

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 Regularly 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
	<u>844,754,367</u>	<u>517,686,974</u>

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	<u>958,015,860</u>	<u>100</u>	<u>87,044,219</u>	<u>873,227,349</u>	<u>100</u>	<u>87,516,680</u>

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
	<u>313,506,746</u>		

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
	<u>491,401,223</u>	<u>380,600,396</u>

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	<u>491,401,223</u>	<u>100</u>	<u>–</u>	<u>380,600,396</u>	<u>100</u>	<u>–</u>

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
Furuibo Company International	1,807,597	Within 1 year	Prepaid freight charges
Zhongmei No. 68 Construction Department	<u>1,140,185</u>	Within 1 year	Receivable on sales of materials
	<u>296,199,571</u>		

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	<u>63,858,468</u>	<u>100</u>	<u>111,987,457</u>	<u>100</u>

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 RMB	Aging	Nature
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	<u>1,209,776</u>	Within 1 year	Prepayment on construction
	<u>23,920,182</u>		

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

10. DEFERRED EXPENDITURES

Category	Opening balance	Addition for the year	Amortisation for the year	Closing balance
	RMB	RMB	RMB	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
	<u>78,939,660</u>	<u>1,324,090,756</u>	<u>(1,246,960,266)</u>	<u>156,070,150</u>

11. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	Buildings RMB	Mining structure RMB	Plant, machinery and equipment RMB	Transportation equipment RMB	Total 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	<u>1,517,731,945</u>	<u>2,553,750,075</u>	<u>4,597,988,085</u>	<u>87,086,745</u>	<u>8,756,556,850</u>
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	<u>509,336,998</u>	<u>1,119,076,726</u>	<u>2,097,555,292</u>	<u>70,827,163</u>	<u>3,796,796,179</u>
Net Amount					
Opening balance	<u>994,273,598</u>	<u>1,447,848,686</u>	<u>2,247,085,125</u>	<u>17,172,339</u>	<u>4,706,379,748</u>
Closing balance	<u>1,008,394,947</u>	<u>1,434,673,349</u>	<u>2,500,432,793</u>	<u>16,259,582</u>	<u>4,959,760,671</u>

12. CONSTRUCTION MATERIALS

Category	Closing balance RMB	Opening balance RMB
Construction materials	<u>4,651,893</u>	<u>12,788,004</u>

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
	<u>221,400,000</u>	<u>231,400,000</u>

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
	<u>159,409,303</u>	<u>323,261,088</u>

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)	Placement of shares	Bonus issue	Changes Shares issued		Listed	Opening balance (Share)
				from transfer of reserves	Issue new shares		
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	<u>1,670,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,670,000,000</u>
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	<u>930,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>930,000,000</u>
Total share capital	<u><u>2,600,000,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,600,000,000</u></u>

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	<u>161,773,949</u>
Total reserves	<u><u>2,526,228,929</u></u>

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	<u>76,418,197</u>	<u>38,209,099</u>	<u>114,627,296</u>
Closing balance	<u><u>244,630,919</u></u>	<u><u>122,315,460</u></u>	<u><u>366,946,379</u></u>

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)	<u>221,400,000</u>
Unappropriated profits at the end of the year	<u><u>1,333,962,805</u></u>

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 statutory 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	1999
	RMB	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
	<u>4,780,580,876</u>	<u>4,069,515,058</u>

27. COST OF PRINCIPAL OPERATIONS

	2000	1999
	RMB	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	<u>1,958,324,058</u>	<u>1,678,311,200</u>

28. SALES TAXES ON PRINCIPAL OPERATIONS

Tax item	2000	1999
	RMB	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
	<u>76,380,272</u>	<u>68,040,058</u>

29. INCOME FROM OTHER OPERATIONS

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

30. OPERATING EXPENSE

	2000	1999
	RMB	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
	<u>1,168,691,771</u>	<u>718,274,056</u>

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
	<u>(20,768,987)</u>	<u>(13,946,294)</u>

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
	<u>2,996,491</u>	<u>81,119</u>

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
	<u>14,777,978</u>	<u>3,670,602</u>

35. INCOME TAXES

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

Note: The Company has obtained the approval from the domestic tax bureau that Wei Jian Fei which not accrued 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	<u>2,165,694</u>
Total	<u>137,529,989</u>

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	<u>552,721,089</u>
Total	<u>2,635,770,982</u>

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		Addition		Reduction		By the end	
	of the year						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	1999
	RMB	RMB
SALES		
Zhouchen Nanmei Shing Ltd. Co.	23,470,000	24,962,000
Yankuang Group	66,434,000	60,697,553
	<u>89,904,000</u>	<u>85,659,553</u>
PURCHASE		
Yankuang Group	<u>67,845,000</u>	<u>150,201,000</u>

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
		<u>308,124,668</u>	<u>220,705,214</u>
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
		<u>430,066,440</u>	<u>282,070,581</u>

(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	1999
	RMB	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
	<u>2,609,735</u>

40. SUBSEQUENT EVENTS

- (i) According to the result of the first temporary shareholders meeting in 2000, which had been approved by China Securities Regulatory 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	<u>748,360</u>	<u>6,869,625</u>

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.