

Inner Mongolia Yitai Coal Company Limited

Report of Social Responsibility Implementation for year of 2011

Board of directors and all the directors of the Company ensure that there's no any fictional record, misleading statement or serious omission in this report. We take individual and joint liability on the authenticity, currency and completeness of the content.

Energy plays an important role in national economy development. As for primary energy in China, coal will lead a long way. As a large corporation who engages in coal production and operation with an industrial extension of railway transport and coal chemical industry, Yitai Coal Co., Ltd (hereinafter referred to as Yitai, the Company or Company) has been chasing a stable development. Meanwhile we have been taking principle of integrity operation and contributing to region and society, persisting balancing business development and social responsibility, actively coordinating relationships with every interest-body. We're chasing a kind of development in harmony with society and nature. 2011 annual report of social responsibility implementation is as follow:

I. Yitai's corporation value and social responsibility value

During long-term process of operation, Yitai advocates that staff is resource and capital of corporation while the satisfaction of customers is the only source of profit. Success benefits from team work. We're guided under spirit of Integrity, Responsible, Innovate, Contributive, conduct the principle of 4 Un-Changes, namely, persist strengthening party's governance upon corporation for party committee is the core of corporation; persist legal operation, tax payment and two civilization develop; persist fully respecting staff and relying on them; persist contributing to socialization of region and nation; take social responsibility as core value and task of corporation, involve social responsibility in development strategy and strive to build Yitai in direction of international industry group with production, delivery and trade of coal and coal chemical industry.

Yitai promises that we'll start operation with environment and society consideration. Health, safety and environment are the first goal of Yitai development. Thus Yitai persists the following principles during business: harmless to human; protective to environment and high efficiency in developing and utilizing; abide by all the healthy, safe and environmental law and rule; striving to realize the social responsibility of Go with Integrity and Sow the Future.

II. Aspect of promoting economic sustainable development

(I) Based on law of recycled economy, we regulate development strategy, improve industry scale and economic interest, and bring alive industry and regional economic sustainable development

The Company plans to regulate current coal resources of Yitai Group through security

market successively, enhance resources exploring, mining right chasing and approval, joint and cooperation process about coal-to-oil and coal items in Xinjiang region. We'll fully utilize preference policy about resources allocation on coal conversion by Inner Mongolia government, speed up items approval thus carry out resources for afterward development; Speed up construction of production system such as large modern mine wells and affiliated coal-washing plants, enlarge production scale and boost core competitiveness and market position; enlarge and upgrade comprehensive delivery network and relative basic facility thus ensure rapid joint and efficient operation between coal products and market. Based on perfecting and trailing current indirect coal liquefaction item with annual output of 180-200 thousands tons, circulate approval and construction of fine chemical items with annual output 1200 thousands tons. After the above efforts, till 2020, the Company will take goal of billion tons of coal output and 10 million tons of coal-to-oil output. Thus the Company will be built as an international energy corporation with comprehensive production, delivery and trade.

The Company fully utilizes preference policy on western and Inner Mongolia regions by the nation with starting resources integration and coal-well construction. Based on the Notice to Mergers and Reorganization of Coal Corporations and Establishments of Main-Part with 10000 Thousands Tons of Coal, Inner Mongolia Yitai Group Co., Ltd was regarded as the merger main-body of coal corporation with 10000 thousands tons of coal with the Company as core corporation. The Company actively answered for the national grant development and grant construction as an energy corporation, set up wholly-owned subsidiaries Yitai Yili Energy Co., Ltd and Yitai Xinjiang Huaidong Energy Co., Ltd in Xinjiang region. They will engage in items of coal and coal-to-oil. The Company has signed a frame term of strategy coordination with Xinjiang government as for coal production and conversion. Based on meeting records of Resource Management Commission of Xinjiang, general survey region western to Kan Village in Chabuchaer County in Yili State and general survey region in Armale Coal region were granted to allocate to Yitai Yili Energy Company as affiliated resource for coal-to-oil items. Currently detailed geology report of exploration region in Chabuchaer County and preview report of exploration region in Nileke Wulas have been finished while the exploring right is in procession. At the same time, the Company is planning starting coal exploration in Heishan coal region in Huaidong of Xinjiang and starting coal-to-oil items construction in Ganquan Fort Industry Park. These chances of resources integration will significantly improve coal reservation and production scale of the Company, and enlarge industry chain thus offer guarantee for constant development of the Company.

Currently the Company totally owns 7 directly holding mechanization coals with annual productivity of 36 million tons. They all apply exported or nation-made compound mining equipment. Recovery rate of coal regions reached 80% and mechanization rate reached 95%. 2 coal mountains in procession are to produce 7.2 million tons coal.

The Company owns complete roads and railway transportation network as well as

affiliated basic facilities for coal delivery. The Company has 122 kilometers Caoyang coal carrying double-track toll road and main zone road around the mine. Double Lines roads around coal mountains and charge roads of. We wholly-owned and built and operated 132.5 kilometers of Yitai Huaidong Railway from Zhoujia Bay to Zhunger. For delivery demands 59.35 kilometers of double line from Zhoujia Bay to Hushi. The Company established and operated 124.18 kilometers of Huzhun Railway from Hushi to Zhoujia Bay and is constructing 55.47 kilometers of double line from Zhoujia Bay to Tuoketuo. Meanwhile the Company built 26.75 kilometers of special railway for Suancigou coal mountain and 7.992 kilometers of Dalu Industry Park (Coal-to-Oil) through holding subsidiaries investment. And the Company invested 15% in New Baoshen Railway and 18.96% in Zhunshuo Railway, 9% in Mengji Railway and 10% in Erdrus South Railway. Through the above railway construction, the Company will form a huge railway transportation network from the center stretching outside which will go eastern to Dahuai and Daqin Line, go western to Xinbaoshen line, and go northern to Jingbao Line and southern to Huaishuo line. Meanwhile the Company set up 8 gathering stations along Jingbao, Baoshen, Dahuai, Huhuai and Huaidong Lines. Design efficiency reaches 99 million tons per year. Goods spots and transfer stations at Qinhuang Island and Jingtang Port were set up. And sale institutions were built in Beijing, Shanghai, Guangzhou and other regions. Thus a marketing system with production, delivery and sales was formed.

The 1st symbolized item of indirect coal-to-oil industry of China, namely Inner Mongolia Yitai Coal-to-Oil LLC whose facilities operated 327.68 days in 2011 effectively totally produced 151765 tons of diesel, naphtha, liquid gas and other products. Through 5 to 6 months check and maintenance, it produces 540 tons of various oil products daily and 0.18-0.2 million tons annually. Full burds operation stands for whole set of technologies about coal-indirect-liquid-to-oil from middle trial to industry enlarging obtained a success in China. These will show a leading and guiding role in industrialization of mixed oil based on coal with intellectual property rights. And it benefits the environment protection, energy-saving, clear and efficient resources utilization and implementation of sustainable development. Also speeding up structure change of coal industry, industry adjustment, comprehensive improvement of coal industry, enduring national energy safety and other aspects will benefit from these technologies. The 1.2 million tons per year of fine chemical products item set up in Hangjinqi is in process. Through the strategy and implementation of the above strategies, the Company improved productivity and efficiency, boosted resources conversion ability and added value of products thus market competitiveness grow. Social value and wealth were created thus boost sustainable development of region and industry.

(II) Promoting the technique level of coal industry and utilizing resources effectively in order to realize highly effective production in security

Since the end of 2005, our company has responded to the spirit of the State Council on planning to constrict 13 magnificent coal base and Inner Mongolian “Guiding Advice on Accelerating the development of major coal enterprise”. Besides, all of collieries have been integrated and improved in recourses and skills and we have

insisted the method of combination the imported and domestic equipment so that the advantaged coal seams have been exploited effectively in collieries. In tunneling of roadway, continuous miner equipment and domestic first-class ensemble digging equipment are imported to make preparation. As a result, the speed of digging is greatly improved and ensures the fully mechanized working face in normal. In the mining and decorate, the mind will be broadened deeply and we will insist in reserving working face according to the conditions of recourses reservation and geological structure. Using the full set of trackless rubber carrying vehicles and advanced double channel retreats technique install the reserving working face so that it is safety to recover and retreat efficiently. In the ventilation, the current domestic first-class axial flow fan is used and drawer-type ventilation mode and underground air environment quality meet the standards set by the state. On the coal, materials and staff transportation aspects, main transportation system configure and adopt top-ranking reliable transportation equipment and technology from home and abroad, therefore the adhesive tape transportation and set of control are realized and the trolley is also realized in auxiliary transportation system. Through the whole process of production management of information control and production equipment of the intelligent, and integrated automation management, it is in a leading level in domestic on coal mining equipment and safety monitoring, production efficiency and safety production records and then realizes the stable development of coal mine.

Under the good condition of mining equipment, the company of coal mine to length, big face mining reserves and big mining height are all in one times high, long arm layering exploitation and caving mining. The breakthrough of the mining thin bedrock geological conditions insufficient roof and coal seam less 40 meters and the mining technology of less than 1m coal seam and mining process in uneven thickness of coal seam improve the resource recovery effectively. For the triangle left by the fully mechanized mining, popular case Wally mining method is adapted to recovery and for the pillar type coal mine; it takes advanced drilling way to delineate mining face. All of these improve the efficiency of resources utilization and production efficiency. Through the transportation of coal mine, our company uses the funnel into coal formation to buffer reducing the damage rate of the transportation process. Transforming the vibrating sieve nets hole diameter, we improved the output of coal; reforming the warehouse system of product storehouse, we not only save electric energy loss and equipment investment and reduce transport links, but reduce the damage of coal with warehouse process and improve the quality of coal. For coal of high content of wasting and ash, our company realized the recycle of resources and efficient clean production through the construction of modern coal pit, with domestic leading coal washing method and forming a complete set of modern gangue power plant.

Our enterprise made the level of industry technology improve greatly through the technological transformation of the original mines and the modernization construction of the new mines. Besides, we exploit and breakthrough in technological experience aspect continually, and enhance the efficiency of using resources to achieve the safe efficient production.

(III) Persisting in the integrity of management and standard operation; using good growth returns to shareholders; building the ideal platform of career development for the employees

Our company insists the following business philosophy throughout “On the basis of customers’ value and strategy synergy value to create the maximum of enterprise

value”. We also adhere to the “honesty” as foundation, the tenet of “honesty do all, the sowing the future” and the lawful business operation. The comprehensive budget management is carried out in internal management, which is cost control and increasing efficiency to improve the level of enterprise management control. We implemented the digital management, carried out SAP system in each link of company production management and strengthened the enterprise work efficiency.

Since the company listed, holding the responsible attitude towards the shareholders, improving the structure of company treatment and according to Company law of the People's Republic of China, Securities law of the People's Republic and the requirements of the relevant laws and regulations from China securities regulatory commission, we regulate the operation of the company and strictly perform information disclosure obligation, fair treatment of all investors, to provide shareholders with timely, accurate and safety information. No matter from the information disclosure and the “three meeting” standard operation and big shareholders, executives of integrity of the words and deeds, perform good faith and diligence and conscientious obligations.

The company holds the value maximization of enterprise and shareholders’ benefit maximization as business purposes, attaches the reasonable return of investors, formulate a reasonable profit distribution policy and returns to shareholders positively. Since 2003, for nine consecutive years annual operating results have new breakthroughs on business performance giving abundant profit to investors. Annual revenue growth of 2009, 2010 and 2011 is 13.74%, 29.97% and 21.84% respectively. From 1997 to 2011, besides realizing small profit and no allocation in 1999, we distribute the profit every year and accumulative total bonus (including stock dividend) has reached 7.78 billion yuan. The total cash bonus of 2009, 2010 and 2011 accounts for 124.78% of the recent three years’ average of available for distribution profit.

The company values for human resources selection, development and incentive, insists the idea of “respect historical contributions, pay attention to post ascension and guide the future development” in order to build the career development platform for staff. The enterprise sets up a hired servant mechanism and a post salary, give the equal chance to each employee, optimize each post placement and offer an excellent career development platform. Meanwhile, the performance assessment decides the contribution and income so that we established a perfect incentive mechanism and create harmonious labor relationships.

In order to adapt to the needs of the rapid development of the company, the company advocates employees of lifelong learning ideas, a full study and lifelong learning atmosphere and mechanism and establishes a set of effective training plans. Besides, we take a variety of forms to give the training of position, basic knowledge, professional theory and basic quality. The company and the continual education institute of Tsinghua University are joint to hold the 4th and 5th MBA training, hold the document writing, logistics management, human resources management, enterprise strategy, statistical knowledge, the financial personnel management and coal mine aspects, training 280 period, total training 15,667 person and accumulative total spending training fee is 5.7765 million yuan.

At the same time, the company pays attention to improve the level of staff income. The salary of directors and managers conduct the annual salary system that is related to annual economic indicators, and others including middle class and ordinary staff can earn 100,000 yuan per capita plus totally a year. In 2011, the company makes a general adjustment to the salary in order to improve the income level. The wage

growth is 19.68%, and the staff shared the outcomes in the maximum.

(IV) Strengthening exchange and cooperation with each stakeholder, building harmonious atmosphere of public and investor relations, promoting the enterprise image and brand influence, advancing enterprise and social harmony hand in hand

The company has always carried out the culture “sincerity and harmony” and strengthened the relationship with related stakeholder. Furthermore, we have established the relationship of mutual trust and dependence to form development consensus and create cooperation mechanism, playing to their respective advantages, condensing development force and coordinating the sustainable development of enterprise and society.

On complement of each company’s advantage basis, we strengthen the technical cooperation with large coal enterprise and emphasis to establish the cooperation with key power customers in the rights of upstream and downstream industry and strengthen the scientific research cooperation with technical research and development team. Through the introduction of domestic coal mining in the technical ahead of the third party service provider coal technology and through the coal oil company in technology research and development base, besides in the form of equity in introducing electric power customer shares and the corresponding pit in the power plant construction by electric power customer holding company, we played their respective resource advantages, speeding up the project construction and resource development progress and increasing the economic benefit.

The communication and cooperation with all financial institutions are strengthened by our enterprise. Through interviewing, holding out the fact symposium and inviting to visit the company production operations, we strengthen the understanding and identity of financial institutions to the company and promote the credit rating and the line of credit. Meanwhile, the company abides by loan contract and reports the related company information to the creditors timely and no repayment debts in time never happened. The company is in the pursuit of maximizing the value of goals, and at the same time, strives to ensure company financial steady and assets, protecting the legal rights and interests against infringement which has achieved good social reputation.

In the investor’s relations management aspect, we are faithful to shareholders, and the supervision department, agency, the news media are operating lawfully and perform information disclosure obligation truly, accurately, completely and timely and actively cooperate with the work of supervision department. Holding shareholders’ and investors exchange meeting, we organize the site visit, daily reception, material supply and telephone consultation, etc. in order to build the channel of understanding and contacting with the company, to enhance the company’s transparency and standard operation level and to promote the image and value of the enterprise.

In the brand construction, the company pays attention to maintain a well-known trademark of Yitai exclusive right. Through close monitoring, we put forward trademark opposition in time and seize the opportunity to strengthen publicity. Besides, we take part in all kinds of honor comparison and social activities so that the influence of company is arisen and the understanding, perception, identity and reputation of the company are promoted.

Yitai coal possesses good quality and brand effect and has high and low calorific value, low ashes, very low sulfur and phosphorus, high volatility and high carbon. We are awarded “national quality inspection and testing quality trustworthy product” by national quality inspection association. In June 2006, Yi Tai has been identified as “China famous trademark”.

In September 2011, Yitai group is ranked the 227th in the top 500 enterprises in revenue terms, the 48th in the enterprise benefit top 200, the 7th in the top 500 of realizing the profit of 125.08 million yuan per capita, the 17th in return on assets and the 16th in the net asset profits on the presentation of 2011 Chinese 500 top enterprises hosted by CEC and China Enterprise Association.

III. Promotion of society's sustainable development

(I) Put more effort into securities, established and perfected management system for securities, strengthen security management and guarantee efficiency production without accident

Yitai control overall situation of the Company with its advance safety culture idea. The Company insisted in principal of "Safety First, precaution crucial and comprehensive governance". In managing safety production, the Company adheres to the "One safety idea, two basic points and three basic principles". One safety means "the Company would rather produced less one million tons coal than one person died"; "would rather invested more 10 million than one person died", which illustrates the relationship between safety and production, and safety and investment; Two basic points means to rely on management and investment; Three basic principles means safety is the most important political of the enterprises, is the most welfare of the employees and is the most efficiency of the enterprises. The Company advocate beginning with advance safety cultural idea to create an opinion atmosphere with safety attention-ness and life care-ness which reinforcing the construction of safety culture, material culture and system culture. To carry out education of safety honest in the Company with idea of "it's illegal for failure to abide by the law; it's illegal for failure to abide by regulations and it's illegal for failure to implemented responsibility". The education requires all staff devoted themselves to their work without dishonesty; helping to build a responsibility and sense of mission in the employees for enterprises and makes every employee consciously action by regulations in work.

In accordance with relevant documentary's requirements from Coal Board of Erdos and Financial Bureau of Erdos, safety costs 3 Yuan are withdrawal and used by the Company based on actual production of coals by tons; Coal Board Management Bureau of the City are centralized to collected 3 Yuan. Meanwhile, maintenance costs of 10.5 Yuan are withdrawal by actual production with 4 Yuan submitted to the Country for safety comprehensive governance. In term of safety costs and maintenance costs withdrawal and used by the Company, there has a specific saving account for those money for specific used, that is for safety equipment construction and reformation.

During report period, being continuously implemented the spirit of "Notice of Further Reinforcement on Enterprises' Safety Production from the State Council" "Notice of Constructed and Perfected 'Sixes Systems' of Safety Risk Avoidance under Well by State Administration of Safety Supervise and National Safety and Supervision Bureau of Coal Mine" and "Inspection Regulations of Safety Supervise and Well Downing with Mine Leaders", the Company put the implementation of construction on sixes systems of safety risk avoidance and well downing system with mine leaders into priority in aspect of safety supervise. Totally 18.91 million yuan was constructed in "Sixes Systems" of safety risk avoidance under well, completely exercise well downing system for mine leaders and set up a perfected management system in every aspect of safety productions. According to the requirement of "Management Standards for Safety Production of Coal Mine for year of 2011", combining with

actual situation of daily safety inspection for coal mine, the Company perfected safety inspection details of system construction, one ventilation & three preventions and other three aspects. In this year, totally 9 times of general inspection in safety production are exercises, organized specific inspection activities of “goaf governance in coal mine”, “fire extinguisher projects”, “three-prevention in rainy seasons” and “four-prevention in winter” with emphasize on hidden trouble control of governance safety that promoted safety production of the Company steadily. Being focus on expert of “mining, excavating, machinery, transport and ventilation” and difficulties of governance for “one ventilation & three preventions”, the Company perfected standardized constructions for safety of coal mine. In 2011, 7 mines of the Company obtained the safe quality standardized of national-class for coal mine, and standardization for safety qualities in every mine gains a further enhancement.

The Company reinforced construction of emergency search & rescue team and drilling of emergency search & rescue plan, strictly put rescue system into efforts. Regulations of post responsibility and responsibility for safety productions have been successively improved, that higher standard of emergency search & rescue and enhance ability of disaster prevention. The Company has passed the qualification of occupational health & safety management systems issued by China Academy of Safety Science & Technology, and still operate by the regulations. Management targets for occupational health & safety in every production units are clarified for regularizing safety production and enhancing safety management standards.

In order to higher sense of security and improved safety technology qualities and safety culture standards in employees, various education training for safety are exercise by the Company. In year of 2011, the Company totally held 20 classes of training for special personnel with 1310 person-time of the 100% rate of certificated obtained; organized district leaders-class managers in every mine, ventilation technician, geology personnel, general engineers and professional technicians attended various specific training; totally 16 trainings are organized for coal liquefactions with 1268 person-time in totaled; totally 17 trainings are organized by Zhundong Railway with 2898 person-time in totaled and totally 21 trainings are organized for coal transportation with 1042 person-time in totaled.

For actively and efficiency adoption of measures of safety management, in 11 years since 2001, the Company successively produced raw coal of 173.6 million tons with zero mortality in one million tons coal, that takes a lead in safety production record in coal industry. Yitai Zhundong Railway Co., Ltd and Huzhun Railway Co., Ltd, since operating from 2000 and 2007 respectively, successively has zero heavy driving accidents and damage human casualty accident in 4033 days and 1842 days respectively.

(II) Raise quality management consciousness; strengthen process control for products quality, providing high-quality products and services to market

The Company always adheres to operational ideal of ‘Zero defect and One Hundred Satisfaction’ and pay close attention to management of quality standardization. Since passed the Quality System Certification dated 22 February 2001, the Company passed the conversion from IS09001: 1994 Edition to IS09001: 2000 Edition on 17 February 2004. On 21 May 2010, the Company passed the Quality System Certification conversion from IS09001: 2000 Edition to IS09001: 2008 and passed the first supervise and approval for IS09001: 2008 in April 2011.

Regarded idea of quality as the enterprise’s life, the Company strictly implemented

‘Evaluation Plan for Coal Quality’’. Conducted on-site inspection and spot checking in self-organized mine and dispatch-transport station of the Company monthly. And exercise quality management and quality control in every steps of the coal production. Specially, strengthen excavation of coal layer and samples in well down. Executed spot-checking while encounters special situations. Getting well known and control the abnormal situation and coal quality variation in production steps for better inspection and prediction work report for coal quality with purpose of timely dispatching adjustment in steps of coal transportation and sales as well as management strategy for coal proportion adjustment. Eyes on inward/outward coal’s quality closely; Calculated various coal allocation plan timely, evaluated quality of the coal by storage locations in port; coordinated with transport office for various coal-allocation tasks, guiding load works reasonably and efficiency and controlling coal quality of the port in order to take ensure for the qualified quality of the coal that submitted to clients.

‘Yitai’ coal has advantage of low-ash, low-sulphur, low phosphorus, high heating value, high-volatile and high carbon, a rare premium steam coal domestically. Total sulphur determination (TSD) has been limited by National Environmentally Department, in major metropolitans, TSD are not allowed to higher than 0.5% in urban area. Beijing has 0.5% limit in total sulphur while majority of the ‘Yitai’ coal has total sulphur less than 0.5%. Environmentally ‘Yitai’ coal gains a huge market space benefit from the upgrading of consumer structure and targeting of National energy policies. In order to take ensure for meeting requirements of market and National energy policies with coal quality, the Company controlling quality of the coal and selecting in process of production, transportation and sales.

Concerning the fluctuation of coal quality indexes and cut-throat competition in coal market since fully mechanized, the Company actively dealing with the problems. Coal washery plant that reconstructed in Suncigou Mine and Zhungerzhao washery plant have been completed for used. The coal washery plant has a world-class washery crafts of dense-medium shallow-slot grading and HM cyclone. Separation efficiency reached over 99% and rate of discharging refuse reached 29.6%. Enhanced coal-use ratio by higering coal washery, selection and processing for less pollutant emission to seized the market to satisfied clients’ requirements.

Downstream clients for coal of the Company mainly refer to the enterprises of power, metallurgy and chemical industry. The Company insisted in operating idea of ‘Base on client’s value and strategy synergy value, maximized the value for Company’’, honesty operating, take good control in quality management and put more efforts in honoring a contract. Moreover, strive for improving after-sale standards for setting up a favorable reputation in clients. Thanks to the premium quality and advantage service, in many years, the Company has a long-term friendly, win-win mutually beneficial cooperation relationship for steady supply strategy with many power and metallurgy enterprises located in East China, South China, East China and Northeast. Characteristic of Yitai’ coal, low sulphur, low ash, low phosphorus and middle-high calorific value qualified environmentally requirements and production needs from major power enterprises. Moreover, the Company is setting up outstanding image in clients for its lower cost and higher efficiency as well as stable coal resources

supplying in marketing operation.

(III) Protect interest of employees, guarantee employee's health status, created a harmoniously labor relationship and promoted steadily development of the enterprises

Employees of the Company, established labor relationship with the Company by entered into labor contract yearly with the Company, regulated by relevant labor laws and regulations. The Company determined basic remuneration of the employees by post type. Exercising an incentive remuneration system that bonus distribution is connected with performance evaluation results. In accordance with relevant regulations of social insurance, the Company paid relevant insurance for employees in full, consisting of endowment, basic medical care, major medical care, unemployment, industrial injure, maternity and housing accumulation funds. Meanwhile, the Company paid commercial insurance of supplementary medical insurance and accident insurance for employees. Moreover, the Company set up a major illness risk fund within the enterprises. Concerning 10 regulated major illness, after reimbursed from medical insurance, rests of the treatment charge will be solved by illness risk fund. Labor welfare is distributed to employees aperiodically without certain quotation by the Company.

The Company take ensure for the legal rights of normal work-hours, holiday-time and rest of the employees in line with relevant regulation from the State. In line with regulations of "Labor Laws" and "Measures of Implement Irregular Work System and Integrated Computation Man-Hour System" from labor department, the Company combined with actual operational situations, formulated regular work system and irregular work system or integrated computation man-hour system respectively. In term of irregular work system and integrated computation man-hour system, adopts concentrated in works, rest, work/holiday shift and flexible working hours to ensure for the health condition of the employees', guarantee employee's interest of duty-off and rest; and guarantee production and works will complete in time.

The Company insisted in human priority, continuously improved working environment for employees, lower working tasks for employees and strictly in line with regulations and standards of sanitary regulations from national labor division, educated safety sanitary in employees to prevented accidents in labor and reduced occupational hazards. Concerning the special operations staffs, employees who on duty should obtained special operation certificated by specific training. For those who work with occupational hazards, exercising body check regularly and open health file for them. In accordance with relevant regulars of labor protection for females of the State, protect legal interest of female employees and their safety and health situation in working, the Company organized body check for female employee yearly. The Company organized body check for all personnel since 2009. According to the requirement of enterprise' development, the Company passed the certification of occupational health safety system organized by China Academy of Safety Science & Technology, and operating by procedures.

The Company completed play the professional role of employee's representative and

labor union, strengthen democracy management and supervision, listening opinions and demands from employees, set up a spirit of ownership and sense of responsibility in employees and care about employees who sickness and have difficulties. For helping employees who in difficulties, the aid fund for difficulty employees are set up dated 17 October 2011 by the Company.

Improving employees' professionalism by organized technology competition, cultural and sports contest, calligraphy & photography contest and knowledge competition; rich employees' spare-time; strengthen spirit of cooperation and makes a positive influence on construction of harmoniously Yitai.

(IV) Society return, dedicated to society charity business proactively, supporting development of region agriculture and animal husbandry, education, medication and cultural business

The Company proactive in poverty alleviation and education subsidizes since establishment. Supporting the development of charity business in Erdos, such as sanitary and educational business, and return the society by actual action. In order to improving regional medical health conditions, the Company and Inner Mongolia Yitai Group Co., Ltd accumulatively donated 50 million yuan to Central Hospital of Erdos since 2005, consisting of 30 million yuan donated from the Company, and over 30 million yuan donated in regional education business accumulatively. On 20 March 2008, 1.28 million yuan materials are collected by the Company for disaster zone while bank broke in area of Hangjinqi Duguitelakuisu of Inner Mongolia, Yellow River, and 13,000 people are affected; furthermore, 10 million yuan was donated for reconstruction in disaster areas. On 12 May, 8-grade heavy earthquake occurred in Wenchuan Country, Sichuan Province, 20 million yuan was donated to disaster zone under the name of the Company and Inner Mongolia Yitai Group Co., Ltd through Red Cross Society of China dated 13 May. Subsequently, 1.34 million yuan, volunteer donation from 4,000 employees of the Company, was wire to disaster zone for love showing. Evening of 20 April 2010, in program of 'Care about Yushu, grand love—major special donation for earthquake relief' hosted by CCTV, the Company donated 10 million yuan to Yushu disaster area. In June of 2011, part of the Chabuchaer Country, Xinjiang, faced severest natural disaster of rainstorm and hails in half a century, the Company donated 5 million yuan for reconstruction in disaster zones in no time after disaster occurred.

In year of 2011, the Company respectively donated 54.75 million yuan accumulatively to Disabled Persons' Federation of Inner Mongolia Autonomous Region, Charity Federation of Inner Mongolia Autonomous Region, Red Cross Association of HangjingQi, Civil Affair Bureau of HanjingQi, Education Bureau of YijinghuoluoQi, Civil Affair Bureau of Chabuchaer Country of Xinjiang, "Donation One Day" of Red Cross of Dongsheng and Inner Mongolia International Grassland Culture Festival. For the above said donations, the Company donated 10 million yuan every year for Inner Mongolia International Grassland Culture Festival in successively 5 years since 2009 with purpose of sponsoring development construction of national culture industry.

According to the statistic of Federation of Industry & Commerce of Erdos, the Company and Inner Mongolia Yitai Group Co., Ltd, since establishment, invested accumulative 375 million yuan in social charity business of disaster relief, cultural and educations. The Company gain acceptance from every aspect of the society; received many honors of advance units from Disable Helping Union of Inner Mongolia Autonomous Region and Erdos City as well as the advance unit of donation & education assistant; honor twice of “China Charity Award” in successively granted from National Civil Affairs Department. On 15 July 2011, Chairman of the Board Mr. Zhang Donghai obtained love showing individual award in honoring ceremony of 6th Session of the China Charity Award.

(V) Strengthening party construction, pays taxes legally, proactively in various social activities, carry forward the enterprise’ cultural and spiritual civilization

The Company always adheres to the principle of “Four No changes”. Reinforced leadership of the Party, strengthen Party construction and centered on Party Committee for enterprises, constructed a perfection structure of Party organization and made a harmoniously relationship between the Party and publics. Recently, the Company has one General Party Branch and 37 Party Sub-branch, 22 newly Party members in 2011 and members of Party reached 764 people. In year of 2011, Party Committee of the Company organized activities of “Excel in the Performances” among every Party Organs deeply and steadily, calling for seriously implementation on system of public commitments among majority of the Party members. Organized every Party Organs launch democracy life activities among Party members for reinforcing construction of Party Organization.

The Company operating and taxes legally since listing, accumulative levy various taxes to the Country of 15.604 billion yuan, consisting 4.971 billion yuan levy in 2011, and a major taxes enterprises in Erdos City.

Consider as pillar enterprises in Erdos, the Company plays as a mainstay in aspect of promoted benign development of region economy in coal, railway, roads and coal liquefaction as well as employment stimulation. Concerning regional resources advantage transfer to economy advantage, project of coal mine and coal liquefaction, constructed by the Company, are play a motivated and demonstration role. Resources advantage transfer to economy advantage in Erdos benefit a lot from the marketi-zation and socialization operation of roads and railways, constructed by the Company, which improving fundamental facility condition of the regional. Leapfrog development of the Company cultivated majority industrial talents, leading in China, in aspect of management and techniques experts.

The Company proactively supported activities in communities and social activities. Organized lectures of “ How a Female Employee to Constructed a Harmonious Family”; according to the ‘Amateur Football League 2011 Season of Dongsheng District of 2nd Session ‘Fenke Cup’”, the employees attended the competition and gained a runner-up results; organized “National Chinese Chess Champion League of 2011 Yitai Cup”, teams from 12 province and cities in China are jointed the competition, which contributed to society for national-wide popularity and

development of Chinese Chess in Erdos, Inner Mongolia and around China; organized employees attended the “Wujin Cup” basketball host by National Coal Sports Federation, and gains a runner-up; organized a Yitai chorus, consisting of 120 people, attended Enterprise’ Chorus Competition host by Propaganda Department of City Committees, and gains a winner in competition; according to “Selected Exhibition of Calligraphy, Art and Photography of National Industry(Business) System for CPC’s 90th Founding Anniversary host by China Literary Federation”, organized employees to attend the exhibition; Organized retired aged employee joints the Aged Table Tennis Contest host by the City’s Aged Sport Federation and honor the Best Delegation Award. Yitai Chorus” honor runner-up in the “Patriotic Songs” host by the City; activities of “Project of Economy Technology Innovation” of employees in Inner Mongolia Autonomous Region, employee’s technology results applied by Coal Liquefaction Company and Pharmaceutical Company respectively obtained five awards of winner, runner-up and third-rate honor.

Being support and participate in serial of social activities, promote culture of Yitai and set up enterprise’ image, a harmony community relationship is created. In July of 2011, Chairman of the Board Mr. Zhang Donghai honor “Outstanding Contribution Icon of National Enterprise Culture” for 2010-2011 in “Annual National Enterprise Culture” jointly host by China Association of Enterprises and China Entrepreneur Association.

In September of 2011, Inner Mongolia Yitai Group Co., Ltd, centered as the Company, bestow honor of “National Model of Harmony Enterprises for Labor Relationship” in Honoring Ceremony of National Construction of Harmony Labor Relationship and Experience Exchange Meeting, jointly held by National Federation of Trade Unions, Human Resources & Social Security Bureau, Federation of Industry & Commerce, China Association of Enterprises and Central Propaganda Department; In December of 2011, Inner Mongolia Yitai Group Co., Ltd, centered as the Company, honor “National Civilized Enterprise”, according to the “Honoring 3rd Batch of National Civilized City (Region), Civilized Town/County and Civilized Enterprise” issued by Guideline Committee of Construction of Central Spiritual Civilization.

IV. Promoted sustainable development for environment

At the 17th National Congress of CPC, “more costs in resources environment for economy growth” is listed as first difficulty and issue in forwarding of the country’s economic & social development; considering construction of ecology civilized as a new requirement and important content for building a well-off society in an all-round way;” build a resource-conserving, environment-friendly society” was inscribed in general principle of CPC Constitution, which was approved in amendment to the CPC Constitution at 17th Congress; Environment protection became an urgent task that need to solve in national modernization and environment construction came into a major content for harmony society. Fulfill environment protection social responsibility conscientiously; exercise in building ecology civilized proactively is an inevitable choice for an enterprise in fulfilling scientific outlook on development, realizing sustainable development and constructing an environment-friendly

enterprise.

As a key enterprise in coal industry, the Company takes a significant social responsibility for environment. The Company completely fulfill environment protection principle of “Hundred-year of Yitai • Greening Energy”, takes environment protection idea of “prevention first, treatment & protection combined, sanitary production and controlling in all process” as guideline, insisted in combination of environment protection with energy-saving, emission reduce, resources-saving and developed recycle economy to established and perfected system of environment protection management. Certificate of environment protection management system was officially active since March of 2010. According to regular requirements of ISO14001 standards, implement an environment management system that applicable to the Company in line with Deming Cycle’ Plan-Do-Check-Act” (PDCA Cycle). On 16 November 2011, sections of the Company, Yitai Coal, coal liquefaction, railway and roads transportation, passed certificate of ISO14001 environment management system from Beijing Zhongjing Kehuan Quality Certification Co., Ltd. During report period, strictly implement system of Environmental Impact Assessment (EIA), system of “3-concurrent” environment protection for construction projects and system of approval and acceptance for water-land reserve; checking approval of EIA plan for those construction in progress of coal, railway, roads and coal liquefaction as well as plan of water protection, conducting project construction in basis of scientifically planning. Meanwhile, checking acceptance works for environment protection and waster protection. During report period, the Company completed acceptance of 1.2 million tons/year fine chemical project, environment protection of Kaida Coal preparation plant, water protection approval and water-land reserve of Suanzhou Railway, Zhuandong Railway Phase II and container station of Zhungeerzhao.

In order to approached target of “prevention first, treatment & protection combined”, the Company strengthen control in process and governance standards, completely implement environment protection principle of “Hundred-year of Yitai • Greening Energy” from Group Company. For those production units, the Company take fully and carefully examinations regular/irregularly in every month / quarter. According to checking results, scoring on-site, governance problems that encounter in examination by way of on-site punishment with deadline reconstruction notification; avoiding pollution accidents and events occurred by notice earlier. During report period, the Company invested 27.8949 million yuan for facility rebuilding of sewage treatment and mine sewage treatment for subordinated enterprises. In accordance with information disclosure regulation for environment protection of listing company from Ministry of Environment Protection Department, affiliated production units of the Company are passed the routine monitoring of noise, air pollutants emission and water pollutants discharge, examined 4 times in a year in industry enterprises. Pollutants discharged by every production units are qualified emission standards of the Country correspondingly. Meanwhile, in report period, the Company applies for a specific fund (swage refund) of national Environment Protection of 5 million yuan, totally used in environment governance.

In order to implement document spirit of “Further Promoted Governance of Fire District in Coal Field (Coal Mine) from Office of People’s Government of Inner Mongolia Autonomous Region” (NZBF[2010] No.41), the Company reinforced treatment of geological disasters in fire area of housing/aged mining areas in coal field(coal mine). Adopted open-air separation measures for treating the housing/aged mining areas in Nalinmiao Mine preliminary; the governance plan was applied for approval in National Development & Reform Commission. Coal resources of 150 million tons are predicted recover in 8 years for purpose of resources-saving, environment protection and disaster elimination.

According to requirement of ‘Program of 100 thousand Mu carbon emission reduction forest created by coal enterprises’ from government of Erdos, the Company implement carbon emission reduction project of greening environment since 2010 and plans to exercising large-scale greening in its affiliated coal mine, railway lines, container stations and plant of coal liquefaction in 3 to 5 years. Created a ‘Yitai Carbon Sequestration Forest Base’ professionally, highly standards and efficiency. Furthermore, strive for specific funds in many aspects and channels in greening and ‘carbon sequestration’. In year of 2011, the Company has totaled 8 projects for greening, accumulate invested 46.75 million yuan, and totaling planting 760,000 seeding and nursery; total of 44,000 Mu of Salix, oleaster, young seeds of xanthoceras sorbifolis and xanthoceras sorbifolis are planted. In May of 2011, the Company honor ‘Outstanding Contribution Enterprise for Forestry Ecological Construction’ from City Commission and Government of Erdos. Huzhun Railway (Phase I) was honor as “Demonstration Project of Water-Land Reserving for Production Construction Project”.

Year of 2011 is the starting year for target of energy-saving and emission reduction of ‘twelfth 5-year’, the Company thoroughly implement scientific outlook on development, completed approval of energy-saving and emission reduction as well as sanitary production based on advance science & technology, insisted in lower energy consumption and control energy consumption reasonably. The Company prepared statistic of energy consumption, well know situation of energy utilization in every production units of the Company and preparing auditing report of energy and energy-saving plans. Mine of Nalinmiao #1, mine of Nalinmiao #2, Hongjingta No.1 mine, Yangwangou mine, Suancigou mine and Coal Liquefaction Company has passed approval of sanitary production successively.

During report period, the Company produced a publicity short-film of “6.5 World Environment Day” and “Week for Energy-Saving” at festival of “6.5 World Environment Day” and “Week for Energy-Saving”. Printing publicity post of “6.5 World Environment Day” to every production units, posting sign of energy-saving and water-saving and hanging publicity banner of “6.5 World Environment Day” and “Week for Energy-Saving” with purpose of promoted environmentally knowledge and idea of environmentally, enhancing consciousness of environment protection.

The Company take great efforts to develop clean energy while strengthen energy-saving and emission reduction in order to promoted sustainable development for environment. Demonstration power station of 205 kilowatt solar PV has been

established by the Company and grid after acceptance in December 2007. The solar power generated 230,000kw in 2011. Technology reforming on power stations is conducted from October 2008 to July 2009 that makes installed capacity approach to 350 KW. The project is the first demonstration power station of solar concentrated PV technology in China, and is the important project that in charge of industrialized project of national science & research for promoting implementation of strategy of recycling energy. During report period, including subsidiaries of consolidated range, totaling 607 million yuan was invested accumulatively for environment protection. Totaling 222 million yuan invested, consisting of 33,243,400 yuan expensed in afforestation in 2011, 22,433,300 yuan expensed in waste stone and sewage emission, 157,066,500 yuan expensed in ecological restoration and water & land reserves, 9,383,100yuan expensed in environment governance and greening.

The Company adheres to scientific outlook on development with tendency of sustainable development. Taking coordinated development of coal industry and relevant industry into consideration while searching a self-development. Exploration of coal should be coordinated with eco-environment, protect and governance environment of coal areas, realized harmonization between the enterprise' development and society and environment.

V. Look ahead

In last 14 years from listing till the year-earlier, the Company always aims at implementing social responsibility in overall operations. The Company put more efforts in aspect of economy, society and sustainable development of environment which obtained a favorable economic benefit and social benefit. However, we still looking forward to the harmoniously unifying of economic benefit and environment benefit. In later period, social responsibility management system will be perfected and well known by the Company in operating management. Adhering to honesty operation, taxes legally and further optimized industrial structures, developed recycle economy promoted sanitary production, saving energy resources and supporting social charity business. Take fully advantage of advance technology and technology innovation, enhancing safety governance standards; implement major ecology construction and project of environment governance to improved ecology atmosphere in mine area and occupational status of employees. Achieving win-win cooperation with clients, suppliers and other stakeholders, realized benign development and interaction between the enterprises and society to accelerated contribution in construction of a society with resource-saving and environment-friendly type.

In year of 2011, the Company achieving net profit for shareholders of 5.496 billion yuan, levy taxes to the State of 4.971 billion yuan, allocated salary and bonus to employees with 488 million yuan, paid 557 million yuan for borrowing interest and donated 55 million yuan externally. In order to implement governance in greening environment, protect ecology balance in mining areas and prevent pollution, the Company spends environmentally emission cost, greening cost, charge for water & soil protection, compensation of ecological restoration and other expenses total as 784 million yuan in environment governance. Therefore, contribution value per share

generated by the Company for shareholders, employees, clients, creditors, communities and the whole society amounting to 7.36 yuan.

Calculation for contribution value per share

Unit: RMB '0000

Items	Amount
Net profit generated for shareholders	549,589.87
Taxes paid	497,072.72
Salary and bonus paid for employees	48,746.05
Borrowing interest paid	55,668.86
Donation externally	5,475
Social cost	78,425.76
Including:	
Environmentally emission cost	2,243.33
Greening cost	3,324.34
Governance charge for water & soil protection	1,882.34
Compensation of ecological restoration	13,824.31
Compensation of removal	46,361.72
Compensation of mineral resources	9,008.19
Fund of water conservancy construction	1,781.53
Total shares	146,400
Contribution value per share=(Net profit generated for shareholders+ Taxes paid + Salary and bonus paid for employees + Borrowing interest paid + Donation externally - Social cost)/ Total shares	7.36 yuan/Share

**Board of Directors of
Inner Mongolia Coal Co., Ltd.**
23 February 2012