Keling Environmental Protection Co., Ltd. to dispose hazardous waste within its scope of qualification;
 - Other waste (waste grease, batteries, etc.) were entrusted to companies with appropriate qualifications.

Case Study: Utilization of Solid Waste of Coal Gangue

In 2021, the Company used overlying rock and off-set space slurry to treat coal gangue, disposing of approximately 450,000 tonnes of coal gangue and utilising approximately 670,000 tonnes of mine water each year. The implementation of the project will greatly reduce the discharge of coal gangue and is an effective way to achieve solid waste utilization. The technology will be promoted and applied in other coal mines of the Company.

In 2022, the Company has formulated the “2022 Environmental/Energy Targets, Indicators” in accordance with national and local laws, regulations, standards and relevant requirements on environmental protection and energy management. The waste reduction targets are: solid waste classification collection and disposal; safe disposal of hazardous waste and prevention of secondary pollution.

- **Exhaust Gas Management**

The exhaust gas of the Company is mainly generated from boiler flue gas, loading system exhaust gas, coal dust generated from coal transportation and storage, and dust-containing exhaust gas derived from solid material storage and transportation. According to different types of exhaust gas, the Company formulated corresponding measures to prevent and control exhaust gas pollution:

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| Dust-containing exhaust gas | – Dust collectors and ventilation and dust removal equipment were equipped by the Company to ensure the dust content of exhaust gas and dust emission rate comply with the Class II limit standards of the Integrated Emission Standards of Air Pollutants (GB16297-1996) ($\leq 120\text{mg}/\text{m}^3$). |
| Boiler flue gas | – Ammonia desulfurization technology, selective non-catalytic reduction (SNCR) denitration process and bag dust removal process were applied by the Company to ensure that all the indicators of flue gas emissions met the air pollution emission standards for newly built coal-fired boilers under the Emission Standards of Air Pollutants for Coal-fired Power Plants (GB13223-2011) ($\text{SO}_2 \leq 100\text{mg}/\text{m}^3$, Nitrogen oxides $\leq 100\text{mg}/\text{m}^3$, dust $\leq 30\text{mg}/\text{m}^3$), and the Company has started ultra-low emission renovation for its boiler flue gas treatment since 2021. |
| Acid gas | – For acidic gas, sulfur recovery device and ammonia desulfurization process for secondary purification were adopted for purification, and discharged into the atmosphere after desulfurization. The SO_2 emission concentration met the requirements of Table 3 under the Emission Standard of Pollutants for Petroleum Refining Industry (GB31570-2015) ($\text{SO}_2 \leq 400\text{mg}/\text{m}^3$). |
| Volatile organic compounds | – Installation of environmental monitoring facilities for characteristic pollutants and recovery devices;
– Spherical tanks were used for LPG and propylene;
– Flanges were used for the connection of valves, instruments, equipment, etc.;
– Seal welds were used for all threaded connection pipes;
– Establishment of LDAR (leak detection and repair) system. |

Case Study: Energy saving and emission reduction initiatives in coal chemical production process through production process modification

In July 2021, boiler flue gas ultra-low emission transformation project of Coal-to-oil Company was completed and put into use, which is expected to reduce sulphur dioxide by 27 tonnes/year, nitrogen oxides by 77 tonnes/year and particulate matters by 21 tonnes/year.

4.2 Resource Utilization

The Company actively implemented the Energy Conservation Law of the People's Republic of China, incorporated the "dual control" of energy consumption into the overall strategic development of the Company, set annual targets for energy consumption and water consumption, accelerated the layout of new energy industries and the upgrading of the resource management system, and continued to make efforts in building a "resource-saving and environment-friendly" enterprise.

- **Energy Conservation Management**

In order to effectively strengthen the our dual control of energy consumption, the Company has formulated a number of energy consumption management measures, such as the Management Measures for Energy Conservation in Coal Production Section of Inner Mongolia Yitai Coal Co., Ltd., the Management Measures for Energy Conservation and Consumption Reduction of Inner Mongolia Yitai Coal-to-oil Co., Ltd., and the Management Measures for Energy Conservation and Consumption Reduction of Inner Mongolia Yitai Chemical Co., Ltd., and set up a leaders group for "dual control" of energy consumption for the coordination, decision-making and deployment of various energy consumption dual control tasks and to achieve the annual target in respect of energy consumption.

During the year, the Company invested RMB35,690,000 in energy-saving technical renovation, completed 8 energy-saving technical renovation projects and saved 47,494.5 tonnes of standard coal:

- Talahao Mine Belt Conveyor Energy Saving and Efficiency Renovation Project: Renovation of the belt conveyor of the underground main transport system was achieved with the deployment of fluid sensors, 10 Gigabit ring network and big data cloud equipment, thus achieving accurate monitoring of the coal volume of the main coal flow system, and adjusting the running speed of the belt machine through real-time coal volume linkage, and delivering better energy saving and efficiency. Investment amount of RMB3,540,000, saving 292.5 tonnes of standard coal;
- Yitai Chemical Thermal Power Plant Temperature Reduction and Pressure Reducing Project: The 5.4MPa-4.0MPa steam pressure reducing device is added to send part of the steam originally sent to the 2.8MPa pipe network for power generation of the 25MW unit to the 4.0 steam pipe network for power generation of the No. 5 generator of waste heat, which improves the efficiency of self-generation and reduces electricity consumption. The investment amounted to RMB670,000, saving 1,966 tonnes of standard coal per year;
- Yitai Chemical plant-wide compressor anti-surge transformation project: oil washing compressor, I/II series CO₂ compressor for anti-surge transformation, saving steam. The investment amount is RMB2,940,000, saving 6,471 tonnes of standard coal per year;
- Yitai Chemical boiler secondary fan motor renovation project: 16 fan motors of the boiler were renovated to frequency conversion automatic control to reduce electricity consumption. Investment amount of RMB20.21 million, saving 2,473 tonnes of standard coal/year;


- Yitai Chemical Gasification Plant Waste Heat Steam Recovery Project: This project makes reasonable use of six sets of low-pressure flash steam systems in the gasification plant and uses the recovered steam to replace the 0.5MPa heating steam of purified acid water vapor extraction to achieve energy saving and consumption reduction. The investment amount is RMB6 million, saving 15,840 tonnes of standard coal per year;
- Coal-to-oil production of high calorific value chemical products through optimisation of Fischer-Tropsch catalysts: the Fischer-Tropsch Catalyst Performance Enhancement Project (ongoing research), a technical collaboration with China National Synthetic Oil Company, to research high performance catalysts to produce high-quality coal chemical products. Investment of RMB1,000,000, saving 18,800 tonnes of standard coal/year;
- Hydrogen recovery project for coal-to-oil synthetic oil plant: Currently, during the reduction of catalysts in the synthesis plant, all hydrogen is recycled and used. After the reduction, the hydrogen will be blown off, and the blown-off hydrogen is technically modified to be incorporated into the purification gas of the plant to increase the amount of purification gas, improve production and reduce consumption. The investment amount is RMB500,000, saving 1,180 tonnes of standard coal per year.

In 2022, the Company's energy consumption target is based on the requirements of the internal environmental/energy target indicator circular, which stipulates the energy consumption per unit of product and the total energy consumption of each unit in 2022, ensuring that the comprehensive energy consumption per unit of product does not exceed that of the previous year and that the total energy consumption is slightly lower than that of the previous year.

- **Water Resource Management**

Based on the National Water Conservation Action Plan, the Company formulated and implemented the internal policy of "Management Measures for Prevention and Control of Water Pollution of Inner Mongolia Yitai Coal Co., Ltd.", improved the institutional mechanism of water resources management and implemented water conservation practices covering the whole process of production. During the year, the Company continued to promote technical improvements and water conservation measures, and actively controlled industrial water use.

- Elimination of backward equipment: The Company applied clean process to reduce generation of sewage and implement an elimination system for backward process and equipment which causes material water pollution. The Company has successively constructed 18 domestic sewage treatment facilities and 14 mine water treatment facilities, and all the water is used for production and dust sprinkling after treatment and meeting relevant standards;
- Technical transformation: the zero-discharge technology reform project for concentrated brine was put on trial at the end of 2020 and will run stably after completion of commissioning at the beginning of 2021, cumulatively saving approximately 300,000 tonnes of effluent water annually.



As to the sewage and wastewater generated from industrial production and employees' living, the Company realized the quality treatment through wastewater discharge system of clearing and sewage separation and sewages separation:

- The process wastewater, domestic sewage and initial rainwater of the project are all treated in a sewage treatment plant. AO + MBR process is used to treat domestic sewage, while industrial wastewater is treated by coagulation sedimentation, filtration and disinfection processes. The sewage, after treatment, will be reused for production, sprinkler dust reduction and greening when reaching the first level requirement of the Integrated Sewage Discharge Standards and Pollutant Discharge Standards for Coal Industry;
- The clean wastewater such as concentrated water, backwash water, neutralized wastewater and circulating water drainage generated from chemical water is sent to the reuse water treatment process, and the effluent water is used as chemical water and circulating water system supplementary water;
- The concentrated brine is sent to the evaporation crystallization system, and the separated sodium sulphate and sodium chloride meet the “Coal Chemical Industry – By-product Industrial Sodium Sulphate” T/CCT001-2019 standard and “Coal Chemical Industry – By-product Industrial Sodium Chloride” T/CCT002-2019 standard, realizing the resource utilization of crystallized salt, and the evaporation and crystallization condensate goes to the reuse water pipeline network as production water.

Case Study: Dadijing Coal Mine Mine Water Reuse Project

In order to solve the problem of large amount of water from coal mines, which cannot be effectively utilized after treatment, the Company joined hands with local government authorities to implement the coal mine water reuse project. The mine water was treated to meet the standards and then sent to the local water company for unified deployment and was reused as urban water, river and lake recharge water, etc. The implementation of the project has significantly improved the efficiency of water resources utilisation.

The Company's water resources target for the year 2022 is to limit the water resources consumption of each unit in accordance with the requirements of the circular on internal environmental/energy target indicators, and the water resources consumption of the Company's subordinate units will be controlled at the level not higher than that of the previous year.

4.3 Ecological Environment Protection

The Company adhered to the principles and policies of “hundred-year Yitai, green energy, energy saving, efficiency improvement and sustainable development”, formulated and introduced the Environmental Management Measures and the Emergency Management Measures of Environmental Emergencies, and established a team of supervisors of enterprise environmental management to practice the commitment of ecological civilization construction, actively assumed social responsibilities and performed responsibilities for ecological protection.

At present, the Company’s various industry sectors have passed the ISO14001 environmental management system certification and the enterprise’s environmental protection management has been improved. In terms of construction, the Company’s various new, renovation and expansion projects have strictly implemented the environmental impact assessment system, the environmental protection of construction projects and the “three simultaneousness” system of soil and water conservation, and all of the implementation rates have reached 100%. Each of the Company’s project units have formulated the Construction Site Environmental Protection Management Regulations, with which the construction teams are required to comply for activities involving new, renovation and expansion projects, including:

- The construction roads must be well planned and set up before construction and closed management must be implemented onsite;
- The transport of waste should be carried out in an enclosed manner, measures such as curing should be taken for exposed sites and concentrated piles of earth, and closed storage should be used for fine-grained bulk materials;
- The establishment of mixing stations on construction sites is prohibited and the burning of fuming substances and all types of waste is strictly forbidden. The time of construction activities should be strictly controlled between 6 a.m. and 10 p.m., and strong noise machinery should be silenced.

In coal mining, the mining process would cause the ground to sink, and the stripped soil and coal gangue would encroach on the land and overwhelm the vegetation. The Company continued to consolidate the achievements of green mine construction, focused on strengthening the ecological restoration of mining areas, and strictly implemented ecological protection measures to ensure that the treatment rate of coal mining subsidence areas reaches 100% and the ecological restoration rate of coal mining subsidence areas reaches more than 95%. In 2021, the area of treated subsidence areas reached 10,744,161 m², the area of disaster management discharge field with vegetation restored reached 92,640 m², and the area of discharge gangue field with vegetation restored reached 943,478.4 m².

In addition, the Company has set up a special bonus for environmental protection to positively motivate outstanding units in environmental protection work, further activate the effectiveness of environmental protection management at the grassroots level, firmly establish the awareness of the main responsibility for environmental protection, and integrate environmental protection work into normal management.



Case Study: Xiyingzi Dispatching Station environmental protection renovation projects

On 18 October 2021, Yitai Huiyun Railway Company's Xiyingzi Shipping Station environmental protection transformation project was officially opened for operation. The total investment of this project is RMB485 million, covering five major projects: railway, electricity, civil construction, fast loading station, plant roads and greening.

Upon completion of the transformation of the project, the annual shipping capacity of the Xiyingzi Dispatch and Transportation Station will reach 20 million tonnes. Compared with the original storage and loading process, the enclosed coal storage shed and rapid automated loading station not only eliminated the spread of coal dust, but also improved operational efficiency.

Case Study: the new fully enclosed coal shed project at the Jungar Temple dispatching station

On 11 August 2021, the construction of the new fully enclosed coal shed project at the Jungar Temple dispatching station of Inner Mongolia Yitai Huzhun Railway Co., Ltd. was officially started. The scale of construction of the dispatching station is 16.5Mt/a, and the fully enclosed project is 2 separate coal sheds, each with an enclosed area of 250.9 x 164m².

After the completion of the project, the original incoming coal and fast train loading system will remain unchanged, and the coal storage capacity is expected to be approximately 200,000 to 300,000 tonnes. It is expected that the project will make effect contribution to the improvement in regional air quality after completion and being put into operation.

4.4 Responding to Climate Change

In accordance with the "Outline of the 14th Five-Year Plan and Long-term Goals for 2035 for National Economic and Social Development of the People's Republic of China" and the deployment of the Central Economic Work Conference and the 9th Meeting of the Central Finance and Economics Commission, the Company has actively responded to the national strategy of addressing climate change and comprehensively strengthened its efforts to address climate change.

Under the macro climate environment and the national policy of controlling the total amount of coal, the Company is deeply aware that in order to maintain sustainable development, coal enterprises must rely on capital and technology investment and take a low-carbon transformation path: in the mining process, the control of greenhouse gas fugitive should be strengthened; in the production process, high technology should be adopted to achieve clean conversion of coal and diversification of coal products; in the transportation process, the transformation of public to railway should be accelerated, transportation efficiency should be enhanced, while pollutants and greenhouse gas emissions should be reduced. In addition, we need to expand low-carbon industries and find new development points to adapt to climate change policies.

In 2021, the Company continued to strengthen its capacity building in carbon asset management, studied and analysed the emission patterns of chemical enterprises, organized and finished the carbon inventories of two chemical enterprises and a number of coal mines, and completed carbon emission verification and compliance for the years 2019-2020 as scheduled. In the future, the Company will also carry out carbon emission inventories and CCER certification for carbon sink projects in due course.

Case Study: 1.2 million tonnes/year fine chemicals project of Hangjin Banner

The Company actively implemented the concept of green and low-carbon development, actively implemented the relevant policies of national coal clean utilization and Inner Mongolia Autonomous Region to promote local conversion of coal resources, and has built the 1.2 million tonnes/year fine chemicals project in Hangjin Banner on the premise of ensuring the stable operation of the 160,000 tonnes/year coal-to-oil industrialisation demonstration project. The project will continue to improve the economics of the project and the added value of products, and continuously realize the transformation and leap from basic raw materials to clean fuels, then to fine chemicals, and finally to functional materials, thus achieving the goal of delivering terminal and high-end products.

5. EMPLOYEE CARE

The Company strictly complied with the Labor Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Law of the People's, Republic of China on Protection of Minors, the Implementation Measures for Paid Annual Leave for Employees of Enterprises, the Regulations on Labor Dispatch, the Payment of Wages Tentative Provisions and other legal regulations and policy requirements, adhering to the principle of equal and compliant employment, protecting employees' legal rights, promoting their growth and career development, enhancing staff communication, carrying out a variety of caring activities, and striving to achieve common progress between staff and the enterprise.

5.1 Equal Employment

The Company in the practice of human resources management strictly complied with the Recruitment Management System of Inner Mongolia Yitai Coal Co., Ltd., Staff Exit Mechanism Management Measures of Inner Mongolia Yitai Coal Co., Ltd., the Employee Demission Management Measures of Staff Departure of Inner Mongolia Yitai Coal Co., Ltd., and other internal systems, adhering to the principle of equal and compliant employment, and building a fair and equitable talent environment. Relying on overall planning of human sources and ensuring the overall balance of personnel supply and demand, the Company formulated annual recruitment plans, including campus recruitment, social recruitment, and head-hunter's recommendations, to satisfy the requirement of our operations. In the course of the recruitment, the Company attached importance to examining candidates from aspects of compliance, ability and job matching, and resolutely avoided any discrimination on gender, age and other factors to effectively build up an equal and diverse professional workforce.

The Company resolutely avoided employing child labor and forced labor. In the course of recruitment, the personnel department carried out strict verification of the identity of candidates, checking the ID card and relevant valid certificates and required the candidates to complete the Entry Registration Form. Meanwhile, the function strictly verified the consistency between the information in the form and that set out in the ID cards. In the event of any violation such as child labor and forced labor, the Company would seriously handle, properly resolve, and implement compliant employment.

During this year, the Company did not experience violations such as the use of child labor and forced labor, nor did it have any lawsuits arising from employment issues.

5.2 Employee Growth

The Company developed and implemented the Professional and Technical Talent Occupation Development Management Measures of Inner Mongolia Yitai Coal Co., Ltd., the Functional Business Talent Occupation Development Management Measures of Inner Mongolia Yitai Coal Co., Ltd., the Skill Operation Talent Occupation Development Management Measures of Inner Mongolia Yitai Coal Co., Ltd. and other talent development management systems. The Company focus on the development of career path of employees, establishing a comprehensive employment training and development platform, improving professional skills, and promoting the development of both employees and enterprises.

- **Career Development**

To cultivate and develop a professional workforce for the stable development of the Company, the Company has been focusing on the career development of our employees, and has established a promotion mechanism, broadened and clarified the career development path for employees, while effectively leading employees to enhancing their abilities and creating a good development atmosphere.


The Company established diversified career path, including “management channel M, professional technology channel P, skill operation channel O and functional business channel B”. During the process of talent training, talent selection and evaluation, and the construction of hierarchical talent echelon, the Company followed the principles of fairness, openness and impartiality, focused on both technical competence and work performance, and performed stocktaking of talents at all levels in the four paths, and produced positive effects of incentives for all employees to grow, while consolidating the basis of human resources management.

In addition, to achieve the aim of building a high-quality professional workforce with “strong conviction, determination, diligence, commitment, integrity, and honesty”, the Company has initially formed a regular competition-based appointment mechanism, a regular normalized selection mechanism for vacancies, as well as an appointment system, and a mechanism for differential for special requirements such as individual vacancies and urgent work needs, promoting the selection from a talent pool for key positions and activating the enthusiasm of the employees. At the same time, the Company continued to promote the “Eagle Nurturing” cultivation plan for employees under the age of 35, and further expanding and improving the talent cultivation mechanism, strengthening the talent team building, and promoting the sustainable development of the Company.

- **Employee training**

Based on the different ranks, the Company provided training at different levels to match the relevant abilities of employees and precisely enhanced their professional skills and help them grow and improve.

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| Management training | – Based on the arrangements under the 14th Five-Year Plan for employees training and development, the Company builds a training program for middle managers (operators) of the Company, launching of the “intelligent courses” training program, and discovering the management potential of middle managers. |
| Grass-roots employees training | – Training focusing on all types of professional skills and theories, practices, safety awareness and capacity and supplemented quality, environmental protection, team building, corporate culture, rules, and regulations, etc. have been carried out, enhancing the overall professional competence of grass-roots employees. |
| New employees training | <ul style="list-style-type: none">– Providing orientation trainings to new employees, which cover various aspects, such as company development milestones, distribution of industries involved, the latest development of the Company, an outline of corporate culture, as well as organizational structure, functions and departments, and system for personnel management. Such trainings were designed to enhance employees’ understanding of the Company’s management development;– Offering vocational professional skills training on communication, interpersonal skills, workplace etiquette, time management, etc. to enhance professionalism of new employees. |



In addition, the Company actively launched special training activities to improve the understanding and cognition of relevant employees in management, writing and our systems, and help them better develop their abilities at work:

- Holding coal-to-oil excellent shift leader special training camp, organizing management skills course, enhancing the on-site management capability of coal-to-oil team leaders, and supporting Coal-to-oil Company's on-site management reform;
- Organizing training on document writing and file management to improve the document writing and file management skills of the Company's clerical staff and enhance the standardization of the Company's documents;
- Organizing training on social security and personal taxation management under the new policy to educate employees on the new social security and personal income tax policies;
- Organizing training on the construction of performance management systems to improve organizational performance and individual performance management in the Company.

5.3 Guarantee for the Rights and Interests

The Company developed a series of internal management systems, including Human Resource Management System of Inner Mongolia Yitai Coal Co., Ltd., Broad Band Salary Plan of Inner Mongolia Yitai Coal Co., Ltd., Employee Performance Management Measures of Inner Mongolia Yitai Coal Co., Ltd., and Employee Attendance Management Measures of Inner Mongolia Yitai Coal Co., Ltd., to clearly guarantee various rights including employee's working hours, holidays, remuneration management, benefits and communication.

- Working hours and holiday
- Implementing a working hour system that combines standard working hours, comprehensive working hours and irregular working hours to ensure that the working hours fall within reasonable range;
 - In addition to national statutory holidays, a wide range of leave benefits are provided to our staff, including paid annual leave, sick leave, marriage leave, leave for person affairs, maternity leave and extension leave, accompanying leave and funeral leave, off-the-job breastfeeding leave.

Remuneration management

- Based on the principle of equal pay for equivalent positions, a salary plan was developed based on post value as the main body and dynamic performance appraisal;
- Moderately widening the compensation gap among middle managers, between managers and employees, and between management and non-management personnel, reflecting overall employees' the growth incentives of the remuneration;
- To improve the enthusiasm of the production and operation units, remuneration distribution rights were granted to implement total control;
- Paying retirement insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance, housing fund and enterprise annuity for employees.

Benefits

- Paying five insurances, one housing fund and one enterprise annuity, including retirement insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance, housing fund and enterprise annuity for employees;
- Providing annual free medical check-up to guarantee employees' health, with the coverage rate of employee physical examination reaching 100%.

5.4 Employee Care

The Company attached great importance to humanistic care to elevate their sense of happiness and cohesion, putting people at the center of development, warming the hearts of staff with multi-dimensional care measures and meeting the spiritual and cultural needs of staff with diversified cultural and sports activities.

• Employee Care

In the year, the Company continued to invest in helping employees experiencing difficulties, commending advanced models, implementing democratic management, caring for female employees, and carried out a wide range of employees care activities:

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| Help employees with – difficulties | – The Company actively helped and provide relief to employees experiencing difficulties, and has set up a relief fund. In 2021, a total of 113 employees received our assistance, and the total amount of relief funds reached RMB520,000. |
| Implement democratic management | – Organizing self-examination of the content of democratic management of factory affairs, receiving guided inspection from General Union of Ordos, and responding positively to the 11th National Survey and Inspection on Democracy Management;

– Proposals are collected through the employee representative meetings, and written replies will be given one by one by respective departments under the leading of the labor union after the meeting, and inspection and supervision will be conducted on valuable proposals, which can fully improve a sense of ownership by the staff at large. During the reporting period, though employee representative meetings, the Company has recommended the procurement team for the prevention and control of materials as the Erdos City Workers' Pioneer and Zhang Guofu as the Erdos City May Day Labor Medal;

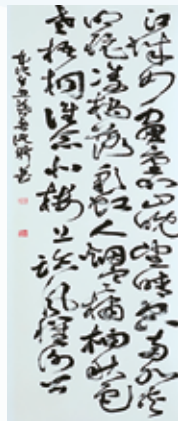
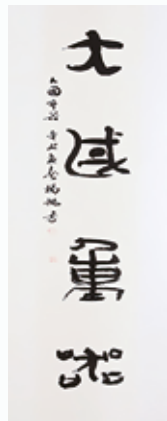
– Staff provide management-related rationalization proposals through the OA process or telephone, and the Company will give feedback through the established process after review, specify proposed entity or individual for implementation, the reward standard and amount, and improve or implement such proposals based on meritocracy. |
| Care for female employees | – During the Women' Day, the Company invited a famous management expert to give a seminar on the theme of "Let the Light of Aesthetics Illuminate Your Life" to raise the awareness of aesthetics among female employees. |



- **Diverse Activities**

The Company carried out a wide variety of cultural, artistic, sporting and communication activities, which were either continuing and innovative. These activities greatly enriched the spare time live of the employees and deepened the communication between employees and that between employees and the Company:

- In July 2021, an exhibition of calligraphy, painting and photography was held under the theme of “The Light of the Party Shines in My Heart”, and an event was held to commend outstanding works;
- In August 2021, Annual Staff Games 2021 were held, which aimed to enhance the physical health of employees;
- In December 2021, a series of activities were held to welcome the New Year in 2022, providing employees with festive benefits and adding joy to the festive.



Picture: The “The Light of the Party Shines” Staff Painting and Calligraphy Exhibition and Award for Outstanding Works

6. SOCIAL CHARITY

6.1 Philanthropic Activities

The Company actively undertook its social responsibilities, continued to increase investment in public service activities, with the aim of contributing to the rural revitalization, assisting the poor, giving back to the community by helping areas under the impact of the pandemic, and spreading the positive energy of charity.

- **Poverty Alleviation**

In response to the national call for rural revitalization and precise poverty alleviation and contributing to the achievement of the first 100-year goal for the whole party and the whole country, the Company continued to participate in the “promoting economic development of villages with the support of various enterprises” precision poverty alleviation campaign in Erdos and continued to increase its investment in poverty alleviation and assistance. During the year, the Company’s grassroots units assisted 23 villages and towns, and provided RMB75.4429 million of supplies and funds in the “promoting economic development of villages with the support of various enterprises” poverty alleviation campaign. A total of 2,502 people directly benefited from our assistance.

Case Study: “Targeted assistance by various enterprises to people in need” voluntary service activity

Implement social responsibility and embody corporate responsibility. On January 20, the Company donated a total of 150,000 in cash and materials to the Inner Mongolia Social Poverty Alleviation Foundation’s Erdos office to help poor people start their own businesses to get rid of poverty and improve their living conditions. This donation activity was a specific practice of the Company in response to the Dongsheng District Federation of Industry and Commerce’s “Warmth in winter and targeted assistance by various enterprises to people in need” charity initiative, and demonstrated its commitment to shouldering responsibility for poverty alleviation.

- **Fight the Pandemic**

Since the outbreak of the pandemic, the Company has been paying close attention to the dynamic of pandemic prevention and control. During the year, the Company continued its tradition of acting with commitment and continued to make donation to the fight against the pandemic.

- Donation of an integrated automated nucleic acid testing laboratory and consumables worth RMB7.81 million to the health inspection system of Ordos;
- Donated RMB200,000 to Manzhouli to fight the COVID-19 pandemic, and helped local residents overcome difficulties;
- The Company was awarded the “Outstanding Contribution Unit” in the prevention and control of the COVID-19 pandemic, and awarded the “China Red Cross Humanitarian Medal”.



6.2 Volunteering Activities

The Company follow the internal systems such as the Management Measure for the Volunteering Activities to form the social volunteering leadership group, and lead the youth volunteers service team to provide a wide range of volunteering services, including disaster relief, energy saving and emission reduction, psychological counselling, poverty relief, assistance to orphans and the disabled, assistance in promoting civilized traffic behaviors, teaching and education, environmental protection, and professional consultation.

Case Study: “Plant a tree and build a green home” voluntary service activity

On 12 April 2021, the party branch of the bidding procurement center launched a voluntary tree planting activity. Every participant was enthusiastic and energetic, helping seedlings, cultivating soil, and enclosing a weir, planting a total of more than 500 peach and apricot seedlings. Through personal practice, the volunteers actively put into practice the concept of “lucid waters and lush mountains are our invaluable assets”, learned and understood the idea of ecological civilization construction, and further enhanced their awareness of ecological protection.



Case Study: “Red Pioneers” voluntary service activities

On 25 June 2021, the Yitai “Red Pioneers” volunteer service team of the party branch of the bidding procurement center actively helped the Secondary Examination Candidates by providing volunteer services, including maintaining order, receiving consultation requests, and delivering examination supplies, thus fully demonstrating the spirit of dedication, and actively practising social responsibility.





Case Study: Volunteer service activity of “Together We Create a Civilized City”

On 23 September 2021, the general party branch of the joint-stock company launched a volunteer service activity of “Together We Create a Civilized City”. A number of party members and volunteers participated in the aviation community of Dongsheng District. Volunteers dressed in red vests cleaned and rectified every corner of the streets, eradicated “psoriasis” in the streets and alleys, distributed leaflets on the creation of a civilized city to shops along the streets, sorted out the random piles of street items, and polished them up. They created an image of clean and tidy city and contributed to the construction of a civilized city with practical actions.



KEY PERFORMANCE TABLE

Name of indicator	Unit	2021	2020	2019
SO ₂ emission	(tonne)	401.89	374.25	363.19
NO _x emission	(tonne)	889.13	950.15	939.83
Flue gas emission ^a	(tonne)	206.15	108.05	119.01
Total wastewater discharge ^d	(m ³)	0	0	0
Scope I. Direct greenhouse gas emission	(ten thousand tonnes CO ₂ e)	1,488.44	1,428.42	1,519.96
Scope II. Indirect greenhouse gas emission	(ten thousand tonnes CO ₂ e)	63.22	64.18	93.26
Total greenhouse gas emission – Coal sector	(ten thousand tonnes CO ₂ e)	633.99	634.22	635.16
Total greenhouse gas emission – Coal-to-chemicals sector	(ten thousand tonnes CO ₂ e)	898.37	844.70	957.62
Total greenhouse gas emission – Coal transportation and sales sector	(ten thousand tonnes CO ₂ e)	19.30	13.68	20.44
Total greenhouse gas emission	(ten thousand tonnes CO ₂ e)	1,551.66	1,492.60	1,613.22
Greenhouse gas emissions per RMB10,000 operating income	(tCO ₂ e/RMB'0,000)	3.06	4.42	3.94
Hazardous waste produced- Waste machinery oil	(tonne)	170.49	168.87	164.79
Hazardous waste produced – Waste catalysts ^c	(tonne)	0	268.18	163.16
Hazardous waste produced – Carnallite ^c	(tonne)	4,141.58	149.94	247.62
Hazardous waste produced – Total ^c	(tonne)	4,312.07	586.99	575.57
Hazardous waste produced per RMB10,000 operating income	(kg/RMB'0,000)	0.85	0.17	0.14
Total gasification ash/fly ash produced	(ten thousand tonnes)	123.56	132.38	152.08
Boiler slag produced	(ten thousand tonnes)	29.86	31.68	29.84
Coal gangue produced	(ten thousand tonnes)	740.53	683.98	715.36
Non-hazardous waste produced -Total	(ten thousand tonnes)	893.95	848.03	897.28
Non-hazardous waste produced per RMB10,000 operating income	(tonne/RMB'0,000)	1.76	2.51	2.19
Total electricity consumption	(GWh)	802.36	987.48	1,308.17
Total gasoline consumption	(ten thousand litre)	31.52	32.86	29.90
Total diesel oil consumption ^d	(ten thousand litre)	335.80	7,252.41	196.43
Natural gas consumption	(m ³)	0	0	0
Coal consumption	(ten thousand tonnes)	150.58	147.72	157.23
Purchased heat consumption	(MKJ)	0	0	0
Raw coal consumption	(ten thousand tonnes)	539.71	513.64	540.67
Comprehensive energy consumption	(ten thousand tonnes of standard coal)	487.39	611.07	547.72



Name of indicator		Unit	2021	2020	2019
Energy consumption per RMB10,000 operating income		(tonne standard coal/ RMB'0,000)	0.96	1.81	1.34
Total water consumption		(ten thousand tonnes)	923.47	885.17	1,079.14
Water consumption per RMB10,000 operating income		(tonne/RMB'0,000)	1.82	2.62	2.64
Wastewater utilization rate in coal mining		(%)	100	100	100
Wastewater reutilization rate in coal mining		(%)	100	94.5	100
Average coal recovery rate of mining areas		(%)	88	84	87
Special investment in environmental protection		(RMB'00 million)	5.11	10.02	8.63
Total number of employee		(person)	5,679	5,345	6,169
Total number of employees by gender	Male	(person)	4,679	4,397	5,148
	Female	(person)	1,000	948	1,021
Number and percentage of employees by employment type	Full-time	(person)	5,679	5,345	6,169
	Part-time	(person)	0	0	0
Number and percentage of employees by age	Below 30	(person)	1,063	1,239	1,598
	31-40	(person)	2,603	2,429	2,579
	41-50	(person)	1,149	1,143	1,394
	Above 50	(person)	864	534	598
Number and percentage of employees by region	Within Inner Mongolia Autonomous Region	(person)	3,641	3,944	4,552
	Outside Inner Mongolia Autonomous Region	(person)	2,038	1,401	1,617
Annual turnover rate ^o		(%)	5	20	3
Annual turnover rate by gender	Male	(%)	5	-	-
	Female	(%)	3	-	-
Annual turnover rate by age	Below 30	(%)	11	-	-
	31-40	(%)	5	-	-
	41-50	(%)	2	-	-
	Above 50	(%)	2	-	-
Annual turnover rate by region	Within Inner Mongolia Autonomous Region	(%)	3	-	-
	Outside Inner Mongolia Autonomous Region	(%)	7	-	-

Name of indicator	Unit	2021	2020	2019
Number of work-related injury accidents	(time)	0	0	0
Number and proportion of work-related injuries	(person)	0	0	0
	(%)	0	0	0
Number of working days absented due to work-related injuries	(day)	0	0	0
Number of safety education training	(time)	68	72	213
Participants of safety education training	(person)	2,987	3,043	9,131
Number of safety emergency drills	(time)	26	35	25
Participants of safety emergency drills	(person)	960	1,650	1,539
Occupational disease physical examination coverage rate	(%)	100	100	100
Number of additional employees with occupational diseases	(person)	0	0	0
Employee physical examination rate	(%)	100	100	100
Special physical examination rate of female employees	(%)	100	100	100
Total number of employee training	(time)	389	340	515
Total participants of employee training	(ten thousand personnel)	1.08	0.94	1.42
Percentage of employees trained	(%)	100	100	100
Percentage of employees trained by gender	Male (%)	100	–	–
	Female (%)	100	–	–
Percentage of employees trained by employment type	Senior management (%)	100	–	–
	Intermediate management (%)	100	–	–
	Junior staff (%)	100	–	–
Average employee training hours	(hour/employee)	61	53	80
Average employee training hours by gender	(hour/employee)	61	–	–
	(hour/employee)	61	–	–
Average employee training hours by employment type	Senior management (hour/employee)	20	–	–
	Intermediate management (hour/employee)	61	–	–
	Junior staff (hour/employee)	207	–	–
Training expenditures	(RMB'0,000)	600	500	800
Total number of suppliers	(unit)	886	938	901
Number of suppliers within Inner Mongolia Autonomous Region	(unit)	196	216	190
Number of suppliers outside Inner Mongolia Autonomous Region	(unit)	690	722	711
Number of manufacturers who passed environmental social investigation	(unit)	400	640	657

Name of indicator	Unit	2021	2020	2019
Manufacturer audit coverage rate	(%)	100	100	100
Number of suppliers who implemented the practice	(unit)	886	-	-
Recalls in products sold or shipped	(unit)	0	0	0
Total customer complaints during the reporting period	(unit)	0	0	0
Investment in research and development	(RMB'00 million)	2.84	3.11	6.29
Ratio of research and development expenses to operating income	(%)	0.56	0.92	1.54
Total number of R&D team	(person)	448	590	897
Number of utility patents applied ^a	(unit)	15	41	73
Number of invention patents applied	(unit)	0	0	65
Number of utility patents obtained ^a	(unit)	11	54	57
Number of invention patents obtained	(unit)	3	7	7
Number of sessions of voluntary activities conducted	(session)	10	20	25
Participants of voluntary activities	(person)	300	500	558
Hour of voluntary activities	(hour)	2,800	3,600	4,018
Number of people benefiting from voluntary activities	(person)	1,600	800	1,000
Donations to external parties made by the Company	(RMB'0,000)	5,335.60	4,533.88	8,160.02

Notes:

- a. In 2021, the calculation of relevant data will be adjusted due to the needs of production management.
- b. The wastewater generated in the production process of the Company is concentrated brine, which is discharged into the park through the concentrated brine pipe network of the park and is uniformly treated.
- c. In 2021, the Company's catalyst had not reached its service life, and the production volume was 0. At the same time, the overall hazardous waste increased due to the larger amount of brine treatment required for business development and the larger increasing amount of miscellaneous salts.
- d. The increase in the use of diesel in 2021 was due to the optimization of statistic standards and scope for environmental data.
- e. The relevant figures have declined due to the adjustment of the Company's business management model and the completion of technology research and development work entrusted to external companies.
- f. Average training hours for junior employees were higher due to the high daily training frequency of factory technicians.
- g. The decrease in data was due to the adjustment of the Company's business model and the completion of the technical research and development work of the coal sector mainly entrusted to external companies.

APPENDIX: ESG INDEX TABLE

No	Description of Indicators	Location of Disclosure
A1 Emission	<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	P23
A1.1	Types of emissions and associated emission data.	P23-26, P42
A1.2	Direct (Scope 1) and indirect energy (Scope 2) total greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P42
A1.3	Total amount of hazardous waste generated (by weight or volume) and (if applicable) density (e.g. per unit of production, per facility and per regular employee).	P42
A1.4	Total non-hazardous waste generated (by weight or volume) and (if applicable) density (e.g. per unit of production, per facility and per regular employee).	P42
A1.5	Description of emissions targets set and the steps taken to achieve them.	P24
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P24-26
A2 Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	P26
A2.1	Total direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P43
A2.2	Total water consumption and density (e.g. per unit of production and per facility).	P43
A2.3	Description of the energy efficiency goals set and the steps taken to achieve them.	P26-28
A2.4	Description of any problems that may arise in obtaining suitable water sources, as well as water efficiency targets set and steps taken to achieve them.	P26-28
A2.5	Total amount of packaging material used in the finished product (in tonnes) and (if applicable) per production unit.	Not applicable



No	Description of Indicators	Location of Disclosure
A3 Environment and natural resources	General Disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources.	P29
	A3.1 Description of the significant impacts of business activities on the environment and natural resources and actions taken to manage those impacts.	P29-30
A4 Climate change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P30
	A4.1 Description of material climate-related issues that have and may have an impact on the issuer and actions to address them.	P30-31
B1 Employment	General Disclosure Information on:	P31-36
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
	B1.1 Total number of employees by gender, employment type (such as full time or part time), age, and region.	P43-44
	B1.2 Employee turnover rate by gender, age group and region.	P44
B2 Health and safety	General Disclosure Information on:	P20-21
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
	B2.1 The number and rate of work-related injuries in each of the past three years (including the reporting year).	P44
	B2.2 Number of days lost due to work-related injuries.	P44
B2.3 Description of the occupational health and safety measures adopted and the related implementation and monitoring methods.	P20-23	

No	Description of Indicators	Location of Disclosure	
B3 Development and training	General Disclosure	P32-33	
	Policies on enhancing the knowledge and skills of employees to perform their job duties.		
	Description of the training activities.		
	Note: Training refers to vocational training and may include internal and external courses paid for by the employer.		
B3.1	Percentage of employees trained by gender and employment type (e.g. senior management, intermediate management, etc.).	P44-45	
B3.2	Average training hours of per employee by gender and employment type.	P44-45	
B4 Labor standards	General Disclosure Information on:	P31	
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.		
	B4.1	Description of measures to review recruitment practices to avoid child labor and forced labor.	P31
	B4.2	Description of the steps taken to eliminate a violation when it is discovered.	P31
B5 Supply chain management	General Disclosure	P18-19	
	Policies for managing environmental and social risks in the supply chain.	P45	
	B5.1	Number of suppliers by region.	
	B5.2	Description of the practice in relation to the engagement of suppliers, the number of suppliers to whom the practice is enforced, and the method of implementation and monitoring of the practice.	P18-20, P45
	B5.3	Description of the practices for identifying environmental and social risks at each stage of the supply chain and the method of implementation and monitoring.	P19-20
B5.4	Description of the practices that promote the use of environmentally-friendly products, services when selecting suppliers and the method of implementation and monitoring.	P19-20	



No	Description of Indicators	Location of Disclosure
B6 Product liability	<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	P12-18
B6.1	The percentage of total products sold or shipped that are recalled for safety and health reasons.	P45
B6.2	Number of complaints received about products and services and the methods.	P45
B6.3	Description of practices related to safeguarding and safeguarding intellectual property.	P18
B6.4	Description of the quality assurance process and product recovery procedures.	P12-14
B6.5	Description of consumer data protection and privacy policies and the method of implementation and monitoring.	P15-16
B7 Anti-corruption	<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	P8-9
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P8
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P8
B7.3	Description of anti-corruption training provided to directors and staff.	P8
B8 Community investment	<p>General Disclosure</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>	P37
B8.1	Focus on areas of contribution (e.g. education, environmental issues, labor needs, health, culture, sports).	P37-41
B8.2	The resources (such as money or time) expended in the area of focus.	P45

APPENDIX II

2021 ANNUAL INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

To All Shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and corresponding with guidance and other regulatory requirements concerning the internal control (“Enterprise Internal Control Regulatory Systems”), and considering internal control system and evaluation methods of the Company and based on day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2021 (the reference date of the Internal Control Assessment Report).

I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulatory Systems, it is the responsibility of the Board of the Company to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Assessment Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control mechanism by the Board. The management shall be responsible for organizing and leading the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company’s operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial report and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.

II. RESULTS OF INTERNAL CONTROL ASSESSMENT

1. Whether There is Any Material Deficiencies in the Internal Control over Financial Reporting of the Company, as at the Reference Date of the Internal Control Assessment Report

Yes No

2. Results of Internal Control Assessment over Financial Reporting

Effect No Effect

According to the identification of material deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no material deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulatory Systems and relevant requirements.

3. Whether Material Deficiencies in Internal Control over Non-Financial Reporting Had Been Discovered

Yes No

According to the Company's identification of material deficiencies in the internal control over non-financial reporting, as at the reference date of the Internal Control Assessment Report, the Company had discovered no material deficiencies in the internal control over non-financial reporting.

4. The Factors Affecting the Assessment Results of the Effectiveness of Internal Control from the Reference Date to the Issuance Date of the Internal Control Assessment Report

Applicable Not Applicable

From the reference date to the issuance date of the Internal Control Assessment Report, there is no occurrence of such factors that may affect the assessment results of the effectiveness of the internal control.

5. Whether the Auditing Opinions on Internal Control are Consistent with the Company's Assessment Results of the Effectiveness of Internal Control over Financial Reporting

Yes No

6. Whether the Material Deficiencies in Internal Control over Non-financial Reporting Disclosed by the Internal Control Audit Report are Consistent with those Disclosed by the Company's Internal Control Assessment Report

Yes No

III. DETAILS OF INTERNAL CONTROL ASSESSMENT

(I). Scope of Internal Control Assessment

The Company determined the main enterprises, business and matters and high-risk fields covered in the assessment scope based on the risk-oriented principle.

1. **Main Enterprises Covered in the Assessment Scope: Headquarters of the Company, 11 subsidiaries and 5 branches.**

2. **Percentage of the Enterprises Covered in the Assessment Scope:**

Index	Percentage (%)
The percentage of the total assets of the enterprises covered in the assessment scope accounting for the total assets shown in the Company's consolidated financial statements	92.59%
The percentage of the total revenues of the enterprises covered in the assessment scope accounting for the total revenues shown in the Company's consolidated financial statements	96.06%

3. **Main Business and Matters Covered in the Assessment Scope Include:**

Organization structure, strategic management, performance management, human resources, asset management, budget management, fund management, procurement business, production management, sale management, investment management, engineering management, tax administration, cost and expense management, guarantee management and contract management, etc.

4. **High-risk Fields Focused on Mainly Include:**

Procurement risk, risk of asset management, risk of sales and collection, risk of contract management, risk of fund management, risk of investment management.

5. **The Above Enterprises, Business, Matters and High-Risk Fields Covered in the Assessment Scope Cover the Main Aspects of the Company's Operation and Management, Is There Any Major Omission**

Yes No

6. **Is There Any Statutory Exemption**

Yes No

7. **Statement on Other Matters**

Nil

(II). Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies

The Company organized and carried out the internal control assessment on the basis of Enterprise Internal Control Regulatory Systems and related management system of the Company.

1. Is there any adjustment of the specific identification criteria of deficiency in internal control compared to the criteria last year

Yes No

According to the identification requirements of the Enterprise Internal Control Regulatory Systems on material deficiency, important deficiency and ordinary deficiency, considering factors including the Company's size, industrial characteristics, risks and preference and risk tolerance, etc., the Board of the Company distinguished between the internal control over financial reporting and the internal control over non-financial reporting, and researched and determined specific identification criteria applicable for the deficiencies of the Company's internal control, which was consistent with the previous years.

2. Identification criteria for deficiencies in internal control over financial reporting

Quantitative criteria for identifying deficiencies in internal control over financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for Important Deficiency	Quantitative Criteria for Ordinary Deficiency
Potential misstatement as a percentage of total assets or pre-tax profits	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 1% (including 1%) of the total assets, or more than 5% (including 5%) of pre-tax profits, the deficiency will be identified as a material deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be more than 0.5% (including 0.5%) but less than 1% of the total assets, or more than 3% (including 3%) but less than 5% of pre-tax profits, the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to the misstated amount included in financial report to be less than 0.5% of the total assets or less than 3% of pretax profits, the deficiency will be identified as an ordinary deficiency.

Qualitative criteria for identifying deficiencies in internal control over financial reporting:

Magnitude of Deficiency	Qualitative Criteria
Material Deficiency	Re-report of previously published financial statements to reflect the correction of misstatement caused by error or fraud; the failure of audit committee to supervise the Company's external financial reporting and internal control over financial reporting; detection of any degree of fraud involving senior management; the failure of the management to correct the important deficiencies reported to it after a reasonable period of time.
Important Deficiency	Internal control deficiency in unconventional or nonsystematic transaction; internal control deficiency in the selection of generally accepted accounting principles and the application of accounting policy; internal control deficiency in related party transactions and major restructuring will be identified as an ordinary deficiency important Deficiency.
Ordinary Deficiency	Pursuant to the relevant regulations of the Company, the internal control which does not constitute material deficiency or important deficiency will be identified as an ordinary deficiency.

3. Identification criteria for deficiencies in internal control over non-financial reporting

Quantitative criteria for identifying deficiencies in internal control over non-financial reporting:

Name of Index	Quantitative Criteria for Material Deficiency	Quantitative Criteria for Important Deficiency	Quantitative Criteria for Ordinary Deficiency
Property loss amount	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB10 million, the deficiency will be identified as a material deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to more than RMB1 million but less than RMB10 million (including RMB10 million), the deficiency will be identified as an important deficiency.	In case the deficiency, individually or in combination with other deficiencies, may lead to direct property loss amounting to less than RMB1 million (including RMB1 million), the deficiency will be identified as an ordinary deficiency.

Qualitative criteria for identifying deficiencies in internal control over non-financial reporting:

Magnitude of Deficiency	Magnitude of Deficiency
Material Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company's official external disclosure and also negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as a material deficiency.
Important Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by state departments but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an important deficiency.
Ordinary Deficiency	In case the deficiency, individually or in combination with other deficiencies, may lead to the Company being punished by the governmental departments under provincial level (including provincial level) but with no negative effect on the Company's periodic reporting and disclosure, the deficiency will be identified as an ordinary deficiency.

(III). Identification and Rectification of Internal Control Deficiencies

1. Identification and rectification of deficiencies in internal control over financial reporting

1.1. Material deficiency

Whether the Company had material deficiencies in internal control over financial reporting during the reporting period

Yes No

1.2. Important deficiency

Whether the Company had important deficiency in internal control over financial reporting during the reporting period

Yes No

1.3. Ordinary deficiency

For ordinary deficiencies in the internal control over financial reporting that were found during the reporting period, the Company had taken corresponding rectification measures or formulated corresponding rectification plans.

1.4. *After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓ No

1.5. *After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓ No

2. Identification and rectification of deficiencies in internal control over non-financial reporting

2.1. Material deficiencies

Whether the Company had discovered any material deficiency in the internal control over nonfinancial reporting during the reporting period

Yes ✓ No

2.2. Important deficiency

Whether the Company had discovered any important deficiency in the internal control over non-financial reporting during the reporting period

Yes ✓ No

2.3. Ordinary deficiency

For ordinary deficiencies in the internal control over non-financial reporting that were found during the reporting period, the Company has taken corresponding rectification measures or formulated corresponding rectification plans.

2.4. *After the above rectification, whether the Company had discovered any uncorrected material deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓ No

2.5. *After the above rectification, whether the Company had discovered any uncorrected important deficiency in the internal control over non-financial reporting as at the reference date of the Internal Control Assessment Report*

Yes ✓ No

IV. STATEMENT ON OTHER IMPORTANT ISSUES ON INTERNAL CONTROL

1. Rectification of Deficiency in Internal Control Last Year

Applicable Not applicable

2. Operation of Internal Control during the Year and Improvement Direction Next Year

Applicable Not applicable

During the reporting period, the Company did not have other internal control information that may have a significant impact on investors' understanding of internal control self-evaluation reports, evaluation of internal control or investment decisions. In the future, the Company will continue to improve the internal control system, standardize the implementation of internal control systems, strengthen internal control supervision and inspection, and promote the healthy and sustainable development of the Company.

3. Statement on Other Important Issues

Applicable Not applicable

Chairman (Authorized by the Board): Zhang Jingquan

Inner Mongolia Yitai Coal Co., Ltd.
29 March 2022



内蒙古伊泰煤炭股份有限公司
INNER MONGOLIA YITAI COAL CO., LTD.*