



Yanzhou Coal Mining Company Limited Interim results for the six months ended 30th June, 2001

Dear shareholders,

The Board of Directors of Yanzhou Coal Mining Company Limited (the "Company") is pleased to present the Company's unaudited interim operating results for the six months ended 30th June, 2001.

In the first half of 2001, both domestic and export markets continued to develop positively as we anticipated. The Company's raw coal production increased by 4.227 million tonnes, or 33.1%, to 16.991 million tonnes in the first half of 2001 as compared with the same period in 2000. Sales volume for the first six months of 2001 was 15.435 million tonnes, representing an increasing of 2.988 million tonnes or 24.0% of the sales volume for the same period last year. Total net sales for the first six months of 2001 were RMB2,335.4 million, a RMB649.7 million or 38.5% increase over those for the same period last year. Income before income taxes and net income for the first six months of 2001 were RMB617.6 million and RMB447.0 million, respectively, a RMB120.9 million or 24.3% increase and a RMB88.235 million or 24.6% increase over those for the same period last year, respectively.

SUMMARY OF UNAUDITED FINANCIAL INFORMATION

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

	For the six months ended 30th June,		Year ended 31st December	
	2001 RMB'000 (unaudited)	2000 RMB'000 (audited)	% change as compared to same period last year (+/-)	2000 RMB'000 (audited)
Net sales				
Domestic	1,348,035	1,072,234	25.7	2,090,758
Export	987,393	613,472	61.0	1,508,979
Total net sales	2,335,428	1,685,706	38.5	3,599,737
Gross profit	973,210	757,973	28.4	1,616,217
Operating income	613,635	463,870	32.3	979,781
Interest expenses	(23,879)	(2,473)	865.6	(5,012)
Income before income taxes	617,619	496,724	24.3	1,035,652
Net income	446,998	358,763	24.6	748,360
Earnings per share (RMB/share)	0.163	0.138	18.1	0.289



	Ended 30th June,	Ended	
	2001	2000	31st December,
	(unaudited)	(audited)	2000
			(audited)
Total assets (RMB'000)	10,707,735	7,679,926	8,103,684
Shareholder's equity (RMB'000)	8,532,586	6,480,028	6,869,625
Return on net assets (%)	5.24	5.54	10.89
Net asset value per share (RMB/share)	2.97	2.49	2.64
Net cash flows from operating activities per share (RMB/share)	0.19	0.11	0.41

REVIEW OF OPERATIONS

The following discussion is based on the Company's unaudited financial results for the first half of 2001 and the Company's audited financial results for the first half of 2000, which were prepared in accordance with IAS.

Coal Production

The Company's coal production increased by 4.227 million tonnes, or 33.1%, to 16.991 million tonnes in the first half of 2001 as compared with the same period in 2000. Jining III, the newly acquired coal mine, produced 2.509 million tonnes of coal in the first half of 2001, demonstrating the production capacity increase of the Company. As a result of applying advanced mining techniques and equipment and continuously improving production efficiency, the Company has also achieved steady production increases at the five existing coal mines.

Product Sales

The Company continued with the operating strategies of "increasing sales volume and enhancing export volume" in the first half of 2001. The Company's sales volume increased by 2.988 million tonnes, or 24.0%, to 15.435 million tonnes in the first half of 2001 from the sales volume for the same period last year, of which 9.701 million tonnes were sold in the domestic market, an increase of 1.309 million tonnes, or 15.6% compared with the same period in 2000 (the principal factor being the increased sales of No. 3 clean coal and washed mixed coal and others). As to export sales, the volume increased to 5.734 million tonnes, an increase of 1.679 million tonnes, or 41.4%, as compared with the same period of 2000 mainly due to an increase of No. 2 clean coal exports by 349 thousand tonnes and an increase of No. 3 clean coal exports by 1.331 million tonnes. The proportion of the export sales volume of the Company's total sales volume increased by 4.5 percentage points compared with the same period in 2000. The increase in sales volume reflected the Company's strengthened market competitiveness in both domestic and overseas coal markets.



Product Pricing

The following table sets out the Company's product prices for the six months ended 30th June, 2001, and the prices for the six months ended 30th June and 31st December, 2000, respectively:

(prepared in accordance with IAS)

	For the six months		For the six
	ended 30th June,	2000	months ended
	2001		31st December,
	Average price	Average price	2000
			Average price
			(note)
	RMB per tonne	RMB per tonne	RMB per tonne
Clean Coal			
No. 1 Clean Coal	220.1	222.9	210.2
No. 2 Clean Coal	181.9	177.2	169.3
Domestic	218.3	221.7	214.1
Exports	177.8	167.2	161.3
No. 3 Clean Coal	167.8	147.4	146.5
Domestic	159.4	152.2	153.2
Exports	170.6	146.5	145.5
Average Price for Clean Coal	171.5	156.3	151.9
Domestic	169.3	178.0	172.0
Exports	172.2	151.3	148.5
Screened Raw Coal	141.8	128.6	129.1
Mixed Coal and others	80.4	65.8	64.4
Average	151.3	135.4	136.1

Note:

The average price per tonne for the six months ended 31st December, 2000, was calculated based on the following formula:

$$\frac{(\text{Net sales for the year ended 31st December, 2000}) \text{ less } (\text{net sales for the six months ended 30th June, 2000})}{(\text{Sales volume for the year ended 31st December, 2000}) \text{ less } (\text{sales volume for the six months ended 30th June, 2000})}$$

Information relating to net sales and sales volume for the year ended 31st December, 2000 was set out in the Company's 2000 annual report.



The Company's average coal price increased by RMB15.9, or 11.7%, to RMB151.30 in the first six months of 2001 as compared with the same period last year, of which the average domestic price increased by 8.8% and the average export price increased by 13.8%. The quantity increase can be accounted for by the following factors which include: (i) the effective implementation of the macro regulation and control measures taken by the government such as the "shutting down mines and reducing coal production" and "limiting coal production and reducing coal inventories" has resulted in increases in domestic coal prices; (ii) fluctuation in oil prices has led to an adjustment in the international energy consumption structure, which has had a positive impact on the export coal price; and (iii) the Company was able to significantly increase the sales volume of higher-priced clean coal.

Net Sales

Net sales increased by RMB649.7 million, or 38.5%, to RMB2,335.4 million in the first half of 2001 compared with the same period last year. Domestic net sales increased by RMB275.8 million, or 25.7%, to RMB1,348.0 million and export net sales increased by RMB373.9 million, or 61.0%, to RMB987.4 million. The proportion of the export sales of the Company's total net sales increased by 5.9 percentage points compared with the same period of 2000.

The following table sets out the Company's net sales by product category for the six months ended 30th June, 2001 and 2000, respectively:

(prepared in accordance with IAS)

	For the six months ended 30th June, 2001 (unaudited)			For the six months ended 30th June, 2000 (audited)		
	Sales volume '000 tonnes	Net sales RMB'000	% of total net sales	Sales volume '000 tonnes	Net sales RMB'000	% of total net sales
Clean Coal						
No. 1 Clean Coal	146.9	32,339	1.4	131.4	29,288	1.7
No. 2 Clean Coal	1,423.6	258,876	11.1	1,142.9	202,510	12.1
Domestic	141.6	30,907	1.3	209.6	46,453	2.8
Exports	1,282.0	227,969	9.8	933.3	156,057	9.3
No. 3 Clean Coal	5,915.3	992,708	42.5	3,703.6	546,042	32.3
Domestic	1,463.2	233,284	10.0	582.2	88,628	5.2
Exports	4,452.1	759,424	32.5	3,121.4	457,414	27.1
Subtotal of Clean Coal	7,485.8	1,283,923	55.0	4,977.9	777,840	46.1
Domestic	1,751.7	296,530	12.7	923.2	164,369	9.7
Exports	5,734.1	987,393	42.3	4,054.7	613,471	36.4
Screened Raw Coal	6,717.2	952,404	40.8	6,632.5	852,835	50.6
Mixed Coal and others	1,232.4	99,101	4.2	837.0	55,031	3.3
Total	15,435.4	2,335,428	100.0	12,447.4	1,685,706	100.0



Cost and Expenses

Total operating expenses for the six months of 2001 increased by RMB500 million, or 40.9%, to RMB1,721.8 million as compared with those for the same period last year, of which the cost of goods sold increased by 46.8% and the selling, general and administrative expenses increased by 22.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis are based on the unaudited interim financial report of 2001 and the audited 2000 interim financial report of the Company. These financial reports are prepared in accordance with IAS. For a discussion of certain differences between the IAS and accounting principles generally accepted in the United States of America ("US GAAP"), please refer to note 33 to the financial information prepared in accordance with IAS.

Net sales of the Company in the first six months of 2001 increased by RMB649.7 million, or 38.5%, to RMB2,335.4 million as compared with the same period of 2000. The increase of net sales was principally due to the increase of sales volume and product price, of which the increment of sales volume resulted in net sales increasing by RMB404.5 million, and the increases in product prices resulted in net sales increasing by 245.2 million.

Cost of goods sold increased by RMB434.5 million, or 46.8%, to RMB1,362.2 million in the first six months of 2001. The increase in cost of goods sold was principally due to: increases in production volume, greater than usual mine development cost arising from installation and removal of working panels, additional washery cost for clean coal and increases in wages. The unit cost of goods sold increased by RMB13.7 as compared with the same period of 2000 to RMB88.3, principally because: (i) as a result of the measure to enhance export volume, the increase in proportion of washed clean coal of total sales volume resulted in an increase of unit cost by around RMB3.4; (ii) increased occurrence of installation and removal of working panels resulted in an increase in unit cost by around RMB2.8; (iii) the increase in employees' wages in relation to the increase in the Company's production and profitability resulted in an increase in unit cost by around RMB2.1; and (iv) Jining III had yet to achieve its economies of scale. Its unit cost of RMB99.4 in the first half of 2001 under the current production level resulted in an increase of RMB3.9 in the Company's unit cost.

Selling, general and administrative expenses was RMB359.6 million in the first six months of 2001, an increase of RMB65.472 million as compared with the same period of 2000. The increase was principally due to the increase in contribution to the retirement benefit scheme, wages, and the bad debt provision.

The Company's operating income increased by RMB149.7 million, or 32.3%, to RMB613.6 million for the first six months in 2001 from RMB463.9 million for the first half of 2000. This was principally due to the increase in sales income.

Interest expenses increased by RMB21.406 million, to RMB23.879 million as compared with the same period of 2000. This was principally due to the deemed interest expenses of RMB22.565 million reflecting the unpaid installments for Jining III acquisition.



Income before income taxes increased by RMB120.9 million, or 24.3%, to RMB617.6 million from RMB496.7 million in the same period of 2000.

Net income increased by RMB88.235 million, or 24.6%, to RMB447.0 million from RMB358.8 million for the same period of 2000.

Total assets increased by RMB2,604.0 million, or 32.1%, to RMB10,707.7 million as at 30th June, 2001 from RMB8,103.7 million as at 31st December, 2000. This was principally due to the acquisition of Jining III coal mine and the incremental assets increases arising from the Company's operating activities.

Total liabilities increased by RMB941.0 million, or 76.2%, from RMB1,234.1 million as at 31st December, 2000 to RMB2,175.1 million as at 30th June, 2001. This was principally due to the deferred payments representing the balance of the consideration due for the Jining III acquisition.

Shareholders' equity increased by RMB1,663.0 million, or 24.2%, from RMB6,869.6 million as at 31st December, 2000 to RMB8,532.6 million as at 30th June, 2001. This was principally attributed to an increase of RMB270.0 million resulting from the new issuances of A Shares and H Shares, an increase of RMB1,181.3 million in capital reserves and an increase of RMB211.7 million in undistributed operating profits.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of capital are proceeds raised from the new issues of A Shares and H Shares, and cash flow from operations. The Company's principal uses of capital have been payment of Jining III acquisition, shareholders' dividend, and purchasing of property, plant and equipment.

As at 30th June, 2001, the balance of the Company's accounts receivable and notes receivable was RMB832.7 million, a decrease of RMB4.06 million from that on 31st December, 2000. The Company tightened the collection of receivables resulting in a decrease of RMB85.376 million in receivable accounts.

Inventories increased by RMB84.237 million to RMB347.1 million from RMB262.9 million as at 31st December, 2000. This was principally due to the increase of coal stocks.

Prepayment and other current assets increased by RMB69.293 million to RMB629.7 million from RMB560.4 million as at 31st December, 2000. This was principally due to the increases in freight fee paid in advance.

Accounts payable decreased by RMB113.3 million to RMB435.1 million from RMB548.4 million as at 31st December, 2000.

Other accounts payable and provisions increased by RMB118.9 million to RMB517.4 million from RMB398.5 million as at 31st December, 2000. This was principally due to the increase arising from the next installment of the deferred payment for the consideration for Jining III acquisition.



Long-term liabilities were RMB639.7 million as at 30th June, 2001, which will be paid for the acquisition of Jining III a year latter.

In the first half of 2001, the Company's capital expenditure was RMB1,396.5 million principally for the payments made in respect of the consideration for Jining III acquisition and replacement of machinery and equipment. The Company's major capital expenditures will be used to meet the deferred payments representing the balance of consideration for Jining III acquisition and purchase and replacement of machinery and equipment in the second half of 2001.

Taking into account the cash in hand and existing abundant capital sources, the Company believes that it will have sufficient capital for its operational requirements.

TAXATION

For the period under review, the Company is still subject to an income tax rate of 33% on its taxable profits.

US GAAP RECONCILIATION

The Company's unaudited interim financial statements are prepared in compliance with IAS, which differs in certain respects from US GAAP. Please refer to note 33 to the interim financial statements prepared in accordance with IAS for this period for a description of the differences between IAS and US GAAP.

OUTLOOK FOR THE SECOND HALF OF 2001

The Company achieved satisfactory interim results in the first half of 2001. The domestic and overseas coal markets are expected to continue to be stable in the second half of 2001. The positive effects of the government's macro regulation and control measures to close small coal mines are expected to be realized in the second half of 2001. Fluctuation in oil prices has led to an adjustment in the international energy consumption structure, which has had a positive impact on the long term coal price and demand. The company is expected to benefit from the stabilized domestic and overseas coal markets.

In the second half of 2001, China's economy is expected to maintain a strong outlook. Coal will maintain its position as the overall energy leader in China and it is expected during the Tenth Five Years period domestic demand for coal will increase by an average of 20 million tonnes per year. In the first half of 2001, the State Council promulgated measures to strengthen the macro regulation and control, including implementation of the system to investigate and inflict administrative responsibility for major safety accidents, closure of small state-owned coal mines, and restructuring and ceasation of production of the township coal mines. These powerful and effective macro regulatory and control measures are expected to further reduce domestic coal supply and achieve orderly operational environment. Large-scale coal enterprises including the Company are expected to benefit from these measures and increase their sales volume and improve their operating results. China exported 39.87 million tonnes of coal in the first half of 2001, giving an annualized total of 80 million tonnes, which is expected to make China the second largest exporter of coal in the world. The Company is expected to benefit from these export increases.



According to the “Tenth Five-year Plan For Coal Industry” promulgated by the State, enterprises are encouraged to establish industrial leaders commanding international competitiveness by means of acquisition, merger or restructuring to build up integrated operations including coal, power, transportation, ports and freight business. This State policy enables the Company to use its comparative advantages in technology, marketing position and financing skills to expand the Company’s production capacity and strengthen its core business.

Both supply and demand of the international coal market are in a strong yet balanced position. Adjustments caused by the fluctuating oil prices which have featured in the international energy consumption structure, resulted in substantial increase of coal demand in the international major markets. The import volume in East Asia markets mainly to Japanese and Korean and European markets are increasing continuously. The United States, which is typically a minor swing exporter of coal, has in recent months become a net importer. The United States and Germany implemented new energy policies to increase the proportion of coal-fired power generation. Thanks to the increase of coal demand, the export volume growth of major coal export countries such as Australia and China are being sustained.

The international coal spot market is expected to be activen in the second half of 2001. The international spot coal prices showed notable increases in the first half of 2001. The Australian BJ spot price, which is a benchmark for the international coal price, has rebounded from US\$27.8/tonne at the beginning of this year to the highest US\$34.25/tonne in May, 2001, and then has sustained some downward pressure due to the close of most price negotiations for annual contract and timely increases of supply in major markets. As at 16th August, BJ spot price dropped to US\$32.25/tonne. Japan is beginning to pay close attention to spot markets because the spot price has fallen below contract prices. European spot markets will also turn active due to the decrease in spot prices.

The Company’s principal development objectives are to focus on core business of coal and to realize the large-scale and low-cost expansion through utilization of advanced technology and superior management. The Company’s major operating strategies are: (i) increasing both coal production and sales volume, especially sales to the power plant customers in the coastal areas in China and increasing export volumes, especially to the power plant customers and the steel companies using PCI coal in Japan, South Korea and Taiwan; (ii) acquiring domestic and overseas high-quality assets to enhance the Company’s capacity in its core business; (iii) further improving and perfecting the top caving mining technology and improving efficiency; and (iv) exploring clean coal technology, which can process coal into clean energy used in power generation, chemical industry, transportation and so on.

The Company will continue to improve profitability through increasing sales volume. The Company is expected to sell more than 18 million tonnes in the second half of 2001, giving an annualized total of 33.2 million tonnes. In the second half of 2001, the domestic sales volume is expected to reach more than 10 million tonnes and the export sales volume is expected to reach more than 8 million tonnes.



The Company intends to focus on the following measures to improve the operational performance and enhance profitability in the second half of 2001:

- I. Strengthening cost control measures. In the second half of 2001, the reduction in the installation and removal of working panels is expected to decrease cost and the increase in sales volume is expected to decrease the unit cost, respectively. The Company will adopt the following measures to control cost: (i) perfecting the top caving mining technology. In the second half of 2001, the production system with output capacity of 6 million tonnes per year will commence at Xinglongzhuang coal mine, resulting in an increase in the capacity and reduction in production cost; (ii) controlling wages escalation and implement further staff reduction by up to 600 employees; (iii) improving the cost control of Jining III; and (iv) strengthening the operation and management and reinforcing the implementation of cost reduction measures, and implementing the payroll structure linked to production cost.
- II. Improving product quality and business reputation through improvements in coal preparation process, coal quality systems and equipment and improvements in transportation and storage quality.
- III. The multiple-tracks of Yan-Shi railway is expected to commence operation in the fourth quarter of 2001. In conjunction with the increasing transportation capacity, the Company will reform its storage, loading and unloading and transportation systems, enhance management for exports and sales to the coastal areas, increase sales volume and reduce transportation cost.
- IV. Jining III coal mine is anticipated to produce 5 million tonnes of coal in 2001, and is expected to reach the design production capacity and contribute positively to the Company in the first year it is commissioned. Jining III intends to focus on the following three tasks in the second half of 2001: (i) complete certification processes for ISO14000 environment protection system and ISO9000 quality assurance system; (ii) improve the production auxiliary equipment and increase production capacity; and (iii) enhance management of preparation plant and increase quality and production of washed coal.

With domestic and overseas coal markets showing signs of stability at a high operating level, the Company is expected to enhance profitability further in the second half of 2001 to reward our shareholders for their long-term support.



CHANGE IN SHARE CAPITAL STRUCTURE AND SUBSTANTIAL SHAREHOLDERS

Changes in share capital

(In share) Par value per share: RMB 1.00

	Number of shares before the changes 31st December, 2000	Changes during the period under review (Increase/ Decline)	Number of shares after the changes 30th June, 2001
A. Shares not listed for public dealing			
1. Subscriber shares of which:			
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. Domestically listed RMB Ordinary Shares	79,779,000	100,000,000	179,779,000
2. Foreign invested Shares listed on overseas stock exchange	850,000,000	170,000,000	1,020,000,000
Total number of shares listed for public dealings	929,779,000	270,000,000	1,199,779,000
C. Total shares	2,600,000,000	270,000,000	2,870,000,000

The New Issuances of 100,000,000 A Shares and 170,000,000 H Shares were completed on 3rd January, 2001 and 11th May, 2001 respectively. As of 30th June, 2001, all of the New Shares have been listed for public dealings.

The share capital of the Company increased from 2,600,000,000 shares to 2,870,000,000 shares and the outstanding shares as a percentage of share capital increased from 35.76% to 41.80% after the New Issuances referred to above.



Substantial Shareholders

(As at 30th June, 2001)

Name	Class of Shares held	Number of Shares at the end of this period	Percentage Holding %
Yankuang Group Corporation Limited	State legal person shares	1,670,000,000	58.19
HKSCC Nominees Limited	H shares	1,018,238,000	35.48
China National Petroleum Corporation	A shares	17,797,479	0.62
Wuhu Conch Cement Co., Ltd.	A shares	5,347,000	0.19
Anhui Yurongxin Investment Company	A shares	4,983,294	0.17
Sichuan Changhong Electric Co., Ltd.	A shares	3,569,800	0.12
Tianyuan Fund	A shares	3,305,790	0.12
Petroleum Equipment	A shares	2,968,609	0.10
Yulong Fund	A shares	2,456,258	0.09
Dongfeng Automobile Co., Ltd.	A shares	1,779,748	0.06

Save as disclosed above, no other shareholder was recorded in the register kept pursuant to China Security Act as having an interest of 5% or more of the Company's public shares; no other shareholder was recorded in the register kept pursuant to Section 16 (1) of the Securities (Disclosure of Interests) Ordinance of Hong Kong (the "SDI Ordinance") as having an interest of 10% or more of the Company's domestic invested shares or foreign invested shares as at 30th June, 2001.

The Company is not aware of any connected relations among its top ten shareholders.

During the period under review, the shares held by Yankuang Group Corporation Ltd. were neither pledged nor frozen.



The following shareholders entered the top ten shareholders of the Company through subscription for the New A shares.

Shareholder's name	Agreed period of holding shares	
	beginning date	ending date
China National Petroleum Corporation	3rd January,2001	20th May,2001
Wuhu Conch Cement Co., Ltd.	3rd January,2001	20th May,2001
Anhui Yurongxin Investment Company	3rd January,2001	20th May,2001
Sichuan Changhong Electric Co., Ltd.	3rd January,2001	20th May,2001
Petroleum Equipment	3rd January,2001	20th May,2001
Dongfeng Automobile Co., Ltd.	3rd January,2001	20th May,2001

DIRECTORS' AND SUPERVISORS' INTERESTS

As at 30th June, 2001 the Company's directors and supervisors held in aggregate 180,000 A shares, representing 0.0063% of the Company's total issued share capital. Details are as follows:

Name	Title	Number of A shares held
Zhaojingche	Chairman of the board	10000
Yangdeyu	General Manager and Executive Directors	10000
Dumingshan	Executive Directors	10000
Luotaiyan	Executive Directors	10000
Xiaolifang	Executive Directors and Financial Controller	10000
Wangbangjun	Non-executive Director	10000
Moliqi	Non-executive Director	10000
Liuyubin	Non-executive Director	10000
Wuzezhi	Non-executive Director	10000
Chenyongge	Non-executive Director	10000
Mahouliang	Non-executive Director	10000
Xutianen	Non-executive Director	10000
Yangjiachun	Non-executive Director	10000
Mengxianchang	Chairman of the Supervisor Committee	10000
Xiaoshuzhang	Supervisor	10000
Qianxiulan	Supervisor	10000
Xuxinmin	Supervisor	10000
Zhouhongbin	Supervisor	10000



Save as disclosed herein, none of the Company's directors or supervisors had, as at 30th June, 2001, any interests in any shares in or debentures of the Company or any associated corporation (within the meaning of the SDI Ordinance) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which they are taken of are deemed to have under Section 31 or Part I of the Schedule to the SDI Ordinance), or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or, in the case of supervisors or the associates of directors of supervisors, which would be required to be named as described above if they had been directors. The Company has not granted to any of the Company's directors or supervisors or their spouses or children under 18 years of age any right to subscribe for equity or debts securities of the Company.

DISCLOSURE OF SIGNIFICANT EVENTS

Final Dividends

At the 2000 annual general meeting of the Company held on 15th June, 2001, the shareholders of the Company approved a final dividend of RMB235,340,000 (including tax), or RMB0.082 per share (including tax). Such final dividend had been paid to shareholders of the company before 30th June, 2001.

Interim Dividends

According to the Articles of Association of the Company, interim dividends will not be paid to the shareholders of the Company.

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 was further approved by 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 RMB3.94 million and the net proceeds of RMB961 million raised from the New Issuance of A Shares. The remainder of the purchase price will be paid before 31st December, 2001 and 31st December, 2002 in two installments without interest.

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



New Issue Shares

The New Issuances of 100,000,000 A Shares and 170,000,000 H Shares were completed on 3rd January, 2001 and 11th May, 2001 respectively. Details are as follows:

	A Shares	H Shares
Par value	RMB1.00 per share	RMB1.00 per share
Quantities of new issue shares ('000)	100,000	170,000
Issue price	RMB10.00 per share	HK\$2.925 per share
Net proceeds	RMB961 million	RMB491 million
Use of proceeds	Applying to finance the acquisition of Jining III	Applying to finance the acquisition of Jining III

Amendments to the Articles of Association of the Company

After the New Issue of A Shares, the Company has amended the Articles of Association of the Company and disclosed that in the Annual Report 2000. Due to the New Issuance of H Shares in accordance with the authorization made by the Annual General Meeting for the year 1999, held on 16th June, 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 after New Issue of H Shares.

- Article 15 Subject to the approval of the companies approving department authorised by the State Council, the Company issued a total of 2,870,000,000 ordinary shares, of which 1,670,000 ordinary shares, representing 58.19% 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 2,870,000,000 ordinary shares, of which (a) 1,670,000,000 shares, which represent 58.19% 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) 1,020,000,000 shares, which represent 35.54% of the Company's share capital are held by the H shares shareholders; and (c) 180,000,000 shares, which represent 6.27% of the Company's share capital, are held by the A shares shareholders.
- Article 19 The registered capital of the Company is RMB2,870,000,000. 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.



Connected Transactions

The Company's connected transactions in the first half of 2001 are set out in note(25) of the financial statements prepared in accordance with IAS.

Purchase, Sale or Redemption of Shares

During the six months ended 30th June, 2001, the Company did not purchase or redeem any of its shares and the details of Shares Sale are set out on the "New Issue Shares" section of the report.

Compliance with Code of Best Practice

As at 30th June, 2001, the Board of Directors of the Company had not established an audit committee. However, under the Company's organizational structure, a Board of Supervisors 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. Whereas, an audit committee should comprise the non-executive directors of a company.

Except for mentioned above, none of the directors is aware of any information that would reasonably indicate that the Company is not, or has not, in compliance with the "Code of Best Practice" set out in Appendix 14 of the Rules on Governing the Listing of Securities issued by the Hong Kong Stock Exchange Ltd. during the six months ended 30th June, 2001.

Effect of the Exchange Rate Changing

The effect of the exchange rate changes on the Company has been stated in Annual Report 2000. There is no other effect during the period of this report.

Changing into Sino-foreign Joint Stock Limited Company

The Company was changed into Sino-foreign Joint Stock Limited Company in April, 2001.

Material Litigation and Arbitration

The Company was not involved in any material litigation or arbitration during the period of this report.

Material Contracts

Saved as the Acquisition Agreement, which was set out on "Acquisition of Jining III Coal Mine" section, and the Placing Agreement of New Issue H Shares announced on 9th May, 2001, the Company did not enter into any material contract during the period of this report.



Employees

As at 30th June, 2001, the Company had 23,855 employees of whom 18,985 were directly involved in coal production, 660 were technicians, 1,844 were administrative personnel, and 2,366 were other supporting staff.

Auditors

The Company retained Deloitte Touche Tohmatsu Shanghai CPA and Deloitte Touche Tohmatsu as its domestic and international auditors, respectively.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection in the office of the secretary to the Board of Directors of the Company at 40 Fushan Road, Zoucheng, Shandong Province, PRC:

- the full text of the interim report signed by the Chairman;
- financial statements signed by corporate representative, financial responsible person and accountants;
- all of the original documents and announcement manuscripts, which were publicly released during the period of this report on the newspaper designated by China Securities Regulatory Commission;
- the full text of the interim report released on the other securities markets; and
- the Article of Association of the Company.

On behalf of the Board

Zhao Jingche

Chairman

24th August, 2001
Zoucheng, P.R.China