PREAMBLE

Yanzhou Coal Mining Company Limited ("the Company") is one of China's largest and most profitable coal mining companies with operations in Shandong Province, the People's Republic of China.

Targeting the world's largest coal markets in East China and East Asia, we are best positioned with our unrivalled portfolio of low cost, high quality mining assets and strategic location. As one of the few world scale pure coal industry investment entry points focusing on the fastest growing markets in the world, we will continue to enhance our operation and management and endeavor to become a world-class mining company that delivers long term sustainable and stable returns and growth to our shareholders.

We have set high environmental and community standards. Our commitment to health, safety and the enhancement of the skills and capabilities of our employees is paramount.

CONTENTS

The most profitable coal enterprise in China
The largest coal producer in China
One of the largest coal exporters in China

The Company is engaged in underground mining, preparation and sales of coal. The Company mainly produces prime quality, low-sulphur coal.

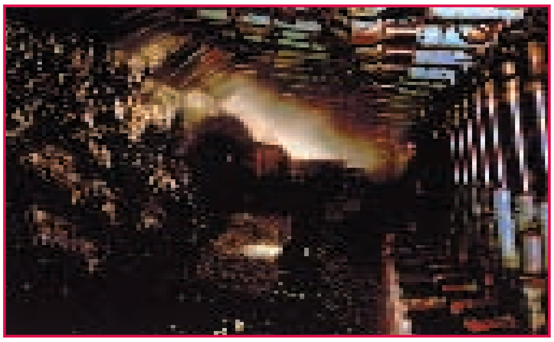
Major customers include:

Domestic: Shandong Electric Power, Shanghai Baoshan Iron & Steel, and Shanghai Power

Overseas: Tokyo Electric Power Co. and Nippon Steel Co.

- In 1998, the Company was listed on the New York Stock Exchange, the Hong Kong Stock Exchange and the Shanghai Securities Exchange, respectively
- In January, 2001, 100 million new A shares were successfully issued
- The Company was ranked as the No. 10 of the top 50 listed companies by *Listed Companies* in 2000
- The Company was ranked as the No. 4 of China's best managed companies by *Asia Money* in January, 2000

Jining II coal mine



Mechanized comprehensive top caving mining method

Jining III coal mine

The Company initially owned four coal mines, that is Nantun, Xionglongzhuang, Baodian and Dongtan. The Company acquired Jining II coal mine and Jining III coal mine on 1st January, 1998 and 1st January, 2001, respectively.

In 2000, Jining II produced 4.75 million tonnes of coal and has exceeded the designed output capacity. Jining III was regarded as one of the world's lowest cost export coal mines by international mining experts. The Company's raw coal production in 2000 was 27.46 million tonnes.

The Company successfully developed mechanized comprehensive top caving mining method, which won the First Class National Scien-Tech Advance Award. This world class technology has significantly improved the Company's efficiency and productivity.

(prepared in accordance with International Accounting Standards ("IAS"))

OPERATING RESULTS

	Year ended 31st December,				
	2000 (RMB'000)	1999 (RMB'000)	1998 (RMB'000)	1997 (RMB'000)	1996 (RMB'000)
Net Sales					
Domestic	**2,090,758**	2,302,562	2,244,824	2,054,314	2,372,279
Export	**1,508,979**	1,059,839	1,442,185	1,243,843	906,470
Total Net Sales	**3,599,737**	3,362,401	3,687,009	3,298,157	3,278,749
Gross Profit	**1,616,217**	1,748,569	1,725,060	1,825,664	1,740,446
Operating Income	**979,781**	1,123,289	1,184,984	1,330,439	1,232,608
Interest Expenses	**(5,012)**	(10,450)	(87,603)	(166,726)	(159,411)
Income Before Income Taxes	**1,035,652**	1,160,413	1,173,642	1,208,444	1,106,539
Net Income	**748,360**	825,120	817,360	834,141	764,556
Earnings per Share (proforma for years ended 31st December, 1997 and 1996)	**RMB0.29**	RMB0.32	RMB0.35	RMB0.50	RMB0.46
Dividends per Share	**RMB0.082**	RMB0.089	RMB0.086		

ASSETS AND LIABILITIES

	As at 31st December,				
	2000 (RMB'000)	1999 (RMB'000)	1998 (RMB'000)	1997 (RMB'000)	1996 (RMB'000)
Net Current Assets (Note)	**1,270,728**	745,806	117,079	194,807	156,733
Land Use Rights and Property, Plant and Equipment, Net	**5,500,522**	5,516,022	5,560,774	3,746,535	1,908,261
Total Assets	**8,103,684**	7,599,362	7,127,948	4,776,754	2,754,610
Total Borrowings	–	–	115,000	1,315,000	1,800,000
Shareholders' Equity (Note)	**6,869,625**	6,352,665	5,675,745	2,709,172	264,994
Net Asset Value per Share (Note)	**RMB2.64**	RMB2.44	RMB2.18	RMB1.62	
Return on Net Assets (%) (Note)	**10.89**	12.99	14.40	30.79	

SUMMARY STATEMENT OF CASH FLOWS

	Year ended 31st December,				
	2000 (RMB'000)	1999 (RMB'000)	1998 (RMB'000)	1997 (RMB'000)	1996 (RMB'000)
Net Cash provided by Operating Activities	**1,068,771**	957,940	1,505,396	1,161,699	869,718
Net Increase (Decrease) in Cash and Cash Equivalent	**327,067**	227,021	78,869	158,471	(22,399)
Net Cash Flow per Share from Operating Activities	**RMB0.41**	RMB0.37	RMB0.58	RMB0.70	

Note:

The Company has adopted for the first time the IAS 10 (Revised) "Events after the Balance Sheet Date" and IAS 38 "Intangible Assets" which became effective in 2000.

IAS 10 (Revised) specifies that dividends declared after the balance sheet date but before the financial statements were authorised for issue should be disclosed either as a separate component of equity or in the notes to the financial statements. In prior periods, dividends declared after balances sheet date had been adjusted to the financial statements and recorded as liabilities on the balance sheet. The adoption of IAS 10 (Revised), which has been applied retrospectively, has resulted in an increase in the retained earnings and an increase in net assets of RMB69,000,000, RMB148,200,000 and RMB231,400,000 as at 1st January, 1998, 1999 and 2000, respectively. The relative financial data as at 31st December, 1997, 1998 and 1999, respectively, has been adjusted correspondingly.

Dear Shareholders,

The year 2000 brought most satisfactory achievement to our Company. Not only did we manage to report a satisfactory profit and cashflow despite the deep trough in coal prices, but we were able to strengthen our core competitiveness through the successful acquisition of Jining III coal mine.

Net income for the year ended 31st December 2000 was RMB748.4 million or 9.3% lower than in 1999, mainly due to the decrease of the Company's coal price by 8.8% as compared with 1999. Based on industry data, the worldwide coal prices declined by about 23% since 1998 resulting in an increasing number of loss-making coal producers. Domestically, over 80% of coal mines were in the red.

The Company has overcome these very challenging market conditions. Though the Company's average coal price decreased by 16.5% and the net profit decreased by 19.5% in the first half of 2000 compared with the same period last year, we were able to increase production and sales volume in the second half of the year, when coal prices started to gradually recover, which resulted in substantial profit for the whole year.

I am pleased to report that coal prices continue to improve in the first quarter of 2001 following the small increase in the second half of last year, by 8% domestically and about 10% on the export spot price as compared with 2000. Based on this improvement we are optimistic about our future performance.

The Board of Directors proposes to declare a final dividend of RMB221.4 million (before tax), or RMB0.082 per share (before tax). This final dividend will be declared and paid to all shareholders after the approval by the shareholders at the annual general meeting to be held on 15th June, 2001. Since listing, the Company has consistently implemented the dividend policy distributing approximately 35% of the Company's net income to the shareholders, after the deduction of statutory reserves for the relevant year.

Zhao Jingche
Chairman

"In 2000, the Company overcame these very challenging market conditions and the overall performance is satisfactory."

MAJOR ACHIEVEMENTS IN 2000

In 2000, total raw coal production reached 27.46 million tonnes, a 14.4% increase as compared with that of 1999. Total sales volume reached 26.52 million tonnes, a 17.3% increase as compared with that of 1999, realizing net sales of RMB3,599.7 million. The substantial increases of production and sales volume were principally attributable to: i) improved productivity thanks to advanced mining technology and equipment; ii) increased sales to the coastal power customers realized by our five expanded sales branches located in Shanghai, Qingdao, Guangdong, Rizhao, and Jinan; and iii) increased export sales underpinned by our reputation as a quality and reliable supplier. Annual export volume reached 10.08 million, representing a 62.6% increase year on year.

"Jining III is on track in contributing positively to the Company in 2001"

At the beginning of 2001, the Company successfully completed the acquisition of Jining III coal mine ("Jining III"). The importance of this strategic acquisition is far reaching. It enhances the Company's operating scale and strengthens the Company's position as the largest producer in China. The Company has become even more competitive in meeting the market demand. The acquisition occurred at the time when coal prices were recovering from their lowest levels. In the first quarter of 2001, Jining III has already produced 1.32 million tonnes of raw coal and is on track in reaching its designed production capacity and contributing positively to the Company within the year.

The Company is committed to the continuous improvement of the quality of its products. In 2000, the Company's product was ranked as the "No. 1 Well-known Brand" in the coal industry by the China Commodities Association and the National Quality Association.

The Board of Directors of the Company is satisfied with the Company's overall performance in 2000.

OUTLOOK FOR 2001

The current year 2001 has been generally encouraging. The Company is well positioned to gain benefits from the rising coal prices and the Jining III acquisition.

According to the PRC government's five-year plan, average economic growth in China will reach about 7% annually. Growth in the economy will continue to stimulate demand for energy, which will in turn stimulate the consumption of coal – a dominant prime energy accounting for over 67% of total energy supplies in China. Through the implementation of the Government policies of "shutting down small mines and reducing coal production", "limiting coal production and reducing coal inventories" from 1998, 47,300 small coal mines have been shut down and annual coal production has been reduced by 348 million tonnes by the end of 2000. In 2001, total coal production in China will be controlled within 950 million tonnes, and it is also targeted that coal exports will increase to 63 million tonnes from 58.84 million tonnes in 2000. The supply and demand condition in the domestic coal market is becoming more stable. For certain regions and certain type of coal products, the supply conditions became very tight. With China continuing to import crude oil combined with the uncertainty in the oil price, the PRC government is likely to reinforce the importance of coal in the overall energy consumption structure.

The international coal market is developing in the direction favorable to the Company. In the last few years, coal producers were hit by depressed coal prices resulting in chronic under-investment. High oil prices impacts on the overall energy structure and demand for coal is increasing. With oil prices remaining high, resulting in sustained increase in freight rates, the competitiveness of our Company and other Chinese producers selling to the East Asian markets is further enhanced.

On the international front, the coal industry appears to have entered an era of unparalleled consolidation. In 2000, the ownership of international export coal mines were further concentrated. Anglo American acquired the coal interests of Shell. Rio Tinto acquired Peabody's Australian coal assets. More recently Billiton and BHP have proposed a merger. This is a worrying trend for the buyer market in that further concentration of ownership and reduced mine investment and capacity expansion usually results in increased prices. We remain one of the few pure coal companies untainted by other mining sector activities and will be a major beneficiary of this trend.

"Both the demand for coal and coal prices are increasing. The mood amongst coal industry players is the most upbeat that we have seen in the last six years"

The mood amongst coal industry players is the most upbeat that we have seen in the last six years, indicating producers are expecting very robust outcomes for the industry this year. This would represent the first export coal price increase in over 5 years. Chinese producers are even better positioned than the other major exporting countries by virtue of the much closer proximity to key markets, such as Japan, South Korea, Taiwan and so on.

The Board of Directors of the Company is confident that both overseas and domestic coal markets will continue to realize a steady increase in demand and coal prices and the Company's competitiveness in East Asian markets will be further enhanced. The Company has so far generated substantial orders for 2001, including sales contracts and letters of intent for 33.2 million tonnes of coal. This will represent an increase of 6.68 million tonnes, or 25.2% in comparison with the actual sales of 2000. The average sales price of domestic coal in the first quarter of 2001 has increased by some RMB10 per tonne, or about 8% as compared with that in the end of 2000. The Company's annual export sales are likely to exceed 13.2 million tonnes, and the export to Japan will reach historical high levels of 10 million tonnes. Export contract price negotiations have concluded with a US$5.54 per tonne increase, or about 19.4% in comparison with that in 2000.

"Export Contract price negotiations with Japan have concluded with a US$5.54 per tonne increase, or about 19.4% in comparison with that in 2000"

OPERATING STRATEGY

The Company's core strategies are to expand our core business scale, to enhance domestic and export market shares, to deliver economies of scale and business synergy, to continuously reduce cost and enhance profitability, and to reward our shareholders with high long term stable returns. The Company strives to becoming one of the top 5 coal export producers in the world.

"Focusing on four operating strategies should realize a sustained and stable profit growth"

The Company intends to focus on the following four operating strategies in 2001: i) increasing both coal production and sales volume, especially to the coastal power customers in China and enlarging export volumes, especially to the power customers and the steel companies using PCI coal in Japan, South Korea and Taiwan; ii) acquiring high-grade assets at home and abroad especially in situations where we can leverage our competitive position and enhance investment returns; iii) further improving and perfecting the top caving mining technology and improving efficiency; and iv) reviewing the potential to introduce clean coal technology, which can process coal into clean energy used in electricity generation, chemical industry, transportation and so on.

In 2001, the Company will take the following measures to control operating costs: i) reducing the number of work force; ii) increasing coal production and thereby reducing fixed unit costs and decreasing the consumption of materials and power through advanced mining technology; iii) further upgrading roof support and auxiliary transportation system and enlarging bolting net scales to increase productivity; and iv) strengthening the operation and management and reinforcing the implementation of cost reduction measures.

"With rising coal prices and increasing sales volume, we are confident of delivering a significantly improved performance in 2001"

Finally, I would like to express my heartfelt gratitude to the management and all staff of the Company for their hard work as well as to all our shareholders for their kind support. Already challenged by the weak market in 1998, 1999 and 2000, the Company now becomes leaner, more efficient, and better equiped with more advanced world-class technology. With rising coal prices and increasing sales volume, we are confident of delivering a significantly improved performance in 2001.

On behalf of the Board
Zhao Jingche
Chairman

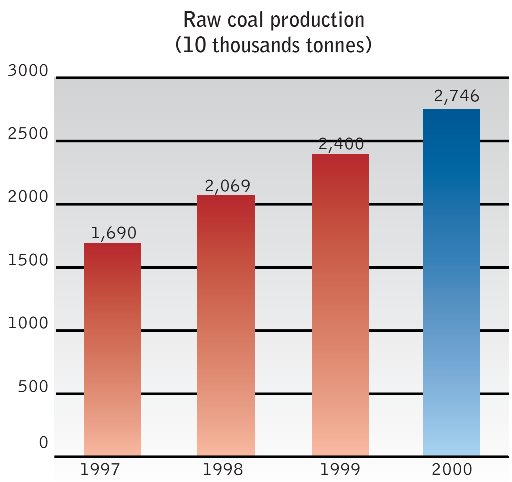
Zoucheng, PRC, 20th April, 2001

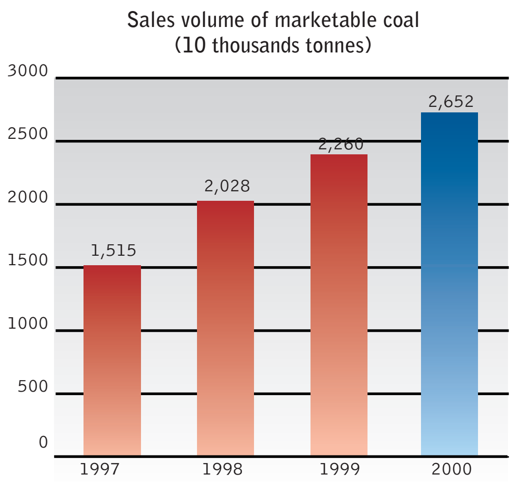
The following discussion is based on the Company's audited results of 2000 and the Company's audited results of 1999, which were prepared in accordance with IAS.

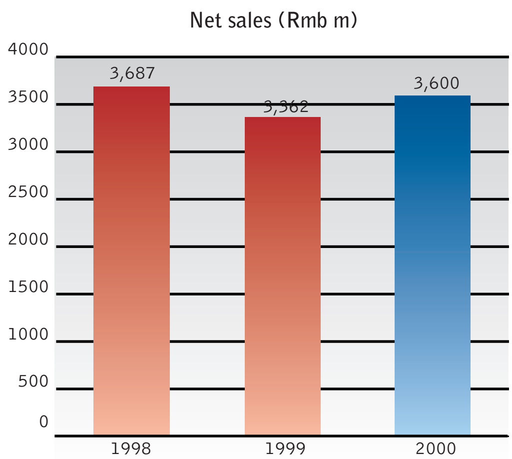
Yang Deyu
General Manager

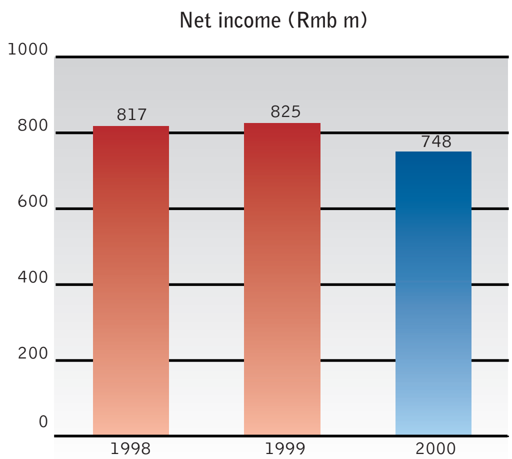
OVERVIEW

The Company produced 27.46 million tonnes of raw coal and sold 26.52 million tonnes of coal in 2000. Net sales reached RMB3,599.7 million in 2000. The Company's net income in 2000 was RMB748.4 million.









PRODUCT PRICES AND SALES

The following table sets out the Company's net sales by product category for the years ended 31st December, 1999 and 2000:

(prepared in accordance with IAS)

	Year ended 31st December,					
	2000			1999		
	Sales volume ('000 tonnes)	Net sales (RMB million)	% of total net sales	Sales volume ('000 tonnes)	Net sales (RMB million)	% of total net sales
Clean coal						
No. 1	250.0	54.2	1.5	203.3	48.7	1.4
No. 2	2,500.3	432.4	12.0	1,912.8	368.5	11.0
Domestic	416.5	90.8	2.5	391.5	79.5	2.4
Exports	2,083.8	341.6	9.5	1,521.3	289.0	8.6
Steaming coal	9,289.4	1,364.2	37.9	6,180.9	1,019.1	30.3
Domestic	1,288.6	196.8	5.5	1,498.3	248.3	7.4
Exports	8,000.8	1,167.4	32.4	4,682.6	770.8	22.9
Subtotal for clean coal	12,039.7	1,850.8	51.4	8,297.0	1,436.3	42.7
Domestic	1,955.1	341.8	9.5	2,093.1	376.5	11.2
Exports	10,084.6	1,509.0	41.9	6,203.9	1,059.8	31.5
Screened raw coal	12,661.5	1,631.0	45.3	12,236.6	1,728.8	51.4
Mixed coal and others	1,814.0	117.9	3.3	2,065.2	197.3	5.9
Total	26,515.2	3,599.7	100.0	22,598.8	3,362.4	100.0

The Company sold 26.52 million tonnes of coal in 2000, representing an increase of 3.92 million tonnes, or 17.3% over 1999, among which, sales of export clean coal were 10.08 million tonnes, an increase of 62.6% year on year, and sales to the domestic markets were 16.43 million tonnes, an increase of 0.2% year on year. In domestic markets, the sales volume of No.1 clean coal, No.2 clean coal and screened raw coal increased by 23.0%, 6.4% and 3.5%, respectively; the sales volume of steaming coal, mixed coal and others decreased by 14.0% and 12.2%, respectively.

The change in sales structure was mainly due to the timely adjustment of the product mix by the Company to reflect market demand conditions.

The following table sets out the Company's product prices for the years ended 31st December, 1999 and 2000:

(prepared in accordance with IAS)

	2000 Average price (RMB per tonne)	1999 Average price (RMB per tonne)
Clean coal		
No. 1	216.9	239.4
No. 2	172.9	192.6
Domestic	217.9	203.1
Exports	163.9	190.0
Steaming coal	146.9	164.9
Domestic	152.8	165.8
Exports	145.9	164.6
Subtotal for clean coal	153.7	173.1
Domestic	174.8	179.9
Exports	149.6	170.8
Screened raw coal	128.8	141.3
Mixed coal and others	65.0	95.5
Average price	135.8	148.8

The average price for the Company's products was RMB135.76/tonne in 2000, representing a decrease of RMB13.03/tonne, or 8.8% compared with 1999. The average domestic coal price declined by 9.4% and the average export coal price declined by 12.4%.

The Company's average coal price in the second half of 1999 was RMB134.95/tonne, representing a 16.8% decrease from RMB162.13/tonne in the first half of 1999. While the coal price started to recover in the 1st half of 2000 reaching RMB135.43/tonne, it was still 16.5% lower than the price reached in the first half of 1999. In the second half of 2000, coal prices continued to recover, reaching RMB136.06/tonne, an increase of 0.5% compared with the 1st half of the year. While the coal price recovery was sustained, it did not reach the average price level of 1999.

The Company's major export customers are located in East Asian countries and regions, such as Japan, South Korea and Taiwan. The Company exported 10.08 million tonnes of coal in 2000, representing an increase of 62.6% over 1999. Net export sales reached 41.9% of total net sales, an increase of 10.4% year on year.

Most of the Company's domestic sales were made to electric power plants, fuel companies, metallurgical producers and chemical companies. The following table sets out the Company's net sales by industry for years ended 31st December, 1999 and 2000:

(prepared in accordance with IAS)

	Year ended 31st December,			
	2000		1999	
	Net sales (RMB million)	% of net sales	Net sales (RMB million)	% of net sales
Domestic				
Electric power plants	1,065.2	29.6	1,087.7	32.3
Metallurgical producers	212.8	5.9	190.4	5.7
Construction material companies/ Coke chemical companies	138.6	3.9	134.8	4.0
Fuel trading companies/Others	674.1	18.7	889.7	26.5
Export	1,509.0	41.9	1,059.8	31.5
Total	3,599.7	100.0	3,362.4	100.0

Domestic sales of the Company's products are concentrated in the East China region, particularly in Shandong province. The following table sets out the Company's net sales by geographical region for the years ended 31st December, 1999 and 2000:

(prepared in accordance with IAS)

	Year ended 31st December,			
	2000		1999	
	Net sales (RMB million)	% of total net sales	Net sales (RMB Million)	% of total net sales
East China				
Shandong province	1,187.7	33.0	1,273.5	37.9
Jiangsu province	172.8	4.8	244.6	7.3
Zhejiang province	233.8	6.5	389.7	11.6
Shanghai city	197.2	5.5	240.3	7.1
Other provinces in East China(1)	119.5	3.3	34.4	1.0
Subtotal	1,911.0	53.1	2,182.5	64.9
South China(2)	179.7	5.0	120.1	3.6
Export	1,509.0	41.9	1,059.8	31.5
Total	3,599.7	100.0	3,362.4	100.0

(1) includes Anhui province, Fujian province and Jiangxi province.

(2) includes Guangdong province and Hunan province.

OPERATING EXPENSES AND COST CONTROL

The following table sets out the Company's principal operating expenses, which are also expressed as percentages of net sales for the years ended 31st December, 1999 and 2000:

(prepared in accordance with IAS)

	Year ended 31st December,			
	2000	1999	2000	1999
	(RMB million)		(as a% of total net sales)	
Net sales	3,599.7	3,362.4	100.0	100.0
Cost of goods sold				
Materials	484.3	353.1	13.5	10.5
Salaries, wages and employee benefits	419.1	349.2	11.6	10.4
Electricity	185.8	156.9	5.2	4.7
Depreciation	487.6	471.4	13.5	14.0
Repairs and maintenance	174.7	136.1	4.9	4.0
Land subsidence	170.2	78.3	4.7	2.3
Non-rebated value added taxes	–	21.7	–	0.7
Other manufacturing costs	61.8	47.1	1.7	1.4
Total cost of goods sold	1,983.5	1,613.8	55.1	48.0
Selling, general and administration	636.4	625.3	17.7	18.6
Total operating expenses	2,619.9	2,239.1	72.8	66.6
Operating income	979.8	1,123.3	27.2	33.4

In 2000, total operating expenses increased by RMB 380.8 million, or 17.0% from 1999. Cost of goods sold, selling, general and administrative expenses increased by 22.9% and 1.8%, respectively, resulting in total operating expenses as percentage of net sales increasing to 72.8% in 2000 from 66.6% in 1999.

The following discussion and analysis should be read in conjunction with the audited financial statements and the audited 1999 financial statements of the Company and the notes thereto included elsewhere in this report. Such financial statements have been prepared in accordance with IAS. For a discussion of certain differences between IAS and US Generally Accepted Accounting Principles ("US GAAP"), please refer to note 34 to the financial statements contained herein or the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission of the United States of America, which will be provided to any shareholder upon written request.

YEAR ENDED 31ST DECEMBER, 2000 COMPARED WITH YEAR ENDED 31ST DECEMBER, 1999

Net sales increased by RMB237.3 million, or 7.1%, to RMB3,599.7 million in 2000 from RMB3,362.4 million in 1999. The increase of sales was principally due to a 17.3% increase in coal sales volume, resulting in net sales of the Company increasing by RMB582.7 million. However, this was partially offset by a RMB345.4 million decrease in net sales from an 8.8% decrease in the average coal price.

Cost of goods sold increased by RMB369.7 million, or 22.9% to RMB1,983.5 million in 2000 from RMB1,613.8 million in 1999. The increase in cost of goods sold was principally due to: i) significant increases in production resulted in an increase of cost of goods sold by RMB261.6 million; ii) in 2000, installment and removing of working panels caused additional materials and electricity consumption, which increased cost of goods sold by RMB17 million; and iii) the provisions of land subsidence in 2000 increased by RMB91.97 million compared with that in 1999, mainly due to an one off adjustment in 1999 based on a revised provision policy reflecting lower actual historical expense. The unit cost of goods sold increased by RMB3.4/tonne to RMB74.8/tonne in 2000 from RMB71.4/tonne in 1999, mainly attributable to the above-mentioned difference of land subsidence provision that resulted in an increase of RMB2.96/tonne of cost of goods sold.

Cost of goods sold as percentage of net sales increased from 48.0% in 1999 to 55.1% in 2000.

Selling, general and administrative expenses increased by RMB11.1 million, or 1.8%, to RMB636.4 million in 2000 from 1999's RMB625.3 million. The increase mainly reflected higher contribution to retirement benefit scheme and distribution charges.

The Company's operating income decreased by RMB143.5 million, or 12.8%, to RMB979.8 million in 2000 from RMB1,123.3 million in 1999.

Interest expenses decreased by RMB5.438 million, or 52.0%, to RMB5.012 million from RMB10.45 million in 1999, as a result of the stronger financial position of the Company.

Other income increased by RMB13.309 million, or 28.0%, to RMB60.883 million from RMB47.574 million in 1999. The increase was principally due to higher gains on sales of auxiliary materials.

Income before income taxes decreased by RMB124.7 million, or 10.7% to RMB1,035.7 million in 2000 from RMB1,160.4 million in 1999.

Net income decreased by RMB76.70 million, or 9.3% to RMB748.4 million from RMB825.1 million in 1999. Net income margin in 2000 was 20.8%, representing a decrease of 3.7% compared with 24.5% in 1999.

Total assets increased by RMB504.4 million, or 6.6%, to RMB8,103.7 million as at 31st December, 2000 from RMB7,599.3 million as at 31st December, 1999, principally due to the assets increment by the Company's operating activities.

Total liabilities of the Company decreased by RMB12.60 million, or 1.0%, to RMB1,234.1 million as at 31st December, 2000 from RMB1,246.7 million as at 31st December, 1999. There is no bank borrowing for the Company as at 31st December, 2000.

Shareholders' equity increased by RMB516.9 million, or 8.1%, to RMB6,869.6 million as at 31st December, 2000 from RMB6,352.7 million as at 31st December, 1999, principally due to an increase in appropriation to surplus reserve, common welfare fund and unappropriated profits.

LIQUIDITY AND CAPITAL RESOUCES

The Company's principal source of capital has been cash flow from operations. The Company's principal uses of capital have been payment of shareholders' dividend, and acquisition of property, plant and equipment.

As at 31st December, 2000, the Company's accounts receivable and bills receivable totaled RMB836.7 million, a decrease of RMB26.9 million from the total accounts receivable and bills receivable of RMB863.6 million as at 31st December, 1999. While more new customers and significantly higher sales volume were achieved, the Company at the same time tightened the collection of receivables. Improved sales conditions also reduced total bills receivable, which resulted in overall decrease of annual bills and accounts receivable compared with 1999.

As at 31st December, 2000, inventories decreased by RMB47.5 million to RMB262.9 million from RMB310.4 million as at 31st December 1999, principally due to the decrease of coal stocks.

As at 31st December, 2000, prepayment and other current assets increased by RMB259.7 million to RMB560.4 million from RMB300.7 million as at 31st December 1999, principally due to the increase in prepayment and rebate of export VAT to be received.

As at 31st December, 2000, accounts payable increased by RMB38.5 million to RMB548.4 million from RMB509.9 million as at 31st December, 1999, principally due to longer credit terms offered by the suppliers of the Company.

As at 31st December, 2000, other payables and accrued expenses decreased by RMB2.6 million to RMB398.5 million from RMB395.9 million as at 31st December, 1999, principally due to the increase of advanced payment made by the Company's customers.

The Company's capital expenditures were RMB468.5 million and RMB523.0 million during 1999 and 2000, respectively, principally applied to the purchases of mining machinery and equipment and additional property.

The Company's most significant budgeted capital expenditure relates to the consideration for the acquisition of the Jining III coal mine. The purchase price of the Jining III coal mine is approximately RMB2,451 million. In accordance with the terms in the Acquisition Agreement signed with Yankuang Group Corporation Limited (the "Parent Company" or "Yankuang Group"), the purchase price has been partially paid off by the Company' cash in hand of RMB244 million and the net proceeds of RMB961 million raised from the A share issue. The rest of the purchase price will be paid in cash before 31st December, 2001 and 31st December, 2002 in two equal installments without interest.

The Company may also incur capital requirements in respect of potential acquisitions of high-grade assets or investments in new coal mines. The Company intends to finance any such acquisitions or investments principally from i) operating cash flow; ii) additional borrowings; and iii) if necessary, from the issuance of new equity.

The Board of Directors of the Company has recommended a final dividend of RMB221.4 million to be paid out of the Company's cash flow from operations on or before 30th June, 2001.

Taking into account the available supplier financing and banking facilities, the Company believes that it will have sufficient working capital for its present requirements.

TAXATION

The Company is still subject to an income tax rate of 33% on its taxable profits in 2000.

US GAAP RECONCILIATION

The Company's audited financial statements are prepared in compliance with IAS, which differs in certain respects from US GAAP. Please refer to note 34 to the financial statements contained herein for a description of the differences between IAS and US GAAP, and a reconciliation to US GAAP of net income for the year ended, and the shareholders' equity, as at 31st December, 2000.

The directors of the Company are pleased to submit their report together with the audited financial statements of the Company for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The company is engaged in the underground coal mining, coal preparation and sales.

FINANCIAL HIGHLIGHTS

A summary of the results of the Company, the assets and liabilities of the Company and the cash flow of the Company for each of the five years ended 31st December, 1996, 1997, 1998, 1999 and 2000, which are determined under IAS, are set out on the financial highlights section of the report.

PROPOSED PROFIT APPROPRIATION

The profit appropriation of the Company for the year ended 31st December 2000 as proposed by the Board of Directors is as follows:

Prepared in accordance with PRC GAAP	RMB'000
Net income	764,182
Unappropriated profits at beginning of year	905,808
Appropriation to statutory surplus reserve	76,418
Appropriation to statutory common welfare fund	38,209
Distributable profits	1,555,363
Dividends	221,400
Unappropriated profits	1,333,963

The proposed profit appropriation will be presented to shareholders for approval at the forthcoming annual general meeting 2000 of the Company (the"AGM").

Pursuant to the Company's Articles of Association, the Company's financial statements should be prepared according to the PRC GAAP as well as the IAS or the accounting standards and regulations of the places in which its shares are listed. For the purpose of determining final dividend payable to shareholders, the lowest of net income figures in these accounting standards will be applied for the relevant year. For the year ended 31st December, 2000, profit prepared under the IAS is applied to dividends payment.

DIVIDENDS

The directors of the Company have decided to recommend at the forthcoming AGM, scheduled to be held on 15th June, 2001, a payment in cash of a final dividend of RMB221.4 million (before tax) or RMB0.082 per share (before tax). After approved by the shareholders at the AGM, the final dividend will be declared and paid to all shareholders of the Company on or before 30th June 2001.

Pursuant to Article 149 of the Company's Articles of Association, dividends payable to the Company's shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares shall be paid in RMB, while dividends payable to holders of the Company's H shares shall be paid in Hong Kong dollars, the exchange rate will be the average of the closing exchange rates for RMB to Hong Kong dollars as announced by the People's Bank of China for the five working days prior to the announcement of payment of such dividends.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchase attributable to the Company's five largest suppliers was less than 30% of the total purchase of its goods and services for 1999 and 2000.

Net sales to the Company's five largest domestic customers accounted for 33.4% and 26.7% of the Company's net sales in 1999 and 2000, respectively.

Net sales to the Company's largest customer, Shandong Power accounted for 21.1% and 17.5% of the Company's net sales for 1999 and 2000, respectively.

As far as the directors are aware, neither the directors, their associates, nor those shareholders that own more than 5% of the Company's share capital had any interest in the five largest customers of the Company.

BORROWINGS

As at 31st December, 2000, the Company has no long-term borrowings.

INTEREST CAPITALIZED

No interest has been capitalized by the Company during the year ended 31st December 2000.

RESERVES

Details of movements in reserves of the Company for the year ended 31st December, 2000 and details of distributable reserves of the Company as at 31st December, 2000 are set out in the statement of changes in shareholders' equity contained herein.

STATUTORY COMMON WELFARE FUND

Details in relation to the statutory common welfare fund are set out in note 24 to the financial statements contained herein.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company during the year ended 31st December, 2000 are set out in note 19 to the financial statements contained herein.

EMPLOYEES' PENSION SCHEME

Details of the Company's employees' pension scheme are set out in note 28 to the financial statements contained herein.

HOUSING SCHEME

According to the Materials and Services Supply Agreement, which was disclosed in the Company's offering prospectus dated 24th March, 1998 and issued in Hong Kong in connection with the Combined Offering, between the Company and the Parent Company, the Parent Company is responsible for providing accommodation to its employees and the employees of the Company. The Company and the Parent Company share the incidental expenses relating to the provision of such accommodation on a pro-rata basis based on head count. Such expenses amounted to RMB29.7 million and RMB29.7 million for 1999 and 2000, respectively.

Currently, monthly wages and benefits paid to employees by the Company include housing allowance, which is equally matched by a contribution from the employees. The contribution is paid to the Parent Company who is responsible to construct new accommodation by utilizing the housing allowance, along with the proceeds from the sales of existing accommodation and, if necessary, from loans arranged by the Parent Company. Because the Company has no property management function, there is no impact upon the operating results or finance of the Company following to the document CaiQi [2000] 295 "The Notice of financial problems related to the reformation of enterprise housing system" issued by Finance Ministry on 6th September, 2000.

CONNECTED TRANSACTIONS

The Company's independent non-executive directors have reviewed the connected transactions (as defined in the Listing Rules) set out in note 25 to the financial statements contained herein, and confirmed that all connected transactions entered into by the Company during 2000 were entered into in its ordinary and usual course of business, and that such transactions were all entered into either (A) on normal commercial terms, or (B) on terms no less favorable than those available to (or from) independent third parties (from the point of view of the Company), or (C) where there is no available comparison for the purpose of determining whether (A) or (B) is satisfied, on terms that are fair and reasonable so far as the shareholders of the Company are concerned. Details of such transactions are set out in note 25 to the financial statements contained herein.

During the year ended 31st December, 2000, the Company paid RMB12.98 million to the Parent Company in respect of mining rights, pursuant to the mining rights agreement dated 17th October, 1997 (as supplemented by a supplemental agreement dated 18th February, 1998) between the Parent Company and the Company. The Company's independent non-executive directors have reviewed such payment and confirmed that the payment was made in accordance with the terms of such agreements.

DISCLOSURE OF SIGNIFICANT EVENTS

Acquisition of Jining III Coal Mine

The Company entered into the Acquisition Agreement for Jining III Coal Mine (the "Acquisition Agreement") with the Parent Company on 4th August, 2000. The Acquisition Agreement was reviewed and approved by the Independent Board Committee on 26th August, 2000 and had further received the approval of the Independent Shareholders at an Extraordinary General Meeting held on 22nd September, 2000.

In accordance with the Acquisition Agreement, the Company completed the acquisition of Jining III on 1st January, 2001. The purchase price of approximately RMB2,434 million was set based on the valuation on 30th April, 2000 being the Valuation Date, and confirmed by the Ministry of Finance. After adjustment based on the current assets value of Jining III on 31st December, 2000, the purchase price is RMB2,451 million. The purchase price has been partially paid off by the Company with cash in hand of RMB244 million and the net proceeds of RMB961 million raised from the Issue of A Shares referred to below. The rest of the purchase price will be paid in cash before 31st December, 2001 and 31st December, 2002 in two equal installments without interest.

Quality Prize of National Mine Construction

The consideration of the mining right of Jining III is approximately RMB132 million, which shall be paid by ten equal installments without interest commencing from 2001.

Jining III commenced commercial production on 28th December, 2000. The coal mine won the Quality Prize of National Mine Construction for its construction engineering.

New Issue of 100,000,000 A Shares

Approval for the increase of the Company's capital by way of issue of 100,000,000 A shares was granted on 21st December, 2000 by the China Securities Regulatory Commission (the "CSRC"). The issuance of A shares was successfully completed on 3rd January, 2001 and the issue was priced at RMB10.00 per A share. Under the confirmation of capital verification report issued by Deloitte Touche Tohmatsu Shanghai CPA, the Company received net proceeds of RMB961 million from the issue of 100,000,000 A shares. All the net proceeds received from the A shares issue has been applied to finance the acquisition of Jining III.

The share capital of the Company was increased from 2,600,000,000 shares to 2,700,000,000 shares after the issue of the 100,000,000 A shares.

Amendments to the Articles of Association of the Company

In accordance with the authorization made by the First Extraordinary General Meeting for the year 2000, held on 22nd September, 2000, the Board of Directors has made the following amendments to the Articles of Association of the Company to reflect the new capital structure of the Company.

Article 15 Subject to the approval of the companies approving department authorised by the State Council, the Company issued a total of 2,700,000,000 ordinary shares, of which 1,670,000 ordinary shares, representing 61.85% of the total number of ordinary shares, were issued to the promoter of the Company at the time when the Company was established.

Article 16 The share capital structure of the Company comprises 2,700,000,000 ordinary shares, of which (a) 1,670,000,000 shares, which represent 61.85% of the Company's share capital, are held by the promoter of the Company, Yankuang Group Corporation Ltd., in the form of state-owned legal person shares; (b) 850,000,000 shares, which represent 31.48% of the Company's share capital are held by the H shares shareholders; and (c) 180,000,000 shares, which represent 6.67% of the Company's share capital, are held by the A shares shareholders.

Article 19 The registered capital of the Company is RMB2,700,000,000. The Company shall register its registered capital with the State Industry and Commerce Department and make the necessary filings with the companies approving department authorised by the State Council and the State Council Security Policy Committee.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

(In share) Par value per share:RMB1.00

	Number of shares before the changing (1st January, 2000)	Changes during the period under review (Increase/Decline)	Number of shares after the changing (31st December, 2000)
A. Shares not listed for public dealing			
1. Subscriber shares			
State legal person shares	1,670,000,000		1,670,000,000
2. Shares issued to senior management of the Company	221,000		221,000
Total number of shares not listed for public dealings	1,670,221,000		1,670,221,000
B. Shares listed for public dealings			
1. A Shares	79,779,000		79,779,000
2. H Shares	850,000,000		850,000,000
Total number of shares listed for public dealings	929,779,000		929,779,000
C. Total shares	2,600,000,000		2,600,000,000

As of 31st December, 2000, the total share capital of the Company was 2.6 billion shares. The Company had a total of 46,332 shareholders, of which 1 was holder of domestic legal person shares, of which 46,154 were holders of A Shares and 177 were holders of H Shares

TOP TEN SHAREHOLDERS OF THE COMPANY

Name	Number of shares held as of 31st December, 2000	Percentage of total shareholding(%)	Class of shares held
Yankuang Group Corporation Limited	1,670,000,000	64.23	State legal person shares
HKSCC Nominees Limited	847,648,000	32.60	H shares
Xinghe Fund	988,392	0.04	A shares
Li Xiangqing	581,100	0.02	A shares
Sun Jing	557,800	0.02	A shares
Zhang Hong	359,801	0.01	A shares
Xinan Fund	350,200	0.01	A shares
Kang Likun	350,000	0.01	A shares
Zhu Xianyuan	301,800	0.01	A shares
Li Juhua	292,200	0.01	A shares
Total	2,521,429,293	96.98	

The number of shares held by the Parent Company remained at 1,670,000,000 shares during the period under review and none of these shares were pledged or restricted.

As the clearing and settlement agent for the Company's H Shares, HKSCC Nominees Limited is the nominee of the Company's H Shares.

LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDINGS OF 10% OR MORE

As at 31st December, 2000, the Parent Company was holding 1,670,000,000 domestic legal person shares of the Company, representing 64.23% of the total share capital of the Company.

The Parent Company is the holding company of the Company and is principally engaged in the coal production, building and building materials, chemical and machinery businesses.

As at 31st December, 2000, HKSCC Nominees Limited held 847,648,000 H Shares of the Company, representing 32.60% of the total share capital of the Company. HKSCC Nominees Limited is a common nominee and trustee for participants of the Central Clearing And Settlement System.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Save for two Independent Non-executive Directors who did not have any beneficial interest in the issued share capital of the Company, the Directors, Supervisors and senior management of the Company were holding 221,000 A Shares of the Company as a result of the placement of the employee shares in 1998. Save as disclosed below, none of the Directors, Supervisors or senior management or their associates had any beneficial interest in the issued share capital of the Company as at 31st December, 2000.

Name	Position	Number of shares held at the beginning of the year (as of 1st January, 2000)	Number of shares held at the end of the year (as of 31st December, 2000)	Reason for Change
ZHAO Jingche	Chairman of the Board of Directors	10,000	10,000	No change
YANG Deyu	Executive Director and General Manager	10,000	10,000	No change
DU Mingshan	Executive Director	10,000	10,000	No change
LUO Taiyan	Executive Director	10,000	10,000	No change
XIAO Lifang	Executive Director and Financial Controller	10,000	10,000	No change
WANG Bangjun	Director	10,000	10,000	No change
MO Liqi	Director	10,000	10,000	No change
LIU Yubin	Director	10,000	10,000	No change
WU Zezhi	Director	10,000	10,000	No change
CHEN Yongge	Director	10,000	10,000	No change
MA Houliang	Director	10,000	10,000	No change
XU Tianen	Director	10,000	10,000	No change
YANG Jiachun	Director	10,000	10,000	No change
MENG Xianchang	Chairman of the Supervisory Committee	10,000	10,000	No change
XIAO Shuzhang	Supervisor	10,000	10,000	No change
QIAN Xiulan	Supervisor	10,000	10,000	No change
XU Xinmin	Supervisor	10,000	10,000	No change
ZHOU Hongbin	Supervisor	10,000	10,000	No change
KONG Qing	Deputy General Manager	10,000	10,000	No change
ZHANG Xingzu	Deputy General Manager	10,000	10,000	No change
FAN Guoqiang	Chief Engineer	10,000	10,000	No change
WU Yuxiang	Finance Manager	10,000	10,000	No change
CHEN Guangshui	Secretary of the Board of Directors	1,000	1,000	No change

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company did not purchase, redeem or sell any of its shares during 2000.

SHARE CAPITAL

Details of the authorized and issued share capital of the Company are set out in note 24 to the financial statements contained herein.

PRE-EMPTIVE RIGHTS

Under the Articles of Association of the Company and the laws of the PRC, no pre-emptive rights exist that require the Company to offer new shares to existing shareholders in proportion to their shareholding.

BRIEF BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

ZHAO Jingche, aged 64, a professor-level senior engineer, is the Chairman of the Board of Directors of the Company and the Chairman of the Board of Directors of the Parent Company. Mr. Zhao joined the Predecessor in 1980 and act as the Chief Engineer, Deputy Director and Director of Xinglongzhuang Coal Mine. He became Deputy Director and Director of Yanzhou Mining Bureau in 1985 and 1991, respectively, and became the Chairman and General Manager of the Predecessor in 1996. Mr. Zhao graduated from Hefei Industry University.

YANG Deyu, aged 52, an engineering technique application researcher, is the General Manager and a Director of the Company. Mr. Yang joined the Predecessor in 1968, became the Deputy Director of Yanzhou Mining Bureau in 1994 and became the Assistant General Manager and Director of the Safety and Supervision Bureau of the Predecessor in 1996. He graduated from Shandong Mining Institute.

DU Mingshan, aged 58, a senior engineer, is a Director of the Company and an Executive Director of the Parent Company. Mr. Du joined the Predecessor in 1965 and became an Assistant Manager of Yanzhou Coal Infrastructure Company, the Deputy Director of Yanzhou Mining Bureau and an Executive Director of the Predecessor in 1985, 1987 and 1996 respectively. He graduated from Beijing Mining Institute.

LUO Taiyan, aged 60, an assistant researcher, is a Director of the Company and an Executive Director of the Parent Company. Mr. Luo joined the Predecessor in 1997 as an Executive Director and, prior to joining the Predecessor, was the Deputy Dean of the Jinan branch of Shandong Mining Institute and the Deputy Principal of China Coal Economics Institute between 1983 and 1997. He graduated from Shandong Mining Institute.

XIAO Lifang, aged 62, a senior accountant, is a Director and the Financial Controller of the Company. Mr. Xiao joined the Predecessor in 1972 and became its Chief Accountant in 1984. He graduated from Jiangsu Coal Mining Professional Training School.

Non-executive Directors

WANG Bangjun, aged 56, an engineer, is a Director of the Company and the Vice-Chairman of the Board of Directors of the Parent Company. Mr. Wang joined the Predecessor in 1970, became an Assistant Manager and the Party Committee Deputy Director of Yanzhou Coal Infrastructure Company between 1983 and 1987, successively became the Deputy Director and a Party Committee Assistant Secretary of Yanzhou Mining Bureau between 1987 and 1996 and became the Vice-Chairman and a Party Committee Secretary of the Predecessor in 1996. He graduated from Shandong Mining Institute.

MO Liqi, aged 56, an engineering technique application researcher, is a Director of the Company and the Vice-Chairman of the Board of Directors and the General Manager of the Parent Company. Mr. Mo joined the Predecessor in 1970, successively became the Party Committee Deputy Director and a Manager of Yanzhou Coal Infrastructure Company in 1983 and 1985 respectively, and became the Deputy Director of Yanzhou Mining Bureau in 1987. Mr. Mo became the Vice-Chairman and the Deputy General Manager of the Predecessor in 1996, and became the General Manager of the Predecessor in 1997. He graduated from Shandong Mining Institute.

LIU Yubin, aged 59, a senior economist, is a Director of the Company and the Vice-Chairman and Party Committee Secretary of the Parent Company. Mr. Liu joined the Predecessor in 1975, successively became the Deputy Director and Party Committee Assistant Secretary of Yanzhou Mining Bureau between 1985 and 1996 became a Director and the Party Committee Assistant Secretary of the Predecessor in 1996. He was promoted to Vice-Chairman and Party Committee Secretary of the Parent Company in 1998. He graduated from China Language Institute.

WU Zezhi, aged 59, a professor-level senior engineer, is a Director of the Company and a Director and an Assistant General Manager of the Parent Company. Mr. Wu joined the Predecessor in 1972, successively became the Deputy Director of Yanzhou Mining Bureau in 1983 and a Director and Assistant General Manager of the Predecessor in 1996. He graduated from Jiangxi Mining Institute.

CHEN Yongge, aged 59, an engineer, is a Director of the Company and a Director and Chairman of the Labor Union of the Parent Company. Mr. Chen joined the Predecessor in 1982, successively became a Party Committee Assistant Secretary and Chairman of the Labor Union of Yanzhou Mining Bureau in 1983 and 1993 respectively, and became a Director and Chairman of the Labor Union of the Predecessor in 1996. He graduated from Beijing Coal Cadre Institute.

MA Houliang, aged 43, is a Director of the Company and a Director and a Party Committee Assistant Secretary of the Parent Company. Mr. Ma joined the Predecessor in 1985, became a Director of the Predecessor in 1996, and became a Party Committee Assistant Secretary of the Parent Company in 1998. He graduated from Qufu Education University.

XU Tianen, aged 52, a senior Accountant, is a Director of the Company and the Vice Chief Accountant of the Parent Company. Mr. Xu joined the Predecessor in 1968 and became the Director of Finance Department of Yanzhou Mining Bureau and the Vice Chief Accountant of the Predecessor in 1994 and 1996 respectively. He graduated from Shandong Mining Institute.

YANG Jiachun, aged 46, a senior economist, is a Director of the Company and an Executive Director of the Parent Company. Mr. Yang joined the Predecessor in 1988 and became the Director of the Politics and Regulations Department of Yanzhou Mining Bureau, the Supervisor of the Office of the Board of Directors of the Predecessor and the executive director of the Parent Company in 1994, 1996 and 1999, respectively. He graduated from Yunnan Education University.

Independent Non-executive Directors

GUAN Weili, aged 58, is a Director of the Company, and the President of China Enterprise Consultants. Mr. Guan worked with manufacturing firms as an engineer for many years. He once was the Dean of Business Management Department at Beijing Polytechnic University, the Director of Enterprise Department at National Administrative Bureau of State-Owned Property under the State Council of PRC, and the Vice President of GE Capital Pacific Asia. Mr. Guan graduated from China University of Science and Technology, and earned a Master of Business Administration degree at Northeastern University in Boston, United States. He is currently a member of the Asian Executive Board, Wharton Business School at University of Pennsylvania.

LAW Kin Ming, Alfred, aged 52, a solicitor, is a Director of the Company. Mr. Law was first called to the Bar in England in 1975 and to the Bar in Hong Kong in the following year. Mr. Law once acted as a Deputy District Court Judge in Hong Kong, and in March 1990, he switched to the solicitors'branch of the legal profession. He has been the legal adviser of South China Industry (Canada) Inc. since December 1993 and the Director of HMH China Investments Limited since September 1995.

Board of Supervisors

The Company has a Board of Supervisors whose primary duty is the supervision of senior management of the Company, including the Board of Directors, managers and senior officers. The function of the Board of Directors is to ensure that senior management of the Company acts in the interests of the Company, its shareholders and employees, and does not perform acts that violate PRC laws. The Board of Supervisors reports to the shareholders of the Company in general meetings. The Articles of Association provide the Board of Supervisors with the right to investigate the business and financial affairs of the Company and to convene shareholders'meetings from time to time. The Board of Supervisors currently comprises five members, one of whom is an employee representative. The members of the Board of Supervisors are:

MENG Xianchang, aged 53, is the Chairman of the Supervisory Committee of the Company and an Executive Supervisor and Party Committee Assistant Secretary of the Parent Company. Mr. Meng joined the Predecessor in 1981 and was promoted to Party Committee Assistant Secretary and Supervisor of the Predecessor in 1996. He graduated from Shandong Mining Institute.

XIAO Shuzhang, aged 57, is a Supervisor of the Company and a Supervisor and Disciplinary Committee Secretary of the Parent Company. Mr. Xiao joined the Predecessor in 1970, became a Disciplinary Committee Secretary of Yanzhou Coal Infrastructure Company and a Disciplinary Committee Secretary of Yanzhou Mining Bureau in 1986 and 1987 respectively, and became a Supervisor and Disciplinary Committee Secretary of the Predecessor in 1996. He graduated from Jiaozuo Mining Institute.

QIAN Xiulan, aged 55, is a Supervisor of both the Company and the Parent Company. Ms. Qian became the Deputy Chairperson of the Labor Union of Yanzhou Mining Bureau in 1979 and became the Deputy Chairperson of the Labor Union and Supervisor of the Predecessor in 1996. She graduated from the Central Communist Party School Correspondence Institute.

XU Xinmin, aged 61, a senior auditor, is a Supervisor of both the Company and the Parent Company. Mr. Xu joined the Predecessor in 1972, became the Director of the Audit Department of Yanzhou Mining Bureau in 1992 and became a Supervisor and the Director of the Audit Department of the Predecessor in 1996. He graduated from Taian School of Coal Industry.

ZHOU Hongbin, aged 58, a senior auditor, is a Supervisor of the Company. Mr. Zhou joined the Predecessor in 1966 and became the Director of the Audit Department of the Predecessor in 1996. He graduated from Jiangsu Coal Mining Professional Training School.

Other Executive Officers

KONG Qing, aged 48, a senior economist, is a Deputy General Manager of the Company. Mr. Kong joined the Predecessor in 1974 and became an Assistant General Manager of the Predecessor in 1996. He graduated from Shandong Television University.

ZHANG Xingzu, aged 52, a senior engineer, is a Deputy General Manager of the Company. Mr. Zhang joined the Predecessor in 1971 and became an Assistant General Manager of the Predecessor in 1996. He graduated from China University of Mining and Technology.

FAN Guoqiang, aged 62, a professor-level senior engineer, is the Chief Engineer of the Company. Mr. Fan joined the Predecessor in 1981 and became the Chief Engineer of the Predecessor in 1994. He graduated from Chongqing University.

WU Yuxiang, aged 39, a senior accountant, is the Manager of the Finance Department of the Company. Mr. Wu joined the Predecessor in 1981 and became the Chief Accountant of the Finance Department of the Predecessor in 1996. He graduated from Shandong Television University.

CHEN Guangshui, aged 35, an engineer, is the Secretary of the Board of Directors of the Company and the Chief of the Secretary Office of the Board of Directors. Mr. Chen joined the Predecessor in 1990 and became the Secretary of the Office of the Board of Directors of the Predecessor in 1996. He graduated from Fuxin Mining Institute.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and Supervisors' remuneration and five highest paid individuals in the Company are set out in note 11 to the financial statements contained herein.

There were no arrangements under which a Director or Supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31st December, 2000.

ARRANGEMENT TO PURCHASE EQUITY OR DEBT SECURITIES

At no time during the year ended 31st December, 2000, was the Company, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors of the Company to acquire benefits by means of the acquisition of equity or debt securities of the Company or any other body corporate with the exceptions of the A shares issued to the directors, supervisors and senior management of the Company. Details of which are shown under the section headed "Shareholdings of Directors, Supervisors and senior management of the Company".

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years. Under such contracts, each executive director will receive a salary and a discretionary year-end bonus, at such levels as are proposed by the Board of Directors and approved by shareholders of the Company in general meetings, provided that the discretionary year-end bonuses paid to the Executive Directors and other employees of the Company (including, but not limited to, the other Directors, Supervisors and executive officers of the Company) do not, in aggregate, exceed 1% of the net profit after taxation and extraordinary losses but before extraordinary gains for that year.

Save as disclosed herein, no Director or Supervisor has entered into any service contract with the Company which is not terminable by the Company within one year without payment other than statutory compensation.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

None of the Directors or Supervisors of the Company had a material interest directly or indirectly in any contract of significance to which the Company was a party during the year ended 31st December, 2000.

COMPLIANCE WITH CODE OF BEST PRACTICE

As at 31st December, 2000, the Board of Directors of the Company had not established an audit committee. However, the Company's organizational structure has, in lieu, a Board of Supervisors which carries out functions similar to that of an audit committee, the differences being that the Company's Board of Supervisors comprises five members (one of which shall be an employee representative) who are elected and removed in the general meeting of shareholders, and which reports to the general meeting of shareholders instead of the Board of Directors. Whereas an audit committee is appointed amongst the non-executive directors of a company.

Except for the above mentioned, so far as the directors of the Company are aware, the Company has complied with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") issued by the Hong Kong Stock Exchange.

IMPACT OF CHINA'S WTO ENTRY ON THE COMPANY

China's WTO entry will facilitate the Company to get its own coal export license and further enhance its profitability.

After China's WTO entry, the Company will have better opportunities to increase coal export volume and participate more directly in international competition. Being a reputable company in international coal markets with advanced mining technology, quality management and service, high quality products, superior location and low production and transportation costs, the Company is well positioned.

China imports 2.02 million tonnes of coal in 2000, a neglegible amount compared with the total coal consumption in China. The competition in domestic coal market will not be aggravated following China's WTO entry.

EFFECT OF THE EXCHANGE RATE CHANGING

The China government is implementing a managed floating exchange rate system. The Company does not expect that the RMB shall depreciate in near future.

The export sales income of the Company in 2000 accounts for 41.92% of the total sales income. With improvement in the international coal market, the Company's export volume will increase further. The price of the Company's export coal is denominated in US dollars. In case RMB depreciates, the Company's profit will increase.

MATERIAL CONTRACTS

The Company entered into the Acquisition Agreement for Jining III Coal Mine with the Parent Company on 4th August, 2000. The details are set out on the "Acquisition of Jining III Coal Mine" section of the report.

Save as disclosed herein, the Company was not a party to any material contract during the year ended 31st December, 2000.

MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the year ended 31st December, 2000.

EMPLOYEES

As at 31st December, 2000, the Company had 20,176 employees of whom 15,616 were directly involved in coal production, 610 were technicians, 1,650 were administrative personnel, and 2,300 were supporting staff.

AUDITORS

Deloitte Touche Tohmatsu (certified public accountants in Hong Kong) and Deloitte Touche Tohmatsu Shanghai CPA (registered accountants in the PRC (excluding Hong Kong)), were the Company's international and domestic auditors, respectively, in 2000. A resolution to reappoint Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Shanghai CPA as the Company's international and domestic auditors, respectively, for 2001 will be proposed at the AGM of the Company which will be held on 15th June, 2001.

On behalf of the Board
Zhao Jingche
Chairman

Zoucheng, PRC, 20th April, 2001

During the period under review, all of the Supervisors of the Company have complied with the PRC Company Law and the Articles of Association of the Company, fulfilled their supervising responsibilities, preserved the rights of the Company and its shareholders, followed the principal of honesty and trustworthiness, and worked with care and diligence. The Supervisory Committee has carried out the following work during the period under review:

1. A Supervisory Committee Meeting was held on 17th April, 2000 at the Company's headquarters, during which the working report of the Supervisory Committee for the year 1999 was passed.

2. A Supervisory Committee Meeting was held on 18th August, 2000 at the Company's headquarters, during which the working report of the Supervisory Committee for the first half of the year 1999 was passed.

By attending the meetings of the Board, the Supervisory Committee provided suggestions on the Company's operation, technological innovation and developing strategies, effectively monitored to ensure that the guiding principles of decision-making and corresponding solutions were in accordance with the laws and regulations of the state, the Articles of Association of the Company and resolutions of the AGM and in the shareholders' interests.

The Supervisory Committee believed that:

1. During the report period, the Company has strictly complied with the PRC's Securities Law, the Company Law, the Articles of Association of the Company, related laws and regulations of the state, and the requirements of domestic and overseas regulatory institutes. The Board's decision procedure is legal; the Company established and perfected internal control systems; the directors of the Board and senior management have followed the principals of trustworthiness and honesty, have honestly worked for safeguarding the Company's interests, have faithfully executed the duties stipulated in the Articles of Association of the Company faithfully, have firmly carried out the resolutions of the AGM and the Board, and have been strictly in compliance with the requirements for a domestic and overseas listed company. During the report period, the Company has not violated any laws, regulations and the Articles of Association of the Company, and has not been involved in any material litigation.

2. The Supervisory Committee has earnestly monitored the financial statements of non-reservations, which will be submitted to the AGM and has been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Shanghai CPA, and other information. The Supervisory Committee believed that the financial statements reflected truly and accurately the Company's financial situation and operating results and the Company's results are true; all expenses and costs are basically rational; the reserves transferred from the profit and loss accounts are in accordance with relevant laws, regulations, the Articles of Association of the Company, related financial standards and accounting systems.

3. The connected transactions between the Company and the Parent Company and its affiliates have complied with relating regulations, and there were no insider dealings or anything that would hurt the interest of shareholders or would cause the losses of assets from the Company.

4. Confirmation for the followings:

The Company entered into the Acquisition Agreement for Jining III Coal Mine (the "Acquisition Agreement") with the Parent Company on 4th August, 2000. The Acquisition Agreement was approved by the Independent Board Committee. It has further received the approval of the Independent Shareholders on 22nd September, 2000.

In accordance with the Acquisition Agreement, the purchase price is RMB2,451 million as at 31st December, 2000 after adjustment based on Jining III's current assets value. The consideration of the mining right of Jining III is approximately RMB132 million.

The Company acquired Jining III coal mine on 1st January, 2001. In accordance with the Acquisition Agreement, the purchase price has been partially paid off by the Company with cash in hand and the net proceeds raised from the A share Issue.

5. Confirmation for the followings:

The proposal for "Issuing no more than 100 million New A shares" was put forward by the Board of the Company on 4th August, 2000 and received the approval at the Extraordinary General Meeting held on 22nd September, 2000. Approval for the increase capital by way of issue of 100,000,000 A shares of the Company was granted on 21st December, 2000 by the China Securities Regulatory Commission (the "CSRC"). The issuance of A share issue was completed on 3rd January, 2001 successfully and the issue was priced at RMB10.00 per A share. Under the confirmation of capital verification report issued by Deloitte Touche Tohmatsu Shanghai CPA, the Company received net proceeds of RMB961 million from the issue of 100,000,000 A shares. In accordance with the usage of proceeds requirement in the Acquisition Agreement, all the net proceeds received from the A share issue has been applied to finance the acquisition of the Jining III coal mine.

Meng Xinachang
Chairman of the Supervisory Committee

Zoucheng, PRC, 20th April, 2001

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Deloitte
Touche
Tohmatsu

TO THE SHAREHOLDERS OF YANZHOU COAL MINING COMPANY LIMITED
兗州煤業股份有限公司
(A joint stock company with limited liability established in the People's Republic of China)

We have audited the financial statements on pages 34 to 66 which have been prepared in accordance with International Accounting Standards.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December, 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong, 20th April, 2001

Year ended 31st December, 2000

	NOTES	Year ended 31st December, 2000 RMB'000	1999 RMB'000	1998 RMB'000
GROSS SALES	5	4,704,201	4,001,475	4,280,467
TRANSPORTATION COSTS	5	1,104,464	639,074	593,458
NET SALES	5	3,599,737	3,362,401	3,687,009
COST OF GOODS SOLD	6	1,983,520	1,613,832	1,961,949
GROSS PROFIT		1,616,217	1,748,569	1,725,060
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7	636,436	625,280	540,076
OPERATING INCOME		979,781	1,123,289	1,184,984
INTEREST EXPENSES	8	(5,012)	(10,450)	(87,603)
OTHER INCOME	9	60,883	47,574	76,261
INCOME BEFORE INCOME TAXES	10	1,035,652	1,160,413	1,173,642
INCOME TAXES	12	287,292	335,293	356,282
NET INCOME		748,360	825,120	817,360
DIVIDEND (restated - see note 3)	13	231,400	148,200	144,400
EARNINGS PER SHARE	14	RMB0.29	RMB0.32	RMB0.35
EARNINGS PER ADS.	14	RMB 14.39	RMB15.87	RMB17.35

At 31st December, 2000

	NOTES	At 31st December, 2000 RMB'000	1999 RMB'000 (restated – see note 3)
ASSETS			
CURRENT ASSETS			
Bank balances and cash		844,754	517,687
Bills and accounts receivable	15	836,712	863,641
Inventories	16	262,902	310,449
Prepayments and other current assets	17	560,419	300,726
TOTAL CURRENT ASSETS		2,504,787	1,992,503
LAND USE RIGHTS	18	290,979	296,778
PROPERTY, PLANT AND EQUIPMENT, NET	19	5,209,543	5,219,244
GOODWILL	20	13,214	13,991
DEFERRED TAX ASSET	21	85,161	76,846
TOTAL ASSETS		8,103,684	7,599,362
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	22	548,387	509,902
Other payables and accrued expenses	23	398,459	395,870
Amounts due to Parent Company and its subsidiary companies	25	137,487	26,910
Taxes payable		149,726	314,015
TOTAL CURRENT LIABILITIES		1,234,059	1,246,697
COMMITMENTS	27		
SHAREHOLDERS' EQUITY	24	6,869,625	6,352,665
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,103,684	7,599,362

The financial statements on pages 34 to 66 were approved by the Board of Directors on 20th April, 2001 and are signed on its behalf by:

Zhao Jingche
Chairman

Yang Deyu
Director

Year ended 31st December, 2000

	Share capital RMB'000	Share premium RMB'000	Future development fund HK$'000	Statutory common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 31st December, 1997							
– As previously reported	1,670,000	724,110	17,325	14,743	7,371	206,623	2,640,172
– Prior year adjustment (Note 3)	–	–	–	–	–	69,000	69,000
– As restated	1,670,000	724,110	17,325	14,743	7,371	275,623	2,709,172
Shares issued, net of expenses	930,000	1,363,613	–	–	–	–	2,293,613
Net income	–	–	–	–	–	817,360	817,360
Appropriations to reserves	–	–	94,423	75,384	37,692	(207,499)	–
Dividends	–	–	–	–	–	(144,400)	(144,400)
Balance at 31st December, 1998	2,600,000	2,087,723	111,748	90,127	45,063	741,084	5,675,745
Balance at 31st December, 1998							
– As previously reported	2,600,000	2,087,723	111,748	90,127	45,063	592,884	5,527,545
– Prior year adjustment (Note 3)	–	–	–	–	–	148,200	148,200
– As restated	2,600,000	2,087,723	111,748	90,127	45,063	741,084	5,675,745
Net income	–	–	–	–	–	825,120	825,120
Appropriations to reserves	–	–	–	78,086	39,043	(117,129)	–
Dividends	–	–	–	–	–	(148,200)	(148,200)
Balance at 31st December, 1999	2,600,000	2,087,723	111,748	168,213	84,106	1,300,875	6,352,665
Balance at 31st December, 1999							
– As previously reported	2,600,000	2,087,723	111,748	168,213	84,106	1,069,475	6,121,265
– Prior year adjustment (Note 3)	–	–	–	–	–	231,400	231,400
– As restated	2,600,000	2,087,723	111,748	168,213	84,106	1,300,875	6,352,665
Net income	–	–	–	–	–	748,360	748,360
Appropriations to reserves	–	–	–	76,418	38,209	(114,627)	–
Dividends	–	–	–	–	–	(231,400)	(231,400)
Balance at 31st December, 2000	2,600,000	2,087,723	111,748	244,631	122,315	1,703,208	6,869,625

Year ended 31st December, 2000

	NOTES	Year ended 31st December, 2000 RMB'000	1999 RMB'000	1998 RMB'000
CASH FLOW FROM OPERATING ACTIVITIES				
Net income		748,360	825,120	817,360
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		514,203	503,349	540,827
Amortization of goodwill		777	777	777
(Recognition) utilization of deferred tax assets		(8,315)	21,278	(15,294)
Loss on disposal of property, plant and equipment		11,601	2,117	1,400
(Increase) decrease in assets:				
Bills and accounts receivable		26,929	(256,885)	(391,426)
Inventories		47,547	(5,849)	69,168
Prepayments and other current assets		(259,693)	(41,461)	(146,186)
Amounts due from Parent Company and its subsidiary companies		–	–	76,616
Increase (decrease) in liabilities:				
Accounts payable		38,485	17,623	164,180
Other payables and accrued expenses		2,589	(105,469)	117,002
Amounts due to Parent Company and its subsidiary companies		110,577	(19,249)	46,159
Taxes payable		(164,289)	16,589	224,813
Net cash provided by operating activities		1,068,771	957,940	1,505,396
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(523,040)	(468,516)	(424,041)
Proceeds on disposal of property, plant and equipment		12,736	797	616
Acquisition of Jining II	26	–	–	(1,952,315)
CASH FLOW FROM INVESTING ACTIVITIES		(510,304)	(467,719)	(2,375,740)
CASH FLOW FROM FINANCING ACTIVITIES				
Dividend paid		(231,400)	(148,200)	(144,400)
Repayment of borrowings		–	(115,000)	(1,200,000)
Issue of share capital		–	–	2,293,613

	NOTES	Year ended 31st December, 2000 RMB'000	1999 RMB'000	1998 RMB'000
CASH FLOW FROM FINANCING ACTIVITIES		(231,400)	(263,200)	949,213
NET INCREASE IN CASH AND CASH EQUIVALENTS		327,067	227,021	78,869
CASH AND CASH EQUIVALENTS, BEGINNING		517,687	290,666	211,797
CASH AND CASH EQUIVALENTS, ENDING		844,754	517,687	290,666
Additional cash flow information:				
Cash paid during the year for				
Interest		5,012	10,450	87,603
Income taxes		459,896	297,426	146,763

Year ended 31st December, 2000

1. GENERAL

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") and operates five coal mines, namely the Xinglongzhuang coal mine, Baodian coal mine, Nantun coal mine, Dongtan coal mine and Jining II coal mine. These five coal mines were originally divisions of the Company's ultimate holding company, Yankuang Group Corporation Limited (the "Parent Company"), a state-owned enterprise in the PRC. The Parent Company injected the assets and liabilities of the Xinglongzhuang coal mine, Baodian coal mine, Nantun coal mine and Dongtan coal mine into the Company upon its formation. The Company acquired the Jining II coal mine from the Parent Company for cash in 1998.

On 3rd January, 2001, the Company allotted an additional 100,000,000 A shares to the public in the PRC (the "A Share Issue") and the A shares were listed on the Shanghai Securities Exchange ("SSE") since February 2001. The total net proceed from the A shares offering was approximately RMB960,610,000 and was applied towards the purchase price of approximately RMB2,538 million for a sixth mine, Jining III, which the Company acquired from the Parent Company as of January 1, 2001. The purchase price includes the costs of Jining III of approximately RMB2,450,900,000 and the costs of the mining rights of approximately RMB132,480,000.

The consideration for the costs of Jining III is to be settled as follows:

(i) Initial instalments

RMB243,526,000 was paid on 1st January, 2001, the Completion Date;

(ii) Second instalment

The net proceed of RMB960,610,000 of the A Share Issue was paid on 22nd January, 2001.

(iii) Third instalment

50% balance of the purchase price shall be paid (without interest) prior to 31st December, 2001; and

(iv) Fourth instalment

The outstanding balance of the purchase price shall be paid (without interest) prior to 31st December, 2002.

The consideration for the costs of the mining rights of RMB132,480,000 is to be settled over ten years by equal annual installments before 31st December of each year, commencing from 2001.

The Company's A shares are listed on the SSE, its H shares are listed on the Hong Kong Stock Exchange, and its American Depositary share ("ADS", one ADS represents 50 H shares) are listed on the New York Stock Exchange.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee which differ from those used in the management accounts of the Company, which have been prepared in accordance with the relevant accounting principles and regulations applicable to PRC enterprises ("PRC GAAP"). The principal adjustments to the management accounts made to conform to IAS are summarized in note 33.

The financial statements and supplemental information reflect certain reclassifications and additional disclosures to conform with the disclosure requirements of the Hong Kong Companies Ordinance and with presentations customary in the United States of America.

Differences between IAS and accounting principles generally accepted in the United States of America ("US GAAP") are stated in note 34.

3. ADOPTION OF IAS 10 (REVISED) AND IAS 38

The Company has adopted for the first time the IAS 10 (Revised) "Events After the Balance Sheet Date" and IAS 38 "Intangible Assets" which became effective in the current year.

IAS 10 (Revised) specifies that dividends declared after the balance sheet date but before the financial statements were authorised for issue should be disclosed either as a separate component of equity or in the notes to the financial statements. In prior periods, dividends declared after the balance sheet date have been recorded as liabilities on the balance sheet. The adoption of IAS 10 (Revised), which has been applied retrospectively, has resulted in an increase in the retained earnings and an increase in net assets of RMB69,000,000, RMB148,200,000 and RMB231,400,000 as at 1st January, 1998, 1999 and 2000, respectively.

Adoption of IAS 38 has no significant changes in or modifications to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of property, plant and equipment.

The principal accounting policies which have been adopted in preparing these financial statements and which conform with IAS are as follows:

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash accounts, interest bearing savings accounts and time deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Property, plant and equipment and land use rights

It is the policy of the Company to state the property, plant and equipment and land use rights at cost. A valuation of the property, plant and equipment and land use rights of the four mines injected into the Company was carried out as at 31st July, 1997 in accordance with the PRC government directives to establish the deemed costs of the assets injected into the Company upon the establishment of the Company. It is not the intention of the Company to perform revaluations of the property, plant and equipment and land use rights unless required by the PRC government directives.

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the statement of income in the period in which it is incurred. In situations where it can be clearly demonstrated that expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, after taking into account their estimated residual value, using the straight line method. The estimated useful lives of property, plant and equipment are as follows:

Buildings	15 to 35 years
Plant, machinery and equipment	5 to 15 years
Transportation equipment	6 to 9 years

The mining structure includes the main and auxiliary mine shafts and underground tunnels. Depreciation is provided to write off the cost of the mining structure using the units of production method based on the estimated production volume for which the structure was designed.

Land use rights are amortized over the term of the relevant rights. No amortization is provided if the term of the land use rights is unspecified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets under construction are not depreciated until they are completed and put into commercial operation.

The Company recognizes an impairment loss on property, plant and equipment when evidence, such as the sum of expected future cash flows (undiscounted and without interest charges), indicates that future operations will not produce sufficient revenue to cover the related future costs, including depreciation, and when the carrying amount of the asset cannot be realized through sale. Measurement of the impairment loss is based on the recoverable amount of the assets.

Construction in progress

Construction in progress is stated at cost or valuation. Cost comprises construction expenditures and other direct costs attributable to such projects, including borrowing costs, if the amount of capital expenditures and the time involved to complete the construction are significant. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policies as stated above.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Company's share of the net assets at the date of acquisition of Jining II and is capitalized and amortized on a straight-line basis over twenty years.

Inventories

Inventories of coal are physically measured and are stated at the lower of cost and net realizable value. Cost, which comprises direct materials and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realizable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling, marketing and distribution.

Inventories of auxiliary materials, spare parts and small tools expected to be used in production are stated at weighted average cost less provision, if necessary, for obsolescence.

Income taxes

The charge for income taxes is based on the results for the year after adjusting for items which are non-assessable or disallowed. Deferred taxation is recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement amounts and the tax bases of existing assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development

Expenditure on research and development is charged to the statement of income in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

No research and development expenditure has been deferred.

Land subsidence, restoration, rehabilitation and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Company may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Company may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Company may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

An estimate of such costs is recognised in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted.

Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognized as an expense in the period in which they are incurred.

Foreign currency translation

The Company maintains its books and records in Renminbi.

Transactions denominated in foreign currencies are translated into Renminbi at the applicable rates of exchange quoted by the People's Bank of China prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the applicable rates of exchange quoted by the People's Bank of China prevailing at the balance sheet date. Profits and losses arising on translation are dealt with in the statement of income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. SALES AND TRANSPORTATION COSTS

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Domestic sales, gross	2,414,826	2,455,844	2,308,062
Less: Transportation costs	324,068	153,282	63,238
Domestic sales, net	2,090,758	2,302,562	2,244,824
Export sales, gross	2,289,375	1,545,631	1,972,405
Less: Transportation costs	780,396	485,792	530,220
Export sales, net	1,508,979	1,059,839	1,442,185
Net sales	3,599,737	3,362,401	3,687,009

Net sales represents the invoiced value of coal sold and is net of returns, discounts, sales taxes and transportation costs if the invoiced value includes transportation costs to its customers.

Sales taxes consist primarily of a resource tax calculated at the rate of RMB1.20 per metric tonne ("tonne") of imputed quantity of raw coal sold and is paid to the local tax bureau. The resource tax for each of the three years ended 31st December, 1998, 1999 and 2000 amounted to RMB24,085,000, RMB28,480,000 and RMB33,955,000, respectively.

The Company exports its coal through China National Coal Industry Import and Export Corporation ("National Coal Corporation"), a company under National Coal Industry Bureau ("NCIB"). The final customer destination of the Company's export sales is determined by National Coal Corporation.

6. COST OF GOODS SOLD

	Year ended 31st December, 2000 RMB'000	1999 RMB'000	1998 RMB'000
Materials	484,337	353,081	392,643
Wages and employee benefits	419,134	349,220	340,827
Electricity	185,759	156,901	185,670
Depreciation	487,623	471,363	517,893
Contribution to coal industry fund (note i)	–	–	36,633
Land subsidence, restoration, rehabilitation and environmental costs	170,229	78,258	151,131
Repairs and maintenance	174,734	136,088	142,116
Non-rebated value added taxes (note ii)	–	21,704	110,551
Annual fee for mining rights (note iii)	12,980	12,980	12,980
Others	48,724	34,237	71,505
	1,983,520	1,613,832	1,961,949

Notes:

(i) Pursuant to the relevant regulation, all mines under the then control of the Ministry of Coal Industry ("MOCI". MOCI was dissolved in March 1998 and has been replaced by the NCIB) were required to contribute to an industry fund operated by MOCI. The usage of this fund was at the discretion of MOCI. The Company was required to contribute at RMB1.80 per tonne of raw coal mined to MOCI. Upon the replacement of MOCI by NCIB, the contribution continued at RMB1.00 and RMB0.80 per tonne of raw coal mined to NCIB and Shandong Coal Mining Industry Bureau, respectively. The contribution to NCIB has been cancelled since 1st July, 1998 and the contribution to Shandong Coal Mining Industry Bureau was cancelled since 1st January, 1999. The Company is no longer required to make contribution to this fund since 1st January, 1999.

(ii) Sales in the PRC are subject to a value added tax ("VAT"). The applicable VAT rate is 13% for coal products sold in the PRC before input tax credits for VAT on purchases. Effective from 1st January, 1998, the Company paid VAT on export sales value at 13% but received a refund of the VAT paid at 3% of the sales price. The Ministry of Finance and the PRC State Taxation Bureau revised the VAT refund rates from 3% of the sales price to 9% effective 1st June, 1998 and then to 13% effective 1st May, 1999.

The non-deductible input VAT tax credit has been charged as cost of goods sold during the relevant periods.

(iii) The Parent Company and the Company have entered into a mining rights agreement pursuant to which the Company has agreed to pay to the Parent Company effective from 25th September, 1997 an annual fee of RMB12,980,000 as compensation for the Parent Company's agreement to give up the mining rights associated with the Company's mines. The annual fee is subject to change after a ten year period.

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Retirement benefits scheme contributions (note 28)	189,372	154,410	157,184
Wages and employee benefits	74,946	73,215	70,992
Depreciation	28,840	31,986	22,934
Amortization of goodwill	777	777	777
Distribution charges	64,569	54,209	48,461
Provision for doubtful debts	–	55,954	6,415
Resource compensation fees (note)	28,409	25,810	23,893
Repairs and maintenance	6,518	6,345	4,981
Research and development	24,290	24,213	22,110
Others	218,715	198,361	182,329
	636,436	625,280	540,076

Note: In accordance with the relevant regulations, the Company pays resource compensation fees to the Ministry of Geology and Mineral Resources at the rate of 1% on the imputed sales value of raw coal.

8. INTEREST EXPENSES

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Interest expenses on:			
– bills receivable discounted without recourse	5,012	10,176	–
– borrowings not wholly repayable within 5 years	–	274	87,603
	5,012	10,450	87,603

No interest was capitalized during the relevant periods.

9. OTHER INCOME

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Gain on sales of auxiliary materials	34,899	23,033	36,229
Interest income from bank deposits	25,984	24,541	40,032
	60,883	47,574	76,261

10. INCOME BEFORE INCOME TAXES

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Income before income taxes has been arrived at after charging:			
Auditors' remuneration	2,000	2,996	3,371
Depreciation	516,463	503,349	540,827
Repairs and maintenance	181,252	142,433	147,097
Research and development	24,290	24,213	22,110

11. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' and supervisors' emoluments are as follows:

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Directors			
Fees (independent non-executive directors)	122	146	139
Salaries, allowance and other benefits in kind	637	581	728
Retirement benefits scheme contributions	207	229	200
Discretionary bonuses	–	–	–
	966	956	1,067
Supervisors			
Fees	–	–	–
Salaries, allowance and other benefits in kind	178	168	189
Retirement benefits scheme contributions	55	66	51
Discretionary bonuses	–	–	–
	233	234	240

Emoluments of each directors and supervisors are all within the band of HK$Nil to HK$1,000,000 for the years ended 31st December, 1998, 1999 and 2000.

The five highest paid individuals in the Company in 1998, 1999 and 2000 were all directors of the Company.

12. INCOME TAXES

	Year ended 31st December, 2000 RMB'000	1999 RMB'000	1998 RMB'000
Income taxes	295,607	314,015	371,576
Deferred tax (credit) charge (note 21)	(8,315)	21,278	(15,294)
	287,292	335,293	356,282

The Company is subject to an income tax rate of 33% on its taxable income. A reconciliation between the provision for income taxes computed by applying the standard PRC income tax rate to income before taxes and the actual provision for income taxes is as follows:

	Year ended 31st December, 2000 RMB'000	1999 RMB'000	1998 RMB'000
Standard income tax rate in the PRC	33%	33%	33%
Standard income tax rate applied to income before income taxes	341,765	382,936	387,302
Reconciling items:			
Transfer to future development fund (see note 24) charged to income under PRC accounting regulations and deductible for tax purpose but not charged to statement of income under IAS	–	–	(31,160)
Deduction claimed on the deemed appropriation to future development fund which is no longer charged to income under PRC accounting regulations but continues to be eligible for tax deduction	(54,363)	(47,293)	–
Amortization of the revaluation surplus of low-priced consumables deductible for tax purpose but not for accounting purposes under IAS	(606)	(606)	–
Amortization of goodwill not deductible for tax purpose	256	256	256
Others	240	–	(116)
Income taxes	287,292	335,293	356,282
Effective income tax rate	28%	29%	30%

12. INCOME TAXES (Continued)

The Company has received approval from the respective tax authorities for the filing of consolidated income taxes by the Parent Company. The provision for income taxes is calculated by the Company on the basis of a separate income tax filing.

13. DIVIDEND

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Final dividend for the previous year declared	231,400	148,200	–
Interim dividend, paid	–	–	75,400
Special interim dividend	–	–	69,000
	231,400	148,200	144,400

Pursuant to a board meeting held on 22nd March, 1998, a special interim dividend of RMB69,000,000 in respect of the period from 1st October, 1997 to 31st December, 1997 was declared and paid to the Parent Company.

Pursuant to a board meeting held on 12th October, 1998, an interim dividend of RMB75,400,000, or RMB0.029 per share in respect of the year ended 31st December, 1998 was declared and paid to the shareholders of the Company.

Pursuant to the annual general meeting held on 3rd June, 1999, a final dividend of approximately RMB148,200,000, or RMB0.057 per share proposed by the board of directors in respect of the year ended 31st December, 1998 was approved and paid to the shareholders of the Company.

Pursuant to the annual general meeting held on 16th June, 2000, a final dividend of approximately RMB231,400,000 or RMB0.089 per share proposed by the board of directors in respect of the year ended 31st December, 1999 was approved and paid to the shareholders of the Company.

According to terms of the prospectus issued during the year on the proposed issue of 100,000,000 A shares in the PRC, upon the completion of such issue, the shareholders of the new A shares are entitled to the final dividend of the Company for the year ended 31st December, 2000. The board of directors proposes to declare a final dividend of approximately RMB221,400,000, calculated based on a total number of 2,700,000,000 shares issued at RMB1 each, at RMB0.082 per share in respect of the year ended 31st December, 2000. The declaration and payment of the final dividend need to be approved by the shareholders of the Company by way of an ordinary resolution in accordance with the requirements of the Company's Articles of Association. A shareholders' general meeting will be held for the purposes of considering and, if thought fit, approving such ordinary resolution.

14. EARNINGS PER SHARE AND PROFORMA ADS

The calculation of the earnings per share for the years ended 31st December, 2000, 1999 and 1998 are based on the net income for the year of RMB748,360,000, RMB825,120,000 and RMB817,360,000 and on the weighted average of 2,600,000,000 shares, 2,600,000,000 shares and 2,355,616,000 shares in issue, respectively, during the year.

The earnings per ADS have been calculated based on the net income for the relevant periods and on one ADS being equivalent to 50 shares.

15. BILLS AND ACCOUNTS RECEIVABLE

	At 31st December,	
	2000	1999
	RMB'000	RMB'000
Total bills receivable	16,799	57,321
Total accounts receivable	906,957	893,837
Less: Provision for doubtful debts	(87,044)	(87,517)
Total bills and accounts receivable, net	836,712	863,641

Bills receivable represent unconditional orders in writing issued by or negotiated from customers of the Company which entitle the Company to collect a sum of money from banks or other parties.

The Company made provisions for doubtful debts of RMB6,415,000 and RMB55,954,000 for the two years ended 31st December, 1998 and 1999, respectively. No provisions for doubtful debts had been made for the year ended 31st December, 2000.

According to the credit rating of different customers, the Company allows a range of credit periods to its trade customers not exceeding 180 days.

The following is an aged analysis of accounts receivables at the reporting date:

	At 31st December,	
	2000	1999
	RMB'000	RMB'000
1 – 180 days	512,658	489,073
181 – 365 days	198,180	247,056
1 – 2 years	178,003	126,527
2 – 3 years	10,262	18,751
Over 3 years	7,854	12,490
	906,957	893,897

16. INVENTORIES

	At 31st December, 2000 RMB'000	1999 RMB'000
Auxiliary materials, spare parts and small tools	215,517	213,270
Coal products	47,385	97,179
	262,902	310,449

17. PREPAYMENTS AND OTHER CURRENT ASSETS

	At 31st December, 2000 RMB'000	1999 RMB'000
Advance to suppliers	121,665	46,762
Prepaid freight charges	28,091	80,563
VAT refundable	221,500	64,774
Others	189,163	108,627
	560,419	300,726

18. LAND USE RIGHTS

	Land use rights RMB'000
COST	
At 1st January, 2000	309,827
Additions	415
At 31st December, 2000	**310,242**
DEPRECIATION	
At 1st January, 2000	13,049
Provided for the year	6,214
At 31st December,2000	19,263
NET BOOK VALUES	
At 31st December, 2000	**290,979**
At 31st December, 1999	296,778

The land use rights have a term of fifty years from the date of grant of land use rights certificates (see also note 19).

19. PROPERTY, PLANT AND EQUIPMENT, NET

	Land use rights RMB'000	Buildings RMB'000	Mining structure RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1st January, 2000	309,827	1,439,928	2,498,286	4,191,973	78,855	512,865	8,721,907
Additions	415	1,864	–	7,777	3,364	509,620	522,625
Transfers	–	83,289	55,465	627,758	6,190	(772,702)	–
Disposals	–	(7,349)	–	(229,521)	(1,323)	–	(238,193)
At 31st December, 2000	**310,242**	**1,517,732**	**2,553,751**	**4,597,987**	**87,086**	**249,783**	**9,006,339**
DEPRECIATION							
At 1st January, 2000	13,049	445,656	1,050,437	1,944,888	61,682	–	3,502,663
Provided for the year	6,214	66,067	68,641	362,910	10,371	–	507,989
Eliminated on disposals	–	(2,385)	–	(210,244)	(1,227)	–	(213,856)
At 31st December,2000	19,263	509,338	1,119,078	2,097,554	70,826	–	3,796,796
NET BOOK VALUES							
At 31st December, 2000	**290,979**	**1,008,394**	**1,434,673**	**2,500,433**	**16,260**	**249,783**	**5,209,543**
At 31st December, 1999	296,778	994,272	1,447,849	2,247,085	17,173	512,865	5,219,244

As part of the process to establish the Company referred to in note 1, the property, plant and equipment together with land use rights of the four mines were revalued by a firm of independent valuers, Sallmanns (Far East) Limited as at 31st July, 1997. The revaluation surplus arising on its four mines injected into the Company amounting to RMB1,694,584,000, has been reflected in these financial statements as part of the deemed cost base of the assets of the Company upon its formation. The revaluation surplus of RMB88,611,000 on Jining II has been incorporated into the fair value of net assets acquired by the Company as of 1st January, 1998.

20. GOODWILL

	At 31st December, 2000 RMB'000	1999 RMB'000
COST		
At 1st January and 31st December	15,545	15,545
AMORTIZATION		
At 1st January	1,554	777
Provided for the year	777	777
At 31st December	2,331	1,554
NET BOOK VALUES		
At 31st December	13,214	13,991

21. DEFERRED TAXATION

	At 31st December, 2000 RMB'000	1999 RMB'000
Balance at 1st January	76,846	98,124
Credit (charge) for the year	8,315	(21,278)
Balance at 31st December	85,161	76,846

At the balance sheet date, the deferred tax asset represents the tax effect of temporary differences on the additional provision for land subsidence, restoration, rehabilitation and environmental costs.

There is no material unprovided deferred tax for the year or at the balance sheet date.

22. ACCOUNTS PAYABLE

	At 31st December, 2000 RMB'000	1999 RMB'000
Bills payable	10,000	47,360
Accounts payable	538,387	462,542
	548,387	509,902

The following is an aged analysis of accounts payable at the reporting date:

	At 31st December, 2000 RMB'000	1999 RMB'000
1 – 180 days	438,709	418,120
181 – 365 days	102,388	86,089
1 – 2 years	7,290	5,693
	548,387	509,902

23. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31st December, 2000 RMB'000	1999 RMB'000
Customers deposits	91,919	59,465
Accrual for land subsidence, restoration, rehabilitation and environmental costs	136,724	188,605
Accrued wages	34,727	31,166
Others	135,089	116,634
	398,459	395,870

The accrual for land subsidence, restoration, rehabilitation and environmental costs has been determined by the directors based on their best estimates. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term.

24. SHAREHOLDERS' EQUITY

The Company's share capital structure at the balance sheet date is as follows:

Class of shares	Type of shares	Number of shares 2000 & 1999
Domestic invested shares	- State legal person shares (held by the Parent Company)	1,670,000,000
	- A shares (including 8,000,000 shares owned by the Company's employees)	80,000,000
Foreign invested shares	H shares (including H shares represented by ADS)	850,000,000
Each share has a par value of RMB1.00	Total	2,600,000,000

The Company issued an additional 100,000,000 A shares subsequent to the balance sheet date (see note 1).

Pursuant to regulations in the PRC, the Company was required to transfer an annual amount to a future development fund prior to 1st January, 1999. The Company is no longer required to transfer to this future development fund since that date. The fund can only be used for the future development of the coal mining business and is not available for distribution to shareholders.

The Company shall set aside 10% of its net income for the statutory common reserve fund (except where the fund has reached 50% of the Company's registered capital) and 5% to 10% of its net income for the statutory common welfare fund. The statutory common reserve fund can be used for the following purposes:

- to make good the losses in previous years; or
- to convert into capital, provided such conversion is approved by a resolution at a shareholders' general meeting and the balance of the statutory common reserve fund does not fall below 25% of the registered capital.

The statutory common welfare fund, which is to be used for the welfare of the staff and workers of the Company, is of a capital nature.

In accordance with its Articles of Association, the net income for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) IAS or the accounting standards of the places in which its shares are listed.

24. SHAREHOLDERS' EQUITY (Continued)

The Company can also create a discretionary reserve in accordance with the Articles of Association or pursuant to resolutions which may be adopted at a meeting of shareholders.

The Company's distributable reserve is the retained earnings computed under PRC GAAP which amounted to RMB1,333,963,000 as at 31st December, 2000 (1999: RMB905,808,000).

25. RELATED PARTY TRANSACTIONS

The amounts due to Parent Company and its subsidiary companies are non-interest bearing, unsecured and have no specific terms of repayment.

During the periods, the Company had the following significant transactions with the Parent Company and/ or its subsidiary companies:

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Income			
Sales of coal	**89,904**	85,660	69,980
Sales of auxiliary materials and spare parts	**9,429**	8,580	25,590
Utilities and facilities	**5,179**	5,828	4,670
Expenditure			
Utilities and facilities	**600**	600	5,380
Annual fee for mining rights	**12,980**	12,980	12,980
Purchases of supply materials	**67,845**	150,201	114,030
Railway transportation services for export sales	**209,842**	168,040	173,180
Repair and maintenance services	**79,316**	90,477	81,700
Social welfare and support services	**125,519**	115,699	117,810
Technical support and training	**15,130**	15,130	15,130
Road transportation services	**10,474**	13,124	18,250

Certain expenditure for social welfare and support services (excluding medical and child care expenses) of RMB54,950,000 for each of the three years ended 31st December, 1998, 1999 and 2000, and for technical support and training of RMB15,130,000 for each of the three years ended 31st December, 1998, 1999 and 2000, have been charged by the Parent Company at a negotiated amount per annum, subject to changes every year.

The above transactions were charged either at markets prices or based on terms agreed by both parties.

In addition to the above, the Company participates in a multi-employer plan of the Parent Company in respect of retirement benefits (see note 7 and 28).

26. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF JINING II

	2000 RMB'000	1999 RMB'000	1998 RMB'000
Cash and cash equivalents	–	–	3,552
Bills and accounts receivable	–	–	34,135
Inventories	–	–	21,024
Prepayments and other current assets	–	–	2,224
Property, plant and equipment, net	–	–	1,911,854
Accounts payable	–	–	(19,067)
Other payables and accrued expenses	–	–	(13,400)
Total net assets acquired	–	–	1,940,322
Goodwill	–	–	15,545
Cash consideration	–	–	1,955,867
Satisfied by:			
Cash consideration	–	–	1,955,867
Bank balances and cash acquired	–	–	3,552
Net outflow of cash and cash equivalents in respective of the acquisition of Jining II	–	–	1,952,315

27. COMMITMENTS

At the balance sheet date, the Company had the following capital commitments in respect of the acquisition of property, plant and equipment:

	2000 RMB'000	1999 RMB'000
Contracted for but not provided in the financial statements	26,355	8,732
Authorised but not contracted for	–	439,040
	26,355	447,772

In addition, at 31st December, 2000, the Company had capital commitment of RMB2,583 million in respective of the acquisition of the Jining III mine as detailed in note 1.

28. RETIREMENT BENEFITS

Qualifying employees of the Company are entitled to a pension, medical and other welfare benefits. The Company participates in a multi-employer plan of the Parent Company and pays a monthly contribution to the Parent Company in respect of retirement benefits at an agreed contribution rate based on the monthly basic salaries and wages of the qualified employees. The Parent Company is responsible for the payment of all retirement benefits to the retired employees of the Company. All obligations for past service costs of the employees of the business contributed to the Company have been assumed by the Parent Company.

For the three years ended 31st December, 1998, 1999 and 2000, the monthly contribution rate has been set initially at 45% of the aggregate monthly basic salaries and wages of the Company's employees, and is fixed until 31st December, 2001. In respect of each five-year period following the expiration of the initial period, the Parent Company and the Company will determine a new contribution rate. If the Parent Company and the Company cannot agree on the level of contribution for any such subsequent five-year period, then the contribution rate will be fixed by arbitration.

During the year and at the balance sheet date, there were no forfeited contributions, which arose upon employees leaving the scheme, available to reduce the contribution payable in the future years.

29. HOUSING SCHEME

The Parent Company is responsible for providing accommodation to its employees and the employees of the Company. The Company and the Parent Company share the incidental expenses relating to the accommodation on a pro-rata basis based on head count for 1998 and at a negotiated amount for 1999 and 2000. Such expenses, amounting to RMB29,700,000 for each of the three years ended 31st December, 1998, 1999 and 2000, have been included as part of the social welfare and support services expenses summarized in note 25.

Monthly wages and benefits paid to employees by the Company presently include a housing allowance, which is equally matched by a contribution from the employees. The contributions are paid to the Parent Company which utilizes the fund, along with the proceeds from the sales of accommodation and, if the need arises, from loans arranged by the Parent Company, to construct new accommodation. It is the intention of the Parent Company to sell the new accommodation to the employees at cost.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's cash and cash equivalents and amounts due to the Parent Company and/or its subsidiary companies approximate their fair values because of the short maturity of these amounts.

31. CONCENTRATION OF CREDIT RISK

The Company maintains its cash and cash equivalents with banks in the PRC.

The Company generally grants the long-term customers credit terms with a range from one to four months, depending on the situations of the individual customers. For the small to medium size new customers, the Company generally requires them to pay for the products before delivery.

Most of the Company's domestic sales are sales to electric power plants, metallurgical companies, construction material producers and railway companies. The Company generally has established long-term and stable relationships with these companies. The Company also sells its coal to provincial and city fuel trading companies.

As the Company does not currently have direct export rights, all of its export sales must be made through National Coal Corporation. The quality, prices and final customer destination of the Company's export sales are determined by National Coal Corporation. The Company intends to apply for direct export rights although there can be no assurance that such rights will be obtained on a timely basis.

For the years ended 31st December, 1998, 1999 and 2000, net sales to the Company's five largest domestic customers accounted for approximately, 30.3%, 33.4% and 26.7%, respectively, of the Company's total net sales. Net sales to the Company's largest domestic customer, the Shandong Power and Fuel Company, accounted for 22.9%, 21.1% and 17.5% of the Company's net sales for the years ended 31st December, 1998, 1999 and 2000, respectively. The Shandong Power and Fuel Company purchases coal on behalf of several power plants in Shandong Province, the largest of which, the Zouxian Electric Power Plant, alone accounted for 18.9%, 18.5% and 17.1% of the Company's net sales for the years ended 31st December, 1998, 1999 and 2000, respectively.

Details of the amounts receivable from the five customers with the largest receivable balances at 31st December, 2000 and 1999 are as follows:

	Percentage of accounts receivable At 31st December,	
	2000	1999
Five largest receivable balances	9%	11%

32. SEGMENT INFORMATION

The Company is engaged solely in the coal mining business and operates only in the PRC and the number of employees of the Company at 31st December, 2000 was 23,258 (1999: 20,786). All the identifiable assets of the Company are located in the PRC. The Company does not currently have direct export rights and all of its export sales must be made through National Coal Corporation. The final customer destination of the Company's export sales is determined by National Coal Corporation.

33. SUMMARY OF DIFFERENCES BETWEEN IAS AND PRC GAAP

The financial statements prepared under IAS and those prepared under PRC GAAP have the following major differences:

(i) provision for land subsidence, restoration, rehabilitation and environmental costs on an accrual basis under IAS but charged to income before income taxes when incurred under PRC GAAP;

(ii) elimination of the revaluation surplus on low-priced consumables recognized on the establishment of the Company and subsequently amortized to the statement of income in 1997 under PRC GAAP;

(iii) reversal of the deferred assets taken up on the establishment of the Company and the relevant amortization charged to the statement of income under PRC GAAP;

(iv) deferred tax asset recognized for the tax consequence of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities under IAS; and

(v) dividend proposed by the directors after the balance sheet date and subject to approval in the annual general meeting is adjusted in the financial statements under PRC GAAP as at the balance sheet date.

33. SUMMARY OF DIFFERENCES BETWEEN IAS AND PRC GAAP (Continued)

The following table summarizes the difference between IAS and PRC GAAP:

	Net income for the year ended 31st December,		Net assets as at 31st December,	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
As per financial statements prepared under IAS:				
As previously reported	748,360	825,120	6,869,625	6,121,265
Proposed dividend	–	–	–	231,400
As restated	748,360	825,120	6,869,625	6,352,665
Impact of IAS adjustment in respect of:				
– provision for land subsidence, restoration, rehabilitation and environmental costs	25,195	(64,479)	258,071	232,876
– revaluation surplus on low-priced consumables recognized on the establishment of the Company under PRC GAAP	(1,835)	(1,835)	3,672	5,507
– amortization of goodwill	777	777	2,331	1,554
– deferred tax effect on additional provision for land subsidence, restoration, rehabilitation and environmental cost	(8,315)	21,278	(85,161)	(76,846)
– proposed final dividend	–	–	(221,400)	(231,400)
As per financial statements prepared under PRC GAAP standards and regulations	764,182	780,861	6,827,138	6,284,356

There are also differences in other items in the financial statements due to differences in classification between IAS and PRC GAAP.

34. SUMMARY OF DIFFERENCES BETWEEN IAS AND US GAAP

The Company's financial statements are prepared in accordance with IAS, which differ in certain significant respects from US GAAP. The significant differences relate principally to the accounting for the calculation of earnings per share, the revaluation of property, plant and equipment and related adjustments to deferred taxation and the goodwill arising on acquisition of Jining II.

Under IAS, earnings per share is computed by dividing net income for the period by the weighted average number of shares in issue during the period. Under US GAAP, earnings per share for the years ended 31st December, 1998 is computed by dividing net income for the period by the aggregate of the weighted average outstanding shares in issue during the period adjusted for the equivalent shares which would be issued for the acquisition of Jining II. Weighted average number of shares applied in computing earnings per share under US GAAP for the year ended 31st December, 1998 is 2,542,959,582, which have been adjusted for the 749,374,330 equivalent shares deemed issued at RMB2.61 per share for the purchase consideration of Jining II of RMB1,955,867,000. Earnings per share for the years ended 31st December, 1999 and 2000 is computed by dividing the net income for the year computed under US GAAP of RMB936,516,000 and RMB859,755,000 by the weighted average of 2,600,000,000 shares in issue during the two years.

Under IAS, revaluation of property, plant and equipment and land use rights is generally permitted even for cases involving companies formed under reorganization of entities under common control. The revalued amount becomes the deemed cost base of the assets of the company formed from the reorganization and depreciation is based on the deemed cost. Under US GAAP, financial statements are required to be prepared on a historical cost basis. Accordingly, property, plant and equipment and land use rights are restated at historical cost and no additional depreciation on revalued amounts will be recognized under US GAAP. However, a deferred tax asset relating to the revaluation surplus is required to be recognized under US GAAP as a higher tax base resulting from the revaluation is utilized for PRC tax purposes.

Under IAS, the purchase consideration of Jining II over the fair value of the net assets acquired is capitalized as goodwill and amortized over a period of twenty years. Under US GAAP, the amount of purchase consideration over the value of Jining II based on historical cost is deducted from the equity as a deemed dividend.

Under US GAAP, if there is a reasonable possibility that an additional loss may have been incurred, then disclosure of the additional amount of possible loss is required. In the case of the Company, the directors estimate that at 31st December, 2000 additional accrual for land subsidence, restoration, rehabilitation and environmental costs of approximately RMB75,000,000 is reasonably possible.

34. SUMMARY OF DIFFERENCES BETWEEN IAS AND US GAAP (Continued)

In June 1998, the Financial Accounting Standards Board of the US ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes new accounting and reporting standards for derivative financial instruments and for hedging activities. SFAS No. 133 requires the Company to measure all derivatives at fair value and to recognize them in the balance sheet as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date of adoption of SFAS No. 133 for one year. The Company will apply SFAS No. 133 for fiscal year 2001. Adoption of the new method of accounting for derivatives and hedging activities is not expected to have a material impact on the Company's financial position.

The adjustments necessary to restate net income and shareholders' equity in accordance with US GAAP are shown in the tables set out below.

The following table summarizes the effect on net income of differences between IAS and US GAAP:

	Year ended 31st December,		
	2000	1999	1998
	RMB'000	RMB'000	RMB'000
Net income as reported under IAS	748,360	825,120	817,360
US GAAP adjustments:			
Depreciation charge on revalued property, plant and equipment and land use rights	165,103	165,103	167,377
Amortization of goodwill on acquisition of Jining II	777	777	777
Additional deferred tax charge due to a higher tax base resulting from the revaluation of property, plant and equipment and land use rights	(54,484)	(54,484)	(25,992)
Net income under US GAAP	859,756	936,516	959,522
Earnings per share under US GAAP	RMB0.33	RMB0.36	RMB0.38
Earnings per proforma ADS under US GAAP	RMB16.53	RMB18.01	RMB18.87

34. SUMMARY OF DIFFERENCES BETWEEN IAS AND US GAAP (Continued)

	At 31st December, 2000 RMB'000	1999 RMB'000
Shareholders' equity as reported under IAS:		
As previously reported	**6,869,625**	6,121,265
Proposed final dividend	**–**	231,400
As restated (see note 3)	**6,869,625**	6,352,665
US GAAP adjustments:		
Revaluation of property, plant and equipment and land use rights	**(1,912,164)**	(1,912,164)
Depreciation charged on revalued property, plant and equipment and land use rights	**584,467**	419,364
Additional deferred tax assets due to a higher tax base resulting from the revaluation of property, plant and equipment and land use rights	**438,141**	492,625
Goodwill arising on acquisition of Jining II	**(13,214)**	(13,991)
Shareholders' equity under US GAAP	**5,966,855**	5,338,499

Under US GAAP, the Company's total assets would have been RMB6,585,196,000 and RMB7,200,914,000 at 31st December, 1999 and 2000, respectively.

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Deloitte Touche Tohmatsu

YANZHOU COAL MINING COMPANY LIMITED
FOR THE PERIOD FROM 1st JANUARY, 2000 TO DECEMBER 31, 2000

Deshibaozi(01) No. P 0332

TO THE SHAREHOLDERS OF YANZHOU COAL MINING COMPANY LIMITED

We were engaged to audit the accompanying balance sheet of Yanzhou Coal Mining Company Limited ("the Company") as of 31st December, 2000 and the related statements of income, profits appropriation and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Auditing Standards for Chinese Certified Public Accountants. Our audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the practical circumstances of the Company.

In our opinion, such financial statements are prepared in conformity with "Accounting Standards for Business Enterprises" and "Accounting Regulations of the People's Republic of China for Joint Stock Limited Companies" and, in all material respects, present fairly the financial position of the Company as of 31st December, 2000 and the results of its operations and cash flows for the year then ended. The accounting policies adopted follow the consistency principle.

Deloitte Touche Tohmatsu Shanghai CPA
Shanghai China

Registered Accountants in PRC
Liu Wei Min Gu Hong Yu
2nd March, 2001

	NOTES	31st December, 2000 RMB	1999 RMB
ASSETS			
CURRENT ASSETS			
Bank balances and cash	4	844,754,367	517,686,974
Bills receivable		16,798,987	57,320,937
Accounts receivable	5	958,015,860	873,227,349
Other receivable	6	491,401,223	380,600,396
Less: Provision for bad debts	5	87,044,219	87,516,680
Net receivable		1,362,372,864	1,166,311,065
Prepayments	7	63,858,468	111,987,457
VAT refundable	8	221,500,273	64,774,442
Inventories	9	262,901,887	310,449,561
Less: Stock provision		–	–
Inventories, net		262,901,887	310,449,561
Deferred expenditures	10	156,070,150	78,939,660
TOTAL CURRENT ASSETS		2,928,256,996	2,307,470,096
FIXED ASSETS			
Fixed assets at cost	11	8,756,556,850	8,209,042,685
Less: Accumulated depreciation	11	3,796,796,179	3,502,662,937
FIXED ASSETS, NET	11	4,959,760,671	4,706,379,748
Construction materials	12	4,651,893	12,788,004
Construction in progress	13	245,130,684	500,076,594
TOTAL FIXED ASSETS		5,209,543,248	5,219,244,346
Intangible and other assets			
Intangible assets	14	290,979,405	296,777,530
Pre-operating expenses	15	3,671,461	5,507,185
Long-term deferred expenditures	15	5,992,615	–
TOTAL INTANGIBLES AND OTHER ASSETS		300,643,481	302,284,715
TOTAL ASSETS		8,438,443,725	7,828,999,157

Notes are an integral part of the financial statements.

	NOTES	31st December, 2000 RMB	1999 RMB
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Notes payable	16	318,400,000	47,360,000
Accounts payable	17	568,290,178	492,222,965
Advance from customers	18	93,740,947	63,444,481
Payroll payable		34,727,203	31,165,881
Dividend payable	19	221,400,000	231,400,000
Tax payable	20	159,409,303	323,261,088
Other payables	21	215,337,981	355,788,600
TOTAL CURRENT LIABILITIES		1,611,305,612	1,544,643,015
TOTAL LIABILITIES		1,611,305,612	1,544,643,015
SHAREHOLDERS' EQUITY			
Share capital	22	2,600,000,000	2,600,000,000
Capital reserves	23	2,526,228,929	2,526,228,929
Surplus reserve	24	366,946,379	252,319,083
Including: Statutory Common Welfare Fund		122,315,460	84,106,361
Unappropriated profits	25	1,333,962,805	905,808,130
SHAREHOLDERS' EQUITY		6,827,138,113	6,284,356,142
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,438,443,725	7,828,999,157

Notes are an integral part of the financial statements.

STATEMENT OF INCOME AND PROFITS APPROPRIATION (Under PRC GAAP)

	NOTES	Year ended 31st December, 2000 RMB	1999 RMB
Net revenue from principal operations	26	4,780,580,876	4,069,515,058
Less: Cost of principal operations	27	1,958,324,058	1,678,311,200
Sales taxes on principal operations	28	76,380,272	68,040,058
Income from principal operations		2,745,876,546	2,323,163,800
Add: Income from other operations	29	27,559,433	19,925,326
Less: Operating expenses	30	1,168,691,771	718,274,056
Administrative expenses		554,130,939	543,357,891
Financial expenses	31	(20,768,987)	(13,946,294)
Operating profit		1,071,382,256	1,095,403,473
Add: Subsidies	32	188,579	3,062,002
Non-operating income	33	2,996,491	81,119
Less: Non-operating expenses	34	14,777,978	3,670,602
Profit before income taxes		1,059,789,348	1,094,875,992
Less: Income taxes	35	295,607,377	314,014,916
Net profit		764,181,971	780,861,076
Add: Unappropriated profits at the beginning of the year		905,808,130	473,476,216
Profits available for appropriation		1,669,990,101	1,254,337,292
Less: Appropriations to statutory common fund	25	76,418,197	78,086,108
Appropriations to common welfare fund	25	38,209,099	39,043,054
Profits available for appropriation to shareholders		1,555,362,805	1,137,208,130
Less: Appropriation to discretionary surplus fund Dividends	25	221,400,000	231,400,000
Unappropriated profits at the end of the year		1,333,962,805	905,808,130

Notes are an integral part of the financial statements.

Profit of the year	Return on shareholder's equity Dulited	Return on shareholder's equity Weighted Average	Earning per share Dulited	Earning per share Weighted Average
Income from principal operations	0.40	0.41	1.06	1.06
Operating profit	0.16	0.16	0.41	0.41
Net profit	0.11	0.11	0.29	0.29
Net profit deducted extraordinary income (or loss)	0.11	0.12	0.30	0.30

Notes are an integral part of the financial statements.

	NOTES	Year ended 31st December, 2000 RMB
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from sales of goods and rendering of services		5,471,433,780
Taxes refunded		143,824,382
Other cash received relating to operating activities	36	137,529,989
SUB-TOTAL CASH INFLOW		5,752,788,151
Cash paid for goods and services		528,230,068
Cash paid to and on behalf of employees		496,584,496
Value added tax paid		472,608,574
Income taxes paid		459,895,866
Taxes paid other than value added tax and income tax		84,512,181
Other cash paid relating to operating activities	37	2,635,770,982
SUB-TOTAL CASH OUTFLOW		4,677,602,167
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,075,185,984
CASH FLOW FROM INVESTING ACTIVITIES		
Net cash received from disposal of fixed asset, intangible assets and other non-current assets		12,736,286
SUB-TOTAL CASH INFLOW		12,736,286
Cash paid for purchases of fixed assets, intangible assets and other long-term assets		529,454,877
SUB-TOTAL CASH OUTFLOW		529,454,877
NET CASH FLOWS FROM INVESTING ACTIVITIES		(516,718,591)
Cash payments for distribution of dividends		231,400,000
SUB-TOTAL CASH OUTFLOW		231,400,000
NET CASH OUTFLOWS FROM CAPITAL RAISING ACTIVITIES		(231,400,000)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES ON CASH		–
NET INCREASE IN CASH AND CASH EQUIVALENTS		327,067,393

Notes are an integral part of the financial statements.

	NOTES	Year ended 31st December, 2000 RMB
SUPPLEMENTAL INFORMATION:		
INVESTING AND FINANCING ACTIVITIES THAT DO NOT INVOLVE IN CASH RECEIPTS AND PAYMENTS		–
RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit		764,181,971
Add:		
Provision for bad debt or bad debt written off		(472,461)
Depreciation of fixed assets		507,989,738
Amortization of intangible assets and other assets		8,470,335
Losses on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)		11,600,850
Decrease in deferred expenditures (or deduct: increase)		(77,130,490)
Decrease in inventories (or deduct: increase)		47,547,674
Decrease in operating receivables (or deduct: increase)		(263,664,230)
Increase in operating payables (or deduct: decrease)		76,662,597
Net cash flows from operating activities		1,075,185,984
Net increase in cash and cash equivalents:		
Cash at the end of the year		844,754,367
Less: Cash at the beginning of the year		517,686,974
Net increase in cash and cash equivalents		327,067,393

Notes are an integral part of the financial statements.

Year ended December 31, 2000

1. GENERAL

Yanzhou Coal Mining Company Limited (the "Company") was established in the People's Republic of China (the "PRC") as a joint stock company with limited liability on 25th September, 1997 by Yankuang Group Corporation Limited (the "Yankuang Group Corporation"). The Company commenced operations on 1st October, 1997. The A Shares, H Shares and American Depository Shares issued by the Company are listed on the stock exchange in Shanghai, Hong Kong and New York, respectively. The principal operations of the Company are the mining and screening of coal and sales of coal products.

The registered capital of the Company is RMB2,600,000,000 by 2,600,000,000 shares in issue. Each share has a par value of RMB1. The Company's total share capital is RMB2,600,000,000, including RMB1,670,000,000 (representing 64.23% of the total share capital) of Subscriber shares - State legal person shares; RMB850,000,000 (representing 32.69% of the total share capital) of H Shares and American Depository Shares; and RMB80,000,000 (representing 3.08% of the total share capital) of A Share listed on domestic stock exchange.

According to the result of the first temporary shareholders meeting in 2000, which had been approved by China Securities Regulary Commission issued [2000] Zhengjian Gongsizi No. 226, the Company has allotted an additional 100,000,000 A shares at the price of RMB10 per share. The total net proceeds from A Shares additional offering were approximately RMB960,610 thousand.

The Company has performed the Acquisition Agreement of Jining III Coal Mine signed between the Company and Yankuang Group, and acquired all assets of Jining III from Yankuang Group. The total consideration is approximately RMB2,453,510,000 and price of Mining rights amounting to RMB132,480,000, detailed payment schedule is as follows:

(i) The total consideration for acquiring Jining III Coal Mine should be paid in the following four installments

Initial installment
The amount of RMB243.5 million has been paid by the Company to Yankuang Group on 1st January, 2001.

Second installment
An amount equal to the net proceeds from issuing A Share has been paid to Yankuang Group according to the payment schedule on 22nd January, 2001.

Third installment
Amounting to RMB623,382,000 shall be paid (free of interest) prior to 31st December, 2001.

Fourth installment
Amounting to RMB623,382,000 shall be paid (free of interest) prior to 31st December, 2002.

1. GENERAL (Continued)

(ii) The Company shall settle the price of Mining right by 10 non-interest bearing annual installments of RMB13,248,000 each.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting policy

The financial statements have been prepared in accordance with "Accounting Standards for Business Enterprises" and "Accounting Regulations for Joint Stock Limited Companies".

Accounting year

The accounting year of the Company commences on 1st January and ends on 31st December each year.

Reporting currency

The books and records of the Company are maintained in Renminbi.

Recording principles and accounting basis

The accrual accounting method based on historical cost has been adopted by the Company.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Renminbi at the applicable rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the applicable rates of exchange prevailing at the balance sheet dates. Exchange gains or losses arising from translation are dealt with as financial expenses in the statement of income.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity and subject to limited risk on changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Accounting for bad debts

(1) Recognition criteria for bad debt

The irrecoverable amount of a bankrupt debtor after pursuing the statutory recovery procedures; the irrecoverable amount of a debtor who has died and has insufficient estate to repay and/or any obligatory undertakings; the irrecoverable amount, demonstrated by sufficient evidence, of a debtor who does not comply with his/her repayment obligation after the debt fall due.

(2) Accounting for bad debt

Provision for bad debts is made using provision method based on aging analysis.

The provision percentage is reasonably estimated based on the past experiences of management of the Company, the financial position and cash flows condition of the relevant debtor, as well as other relevant information.

Inventories

Inventories are stated at the historical cost which includes direct materials and, where applicable, direct labour cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Inventories include raw materials and finished products.

The cost of inventories is calculated on the weighted average cost method when they are issued.

Provision for loss on realization of inventories

Provision for loss on realization of inventories is made when the net realizable value is lower than the cost. Provision for loss on realization of inventories is provided as the difference between the cost of one single item and its net realizable value. Net realizable value represents the estimated selling price less the estimated cost of completion and the estimated costs to be incurred in marketing, selling and distribution.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Fixed assets and depreciation

Fixed assets include buildings, mining structures, plant, machinery and equipment, transportation equipment and other equipment used for production with useful life exceeding 1 year and non-operating equipment with unit value over RMB2,000 and useful life exceeding 2 years.

Fixed assets are stated at cost or valuation upon the restructuring. Depreciation is provided to write off the cost of each category of fixed assets, other than mining structures, over their useful lives from the month after they are put into use using the straight-line method with estimated residual value of 3% on cost. According to (89) Caigongzi No. 302, depreciation of mining structures is provided at RMB2.5 per tonne of raw coal mined. The useful life and annual depreciation rate of each category of fixed assets are as follows:

	Useful life	Annual depreciation rate
Buildings	15-30 years	3.23-6.47%
Plant, machinery and equipment	5-15 years	6.47-19.40%
Transportation equipment	6-9 years	10.78-16.17%

Construction in progress

Construction in progress is stated at historical cost or valuation upon the restructuring. Cost includes all expenditures incurred for construction projects, relevant loan interests, and other related expenses incurred. Construction in progress is transferred to fixed assets upon completion of the project and when assets have been put into use.

Intangible assets

Intangible assets are stated at historical cost or valuation upon the restructuring. Land use rights are amortized equally over 50 years after the certificate of land use rights has been obtained.

Pre-operating expenses

Pre-operating expenses are amortized over 5 years from the date when the company commences its production.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Long-term deferred expenditures

Long-term deferred expenditures are amortized on a straight line basis over the expected benefit period.

Revenue from principal operations

Revenue from sales of goods is recognized when the Company has transferred to the buyers the risk and ownership of the goods; and the Company neither retains the managing rights nor control over the goods sold; and the Company received or has the right to collect the sales proceeds.

Revenue from assets used by other parties is recognised when relevant economic interest is realizable and the amount of revenue can be measured precisely.

Income taxes

Income taxes are recorded on an accrued basis.The charge for taxation is based on the accounting income for the period adjusted in accordance with the relevant requirements of related tax laws and regulations.

Taxes refund income

Taxes refund income are recognized as income on the taxes refund received or receivable.

3. TAXES

Value added tax

Value added tax ("VAT") on sales is calculated at 13% on revenue from principal operations and 17% on other operating income, and paid after deducting VAT on purchases.

Resource tax

Resource tax is calculated and paid at the amount of RMB1.20 per tonne of raw coal sold or consumed to produce clean coal.

City construction tax

City construction tax is calculated and paid at 7% on VAT payable.

Education fee and others

Education fee and others is calculated and paid at 3% on VAT payable.

3. TAXES (Continued)

Income taxes

The income taxes, including the national income tax and domestic income tax, are calculated at an aggregate of 33% on the assessment income.

The tax bureau has granted the approval for the Company and Yankuang Group Corporation to pay consolidated income taxes and VAT.

4. BANK BALANCES AND CASH

	Closing balance RMB	Opening balance RMB
Cash on hand	988,713	281,797
Cash in bank	843,652,343	517,281,438
Other currency fund	113,311	123,739
	844,754,367	517,686,974

Bank balance and cash increased by 63%. The main reason is that the sales increased by 17% in current year, which leads the cash flows from operating activities increased accordingly.

5. ACCOUNTS RECEIVABLE

The aging analysis of the accounts receivable is as follows:

Aging	Closing balance			Opening balance		
	RMB	%	Bad debt provision RMB	RMB	%	Bad debt provision RMB
Within 1 year	761,896,434	80	20,658,276	715,458,951	82	27,692,800
1 to 2 years	178,003,305	19	53,400,992	126,527,276	14	37,958,183
2 to 3 years	10,262,340	1	5,131,170	18,750,850	2	9,375,425
Over 3 years	7,853,781	–	7,853,781	12,490,272	2	12,490,272
Total	958,015,860	100	87,044,219	873,227,349	100	87,516,680

5. ACCOUNTS RECEIVABLE (Continued)

Balances of the largest 5 debtors are as follows:

Name	Amount RMB	Aging	Nature
China Coal Import & Export Company	194,381,046	Within 1 year	Trade receivable
Yankuang Group	51,058,471	Within 1 year	Trade receivable
Baoshan Steel Group Material & Trade Company	24,155,221	Within 1 year	Trade receivable
Shandong Luneng Electricity & Fuel Company	21,966,004	Within 1 year	Trade receivable
Jiangsu Zhenhua Trade Company	21,946,004	Within 1 year	Trade receivable
	313,506,746		

For the receivables from shareholders holding more than 5% of the total shares of the Company, please refer to note 38 for details.

Due to large growth on export sales from the second half year of 2000, trade receivables from China Coal Import & Export Company increased in Line, which leads the balance of accounts receivable increased significantly.

6. OTHER RECEIVABLES

	Closing balance RMB	Opening balance RMB
Amounts due from related companies	**239,928,198**	182,340,475
Prepaid freight charges	**28,091,492**	80,562,947
Receivable on sales of materials	**64,645,149**	43,747,859
Others	**158,736,384**	73,949,115
	491,401,223	380,600,396

6. OTHER RECEIVABLES (Continued)

Aging analysis of other receivables is as follows:

Aging	Closing balance			Opening balance		
	RMB	%	Bad debt provision RMB	RMB	%	Bad debt provision RMB
Within 1 year	438,917,633	89	–	307,839,357	81	–
1 to 2 years	47,023,212	10	–	63,588,914	17	–
2 to 3 years	4,760,378	1	–	7,597,734	2	–
Over 3 years	700,000	–	–	1,574,391	–	–
Total	491,401,223	100	–	380,600,396	100	–

The balances whose aging is over 2 years are mainly deposits paid for purchases of steel and other packing materials. The Company has not cleared the balances to these suppliers because the deposits have been roll-over to cover current purchases.

The 5 largest balances in other receivables are as follows:

Name		Aging	Nature
Yankuang Group	239,928,198	Within 1 year	Payments on its behalf
Jining Yanmei Fibra Company	49,713,591	Within 1 year	Receivable on sales of materials
Yanzhou Daqing Transportation Company	3,610,000	Within 1 year	Prepaid freight charges
Furuiwo Company International	1,807,597	Within 1 year	Prepaid freight charges
Zhongmei No. 68 Construction Department	1,140,185	Within 1 year	Receivable on sales of materials
	296,199,571		

For others receivables from shareholders holding more than 5% of the total shares of the Company, please refer to note 38 for details.

7. PREPAYMENTS

The aging analysis of prepayments is as follows:

Aging	Closing balance		Opening balance	
	RMB	%	RMB	%
Within 1 year	54,020,831	85	95,682,679	85
1 to 2 years	6,081,519	10	10,665,108	10
2 to 3 years	2,526,199	4	4,260,602	4
Over 3 years	1,229,919	1	1,379,068	1
Total	63,858,468	100	111,987,457	100

The balances with aging over 2 years are mainly the prepayments for the purchases of spare parts and materials. As the amounts are insignificant, the Company has not yet settled with the suppliers.

The 5 largest balances of advance to suppliers are as follows:

Name	Amount	Aging	Nature
	RMB		
Yankuang Group	17,137,999	Within 1 year	Prepayment on purchase of machinery
Harbin Heavy Machine Plant	2,458,000	Within 1 year	Prepayment on purchase of machinery
Jinan Generator Plant	1,750,000	Within 1 year	Prepayment on purchase of machinery
Wuyang Steal Company Limited	1,364,407	Within 1 year	Prepayment on purchase of machinery
Jining Rencheng District Xunjie Construction & Decoration Team	1,209,776	Within 1 year	Prepayment on construction
	23,920,182		

For the prepayments to shareholders holding more than 5% of the total shares of the Company, please refer to the note 38 for details.

Prepayments decreased by 34%. It's mainly because of the partial settlement of period year's prepayment and the decrease of current year's prepayment on the capital assets.

8. VAT REFUNDABLE

VAT refundable is from the export of coal. The calculation method of the VAT on export is "Payment first and refund afterwards". VAT refundable is calculated in accordance with the relevant regulations.

9. INVENTORIES

	Closing balance		Opening balance	
	Amount RMB	Provision for loss on realisation RMB	Amount RMB	Provision for loss on realisation RMB
Raw Materials	215,516,407	–	213,269,980	–
Finished Products	47,385,480	–	97,179,581	–
	262,901,887	–	310,449,561	–

10. DEFERRED EXPENDITURES

Category	Opening balance RMB	Addition for the year RMB	Amortisation for the year RMB	Closing balance RMB
Prepaid land subsidence, restoration, rehabilitation and environment cost (Note 41)	44,261,155	222,109,560	(145,032,892)	121,337,823
Harbour transportation fee	34,678,505	1,097,209,313	(1,101,927,374)	29,960,444
Others	–	4,771,883	–	4,771,883
	78,939,660	1,324,090,756	(1,246,960,266)	156,070,150

11. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	Buildings	Mining structure	Plant, machinery and equipment	Transportation equipment	Total
	RMB	RMB	RMB	RMB	RMB
Cost/valuation					
Opening balance	1,439,928,404	2,498,284,787	4,191,974,202	78,855,292	8,209,042,685
Additions	1,864,159	–	7,777,034	3,364,116	13,005,309
Transfer from construction in progress	83,288,980	55,465,288	627,758,000	6,190,220	772,702,488
Disposals	(7,349,598)	–	(229,521,151)	(1,322,883)	(238,193,632)
Closing balance	1,517,731,945	2,553,750,075	4,597,988,085	87,086,745	8,756,556,850
Accumulated Depreciation					
Opening balance	445,654,806	1,050,436,101	1,944,889,077	61,682,953	3,502,662,937
Provided for the year	66,067,412	68,640,625	362,910,482	10,371,219	507,989,738
Eliminated on disposal	(2,385,220)	–	(210,244,267)	(1,227,009)	(213,856,496)
Closing balance	509,336,998	1,119,076,726	2,097,555,292	70,827,163	3,796,796,179
Net Amount					
Opening balance	994,273,598	1,447,848,686	2,247,085,125	17,172,339	4,706,379,748
Closing balance	1,008,394,947	1,434,673,349	2,500,432,793	16,259,582	4,959,760,671

12. CONSTRUCTION MATERIALS

Category	Closing balance RMB	Opening balance RMB
Construction materials	4,651,893	12,788,004

13. CONSTRUCTION IN PROGRESS

	Opening balance RMB	Additions RMB	Transfers on completion RMB	Other deduction RMB	Closing balance RMB	Progress %	Sources of funds
Equipment to be installed	380,792,503	579,318,387	(753,967,587)	(79,660,857)	126,482,446	95	internally generated funds
Buildings under construction	115,876,484	20,949,453	(15,671,284)	(3,146,415)	118,008,238	90	internally generated funds
Others	3,407,607	9,824,014	(3,063,617)	(9,528,004)	640,000	95	internally generated funds
Total	500,076,594	610,091,854	(772,702,488)	(92,335,276)	245,130,684		

14. INTANGIBLE ASSETS

Category	Opening balance RMB	Addition RMB	Amortization RMB	Closing balance RMB
Land use rights	296,777,530	415,502	(6,213,627)	290,979,405

15. PRE-OPERATING EXPENSES/LONG-TERM DEFERRED EXPENDITURE

Category	Opening balance RMB	Addition RMB	Amortization RMB	Closing balance RMB
Pre-operating expenses	5,507,185	–	(1,835,724)	3,671,461
Long-term deferred expenditure	–	6,413,599	(420,984)	5,992,615
	5,507,185	6,413,599	(2,256,708)	9,664,076

16. NOTES PAYABLE

For amounts due to shareholders holding more than 5% of the total shares of the Company, please refer to note 38 for details.

17. ACCOUNTS PAYABLE

For amounts due to shareholders holding more than 5% of the total shares of the Company, please refer to note 38 for details.

18. ADVANCE FROM CUSTOMERS

For amounts advanced from shareholders holding more than 5% of the total shares of the Company, please refer to note 38 for details.

19. PROPOSED DIVIDEND

	Closing balance RMB	Opening balance RMB
Yankuang Group	136,940,000	148,630,000
Shareholders of H shares	69,700,000	75,650,000
Shareholders of A shares	14,760,000	7,120,000
	221,400,000	231,400,000

According to the Company's Article of Association, after appropriation of statutory reserves, 35% of current year's net profit is proposed as dividend at the year-end. So, RMB243,000,000 is proposed as cash dividend in year 2000, please refer to note 25 for details.

20. TAXES PAYABLE

	Closing balance RMB	Opening balance RMB
Income taxes	149,726,427	314,014,916
Others	9,682,876	9,246,172
	159,409,303	323,261,088

21. OTHER PAYABLES

For amounts payable to shareholders holding more than 5% of the total shares of the Company, please refer to note 38 for details.

22. SHARE CAPITAL

The changes in share capital of the Company during the year is as follows:

	Closing balance (Share)	Changes Shares issued Placement of shares	Bonus issue	from transfer of reserves	Issue new shares	Listed	Opening balance (Share)
Shares not listed for public dealings							
1. Subscriber shares							
State legal person shares	1,670,000,000	–	–	–	–	–	1,670,000,000
2. Internal employee shares	–	–	–	–	–	–	–
Total shares not listed for public dealings	1,670,000,000	–	–	–	–	–	1,670,000,000
Shares list for public dealings							
1. Ordinary shares listed on a domestic stock exchange	80,000,000	–	–	–	–	–	80,000,000
2. Ordinary shares listed on overseas stock exchange (note)	850,000,000	–	–	–	–	–	850,000,000
Total shares listed for public dealings	930,000,000	–	–	–	–	–	930,000,000
Total share capital	2,600,000,000	–	–	–	–	–	2,600,000,000

Each share has a par value of RMB1.

Note: Ordinary shares listed on overseas stock exchange consists of 785,678,600 shares listed on Hong Kong Exchange and 64,321,400 shares listed on New York Stock Exchange.

23. CAPITAL RESERVES

	Opening & closing balance RMB
Share premium	2,364,454,980
Transfer from Wei Jian Fei	161,773,949
Total reserves	2,526,228,929

24. SURPLUS RESERVES

	Statutory common reserve fund RMB	Statutory public welfare fund RMB	Total RMB
Opening balance	168,212,722	84,106,361	252,319,083
Addition	76,418,197	38,209,099	114,627,296
Closing balance	244,630,919	122,315,460	366,946,379

The statutory common reserve fund can be used to make good the losses in previous years or to convert into capital. The statutory public welfare fund would be used for the welfare of the staff and workers of the Company.

25. UNAPPROPRIATED PROFITS

	Amount RMB
Unappropriated profits at the beginning of the year	905,808,130
Add: Net income for the year	764,181,971
Less: Appropriation to statutory common fund (Note 1)	76,418,197
Appropriation to statutory public welfare fund (Note 2)	38,209,099
Proposed dividend (Note 3)	221,400,000
Unappropriated profits at the end of the year	1,333,962,805

25. UNAPPROPRIATED PROFITS (Continued)

Note 1: Appropriation to statutory common fund

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, 10% of net profit is appropriated as statutory common fund.

And such appropriation can be ceased when the accumulated amounts of the statory common fund are excess 50% of the Company's registered capital.

Note 2: Appropriation to statutory public welfare fund

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, the Board of directors proposed to appropriate 5% of the current year's net profit as statutory public welfare fund, which need to be approved by shareholders' meeting.

Note 3: Proposed dividend

According to the Company's Article of Association, after appropriation of statutory reserves, 35% of current year's net profit is proposed as dividend at the year-end and in light of the announcement in New A share issue, New Share holder can share the appropriation of retained earning at 31st December, 2000. So, proposed dividend of year 2000 is RMB221,400,000 or RMB0.82 per ten shares, based on the total issued shares of 2,700,000,000 (each share with a par value of RMB1). The declaration and payment of the final dividend need to be approved by the shareholders of the Company by law of an ordinary resolution in accordance with the requirement of the Company's Article of Association. A shareholders' general meeting will be held for the purposes of considering and, if thought fit, approving such ordinary resolution.

26. NET REVENUE FROM PRINCIPAL OPERATIONS

	2000 RMB	1999 RMB (Unaudited)
Revenue from domestic sales of coal products	**2,462,156,336**	2,505,205,124
Revenue from coal products exported	**2,318,424,540**	1,564,309,934
	4,780,580,876	4,069,515,058

27. COST OF PRINCIPAL OPERATIONS

	2000 RMB	1999 RMB
Materials	484,336,910	353,081,012
Wages	367,661,468	306,333,164
Employee benefits	51,472,606	42,887,015
Electricity	185,758,550	156,901,215
Depreciation	487,623,422	471,363,502
Land subsidence costs	145,032,892	142,736,872
Repairs	174,734,478	136,088,453
Non-rebated VAT	–	21,704,087
Others	61,703,732	47,215,880
Total	1,958,324,058	1,678,311,200

28. SALES TAXES ON PRINCIPAL OPERATIONS

Tax item	2000 RMB	1999 RMB
City construction tax	29,697,661	27,691,865
Education fee and others	12,727,569	11,867,942
Resource tax	33,955,042	28,480,251
	76,380,272	68,040,058

29. INCOME FROM OTHER OPERATIONS

	2000 RMB	1999 RMB
Sales of raw materials		
– Sales	478,351,674	367,959,770
– Cost of sales	443,085,272	347,989,110
	35,266,402	19,970,660
Others		
– Income	34,379,790	29,749,390
– Cost	42,086,759	29,794,724
	(7,706,969)	(45,334)
	27,559,433	19,925,326

30. OPERATING EXPENSE

	2000 RMB	1999 RMB
Selling expense of domestic sales of coal products	324,067,774	153,282,000
Selling expense of coal products exported	780,396,000	485,792,000
Others	64,227,997	79,200,056
	1,168,691,771	718,274,056

Operating expense increased by 63%. The main reason is that with the boosting of export sales, the transportation expense from the Company to harbour increased.

31. FINANCIAL EXPENSES

	2000 RMB	1999 RMB
Interest expenses	5,011,637	10,449,520
Less: interest income	25,983,871	24,541,147
Others	203,247	145,333
	(20,768,987)	(13,946,294)

32. SUBSIDIES

The amount represents the subsidies granted to the Company on its export sales in 1999 and received in the period. The subsidies are granted according to the incentive policy for export enterprises and is calculated with reference to the exported amount.

33. NON-OPERATING INCOME

	2000 RMB	1999 RMB
Gain on disposal of fixed assets	1,019,376	–
Others	1,977,115	81,119
	2,996,491	81,119

34. NON-OPERATING EXPENSES

	2000 RMB	1999 RMB
Loss on disposal of fixed assets	12,620,226	2,116,479
Donations	300,830	358,862
Fines	427,251	332,405
Others	1,429,671	862,856
	14,777,978	3,670,602

35. INCOME TAXES

	2000 RMB	1999 RMB
Income taxes for the year	295,607,377	314,014,916
Accounting profit for the year	1,059,789,348	1,094,875,992
Add:		
1. donation expenses	300,830	358,862
2. fines	427,251	332,405
	728,081	691,267
Less:		
reversal of accrued Wei Jian Fei (note)	164,737,500	144,006,906
Taxable income for current year	895,779,929	951,560,353
Income taxes rate	33%	33%
Income taxes for the year	295,607,377	314,014,916

Note: The Company has obtained the approval from the domestic tax bureau that Wei Jian Fei which not accured from 1999 can be deducted from taxable income as a special adjustment item.

36. CASH RECEIVED FROM OTHER OPERATING ACTIVITIES

	RMB
Other operating income	109,380,424
Interest income	25,983,871
Others	2,165,694
Total	137,529,989

37. CASH PAID FOR OTHER OPERATING ACTIVITIES

	RMB
Amount paid in cash in operating expenses and administrative expenses	1,597,877,862
Other operating expenses	485,172,031
Other expenses paid	552,721,089
Total	2,635,770,982

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties who can exercise control over the Company

Name: Yankuang Group Corporation Limited ("Yankuang Group")
Registered address: No. 40 Fushan Road, Zhouchen, Shandong Province ,PRC
Principal operations: Industrial (production)
Relationship with the company: holding company
Nature of business: state-owned
Legal representative: Mr. Zhao Jingche

(2) Status and changes of the shares and equity owned by related parties who can exercise control over the Company

	At the beginning of the year		Addition		Reduction		By the end of the year	
	RMB	%	RMB	%	RMB	%	RMB	%
Yanzhou Mining Group	1,670,000,000	64	–	–	–	–	1,670,000,000	64

(3) Nature of relationship with related parties who cannot exercise control over the Company

Name of related parties	Relationship with the Company
Zhouchen Nanmei Shipping Co. Ltd.	Common key management members

(4) Significant transactions entered with the Company and above-mentioned related parties in current year:

(a) Purchase and sales

Details of purchase and sales with related parties in year ended 31st December, 1999 and 2000 are listed below:

	2000 RMB	1999 RMB
SALES		
Zhouchen Nanmei Shing Ltd. Co.	23,470,000	24,962,000
Yankuang Group	66,434,000	60,697,553
	89,904,000	85,659,553
PURCHASE		
Yankuang Group	67,845,000	150,201,000

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(4) Significant transactions entered with the Company and above-mentioned related parties in current year: (Continued)

(b) Amount due to or from related parties

Account	Company	Amount by the end of the period RMB	Amount at the beginning of the year RMB
Accounts receivable	Yankuang Group	51,058,471	23,138,786
Prepayments	Yankuang Group	17,137,999	15,225,954
Other receivable	Yankuang Group	239,928,198	182,340,474
		308,124,668	220,705,214
Notes payable	Yankuang Group	308,400,000	–
Accounts payable	Yankuang Group	29,911,711	29,681,241
Advances from customers	Yankuang Group	15,660,304	3,979,975
Other payable	Yankuang Group	76,094,425	248,409,365
		430,066,440	282,070,581

(c) Other transactions

(1) Pursuant to an agreement signed between the Company and Yankuang Group, Yankuang Group manages the retirement benefits, medical benefits and other benefits of the two companies and makes combined payments of the total retirement benefits of the two companies, and the total retirement benefits to the government department in charge of the related funds. Amount included as expenses of the Company for the year ended 31st December, 1999 and 2000 are RMB202,609,000 and RMB247,828,000, respectively.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(4) Significant transactions entered with the Company and above-mentioned related parties in current year: (Continued)

(c) Other transactions (Continued)

(2) Pursuant to an agreement signed by the Company and Yankuang Group, the department and subsidiary of the Yankuang Group provides and charges the services listed below:

	2000 RMB	1999 RMB
Repairs and maintenance	79,316,000	90,477,000
Technical support and training fee	15,130,000	15,130,000
Mining rights fees	12,980,000	12,980,000
Railway transportation fee	209,842,000	168,040,000
Public utilities expenses	600,000	600,000
Road transportation fee	10,474,000	13,124,000
Gases and erucate expenses	11,020,000	11,020,000
Buildings management fee	29,700,000	29,700,000
Children tuition fee	12,550,000	12,550,000
Others	14,230,000	14,230,000

(3) Total amount of salaries paid to key management, including salaries paid in the form of cash, goods and salaries, welfare and subsidies, for the year ended 31st December, 1999 and 2000 are RMB1,070,000 and RMB1,143,000, respectively.

39. CAPITAL COMMITMENTS

Capital commitment

	Closing balance RMB'000
Capital commitment contracted for but not provided in the financial statements in respect of the purchase of assets	
(i) Ji III Mining	2,583,380
(ii) Others	26,355
	2,609,735

40. SUBSEQUENT EVENTS

(i) According to the result of the first temporary shareholders meeting in 2000, which had been approved by China Securities Regulary Commission issued [2000] Zhengjian Gongsizi No. 226, the Company has allotted an additional 100,000,000 A Shares at the price of RMB10 per share. The total net proceeds from A Shares additional offering were approximately RMB960,610,000 thousand.

The Company has performed the Acquisition Agreement of Jining III Coal Mine signed between the Company and Yankuang Group, and acquired all assets of Jining III from Yankuang Group. The total consideration is approximately RMB2,450,900,000 and price of Mining rights amounting to RMB132,480,000, detailed payment schedule is as follows:

The total consideration for acquiring Jining III Coal Mine should be paid in the following four installments

Initial installment

The amount of RMB243.5 million has been paid by the Company to Yankuang Group on 1st January, 2000.

Second installment

An amount equal to the net proceeds from issuing A Share has been paid to Yankuang Group according to the payment schedule on 22nd January, 2001.

Third installment

Amounting to RMB623,382,000 shall be paid (free of interest) prior to 31st December, 2001.

Fourth installment

Amounting to RMB623,382,000 shall be paid (free of interest) prior to 31st December, 2002.

The Company shall settle the price of Mining right by 10 non-interest bearing annual installments of RMB13,248,000 each.

(ii) According to new accounting guidelines from PRC Treasury Ministry, the Company has performed the New accounting system from 1st January, 2001. All the materially influence due to the new system have been taken for consideration sufficiently when combining the financial statements for the year 2000, not any unadjusted matters identified.

41. SUMMARY OF DIFFERENCE BETWEEN IAS AND PRC GAAP

	Net profit of the period RMB'000	Net assets at 31st December, 2000 RMB'000
As per the financial statements prepared under *"Accounting Standards for Business Enterprises" and "Accounting Regulations for Joint Stock Limited Companies"*	764,182	6,827,138
Impact adjustment in respect of:		
– provision for land subsidence, restoration, rehabilitation and environmental cost (note)	(25,195)	(258,071)
– amortization of deferred assets	1,835	(3,672)
– amortisation of goodwill on acquisition of Jining II	(777)	(2,331)
– deferred tax effect	8,315	85,161
Adjustment of dividend distribution	–	221,400
As per the financial statements prepared under IAS	748,360	6,869,625

Note: Provision for land subsidence means the payment for the resettlement of land subsided above underground mining sites.

Such expenditure occurs majoring in two aspects:

Pay compensation for any losses caused by underground mining to relevant residents during the process of underground mining.

The difference of provision for land subsidence between PRC GAAP & IAS GAAP is:

(i) Under IAS GAAP, the Company estimates the amount of provision for land subsidence according to coal production;

(ii) Under PRC GAAP, the Company records compensation for land subsidence which is actually paid and the right of underground mining relating to relevant sites is approved by the Land Administration Bureau.

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

Registered Name	兖州煤業股份有限公司
English Name	Yanzhou Coal Mining Company Limited
Legal Address	40 Fushan Road Zoucheng Shandong Province 273500 PRC
Place of Business in Hong Kong	Suites 3104-6, 31st Floor, Central Plaza 18 Harbour Road Hong Kong
Company Secretary	Chen Guangshui
Authorized Representatives	Luo Taiyan Chen Guangshui
Auditors	
International:	Deloitte Touche Tohmatsu Certified Public Accountants 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
PRC:	Deloitte Touche Tohmatsu Shanghai CPA Registered Accountants 16th Floor, Shanghai Bund International Tower 99 Huangpu Road Shanghai 200080 PRC
Financial Adviser	N M Rothschild & Sons (Hong Kong) Limited 16th Floor, Alexandra House 16-20 Chater Roard, Central Hong Kong SAR

Legal Advisers	
As to Hong Kong law and United States law:	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong
As to PRC law:	King & Wood Level 30, North Office Tower Beijing Kerry Center 1 Guanghua, Chaoyang District Beijing 100020 PRC
Principal Bankers:	The Industrial & Commercial Bank of China Zoucheng Branch Tie West Office 51 Fushan Road Zoucheng Shandong Province, 273500 PRC
	China Construction Bank Yanzhou Coal Mining Bureau Special Branch 6 Kuangjian Road Zoucheng Shandong Province, 273500 PRC
	Bank of China Zoucheng Branch 205 Pingyang Road Zoucheng Shandong Province, 273500 PRC
Hong Kong Share Registrar	Hong Kong Securities Registrars Limited 2nd Floor, Vicwood Plaza 199 Des Voeux Road Central Hong Kong
Shanghai Share Registrar	Shanghai Securities Central Clearing & Registration Corporation 727 Pujian Road Shanghai PRC

Depositary	The Bank of New York American Depositary Receipts 101 Barclay Street, 22nd Floor West New York, NY 10286 USA
Places of Listing	
H Shares:	The Stock Exchange of Hong Kong Limited Stock Code: 1171
ADSs:	The New York Stock Exchange, Inc. Tick Symbol: YZC
A Shares:	The Shanghai Securities Exchange Stock Abbreviation: Yanzhou Mei Ye Tick Symbol: 600188

Publications

As required by the United States securities laws, the Company will file an annual report on Form 20-F with the United States Securities and Exchange Commission on or before 30th June 2001. Copies of the annual report as well as the Form 20-F, once filed, will be available at:

The PRC:	Yanzhou Coal Mining Company Limited Office of the Secretary of the Board of Directors 40 Fushan Road Zoucheng Shandong Province 273500 PRC Tel: (86-537) 538-3310 Fax: (86-537) 538-3311 Website: http://www.yanzhoucoal.com.cn E-mail address: YZC@yanzhoucoal.com.cn
Hong Kong/Outside PRC:	iPR ASIA LTD 20/F, Hing Wai Building 36 Queen's Road Central Central, Hong Kong Tel: (852) 2136-6185 Fax: (852) 2136-6068

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Yanzhou Coal Mining Company Limited (the "Company") will be held at 8:00 am on 15th June, 2001 at 2nd Floor Conference Room, Zong He Building, 40 Fushan Road, Zoucheng, Shandong Province 273500, People's Republic of China ("PRC"):

1. to consider and approve the working report of the Board of Directors of the Company for the year ended 31st December, 2000;

2. to consider and approve the working report of the Supervisory Committee of the Company for the year ended 31st December, 2000;

3. to consider and approve the audited financial statements of the Company as at and for the year ended 31st December, 2000;

4. to consider and approve the proposed profit distribution plan and the final dividend distribution plan of the Company for the year ended 31st December, 2000, and to authorize the Board of Directors of the Company to distribute such dividend to shareholders;

5. to determine the remuneration of the Directors and Supervisors of the Company for the year ending 31st December, 2001;

6. to consider and approve the appointment of Deloitte Touche Tohmatsu (certified public accountants in Hong Kong) and Deloitte Touche Tohmatsu Shanghai CPA (registered accountants in the PRC (excluding Hong Kong)) as the Company's international and domestic auditors, respectively, to hold office until the conclusion of the following annual general meeting, and to authorise the Board of Directors of the Company to determine their remuneration;

7. to consider, if thought fit, approve the following by way of special resolution:

   "That:

   (a) the Board of Directors of the Company be and is hereby authorized to make such amendments to the Articles of Association of the Company as it thinks fit so as to increase the registered share capital of the Company and reflect the new capital structure of the Company upon the allotment and issuance of shares of the Company as contemplated in subparagraph (b) of this Resolution;

   (b) there be granted to the Directors of the Company an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company, whether Domestic Shares or H Shares, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:

      (i) such mandate shall not extend beyond the Relevant Period save that the Directors of the Company may during the Relevant Period make or grant offers, agreements or options which might require the exercise of such powers after the end of the Relevant Period;

      (ii) the aggregate nominal amount of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company otherwise than pursuant to (x) a Rights Issue, or (y) any option scheme or similar arrangement adopted by the Company from time to time for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed:

         (aa) 20 per cent of the aggregate nominal amount of Domestic Shares of the Company in issue; and (bb) 20 per cent of the aggregate nominal amount of H Shares of the Company in issue, in each case as at the date of this Resolution; and

(iii) the Board of Directors will only exercise its power under such mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as the same may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;

(c) for the purposes of this Resolution:

"Domestic Shares" means domestic invested shares in the share capital of the Company, of par value RMB1.00 each, which are held in Renminbi by PRC investors;

"H Shares" means the overseas-listed foreign invested shares in the share capital of the Company with a par value RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars;

"Relevant Period" means the period from the passing of this Resolution until the earliest of:

(i) the conclusion of the next annual general meeting of the Company following the passing of this Resolution; or

(ii) the expiration of the 12-month period following the passing of this Resolution; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting; and

"Rights Issue" means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the law of that place) and, where appropriate, the holder of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities; and

(d) contingent on the Directors resolving to issue shares pursuant to subparagraph (b) of this Resolution, the Board of Directors be authorized to approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares including, without limitation, the time and place of issue, making all necessary applications to the relevant authorities, entering into an underwriting agreement (or any other agreement), determining the use of proceeds and making all necessary filings and registrations with the relevant PRC, Hong Kong and other authorities, including but not limited to increasing the registered capital of the Company in accordance with the actual increase of capital by issuing shares pursuant to sub-paragraph (b) of this Resolution as confirmed in a capital verification report prepared by certified accountants and to register the increased capital with the relevant authorities in the PRC.";

8. to consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding 5 per cent or more of the shares carrying the right to vote at such meeting.

By Order of the Board of Directors
Zhao Jingche
Chairman

Zoucheng, Shandong, PRC, 20th April, 2001

Notes:

(A) Holders of the Company's overseas listed foreign invested shares (in the form of H Shares) whose names appear on the Company's Register of Members which is maintained by Hong Kong Securities Registrars Limited at the close of business on 16th May, 2001 are entitled to attend the Annual General Meeting after completing the registration procedures for attending the meeting.

(B) Holders of H shares, who intend to attend the Annual General Meeting, must deliver the written replies for attending the Annual General Meeting to the Office of the Secretary of the Board of Directors of the Company no later than 25th May 2001. In addition to the foregoing:

(1) Such holders of H shares shall deliver copies of instruments of transfer, share certificates and their own identity cards to the Office of Secretary of Board of Directors of the Company; and

(2) In case such holders are not represented by authorized representatives, they shall also deliver their powers of attorney and copies of the attorney's documents of identity to the registered address of the Company.

Shareholders can deliver the necessary documents for registration by the Company in person, by post or by facsimile. Upon receipt of such documents, the Company will complete the registration procedures for attending the Annual General Meeting and despatch copies of Annual General Meeting admission cards to shareholders by post or facsimile. When attending the Annual General Meeting, shareholders or their proxies may exchange copies or facsimile copies of the Annual General Meeting admission cards for the original Annual General Meeting admission cards.

(C) Details of the Office of the Secretary to the Board of Directors of the Company are as follows:

40 Fushan Road
Zoucheng
Shandong Province 273500
PRC
Tel: 86-537-538-3310
Fax: 86-537-538-3311

(D) Each shareholder of H shares who has the right to attend and vote at the Annual General Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Annual General Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. For holders of H shares, the power of attorney or other documents of authorization and proxy forms must be delivered to Hong Kong Securities Registrars Limited no less than 24 hours before the time appointed for the holding of the Annual General Meeting in order for such documents to be valid.

(E) The H share Register will be closed from 16th May 2001 to 15th June 2001(both days inclusive), during which time no transfer of H shares will be registered. Holders of H shares who wish to attend the Annual General Meeting and qualify for entitlement to the 2000 dividend of RMB0.082 per share (including taxation) referred to above must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Hong Kong Securities Registrars Limited by no later than 4:00 p.m. on 15th May, 2001.

Hong Kong Securities Registrars Limited's address is as follows:
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

(F) The Annual General Meeting is expected to last half a day. Shareholders attending the Annual General Meeting are responsible for their own transportation and accommodation expenses.