

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