YANZHOU COAL MINING COMPANY LIMITED
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

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, 2002.

Net income of the Company for the first six months of 2002 was RMB696.4 million, representing an increase of RMB249.4 million or 55.8% over the same period last year. During the reporting period, the Company's raw coal production was 19.297 million tonnes, increased by 2.306 million tonnes or 13.6% compared with the same period last year; salable coal production was 18.131 million tonnes, increased by 2.077 million tonnes or 12.9%, compared with the same period last year. Sales volume for the first six months of 2002 was 16.18 million tonnes, representing an increase of 745,000 tonnes or 4.8% over the same period last year. Total net sales for the first six months of 2002 was RMB2,928.6 million, a RMB593.2 million or 25.4% increase over that for the same period last year. In the first half of 2002, the special purpose coal transportation railway assets (the "Railway Assets"), which the Company acquired in early 2002, carried a total of 13.073 million tonnes of coal and brought along an income of RMB67.991 million for coal transportation service.

SUMMARY OF UNAUDITED FINANCIAL INFORMATION

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

	For the six months ended 30th June			Year ended
			% change as compared with same period last year (+/–)	31st December
	2002 (RMB'000) (unaudited)	2001 (RMB'000) (unaudited)		2001 (RMB'000) (audited)
Net sales				
Domestic Sale	**1,583,981**	1,348,035	17.5	2,599,812
Export	**1,344,628**	987,393	36.2	2,276,198
Total net sales	**2,928,609**	2,335,428	25.4	4,876,010
Railway transportation service income	**67,991**	–	–	–
Gross profit	**1,539,770**	973,210	58.2	2,063,427
Operating income	**1,006,436**	595,209	69.1	1,303,796
Interest expenses	**(63,988)**	(23,879)	168.0	(61,519)
Income before income taxes	**984,871**	617,619	59.5	1,360,173
Net income	**696,387**	446,998	55.8	970,945
Earnings per share (RMB/share)	**0.24**	0.16	50.0	0.35

	As at or for the period ended 30th June		As at or for the period ended 31st December
	2002 (unaudited)	2001 (unaudited)	2001 (audited)
Total assets (RMB'000)	**12,425,814**	10,707,735	11,182,591
Shareholder's equity (RMB'000)	**9,469,421**	8,536,087	9,060,034
Return on net assets (%)	**7.35**	5.24	10.72
Net asset value per share (RMB/share)	**3.30**	3.11	3.23
Net cash flows from operating activities per share (RMB/share)	**0.36**	0.20	0.57

REVIEW OF OPERATIONS

The following discussion is based on the Company's unaudited financial results for the first half of 2002 and the Company's unaudited financial results for the first half of 2001, which were prepared in accordance with IAS.

Raw Coal Production

The Company's raw coal production increased by 2.306 million tonnes, or 13.6%, over the same period last year, to 19.297 million tonnes in the first half of 2002. The production increase can be attributed to the followings: (i) the coal production of Jining III increased by 1.212 million tonnes, or 48.3%, over the same period last year to 3.721 million tonnes; (ii) the Company achieved steady production increases at the five original existing coal mines by continually improving the long wall top caving mining technology and raising production efficiency through enhancement of equipment integration and mining techniques.

Salable Coal Production

The Company's salable coal production increased by 2.077 million tonnes, or 12.9%, to 18.131 million tonnes in the first half of 2002 as compared to the same period in 2001. The main reasons are i) raw coal production increased by 2.306 million tonnes and ii) the increase of raw coal production was partially offset by coal loss during preparation.

Product Sales

The Company continued with the operating strategies of increasing sales volume, enhancing export volume as well as increasing sales of higher-priced clean coal in the first half of 2002 . In the first half of 2002, the Company's sales volume increased by 745,000 tonnes, or 4.8%, to 16.18 million tonnes compared with the same period last year. Of the total sales volume, 9.436 million tonnes were sold in the domestic market, representing a decrease of 265,000 tonnes, or 2.7%, compared to the same period last year, mainly resulted from a decrease of screened raw coal sales by 902,000 tonnes. Export sales volume increased by 1.01 million tonnes, or 17.6% over the same period last year, to 6.744 million tonnes, mainly due to an increase of No. 2 clean coal exports by 1.119 million tonnes. Export sales volume as a percentage of the Company's total sales volume increased by 4.5% compared with the same period in 2001.

Sales Pricing

The following table sets out the Company's product prices for the six months ended 30th June, 2002, 30th June 2001 and for the full year ended 31st December, 2001, respectively:

(prepared in accordance with IAS)

	For the six months ended 30th June,			For the six months Ended 31st December,
	2002		2001	2001
	Average price (taken into accounts effects of railway transportation) (RMB per tonne)	**Average price calculated on same basis in accordance with last year (RMB per tonne)**	Average price (RMB per tonne)	Average price (RMB per tonne)
Clean Coal				
No.1 Clean Coal	**237.6**	**223.1**	220.1	215.1
No.2 Clean Coal	**207.7**	**193.9**	181.9	193.6
Domestic	**249.2**	**249.2**	218.3	227.7
Exports	**206.0**	**191.5**	177.8	191.7
No.3 Clean Coal	**192.5**	**180.8**	167.8	179.1
Domestic	**184.6**	**178.3**	159.4	163.7
Exports	**195.7**	**181.8**	170.6	183.2
Subtotal for Clean Coal	**198.1**	**185.7**	171.5	183.7
Domestic	**194.1**	**187.0**	169.3	172.9
Exports	**199.4**	**185.3**	172.2	185.9
Screened Raw Coal	**176.2**	**174.6**	141.8	152.9
Mixed Coal and others	**96.7**	**94.9**	80.4	94.3
Average	**181.0**	**173.4**	151.3	162.9

Note: 1. The average prices represent the invoice prices minus sales taxes, transportation cost from the Company to ports, port charges and miscellaneous fees.

2. The historic average price per tonne for the six months ended 31st December, 2001, was calculated based on the following formula:

$$\frac{\text{(Net sales for the year ended 31st December, 2001) less (net sales for the six months ended 30th June, 2001)}}{\text{(Sales volume for the year ended 31st December, 2001) less (sales volume for the six months ended 30th June, 2001)}}$$

3. Information relating to net sales and sales volume for the year ended 31st December, 2001 was set out in the Company's 2001 annual report.

The Company's average coal price was RMB181.00 in the first six months of 2002. After eliminating effects from the acquisition of the Railway Assets, the Company's average coal price was RMB173.44, representing an increase of RMB22.14, or 14.6%, over the same period last year. The average domestic price increased by 18.7% while the average export price increased by 7.6%.

The increase of the Company's average coal price in the first half of 2002 can be attributed to the following: i) 2001 domestic and export coal price continued to increase, with prices in the first half lower than that in the second half. In the first half of 2002, the proportional increase in domestic and overseas coal sales prices was comparatively significant and ii) sales volume of higher-priced clean coal increased as the Company adjusted its product mix to meet changing market demand for different coal products.

Net Sales

Net sales of coal increased by RMB593.2 million, or 25.4%, to RMB 2,928.6 million in the first half of 2002 compared with the same period last year. The increase reflected an increase in net domestic sales by RMB235.9 million, or 17.5%, to RMB1,584.0 million, and an increase in net export sales by RMB357.2 million, or 36.2%, to RMB1,344.6 million. Export sales as a percentage of the Company's total net sales increased by 3.6% compared with the same period in 2001.

The following table sets out the Company's net sales by product category for the six months ended 30th June, 2002 and 2001 respectively:

(prepared in accordance with IAS)

	For the six months ended 30th June, 2002 (unaudited)			For the six months ended 30th June, 2001 (unaudited)		
	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	**258.1**	**61,322**	**2.1**	146.9	32,339	1.4
No.2 Clean Coal	**2,504.1**	**520,186**	**17.7**	1,423.6	258,876	11.1
Domestic	**103.1**	**25,699**	**0.8**	141.6	30,907	1.3
Exports	**2,401.0**	**494,487**	**16.9**	1,282.0	227,969	9.8
No.3 Clean Coal	**6,129.5**	**1,179,900**	**40.3**	5,915.3	992,708	42.5
Domestic	**1,786.4**	**329,759**	**11.3**	1,463.2	233,284	10.0
Exports	**4,343.1**	**850,141**	**29.0**	4,452.1	759,424	32.5
Subtotal of Clean Coal	**8,891.7**	**1,761,408**	**60.1**	7,485.8	1,283,923	55.0
Domestic	**2,147.6**	**416,780**	**14.2**	1,751.7	296,530	12.7
Exports	**6,744.1**	**1,344,628**	**45.9**	5,734.1	987,393	42.3
Screened Raw Coal	**5,814.8**	**1,024,717**	**35.0**	6,717.2	952,404	40.8
Mixed Coal and others	**1,473.6**	**142,484**	**4.9**	1,232.4	99,101	4.2
Total	**16,180.1**	**2,928,609**	**100.0**	15,435.4	2,335,428	100.0

Railway Assets

The Company acquired the Railway Assets from the Parent Company at the beginning of 2002. To reflect the contributions of the acquired Railway Assets, the operating results of the Railway Assets in the first six months of 2002 was presented separately as an independent operation division in accordance with IAS.

Before the acquisition of the Railway Assets, for coal products sold to customers through the ports and transported by the Railway Assets, the Company settled the accounts with the customers at FOB prices. The Company bore the transportation expenses incurred on the mine area special railway lines and made payments to the Parent Company. Such expenses are regarded as sale/transportation cost of the Company. For coal products transported directly to the customers by trains, the Company settled the accounts with the customers at Ex-mine prices. The customers bore the transportation expenses incurred on the mine area special railway lines and made payments to the Parent Company through the Company.

After the acquisition of the Railway Assets, the Company bears expenses relating to the mine area special railway lines for coal products sold on FOB terms. When accounting the Railway Assets as an independent operation division, transportation through the mine area special railway lines is treated as internal transportation. The transportation charges are calculated as the Railway Assets' income from internal transportation, which are off-set against the sale/transportation cost of the Company when consolidating the statements. The cost of such transportation is included in the internal transportation cost of the Railway Assets before the consolidation of the statements, and included into the sales/transportation cost of the Company when consolidating the statements. For the settlement of the coal products sold on Ex-mine terms, the customers bear the transportation expenses incurred on the Railway Assets. The transportation through the mine area special railway lines is treated as an external transportation and the transportation income derived less sales tax are included in the item of transportation service income after tax of Railway Assets. Cost of such transportation is included as the cost of goods sold of the Company.

Main operation figures of the Railway Assets as an independent operation division are as follows:

Items	**January to June, 2002**
1. Income from Railway Transportation (RMB'000)	259,018
Transportation Volume (tonne)	13,073,231
Freight (RMB/tonne)	19.81
Including: (i) Income from External Transportation (RMB'000)	70,311
Transportation Volume (tonne)	4,111,981
Freight charges (RMB/tonne)	17.10
(ii) Income from Internal Transportation (RMB'000)	188,707
Transportation Volume (tonne)	8,961,250
Freight (RMB/tonne)	21.06
2. Sales Tax (RMB'000)	2,320
3. Cost of Railway Transportation (RMB'000)	91,194
Cost of External Transportation (RMB'000)	24,813
Cost of Internal Transportation (RMB'000)	66,381
4. Contribution to the Net Income of the Company (RMB'000)	66,221

Cost and Expenses

Total operating expenses for the first six months of 2002 had increased by RMB250.0 million, or 14.4%, to RMB1,990.2 million as compared with those of the same period last year. Among those, cost of goods sold increased by 6.9% and the selling, general and administrative expenses increased by 41.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis are based on the unaudited interim financial report of 2002 and the unaudited 2001 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 37 to the financial information prepared in accordance with IAS.

In the first half of 2002, the Company established net sales of RMB2,928.6 million. After excluding the impact of the railway assets acquisition, net sales of the Company in the first six months of 2002 had increased by RMB470.9 million, or 20.2%, to RMB2,806.3 million, as compared with the same period of 2001. Such increase was principally due to higher product prices and larger sales volume, which contributed RMB358.2 million and RMB112.7 million to the increase in net sales respectively.

The income from coal railway transportation service of the Company in the first six months of 2002 was RMB 67.991 million.

Cost of goods sold increased by RMB94.612 million, or 6.9%, to RMB1,456.8 million in the first six months of 2002 compared with the same period of 2001, of which RMB24.813 million was the cost of railway transportation services.

After excluding the impact of acquisition of the Railway Assets, cost of goods sold of the Company increased by RMB69.799 million, or 5.1%, to RMB1,432 million in the first six months of 2002 compared with the same period of 2001. The increase in cost of goods sold was principally due to increases in production volume and proportion of clean coal washed. As compared with the same period of 2001, the unit cost of goods sold increased by RMB0.25 to RMB88.50, of which RMB1.45 was caused by the increased volume of washed clean coal. In the first six months of 2002, the Company increased production efficiency by reducing unit fixed costs through the use of advanced technology such as innovated roof support system and auxiliary transportation system, and enhanced management system to decrease consumption of materials and reduce other costs. As a result of taking the measures mentioned above, costs and expenses were kept under control, which partially offset the impact from higher volume of washed clean coal .

Selling, general and administrative expenses increased by RMB155.3 million, or 41.1%, from RMB378.0 million to RMB533.3 million in the first six months of 2002 as compared with the same period of 2001, of which (i) the retirement benefits scheme contributions increased by RMB24.407 million,(ii) wages and employee benefits increased by RMB37.643 million, (iii) acquisition of the Railway Assets increased by RMB29.989 million,(iv) distribution charges increased by RMB11.655 million and (v) provision for doubtful debts increased by RMB30.715 million.

The Company's operating income increased by RMB411.2 million, or 69.1%, to RMB1,006.4 million for the first six months of 2002 from RMB595.2 million for the same period last year. This was principally due to increased coal sales and increased income from railway transportation generated from the newly acquired Railway Assets.

In the first half of 2002, interest expenses increased by RMB40.109 million, or 168.0%, to RMB63.988 million from RMB23.879 million for the first half of 2001. This was principally due to the increase in loan interest expenses for the acquisition of the Railway Assets.

Before deduction of income taxes, income increased by RMB367.3 million, or 59.5%, to RMB984.9 million for the first six months of 2002 from RMB617.6 million for the first half of 2001.

Net income increased by RMB249.4 million, or 55.8%, to RMB696.4 million for the first six months of 2002 from RMB 447.0 million for the same period of 2001.

Total assets increased by RMB1,243.2 million, or 11.1%, to RMB12,425.8 million as at 30th June, 2002 from RMB11,182.6 million as at 31st December, 2001. This was principally due to the acquisition of the Railway Assets by way of loan from bank and the increase in assets resulted from the Company's operation activities.

Total liabilities increased by RMB831.8 million, or 39.2%, from RMB2,120.1 million as at 31st December, 2001 to RMB2,951.9 million as at 30th June, 2002. This was principally due to the increase in long-term loan to finance the acquisition of Railway Assets.

Shareholders' equity increased by RMB409.4 million, or 4.5%, from RMB9,060.0 million as at 31st December, 2001 to RMB9,469.4 million as at 30th June, 2002. This was principally attributed to the increase in the retained earnings of profits arising from the Company's operation activities.

LIQUIDITY AND CAPITAL RESOURCES

In the first half of 2002, the Company's principal sources of capital are proceeds from cash flow from operations and bank loans. The Company's principal uses of the capital include payment for the acquisition of Jining III and the Railway Assets and the purchase of property, plants, equipment and payment of shareholders' dividend.

As at 30th June, 2002, the balance of the Company's accounts receivable and notes receivable was RMB 800.9 million, an increase of RMB 106.6 million or 15.4% from 694.3 million as at 31st December, 2001. That is principally due to the increase of new customers and sales.

Inventories increased by RMB187.4 million, or 42.6%, to RMB627.3 million as at 30th June, 2002 from RMB439.9 million as at 31st December, 2001. This was principally due to the increase of coal stocks, which can be attributed to the followings: (i) to maintain the stability of domestic coal prices, the Company took temporary measures to control the sales volume in the domestic market; (ii) the Company increased sales volume transported through the canals, resulting in higher volume of coal in transit and (iii) increases in total production and varieties of coal products offered for sale, resulting in higher volume of total coal stocks.

Prepayment and other current assets increased by RMB138.8 million (or 16.3%) to RMB992 million from RMB853.2 million as at 31st December, 2001. This was principally due to the increase in equipments prepayments.

Accounts payable decreased by RMB9.86 million, or 1.5%, to RMB626.5 million as at 30th June, 2002 from RMB636.4 million as at 31st December, 2001.

Other accounts payable and provisions increased by RMB48.332 million, or 9.1%, to RMB581.2 million from RMB532.9 million as at 31st December, 2001, principally due to the increase of RMB39.634 million in provisions.

Long-term liabilities increased to RMB1,272.5 million as at 30th June, 2002 from RMB72.456 million as at 31st December, 2001. This was principally due to the long-term loan of RMB1,200 million from the bank for acquisition of the Railway Assets.

In the first half of 2002, the Company's capital expenditure was RMB1,852.3 million. This principally consisted of payments of RMB550 million and RMB1,242.4 million for the acquisition of Jining III and the Railway Assets respectively as well as payment of RMB59.852 million for the purchase and replacement of machinery and equipments.

As at 30th June, 2002, the Company's debt to equity ratio was 12.7%. The total shareholder's equity and amount of long term bank loan was RMB9,469.4 million and RMB1,200 million, respectively.

Since 2002, the Company resumed collecting "Wei Jian Fei", the details of which are provided in the section "Condensed Consolidation Statement of Changes in Shareholders' Equity" of Unaudited Financial Information Prepared under IAS.

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 accordance with IAS, which differs in certain respects from US GAAP. Please refer to note 37 to the interim financial statements prepared in accordance with IAS for this period description of the differences between IAS and US GAAP.

OUTLOOK FOR THE SECOND HALF OF 2002

In the first half of 2002, the Company overcame negative effects of domestic coal prices fluctuation and decrease of coal export prices fluctuation to achieve a stable growth in businesses. The domestic and overseas coal markets are expected to maintain stable in the next half year, which will benefit the Company in achieving better performance.

Domestic coal market is expected to stabilize. Chinese economy continues to grow with stability, which is expected to effectively lead to an increase of coal demand. In 2002, the Chinese Government has continued to implement structural reforms, eliminating outdated and excess production capacity in the coal industry in order to improve balance and stabilize coal prices in the domestic market. Since July, the domestic market has improved, with noticeable growth occurred in the areas including Eastern China where major clients of the Company are located. It is expected that the domestic market will be stable with a tendency to rise.

International thermal coal facing price decrease. Affected by slow recovery of the world economy, increases in coal supply and decreases in oil price, the price of international thermal coal has gone down in 2002. The thermal coal contract price signed between Australia and Japan decreased by 7.7% during the financial year 2002. The Australian BJ spot price decreased by US$4.05/tonne (or 14.9%) from US$27.25 at the beginning of the year to US$23.20/ tonne at the end of July. International coal companies began to control coal production in order to stabilize international coal prices.

The Company strived to achieve sound performance. The Company is expected to realize the total sales target of 34 million tonnes, among which coal export target is 14 million tonnes. Long-term coal export contracts signed amounted to 11.17 million tonnes and spot coal contracts amounted to 2.14 million tonnes. Contract coal sales has reached 95.1% of the export sales target. In the first quarter of 2002, as contract coal was exported at prices determined in financial year 2001, which were higher than those of this year. The Company's average prices of contract coal in the second half of 2002 is lower than those in the first half and it is expected that the average contract coal price for this year will be slightly lower than last year. In comparison to 2001, average domestic sales price has increased by 16.6%. Domestic coal prices are expected to continue to increase. In 2002, acquisition of the Railway Assets has contributed to the increase in profitability of the Company. The Company is expected to achieve results that will satisfy the shareholders.

The Company will focus on the following operating strategies in the second half of 2002: (i) Increase sales volume, ensuring the realization of sales objectives of the year. The Company will further improve its coal preparation system, storage, loading, and transportation systems, enhance its quality management system, improve quality of products and increase sales volumes; (ii) Control costs. The Company will continue to improve the top caving mining technology, improve production efficiency decrease unit fixed costs, enhance anchor net supporting, reform auxiliary transportation in order to decrease costs. The Company will improve EPR management system and reinforce the management of costs and expenses.

CHANGE IN SHARE CAPITAL STRUCTURE AND SUBSTANTIAL SHAREHOLDERS

Change in Share Capital

There is no change in share capital of the Company during this interim reporting period.

Substantial Shareholders

(As at 30th June, 2002)

Name	Classes 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	1,017,658,000	35.46
Haitong Security	A shares	4,951,702	0,17
Jingfu Fund	A shares	2,330,432	0.08
Fenghe Value	A shares	2,227,596	0.08
Dongfeng Automobile Co., Ltd	A shares	1,779,748	0.06
Kerui Fund	A shares	1,557,574	0.05
Puhui Fund	A shares	1,474,842	0.05
Sichuan Changhong Electric Co., Ltd.	A shares	1,294,500	0.05
Kexiang Fund	A shares	1,052,895	0.04

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 (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, 2002.

Among the top 10 shareholders, the fund manager of both Kerui Fund and Kexiang Fund is Yifangda Fund Administration Co. Ltd.

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

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

	Agreed period of holding shares	
Shareholder's name	**beginning date**	**Ending date**
Dongfeng Automobile Co., Ltd.	3rd January, 2001	20th May, 2001
Sichuan Changhong Electric Co., Ltd.	3rd January, 2001	20th May, 2001

DIRECTORS' AND SUPERVISORS' INTERESTS

As at 30th June, 2002 the Company's directors and supervisors held in aggregate 70,000 A shares in the Company, representing 0.0024% of the Company's total issued share capital. Details are as follows:

Name	Title	Number of A shares held
Mo Liqi	Chairman of the board	10,000
Yang Deyu	Vice Chairman of the Board	
	General Manger	10,000
Geng Jiahuai	Director	0
Wang Bangjun	Director	10,000
Yu Xuezhi	Director and Vice General Manger	0
Yang Jiachun	Director	10,000
Wu Yuxiang	Director	10,000
Dong Yunqing	Director	0
Fan Weitang	Independent and Non-executive Director	0
Cui Jianming	Independent and Non-executive Director	0
Wangxiaojun	Independent and Non-executive Director	0
Meng Xianchang	Chairman of the Supervisor Committee	10,000
Xiao Shuzhang	Supervisor	10,000
Zhang Shengdong	Supervisor	0
Liu Weixin	Supervisor	0
Xu Bentai	Supervisor	0

Save as disclosed herein, none of the Company's directors, chief executives or supervisors had, as at 30th June, 2002, 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 or are deemed to have under Section 31 or Part I of the Schedule thereto), 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 or supervisors, which would be required to be named as described above if they had been directors. The Company has not granted to any of its directors, chief executives 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 2001 annual general meeting of the Company held on 7th June, 2002, the shareholders of the Company approved a final dividend of RMB287.000 million (including tax), or RMB0.10 per share (including tax). Such final dividend had been paid to shareholders of the Company before 30th June, 2002.

Interim Dividends

Interim dividends will not be paid to the shareholders of the Company. Conversion of surplus reserves into shares of capital will not take place.

Acquisition of Jining III Coal Mine

On 1st January, 2001, the Company acquired Jining III Coal Mine from the Parent Company at the price of RMB2,450.9 million. Part of the purchase price of RMB2,364.3 million has been paid by the Company with cash in hand and the net proceeds raised from the issuance of A Shares and H Shares. The balance of the purchase price of RMB86.634 million will be paid before 31st December, 2002.

The consideration of Jining III Coal Mine's mining rights is 132.5 million, to be paid in ten equal annual installments without interest commencing from 2001. At the end of the reporting period, the Company has already paid RMB26.496 million.

Acquisition of Railway Assets

The Company acquired the Railway Assets from the Parent Company on 1st January, 2002 at the price of RMB1,242.6 million. At the end of the reporting period, the Company has paid off the purchase price with a long-term loan of RMB 1,200 million and cash in hand of RMB42.586 million.

Pursuant to the acquisition agreement for the Railway Assets, when the annual transportation volume of the Railway Assets reaches the target levels of 25 million tonnes, 28 million tonnes and 30 million tonnes in 2002, 2003 and 2004, respectively, the Company will pay the Parent Company an amount equals to RMB40 million each year before 30th June, for three years beginning from 2003.

CONNECTED TRANSACTIONS

The Company's connected transactions during the first half of 2002 are set out in notes 47 to the financial statements prepared in accordance with PRC GAAP.

After the acquisition of the Railway Assets on 1st January, 2002, the amount of connected transactions with the Parent Company decreased. In the first half of 2001, connected transactions resulting from the Parent Company offering services to the Company was RMB312.0 million, 38% of which was from transportation services. In the first half of 2002, connected transaction amount resulting from the provision of services by the Parent Company to the Company decreased to RMB297.8 million.

Material Contracts

The Company was not a party to any material contract during the six months ended 30th June, 2002.

Appointment of Directors and Supervisors, Election of Chairman of the Board, Vice Chairman of the Board, and Chairman of the Supervisors, and Employment of General Manager and Other Senior Managers

The first extraordinary general meeting for 2002, meeting of the Board of Directors and meeting of the Supervisors Committee were held on 22nd April, 2002. During the meeting, the Company approved the appointment of directors and supervisors: Mo Liqi was elected as Chairman, Yang Deyu was elected as Vice-chairman and General Manager; Meng Xianchang was elected as Chairman of the Supervisor Committee; Yu Xuezhi, Zhang Yingmin, Wang Xinkun were appointed as Deputy General Managers; Wu Yuxiang was appointed as Chief Financial Officer, Ni Xinghua was appointed as Chief Engineer and Chen Guangshui was appointed as the Secretary of the Board. Details can be found in the domestic *Shanghai Security,* and *Wen Wei Po* and *South China Morning Post* of Hong Kong on 23rd April, 2002.

A meeting of the Board of Directors was held on 8th July, 2002, two additional vice General Managers, Tian Fengze and Shi Chengzhong were appointed. Details can be found in the domestic *Shanghai Security* and *China Security, Wen Wei Po* and *South China Morning Post* of Hong Kong on 9th July, 2002.

Information about directors, supervisors of the Company is detailed in the "directors' and supervisors' interests" section.

Amendments to the Articles of Association of the Company

On 22nd April, 2002, the Company held its first extraordinary general meeting for 2002 and approved the Revised Bill of the Articles of Association of the Company passed earlier during the Board of Directors meeting on 4th March, 2002. The Articles of Association of the Company were amended in accordance with the rules and regulations issued by domestic supervisors authorities since the shares were listed, while also taking into consideration the actual operations of the Company. This is to ensure the articles could better meet the requirements of domestic/foreign supervisors and have more practicality. Details of the Revised Bill of the Articles of Association was set out in domestic *Shanghai Security* and *Wen Wei Po, South China Morning Post* of Hong Kong dated 5th March ,2002.

Purchase, Sale or Redemption of Shares

During the six months ended 30th June, 2002, the Company or any of its subsidiaries did not purchase, sell or redeem any of its shares.

Compliance with Code of Best Practice

As at 30th June, 2002, 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 would comprise the non-executive directors of a company.

Save as mentioned above, the Board of Directors is of the opinion that the Company is in compliance with the «Code of Best Practice» set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange issued by The Stock Exchange of Hong Kong Ltd. during the six months ended 30th June, 2002.

Effect of the Exchange Rate Fluctuation on the Company

The coal export of the Company was valued in USD. The China Government is implementing a managed floating exchange rate system, so the exchange rate between RMB and USD has limited changes since 2002 and has not much effect on the Company.

Employees

As at 30th June, 2002, the Company had 27,411 employees, of whom 2,006 were administrative personnel, 813 were technicians, 21,489 were directly involved in coal production and 3,103 were other supporting staff.

Material Litigation and Arbitration

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

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, P.R.C:

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

On behalf of the Board

Chairman
Mo Liqi

19th August, 2002
Zoucheng, People's Republic of China

INTERIM RESULTS

(i) Financial information under PRC GAAP

BALANCE SHEET

JUNE 30, 2002

	NOTES	June 30, 2002 The Group RMB (Unaudited)	June 30, 2002 The Company RMB (Unaudited)	December 31, 2001 The Group RMB	December 31, 2001 The Company RMB
ASSETS					
CURRENT ASSETS					
Bank balances and cash	6	**1,213,518,834**	**1,208,653,589**	1,154,806,342	1,150,155,924
Short-term investment	7	**89,997,305**	**89,997,305**	49,997,305	49,997,305
Bills receivable	8	**116,933,225**	**116,933,225**	155,883,666	155,883,666
Accounts receivable	9	**702,159,441**	**702,159,441**	550,784,838	550,784,838
Other receivables	10	**335,424,997**	**335,075,822**	401,119,702	400,993,716
Prepayments	12	**219,711,126**	**218,421,147**	88,165,432	94,810,318
VAT refundable	13	**360,710,937**	**360,710,937**	419,145,249	419,145,249
Inventories	14	**627,329,327**	**622,043,788**	439,882,298	426,352,865
Deferred expenditures	15	**212,354,938**	**212,354,938**	111,048,395	111,048,395
TOTAL CURRENT ASSETS		**3,878,140,130**	**3,866,350,192**	3,370,833,227	3,359,172,276
Long-term investments	16	**1,760,419**	**6,650,656**	1,760,419	4,470,322
FIXED ASSETS					
Fixed assets at cost	17	**12,780,696,702**	**12,780,203,978**	11,702,052,041	11,701,559,317
Less: Accumulated depreciation	17	**5,113,455,430**	**5,113,275,827**	4,492,985,894	4,492,836,855
FIXED ASSETS, NET	17	**7,667,241,272**	**7,666,928,151**	7,209,066,147	7,208,722,462
Construction materials	18	**2,596,533**	**2,596,533**	1,697,068	1,697,068
Construction in progress	19	**278,223,867**	**278,223,867**	268,991,536	268,991,536
TOTAL FIXED ASSETS		**7,948,061,672**	**7,947,748,551**	7,479,754,751	7,479,411,066
INTANGIBLE AND OTHER ASSETS					
Intangible assets	20	**747,274,070**	**747,274,070**	497,874,780	497,874,780
TOTAL ASSETS		**12,575,236,291**	**12,568,023,469**	11,350,223,177	11,340,928,444

Notes are an integral part of the financial statements.

BALANCE SHEET – continued

JUNE 30, 2002

	NOTES	June 30, 2002 The Group RMB (Unaudited)	June 30, 2002 The Company RMB (Unaudited)	December 31, 2001 The Group RMB	December 31, 2001 The Company RMB
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Notes payable	21	**228,031,025**	**228,031,025**	275,860,000	275,860,000
Accounts payable	22	**536,851,669**	**535,443,504**	553,982,959	552,320,331
Advance from customers	23	**142,732,220**	**141,816,237**	122,908,153	122,794,582
Payroll payable		**31,021,459**	**31,021,459**	36,130,872	36,130,872
Dividend payable		**–**	**–**	287,000,000	287,000,000
Taxes payable	24	**155,313,147**	**155,826,252**	104,422,929	103,629,887
Other payables	25	**483,891,519**	**482,935,580**	381,314,134	377,052,325
Accrued expense	26	**39,634,061**	**39,634,061**	–	–
Provision land subsidence costs	27	**136,640,154**	**136,640,154**	120,196,012	120,196,012
Long-term payable within one year	28	**86,633,816**	**86,633,816**	636,633,816	636,633,816
TOTAL CURRENT LIABILITIES		**1,840,749,070**	**1,837,982,088**	2,518,448,875	2,511,617,825
Long-term loan	29	**1,200,000,000**	**1,200,000,000**	–	–
Long-term payables	28	**105,983,040**	**105,983,040**	105,983,040	105,983,040
TOTAL LONG-TERM LIABILITIES		**1,305,983,040**	**1,305,983,040**	105,983,040	105,983,040
TOTAL LIABILITIES		**3,146,732,110**	**3,143,965,128**	2,624,431,915	2,617,600,865
MINORITY INTEREST		**4,445,840**	**–**	2,463,683	–
SHAREHOLDERS' EQUITY					
Share capital	30	**2,870,000,000**	**2,870,000,000**	2,870,000,000	2,870,000,000
Capital reserve	31	**4,339,696,244**	**4,339,696,244**	4,223,911,394	4,223,911,394
Surplus reserve	32	**431,712,152**	**431,712,152**	431,712,152	431,712,152
Including: Welfare Fund		**143,904,051**	**143,904,051**	143,904,051	143,904,051
Unappropriated profits	33	**1,782,649,945**	**1,782,649,945**	1,197,704,033	1,197,704,033
SHAREHOLDERS' EQUITY		**9,424,058,341**	**9,424,058,341**	8,723,327,579	8,723,327,579
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**12,575,236,291**	**12,568,023,469**	11,350,223,177	11,340,928,444

Notes are an integral part of the financial statements.

STATEMENT OF INCOME AND PROFITS APPROPRIATION

PERIOD FROM JANUARY 1, 2002 TO JUNE 30, 2002

		Six months ended June 30,		
		2002		2001
		The Group	The Company	The Company
	NOTES	RMB	RMB	RMB
		(Unaudited)	(Unaudited)	(Unaudited)
Net revenue from principal operations	34	**3,780,370,046**	**3,780,370,046**	3,086,004,912
Less: Cost of principal operations	35	**1,572,614,620**	**1,578,679,680**	1,464,165,027
Sales taxes on principal operations	36	**50,489,605**	**50,367,046**	47,335,555
Income from principal operations		**2,157,265,821**	**2,151,323,320**	1,574,504,330
Add: Income from other operations	37	**19,257,160**	**14,852,699**	19,625,160
Less: Operating expenses	38	**781,281,891**	**777,461,546**	735,642,914
Administrative expenses		**485,864,557**	**485,349,056**	344,387,680
Financial expenses	39	**30,995,763**	**31,006,049**	(7,579,042)
Operating profit		**878,380,770**	**872,359,368**	521,677,938
Add: Investment income		**–**	**2,831,482**	–
Non-operating income	40	**1,750,353**	**1,750,353**	269,155
Less: Non-operating expenses	41	**4,496,573**	**4,490,260**	5,418,076
Profit before income taxes		**875,634,550**	**872,450,943**	516,529,017
Less: Income taxes	42	**288,114,506**	**287,505,031**	171,837,140
Minority interest		**2,574,132**	**–**	–
Net profit		**584,945,912**	**584,945,912**	344,691,877
Add: Unappropriated profits at the beginning of the period	33	**1,197,704,033**	**1,197,704,033**	807,888,757
Profits available for appropriation		**1,782,649,945**	**1,782,649,945**	1,152,580,634
Less: Appropriations to statutory common fund	33	**–**	**–**	–
Appropriations to common welfare fund	33	**–**	**–**	–
Profits available for appropriation to shareholders		**1,782,649,945**	**1,782,649,945**	1,152,580,634
Less: Appropriation to discretionary surplus fund		**–**	**–**	–
Dividends	33	**–**	**–**	–
Unappropriated profits at the end of the period		**1,782,649,945**	**1,782,649,945**	1,152,580,634

STATEMENT OF INCOME AND PROFITS APPROPRIATION – continued

PERIOD FROM JANUARY 1, 2002 TO JUNE 30, 2002

		Six months ended June 30,		
		2002		2001
		The Group	The Company	The Company
	NOTES	RMB	RMB	RMB
		(Unaudited)	(Unaudited)	(Unaudited)
SUPPLEMENTAL INFORMATION:				
Effect on accounting policy charges				
Increase of total profit	2	**115,784,850**	**115,784,850**	101,946,384
Increase of capital reserve	2	**115,784,850**	**115,784,850**	101,946,384

Notes are an integral part of the financial statements.

CASH FLOWS STATEMENT

PERIOD FROM JANUARY 1, 2002 TO JUNE 30, 2002

	NOTES	Six months ended June 30, 2002 The Group RMB (Unaudited)	2002 The Company RMB (Unaudited)	2001 The Company RMB (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES				
Cash received from sales of goods and rendering of services		**3,807,684,143**	**3,785,967,455**	3,216,331,998
Taxes refunded		**58,434,312**	**58,434,312**	167,781,264
Other cash received relating to operating activities	43	**587,832,787**	**586,945,385**	335,475,008
SUB-TOTAL CASH INFLOW		**4,453,951,242**	**4,431,347,152**	3,719,588,270
Cash paid for goods and services		**1,032,690,284**	**1,038,809,912**	1,075,819,588
Cash paid to and on behalf of employees		**554,689,034**	**554,649,094**	311,637,912
Taxes paid		**445,521,803**	**422,569,346**	555,756,743
Other cash paid relating to operating activities	44	**1,348,961,563**	**1,344,688,192**	1,229,474,269
SUB-TOTAL CASH OUTFLOW		**3,381,862,684**	**3,360,716,544**	3,172,688,512
NET CASH FLOW FROM OPERATING ACTIVITIES		**1,072,088,558**	**1,070,630,608**	546,899,758
CASH FLOW FROM INVESTING ACTIVITIES				
Net cash received from the return of investment		**–**	**651,148**	–
Net cash received from disposal of fixed asset, intangible assets and other non-current assets		**9,816,882**	**9,816,882**	2,798,322
Cash received from purchase of subsidiary	45	**141,575**	**141,575**	–
SUB-TOTAL CASH INFLOW		**9,958,457**	**10,609,605**	2,798,322
Cash paid for purchases of fixed assets, intangible assets and other long-term assets		**59,851,672**	**59,851,672**	51,384,764
Cash paid for purchase of Jining III	47	**550,000,000**	**550,000,000**	1,354,136,000
Cash paid for purchase of Railway Assets		**1,242,585,915**	**1,242,585,915**	–
Cash paid for investment in bond		**40,000,000**	**40,000,000**	–
SUB-TOTAL CASH OUTFLOW		**1,892,437,587**	**1,892,437,587**	1,405,520,764
NET CASH FLOW FROM INVESTING ACTIVITIES		**(1,882,479,130)**	**(1,881,827,982)**	(1,402,722,442)
CASH FLOW FROM CAPITAL RAISING ACTIVITIES				
Cash received from issue of share capital		**–**	**–**	1,451,303,874
Cash received from the borrowings		**1,200,000,000**	**1,200,000,000**	–
SUBTOTAL CASH INFLOW		**1,200,000,000**	**1,200,000,000**	1,451,303,874
Cash paid for distribution of dividends		**287,591,975**	**287,000,000**	235,340,000
Cash paid for payment of the interest		**43,304,961**	**43,304,961**	–
SUB-TOTAL CASH OUTFLOW		**330,896,936**	**330,304,961**	235,340,000
NET CASH FLOW FROM CAPITAL RAISING ACTIVITIES		**869,103,064**	**869,695,039**	1,215,963,874
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH		**–**	**–**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**58,712,492**	**58,497,665**	360,141,190

Notes are an integral part of the financial statements.

CASH FLOWS STATEMENT – continued

PERIOD FROM JANUARY 1, 2002 TO JUNE 30, 2002

		Six months ended June 30,		
		2002		2001
		The Group	**The Company**	The Company
	NOTES	**RMB**	**RMB**	RMB
		(Unaudited)	**(Unaudited)**	(Unaudited)
SUPPLEMENTAL INFORMATION:				
RECONCILIATION OF NET PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES				
Net profit		**584,945,912**	**584,945,912**	344,691,877
Add: Minority interest		**2,574,132**	**–**	–
Provision for loss on assets		**35,022,260**	**35,022,260**	4,323,013
Depreciation of fixed assets		**433,840,496**	**433,809,932**	412,173,176
Wei Jian Fei		**115,784,850**	**115,784,850**	101,946,384
Amortization of intangible assets and other assets		**9,979,210**	**9,979,210**	17,534,054
Losses on disposal of fixed assets, intangible assets and other long-term assets		**932,125**	**932,125**	3,548,078
Decrease in deferred expenditures (or deduct: increase)		**(101,306,543)**	**(101,306,543)**	(58,551,066)
Increase in accrued expenditures (or deduct: decrease)		**39,634,061**	**39,634,061**	33,872,781
Financial expenditures		**43,304,961**	**43,304,961**	–
Loss on investment (or deduct: profit)		**–**	**(2,831,482)**	–
Decrease in inventories (or deduct: increase)		**(181,985,730)**	**(190,229,624)**	(84,236,689)
Decrease in operating receivables (or deduct: increase)		**(17,645,209)**	**(9,487,155)**	82,820,054
Increase in operating payables (or deduct: decrease)		**107,008,033**	**111,072,101**	(311,221,904)
Net cash flow from operating activities		**1,072,088,558**	**1,070,630,608**	546,899,758
Net increase in cash and cash equivalents:				
Cash at end of the period		**1,183,518,834**	**1,178,653,589**	1,204,895,557
Less: Cash at beginning of the year		**1,124,806,342**	**1,120,155,924**	844,754,367
Net increase in cash and cash equivalents		**58,712,492**	**58,497,665**	360,141,190

Notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED JUNE 30, 2002

1. GENERAL

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

The Company's total share capital is RMB2,870,000,000, including RMB1,670,000,000 (representing 58.19% of the total share capital) state legal person shares; RMB1,020,000,000 (representing 35.54% of the total share capital) H Shares and American Depository Shares; and RMB180,000,000 (representing 6.27% of the total share capital) A Shares listed on domestic stock exchange. Details of Company's share capital are set out in note 30 to the financial statements.

2. CHANGES IN ACCOUNTING SYSTEM, ACCOUNTING POLICIES AND THEIR IMPACT

Prior to 1998, the Company has to accrued for "Wei Jian Fei" based on a rate of RMB6.0 per tonne of coal mined according to (92)C.G.Z. No.380 issued by Ministry of Finance. This accrual is included in both production cost and other current liabilities. The amount of Wei Jian Fei is used for payments of production transfer fee and payment of the principal fund to State Coal Industry Administration Bureau and Coal Industry Administration Bureau of Shandong Province. The remaining amount, up to the aggregate amount of the total purchase cost of coal production equipment and the refurnishment cost of the coal mining structures, will be transferred to capital surplus upon the completion of construction projects at the year end.

As the Company is not required to pay relevant fee to State Coal Industry Administration Bureau and Coal Industry Administration Bueau of Shandong Province and the depreciation provided is considered adequate for the purchase of the coal production equipment and renewal of the coal mining structures, the Company ceased the accrual of Wei Jian Fei starting from 1999.

During the period, the relevant authorities has raised queries on the cease of accrual of Wei Jian Fei. In their opinion, enterprises should comply with those industry accounting policy and regulation that formal abolishment has not been announced. As for the regulation of accrual of Wei Jian Fei in the Coal Mining Industry is still valid and is currently carried out by domestic coal mining industry, the management of the Company decided to resume contributing Wei Jian Fei commencing from 2002 and restate prior years' financial statements retrospectively, considering the interests of the listed company and the share holders.

2. CHANGES IN ACCOUNTING SYSTEM, ACCOUNTING POLICIES AND THEIR IMPACT – continued

The prior year adjustments on the opening balances of relevant accounts resulting from the above-mentioned issue are as follows:

	2001		2000		1999	
	As previously reported RMB'000	As restated RMB'000	As previously reported RMB'000	As restated RMB'000	As previously reported RMB'000	As restated RMB'000
Balance sheet						
Capital reserve	3,711,033	4,223,911	2,526,229	2,834,973	2,526,229	2,670,236
Surplus reserve	508,644	431,712	358,586	312,274	247,738	226,137
Unappropriated profit	1,633,650	1,197,704	1,070,321	807,889	677,523	555,117
Shareholder's equity	8,723,327	8,723,327	6,555,136	6,555,136	6,051,490	6,051,490
Statement of income and profit appropriation						
Cost of principal operations	2,812,584	3,016,718	1,983,520	2,148,257	1,684,381	1,828,388
Net profit	1,000,387	796,253	738,986	574,249	774,791	630,784
Unappropriated profits at the beginning of the year	1,070,321	807,889	677,523	555,117	250,351	250,351
Transfer from statutory common reserve fund	100,039	79,625	73,899	57,425	77,479	63,078
Transfer from statutory public welfare fund	50,019	39,813	36,949	28,712	38,740	31,540

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting policy

The financial statements have been prepared in accordance with "Accounting Standards for Business Enterprises" and "Enterprise Accounting Regulations".

Financial year

The financial year of the Company commences on January 1 and ends on December 31 each year. The accounting period for these financial statements is from January 1, 2002 to June 30, 2002.

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.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

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 gain and loss relating to constructions are recorded in construction in progress. Exchange gain and loss other than that are recorded as financial expenses in the income statement.

Basis of consolidation

(1) *Principle for consolidation scope recognition*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the year/period end each year. A subsidiary is an enterprise in which the Company directly or indirectly, holds more than half of the equity, or which the Company controls its business through other method.

(2) *Accounting for consolidation*

The accounting policies used by subsidiaries agree with that regulated by the Company.

The operating results of subsidiaries during the period are included in the consolidated income statement from the effective date of acquisition appropriately.

All significant intercompany transactions and balances are eliminated on consolidation.

Equity and interest of minority shareholders are disclosed in the consolidated financial statements separately.

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.

Accounting treatment for bad debts

(1) *Recognition criteria for bad debt*

The irrecoverable amount of a bankrupt debtor after pursuing the statutory procedures;

The irrecoverable amount of a debtor who has died and has insufficient estate to repay;

The irrecoverable amount, demonstrated by sufficient evidence or by court orders, of a debtor who is proven to be unable to repay obligations after the debts fall due.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

(2) Accounting treatment for loss on 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 experience of management of the Company, the financial position and cash flow condition of the relevant debtor, as well as other relevant information.

Bad debt provision is estimated according to closing balance of accounts receivable (excluding amount due from related parties) and other receivables (excluding amount due from related parties and deposits on packaging material for long-term use) as follows:

Accounts Receivable Age	Estimated provision %
Within 1 year (including 1 year)	4%
1 to 2 years	30%
2 to 3 years	50%
Over 3 years	100%

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 a single item and its net realizable value. Net realizable value represents the estimated selling price less the estimated cost of completion and the estimated cost to be incurred in marketing, selling and distribution.

Short-term investment

A short-term investment is an investment that is readily realisable and is intend to be held for not more than one year.

An investment should be recorded at its initial cost on acquisition. The initial cost of an investment is the total price paid on acquisition, including incidental expenses such as taxes and handling charges. However, cash dividends which have been declared but unpaid at the time of acquisition and are therefore included in the price paid, or unpaid interest on bonds which has been accrued and are therefore included in the price paid, should be accounted for separately as receivable items.

Cash dividends or interest on current investments, other than those recorded as receivable items, should be offset against the carrying amount of investments upon receipt.

Short-term investment should be carried at the lower of cost and market value at the end of each period. Provision on short-term investment is calculated and determined for each individual investment.

On disposal of an investment, the difference between the carrying amount of the investment and the sales proceeds actually received should be recognized as an investment gain or loss in the current period.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

Long-term investments

(1) *Accounting treatment for long-term investments*

An investment should be recorded at its initial cost on acquisition.

Cost method should be used to account for a long-term equity investments when an investor does not have control, jointly control or significant influence over the investee enterprise. The equity method should be used to account for long-term equity investments when an investor can control, jointly control or has significant influence over the investee enterprise.

When the cost method is adopted, the amount of investment income recognized by the investor is limited to the amount received from the accumulated net profits which arise after the investee enterprise has accepted the investment from the investor. The amount of profits or cash dividends declared to be distributed by the investee enterprise in excess of the above threshold should be treated as a recovery of investment cost, and reduce the carrying amount of investments accordingly.

When equity method is adopted, the amount of investment income is recognized according to its attributable share of the net profit or loss of the investee enterprises.

When a long-term equity investment is accounted for using the equity method, the difference between the initial investment cost of the investor and the investor's share of owners' equity of the investee enterprise should be amortised evenly over the investment period and recorded in the income statement.

(2) *Impairment of long-term investments*

If the recoverable amount of any investment is lower than the carrying amount of that investment as a result of a continuing decline in market value of changes in operating conditions of the investee enterprise, the difference between the recoverable amount and the carrying amount of the investment should be recognized as an investment loss in the current period. "Recoverable amount" represents the higher of net selling price of the asset and the present value of the estimated future cash flows expected to arise from the holding of the asset and from its disposal at the end of its maturity period.

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 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. 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%
Railway structure	15-25 years	3.88-6.47%
Plant, machinery and equipment	5-15 years	6.47-19.40%
Transportation equipment	6-9 years	10.78-16.17%

Depreciation of mining structures provided using production volume method at RMB2.5 per tonne.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

Provision for impairment loss on fixed assets

Fixed asset is valued at carrying amount or recoverable amount, which ever is lesser. At the period end, the excess of the carrying amount of the fixed assets over its recoverable amount is recognized as provision for impairment on fixed assets. The term "recoverable amount" refers to higher of net selling price of the fixed asset and the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

Construction in progress

Construction in progress is stated at actual expenditure of the construction.

Cost includes all expenditures incurred for construction projects, relevant loan interests which should be capitalized and other related expenses. Construction in progress is transferred to fixed assets upon completion of the project and when assets have been put into use. No depreciation is recognized for construction in process.

At the period end, based on the investigation on each construction in progress, if there exists (1) construction in progress has been ceased for construction for a long period of time and no re-commencement of work is expected in the future 3 years, (2) construction in progress was technically and physically obsolete and its economic benefits to the Company is uncertain, (3) other evidences show the existence of the circumstance of the decline in value on construction in progress. The impairment loss is recognized.

Intangible assets

Intangible assets are stated at historical cost or valuation upon the restructuring.

Land use rights are amortized evenly over 50 years after the certificate of land use rights has been obtained.

The mining rights are evenly amortized over 20 years after the mining right has been obtained, being the useful life estimated based on the total proven and probable reserves of the coal mine.

Intangible assets are valued at the lower of carrying amount and recoverable amount. At the period-end, the Company inspects the ability of individual item of intangible assets to generate economic benefits for the enterprise. The excess of the carrying amount of the intangible assets over its recoverable amount is recognized as provision for impairment on intangible assets. Recoverable amount represents the higher of net selling price of the intangible asset and the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

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.

Borrowing Costs

Interest incurred in connection with specific borrowings, and amortization of discounts or premiums relating to and exchange differences arising from those specific borrowings, should be capitalized as part of the cost of the related assets if the conditions for capitalization stipulated in this Standard are satisfied. Interest incurred in connection with, amortization of discounts or premiums relating to, and exchange differences arising from other borrowings should be recognized as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

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.

When the provision of services is started and completed within the same accounting year, revenue should be recognised at the time of completion of the services. When the provision of services is started and completed in different accounting years and the outcome of a transaction involving the rendering of services can be estimated reliably, the service revenue should be recognised at the balance sheet date by the use of the percentage of completion method, or it should be recognised at the balance sheet date to the extent of costs incurred that are expected be recoverable and charge an equivalent amount of cost to the profit and loss account. When the costs incurred a not expected to be recovered, revenue should not be recognised.

Revenue from assets used by other parties is recognized 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.

4. 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 input on purchases.

Business tax

Business tax is calculated at 33% on revenue from operations.

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

Though the status of the Company was changed to a sino-foreign joint stock limited company, the Company is still subjected to all taxes applicable to domestic enterprise according to the reply letter to Yanzhou Coal Mining Co., Ltd issued by State Taxes Bureau (Guoshuihan [2001] No.673). So city construction tax is still calculated and paid at 7% on the total amount of VAT payable and business tax payable.

Education fee and others

The Company is still subjected to all taxes applicable to domestic enterprises according to the reply letter to Yanzhou Coal Mining Co., Ltd issued by State Tax Bureau (Guoshuihan [2001] No.673). Accordingly education fee and others is still calculated and paid at 3% on the total amount of VAT payable and business tax payable.

4. 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 Company and Yan Kuany Corp pay income tax and VAT separately to tax bureau since July 2001. In the past, they paid consolidated income tax and VAT.

5. SUBSIDIARY

The status of the subsidiary is as follows:

Name	Registered capital	Investment amount	Ratio	Consolidated or not
Qingdao Free Trade Zone Zhongyan Trade Co., Ltd.	RMB2,100,000	RMB2,710,000	52.38%	Yes

Scope of operations: International trade, processing and matching, trimming, exhibiting and storage in Qingdao Free Trade Zone (except for project subjected to special approval according to national regulations).

The above subsidiary is included in the consolidated financial statements since it was acquired on December 31, 2001.

6. BANK BALANCES AND CASH

	June 30, 2002		December 31, 2001	
	The Group	**The Company**	The Group	The Company
	RMB	**RMB**	RMB	RMB
Cash on hand	**326,471**	**323,668**	403,264	403,264
Cash in bank	**1,183,080,470**	**1,178,218,028**	1,124,400,383	1,119,749,966
Pledged bank deposits (Note)	**30,000,000**	**30,000,000**	30,000,000	30,000,000
Other currency fund	**111,893**	**111,893**	2,695	2,694
	1,213,518,834	**1,208,653,589**	1,154,806,342	1,150,155,924

Note: At the balance sheet date, the amount represented the bank deposits pledged to a bank to secure bank acceptance bills of RMB100,000,000.

7. SHORT-TERM INVESTMENT

	June 30, 2002			December 31, 2001		
	The Group and The Company			The Group and The Company		
	Cost	**Provision**	**NBV**	Cost	Provision	NBV
	RMB	**RMB**	**RMB**	RMB	RMB	RMB
Investments in Bonds						
– National debt	**89,997,305**	**–**	**89,997,305**	49,997,305	–	49,997,305

The book value of the national debt was RMB89,977,305, and the market value of the national debt was RMB91,271,542 at the end of the period.

8. BILLS RECEIVABLE

Bills receivable are all bank acceptance bills.

9. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

Aging	June 30, 2002 The Group and The Company				December 31, 2001 The Group and The Company			
	Amount RMB	%	Bad debt Provision RMB	Net book value RMB	Amount RMB	%	Bad debt Provision RMB	Net book value RMB
Within 1 year	**576,377,087**	**73**	**16,916,562**	**559,460,525**	488,709,197	80	15,863,684	472,845,513
1 to 2 years	**191,876,940**	**24**	**57,563,082**	**134,313,858**	105,443,312	17	31,632,994	73,810,318
2 to 3 years	**16,770,116**	**2**	**8,385,058**	**8,385,058**	8,258,014	2	4,129,007	4,129,007
Over 3 years	**10,021,846**	**1**	**10,021,846**	**–**	6,238,603	1	6,238,603	–
Total	**795,045,989**	**100**	**92,866,548**	**702,159,441**	608,649,126	100	57,864,288	550,784,838

Balance of the largest 5 debtors is as follows:

Total amount of the largest 5 debtors RMB	Percentage in consolidated accounts receivable balance
192,152,513	24%

See note 47 for the receivables from shareholders of the Company holding more than 5% of the total shares of the Company.

10. OTHER RECEIVABLES

Aging analysis of the consolidated amount of other receivables is as follows:

Aging	June 30, 2002				December 31, 2001			
	Amount RMB	%	Bad debt Provision RMB	Net book value RMB	Amount RMB	%	Bad debt Provision RMB	Net book value RMB
Within 1 year	**295,812,804**	**88**	**201,158**	**295,611,646**	338,081,783	84	201,158	337,880,625
1 to 2 years	**25,768,046**	**7**	**1,654,397**	**24,113,649**	55,053,503	14	1,654,397	53,399,106
2 to 3 years	**14,752,356**	**4**	**652,654**	**14,099,702**	8,715,043	2	652,654	8,062,389
Over 3 years	**1,600,000**	**1**	**–**	**1,600,000**	1,777,582	–	–	1,777,582
Total	**337,933,206**	**100**	**2,508,209**	**335,424,997**	403,627,911	100	2,508,209	401,119,702

The balances with aging over 2 years are mainly deposits of packing materials paid for purchases of steel and other raw materials. The Company has not settled the balances with these suppliers since the packing materials are in roll-over uses.

10. OTHER RECEIVABLES – continued

Balance of the largest 5 debtors is as follows:

Total amount of the largest 5 debtors RMB	Percentage in consolidated other receivable balance
108,098,012	32%

See note 47 for others receivables from shareholders of the Company holding more than 5% of the total shares of the Company.

Aging analysis of other receivables of the Company is as follows:

Aging	June 30, 2002				December 31, 2001			
	Amount RMB	%	Provision RMB	NBV RMB	Amount RMB	%	Provision RMB	NBV RMB
Within 1 year	295,463,629	88	201,158	295,262,471	337,955,797	84	201,158	337,754,639
1 to 2 years	25,768,046	7	1,654,397	24,113,649	55,053,503	14	1,654,397	53,399,106
2 to 3 years	14,752,356	4	652,654	14,099,702	8,715,043	2	652,654	8,062,389
Over 3 years	1,600,000	1	–	1,600,000	1,777,582	–	–	1,777,582
Total	337,584,031	100	2,508,209	335,075,822	403,501,925	100	2,508,209	400,993,716

11. PROVISION FOR BAD DEBTS

	Amount RMB
Opening balance	60,372,497
Provision for the period	35,022,260
Written-off for the period	–
Closing balance	95,394,757

12. PREPAYMENTS

The aging analysis of the consolidated amount of prepayments as follows:

Aging	June 30, 2002		December 31, 2001	
	RMB	%	RMB	%
Within 1 year	188,561,114	86	60,195,238	68
1 to 2 years	25,777,712	12	22,936,739	26
2 to 3 years	5,372,300	2	5,033,455	6
Over 3 years	–	–	–	–
Total	219,711,126	100	88,165,432	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.

12. PREPAYMENTS – continued

Balances of the largest 5 debtors are as follows:

Total amount of the largest 5 debtors RMB	Percentage in consolidated prepayments balance
75,390,630	34%

See note 47 for the prepayments to shareholders of the Company holding more than 5% of the total shares of the Company.

The aging analysis of prepayments of the Company is as follows:

Aging	June 30, 2002		December 31, 2001	
	RMB	%	RMB	%
Within 1 year	**187,271,135**	**86**	66,840,124	71
1 to 2 years	**25,777,712**	**12**	22,936,739	24
2 to 3 years	**5,372,300**	**2**	5,033,455	5
Over 3 years	**–**	**–**	–	–
Total	**218,421,147**	**100**	94,810,318	100

13. VAT REFUNDABLE

VAT refundable is from the export of coal. The calculation method of the VAT on export is "Payment first and refund afterwards" in previous year. VAT refundable is calculated in accordance with the relevant regulations. This period the calculation method has changed to "Exemption, counteract and refund", as a result, there is no VAT refundable in this period.

The closing balance of VAT refundable is VAT refund from export sales of year 2001 which has not been received yet.

14. INVENTORIES

	June 30, 2002 The Group			December 31, 2001 The Group		
	Amount RMB	Provision RMB	Net book value RMB	Amount RMB	Provision RMB	Net book value RMB
Raw materials	**259,310,717**	**–**	**259,310,717**	269,510,049	–	269,510,049
Finished Products	**368,018,610**	**–**	**368,018,610**	170,372,249	–	170,372,249
	627,329,327	**–**	**627,329,327**	439,882,298	–	439,882,298

14. INVENTORIES – continued

	June 30, 2002 The Company			December 31, 2001 The Company		
	Amount RMB	**Provision RMB**	**Net book value RMB**	Amount RMB	Provision RMB	Net book value RMB
Raw materials	**254,025,178**	**–**	**254,025,178**	255,980,616	–	255,980,616
Finished Products	**368,018,610**	**–**	**368,018,610**	170,372,249	–	170,372,249
	622,043,788	**–**	**622,043,788**	426,352,865	–	426,352,865

15. DEFERRED EXPENDITURES

	June 30, 2002 The Group and the Company RMB	December 31, 2001 The Group and The Company RMB
Harbour transportation fee	**212,354,938**	111,048,395

16. LONG-TERM INVESTMENT

Long-term equity investment

	January 1, 2002					June 30, 2002			
Name of invested Company	Investment amount RMB	Provision RMB	Net book Value RMB	Addition RMB	Deduction RMB	Investment amount RMB	Provision RMB	Net book value RMB	%
Qingdao Free Trade Zone Zhangyan Trade Co., Ltd.	2,709,903	–	2,709,903	2,180,334	–	4,890,237	–	4,890,237	52.38
Jingsu Lianyungang Port Co., Ltd.	1,760,419	–	1,760,419	–	–	1,760,419	–	1,760,419	1
	4,470,322	–	4,470,322	2,180,334	–	6,650,656	–	6,650,656	

17. FIXED ASSETS AND ACCUMULATED DEPRECIATION

The movement of fixed assets of the Group is as follows:

	Building RMB	Mining structure RMB	Railway structure RMB	Plant, machinery and equipment RMB	Transportation equipment RMB	Total RMB
Cost						
At January 1, 2002	1,906,283,061	3,560,418,752	–	6,059,102,103	176,248,125	11,702,052,041
Addition on acquisition of Railway Assets	60,525,682	–	870,600,760	120,889,916	51,993,303	1,104,009,661
Additions	–	–	–	25,492,056	411,750	25,903,806
Transfer from construction in progress	–	–	–	–	–	–
Disposals	(4,615,027)	–	–	(44,920,127)	(1,733,652)	(51,268,806)
At June 30, 2002	1,962,193,716	3,560,418,752	870,600,760	6,160,563,948	226,919,526	12,780,696,702
Accumulated depreciation						
At January 1, 2002	628,226,359	1,208,228,327	–	2,561,133,573	95,397,635	4,492,985,894
Addition on acquisition of Railway Assets	12,516,636	–	149,897,088	32,501,455	32,233,660	227,148,839
Provision for the period	52,259,795	48,243,688	26,173,861	292,183,816	14,979,336	433,840,496
Eliminated on disposals	(191,853)	–	–	(38,864,588)	(1,463,358)	(40,519,799)
At June 30, 2002	692,810,937	1,256,472,015	176,070,949	2,846,954,256	141,147,273	5,113,455,430
Net book value						
At January 1, 2002	1,278,056,702	2,352,190,425	–	3,497,968,530	80,850,490	7,209,066,147
At June 30, 2002	1,269,382,779	2,303,946,737	694,529,811	3,313,609,692	85,772,253	7,667,241,272

17. FIXED ASSETS AND ACCUMULATED DEPRECIATION – continued

The movement of fixed asses of the Company is as follows:

	Building RMB	Mining structure RMB	Railway structure RMB	Plant, machinery and equipment RMB	Transportation equipment RMB	Total RMB
Cost						
At January 1, 2002	1,906,283,061	3,560,418,752	–	6,058,907,795	175,949,709	11,701,559,317
Addition on acquisition of Railway Assets	60,525,682	–	870,600,760	120,889,916	51,993,303	1,104,009,661
Additions	–	–	–	25,492,056	411,750	25,903,806
Transfer from construction in progress	–	–	–	–	–	–
Disposals	(4,615,027)	–	–	(44,920,127)	(1,733,652)	(51,268,806)
At June 30, 2002	1,962,193,716	3,560,418,752	870,600,760	6,160,369,640	226,621,110	12,780,203,978
Accumulated depreciation						
At January 1, 2002	628,226,359	1,208,228,327	–	2,561,073,929	95,308,240	4,492,836,855
Addition on acquisition of Railway Assets	12,516,636	–	149,897,088	32,501,455	32,233,660	227,148,839
Provided for the period	52,259,795	48,243,688	26,173,861	292,171,585	14,961,003	433,809,932
Eliminated on disposals	(191,853)	–	–	(38,864,588)	(1,463,358)	(40,519,799)
At June 30, 2002	692,810,937	1,256,472,015	176,070,949	2,846,882,381	141,039,545	5,113,275,827
Net book value						
At January 1, 2002	1,278,056,702	2,352,190,425	–	3,497,833,866	80,641,469	7,208,722,462
At June 30, 2002	1,269,382,779	2,303,946,737	694,529,811	3,313,487,259	85,581,565	7,666,928,151

18. CONSTRUCTION MATERIALS

Category	**June 30, 2002 The Group and the Company RMB**	December 31, 2001 The Group and the Company RMB
Construction materials	**2,596,533**	1,697,068

19. CONSTRUCTION IN PROGRESS

The movement of Construction in progress of the Group and the Company is as follows:

Construction Name	At January 1,2002	Addition	Addition on acquisition of Railway Assets	Transfers upon completion	At June 30, 2002	Budget	Project input /budget	Source of funds
	RMB	RMB	RMB	RMB	RMB	RMB	%	
Equipment to be installed	97,066,091	3,615,200	–	–	100,681,291	134,242,000	75	internally generated fund
Building under construction	165,665,703	3,663,670	518,930	–	169,848,303	226,464,000	75	internally generated fund
Others	6,259,742	1,434,531	–	–	7,694,273	11,837,000	65	internally generated fund
Total	268,991,536	8,713,401	518,930	–	278,223,867	372,543,000		

No interest expenses are capitalized for the year.

20. INTANGIBLE ASSETS

The movement of intangible assets of the group and the Company is as follows:

Category	Original amount	At January 1, 2002	Additions on acquisition of Railway Assets	Amortization for the period	Accumulated amortization	At June 30, 2002	Remaining amortization period
	RMB	RMB	RMB	RMB	RMB	RMB	
Land use right	310,242,143	284,833,859	–	(3,222,950)	(28,631,234)	281,610,909	45 years and 5 months
Land use right of Jining III	88,928,996	87,186,161	–	(889,290)	(2,632,125)	86,296,871	48 years and 6 months
Mining right of Jining III	132,478,800	125,854,760	–	(3,311,970)	(9,936,010)	122,542,790	18 years and 6 months
Land use right of Railway Assets	259,378,500	–	259,378,500	(2,555,000)	(2,555,000)	256,823,500	49 years and 6 months
	791,028,439	497,874,780	259,378,500	(9,979,210)	(43,754,369)	747,274,070	

The original land use right is injected by Yankuang Group. The Company acquired the land use right of Jining III and Railway Assets and mining right of Jining III at the revaluation price.

The original land use right of the Company is revaluated by reference to the revaluation report [97] Zhongdizi [zong] zi No.032 of China Land Consultation and Evaluation Center with the method of cost approaching and coefficient-revising of benchmark land price to determine the value of the land.

Land use right of Jining III is revaluated by reference to the revaluation report Ludijia [2000] No.7 of Shandong Land Evaluation Office with the method of cost approaching and coefficient-revising of benchmark land price.

Mining right of Jining III is revaluated by reference to the revaluation report Haidiren Pingbaozi [2000] No.11 zong No.24 of Beijing Haidiren Resource Consulting Co., Ltd with the method of cashflow discounting.

Land use right of Railway Assets is revaluated by reference to the revaluation report [2001] Luzhengkuai Pingbaozi No. 10041 of Shandong Zhengyuan Hexin Limited Liability CPA with the method of Cost Revaluation.

21. NOTES PAYABLE

	June 30, 2002 The Group and the Company RMB	December 31, 2001 The Group and The Company RMB
Trade acceptance bills	–	60,000,000
Bank acceptance bills (note 6)	**228,031,025**	215,860,000
	228,031,025	275,860,000
Notes payable within one year	**228,031,025**	275,860,000

22. ACCOUNTS PAYABLE

See note 47 for amounts due to shareholders of the Company holding more than 5% of the total shares of the Company.

23. ADVANCE FROM CUSTOMERS

See note 47 for amounts advanced from shareholders of the Company holding more than 5% of the total shares of the Company.

24. TAXES PAYABLE

	June 30, 2002		December 31, 2001	
	The Group RMB	The Company RMB	The Group RMB	The Company RMB
Income taxes	**118,927,452**	**118,927,452**	50,018,758	49,353,367
Value added tax	**1,463,082**	**1,463,082**	19,961,601	19,842,695
Others	**34,922,613**	**35,435,718**	34,442,570	34,433,825
	155,313,147	**155,826,252**	104,422,929	103,629,887

25. OTHER PAYABLES

See note 47 for amounts payable to shareholders of the Company holding more than 5% of the total shares of the Company.

26. ACCRUED EXPENSES

	June 30, 2002 The Group and the Company RMB	December 31, 2001 The Group and the Company RMB	Reason for Existing Closing Balance
Accrued Repair Expenses	**32,001,696**	–	Accrued not Paid
Accrued Technology Expense	**7,632,365**	–	Accrued not paid
	39,634,061	–	

27. PROVISION FOR LAND SUBSIDENCE COSTS

The provision for land subsidence, restoration, rehabilitation and environmental costs has been determined by the management 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 subjected to change in the near term.

Category	**At January 1, 2002** RMB	**Accrual** RMB	**Payment** RMB	**At June 30, 2002** RMB
Land subsidence, restoration, rehabilitation and environmental costs	120,196,012	119,644,344	(103,200,202)	136,640,154

28. LONG-TERM PAYABLE AND LONG-TERM PAYABLE WITHIN ONE YEAR

	June 30, 2002 The Group and the Company RMB	December 31, 2001 The Group and The Company RMB
Long-term payable within one year	**86,633,816**	636,633,816
Long-term payable	**105,983,040**	105,983,040
	192,616,856	742,616,856

The above balances represent the remaining balance of payables to Yankuang Group for acquisition of Jining III and related mining rights, details of which are set out in notes 47(5)(c).

29. LONG-TERM LOAN

Borrowed from	**June 30, 2002** RMB	**January 1, 2002** RMB	**Period**	**Annual Interest Rate**	**Condition for Loan**
Bank of China	1,200,000,000	–	96 Months	6.21%	Guaranteed by Yankuang Group

On January 4, 2002, the Company obtained a new bank loan in the amount of RMB1,200,000,000 from the Bank of China Shandong Branch, Bank of China Jining Branch and Bank of China Zoucheng Branch to finance the acquisition of Railway Assets. The loan is repayable in instalments over a period of 96 months (including 2 years of grace period, 6 years of repayment period). According to the agreement, loan interests are payable on a quarterly basis. Commencing from August 25, 2004, the Company will repay the principal in the following six years by RMB 200 million annually.

30. SHARE CAPITAL

The changes in share capital of the Company from January 1, 2002 to June 30, 2002 are as follows:

	June 30, 2002 Number of shares	Changes in number of share Placement of shares	Bonus issue	from transfer of reserves	Issue new shares	Listed	January 1, 2002 Number of shares
Shares not listed for public dealings							
Subscriber shares	**1,670,000,000**	**–**	**–**	**–**	**–**	**–**	**1,670,000,000**
Internal employee shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total shares not listed for public dealings	**1,670,000,000**	**–**	**–**	**–**	**–**	**–**	**1,670,000,000**
Shares list for public dealings							
Ordinary shares listed on a domestic stock exchange	**180,000,000**	**–**	**–**	**–**	**–**	**–**	**180,000,000**
Ordinary shares listed on overseas stock exchange	**1,020,000,000**	**–**	**–**	**–**	**–**	**–**	**1,020,000,000**
Total shares listed for public dealings	**1,200,000,000**	**–**	**–**	**–**	**–**	**–**	**1,200,000,000**
Total share capital	**2,870,000,000**	**–**	**–**	**–**	**–**	**–**	**2,870,000,000**

The changes in share capital of the Company from January 1, 2001 to December 31, 2001 are as follows:

	December 31, 2001 Number of shares	Changes in number of share Placement of shares	Bonus issue	from transfer of reserves	Issue new shares	Listed	January 1, 2001 Number of shares
Shares not listed for public dealings							
Subscriber shares	1,670,000,000	–	–	–	–	–	1,670,000,000
Internal employee shares	–	–	–	–	–	–	–
Total shares not listed for public dealings	1,670,000,000	–	–	–	–	–	1,670,000,000
Shares list for public dealings							
Ordinary shares listed on a domestic stock exchange	180,000,000	–	–	–	100,000,000	–	80,000,000
Ordinary shares listed on overseas stock exchange	1,020,000,000	–	–	–	170,000,000	–	850,000,000
Total shares listed for public dealings	1,200,000,000	–	–	–	270,000,000	–	930,000,000
Total share capital	2,870,000,000	–	–	–	270,000,000	–	2,600,000,000

30. SHARE CAPITAL – continued

The par value of the share above is RMB1 each. The paid-in capital has been verified by Deloitte Touche Tohmatsu CPA (formerly named Deloitte Touche Tohmatsu Shanghai CPA) on capital verification report Deshibao (Yan)zi No. 588, capital verification Deshibao (Yan)zi (98) No. 439 , capital verification Deshibao (Yan)zi (01) No. 006 and capital verification Deshibao (Yan)zi (01) No.040.

31. CAPITAL RESERVE

The changes in capital reserve of the Company from January 1, 2002 to June 30, 2002 are as follows:

	Share premium RMB	**Transfer from Wei Jian Fei (note)** RMB	**Total** RMB
At January 1, 2002	3,549,258,855	674,652,539	4,223,911,394
Addition	–	115,784,850	115,784,850
Disposal	–	–	–
At June 30, 2002	3,549,258,855	790,437,389	4,339,696,244

Note: Pursuant to related regulations, this capital reserve can only be used for the future development of the coal mining business and is not available for distribution of dividends to shareholders.

The changes in capital reserve of the Company from January 1, 2001 to December 31, 2001 are as follows:

	Share premium RMB	**Transfer from Wei Jian Fei** RMB	**Total** RMB
Balance at January 1, 2001			
(As previously reported)	2,364,454,980	161,773,949	2,526,228,929
Prior year adjustment (note 2)	–	308,744,406	308,744,406
Balance at January 1, 2001 (As restated)	2,364,454,980	470,518,355	2,834,973,335
Addition (As previously reported)	1,184,803,875	–	1,184,803,875
Adjustment on addition (note 2)	–	204,134,184	204,134,184
Addition (As restated)	1,184,803,875	204,134,184	1,388,938,059
Balance at December 31, 2001			
(As previously reported)	3,549,258,855	161,773,949	3,711,032,804
Balance at December 31, 2001 (As restated)	3,549,258,855	674,652,539	4,223,911,394

32. SURPLUS RESERVE

The changes in surplus reserve of the Company from January 1, 2002 to June 30, 2002 are as follows:

	Statutory common reserve fund	Statutory public welfare fund	Total
	RMB	RMB	RMB
At January 1, 2002	287,808,101	143,904,051	431,712,152
Additions	–	–	–
At June 30, 2002	287,808,101	143,904,051	431,712,152

The changes in surplus reserve of the Company from January 1, 2001 to December 31, 2001 are as follows:

	Statutory common reserve fund	Statutory public welfare fund	Total
	RMB	RMB	RMB
Balance at January 1, 2001 (As previously reported)	239,057,215	119,528,609	358,585,824
Prior year adjustment (note 2)	(30,874,441)	(15,437,220)	(46,311,661)
Balance at January 1, 2001 (As restated)	208,182,774	104,091,389	312,274,163
Addition (As previously reported)	100,038,745	50,019,371	150,058,116
Adjustment on addition (note 2)	(20,413,418)	(10,206,709)	(30,620,127)
Addition (As restated)	79,625,327	39,812,662	119,437,989
Balance at December 31, 2001 (As previously reported)	339,095,960	169,547,980	508,643,940
Balance at December 31, 2001 (As restated)	287,808,101	143,904,051	431,712,152

Note: The statutory common reserve fund can be used to make good the losses incurred in previous years, expand the business scale of the Company or convert it into share capital. The statutory public welfare fund can be used for the welfare of the staff and workers of the Company.

33. UNAPPROPRIATED PROFITS

	Current period ended June 30, 2002 RMB	Year ended December 31, 2001 RMB
Unappropriated profits at the beginning of the year/period (As previously reported)	**1,633,650,835**	1,070,321,502
Less: Changes in accounting policies retrospective adjustment- Wei Jian Fei (Note 2)	**435,946,802**	262,432,745
Unappropriated profits at the beginning of the year/period (As restated)	**1,197,704,033**	807,888,757
Add: Net income for the year/period (As previously reported)	**584,945,912**	1,000,387,449
Less: Changes in accounting policies retrospective adjustment- Wei Jian Fei (Note 2)	**–**	204,134,184
Net income for the year/period (As restated)	**584,945,912**	796,253,265
Less: Appropriation to statutory common fund (As restated) (Note 1)	**–**	79,625,327
Appropriation to statutory public welfare fund (As restated) (Note 2)	**–**	39,812,662
Proposed dividend	**–**	287,000,000
Unappropriated profits at the end of the year/period	**1,782,649,945**	1,197,704,033

Notes 1: Appropriation to statutory common fund

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

And such appropriation can be ceased when the accumulated amount of fund has reached 50% of the Company's registered capital.

Notes 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.

34. NET REVENUE FROM PRINCIPAL OPERATIONS

	For the period ended June 30,		
	2002 The Group RMB	**2002 The Company RMB**	2001 The Company RMB
Revenue from domestic sales of coal products	**1,837,331,450**	**1,837,331,450**	1,605,678,104
Revenue from coal products exported	**1,872,727,921**	**1,872,727,921**	1,480,326,808
Revenue from railway transportation	**70,310,675**	**70,310,675**	–
	3,780,370,046	**3,780,370,046**	3,086,004,912

34. NET REVENUE FROM PRINCIPAL OPERATIONS – continued

Total amount of the largest 5 customers	**Percentage in total revenue**
RMB	%
814,619,544	22%

The Company exports its coal through China National Coal Industry Import & Export Corporation, China National Minerals Import & Export Co., Ltd and Shanxi Coal Imp & Exp Group Corp. Currently, Company doesn't have direct export rights, and has to export coals through import and export company. The final customer destination of the Company's export sales is determined by the Company and the above-mentioned import & export company.

35. COST OF PRINCIPAL OPERATIONS

	For the period ended June 30,		
	2002	**2002**	2001
	The Group	**The Company**	The Company
	RMB	**RMB**	RMB
Materials	**338,783,951**	**338,783,951**	312,486,542
Wages	**273,907,121**	**273,907,121**	247,032,677
Employee benefits	**38,355,060**	**38,355,060**	34,601,938
Electricity	**115,124,703**	**115,124,703**	111,475,714
Depreciation	**380,646,036**	**380,646,036**	373,446,249
Land subsidence, restoration, rehabilitation and environmental costs	**104,971,745**	**104,971,745**	105,344,597
Repairs	**131,892,457**	**131,892,457**	114,831,227
Others	**73,148,697**	**79,213,757**	62,999,699
Subtotal	**1,456,829,770**	**1,462,894,830**	1,362,218,643
Wei Jian Fei	**115,784,850**	**115,784,850**	101,946,384
Total	**1,572,614,620**	**1,578,679,680**	1,464,165,027

36. SALES TAXES ON PRINCIPAL OPERATIONS

	For the period ended June 30,		
	2002	**2002**	2001
	The Group	**The Company**	The Company
	RMB	**RMB**	RMB
Business tax	**2,109,320**	**2,109,320**	–
City construction tax	**18,664,772**	**18,578,980**	19,379,239
Education fee and others	**8,034,099**	**7,997,332**	8,002,352
Resource tax	**21,681,414**	**21,681,414**	19,953,964
	50,489,605	**50,367,046**	47,335,555

37. INCOME FROM OTHER OPERATIONS

	For the period ended June 30, 2002 The Group RMB	2002 The Company RMB	2001 The Company RMB
Sales of raw materials			
– Sales	**241,004,945**	**241,004,945**	195,214,301
– Cost of sales	**227,926,355**	**227,926,355**	178,297,516
	13,078,590	**13,078,590**	16,916,785
Other			
– Income	**22,255,872**	**17,850,519**	13,144,460
– Cost	**16,077,302**	**16,076,410**	10,436,085
	6,178,570	**1,774,109**	2,708,375
	19,257,160	**14,852,699**	19,625,160

38. OPERATING EXPENSES

	For the period ended June 30, 2002 The Group RMB	2002 The Company RMB	2001 The Company RMB
Selling expense of domestic sales of coal products	**211,541,157**	**211,541,157**	227,892,285
Selling expense of coal products exported	**521,863,086**	**521,863,086**	475,348,248
Others	**47,877,648**	**44,057,303**	32,402,381
	781,281,891	**777,461,546**	735,642,914

39. FINANCIAL EXPENSES

	For the period ended June 30, 2002 The Group RMB	2002 The Company RMB	2001 The Company RMB
Interest expenses	**43,304,961**	**43,304,961**	1,314,561
Less: interest income	**13,289,408**	**13,278,300**	9,830,753
Others	**980,210**	**979,388**	937,150
	30,995,763	**31,006,049**	(7,579,042)

40. NON-OPERATING INCOME

	For the period ended June 30, 2002 The Group RMB	2002 The Company RMB	2001 The Company RMB
Gain on disposal of fixed assets	**1,544,482**	**1,544,482**	134,350
Others	**205,871**	**205,871**	134,805
	1,750,353	**1,750,353**	269,155

41. NON-OPERATING EXPENSES

	For the period ended June 30, 2002 The Group RMB	2002 The Company RMB	2001 The Company RMB
Loss on disposal of fixed assets	**2,476,607**	**2,476,607**	3,682,428
Donations	**133,500**	**133,500**	286,586
Fines	**231,698**	**231,698**	222,206
Others	**1,654,768**	**1,648,455**	1,226,856
	4,496,573	**4,490,260**	5,418,076

42. INCOME TAXES

	For the period ended June 30, 2002 RMB
Income taxes of the Company	**287,505,031**
Income taxes of the subsidiary	**609,475**
	288,114,506
Accounting profit of the Company for current period	**872,450,943**
Add:	
1. Donations	**124,000**
2. Disposal of fixed assets	**2,476,607**
3. Land subsidence, restoration, rehabilitation and environmental costs without invoices	**6,678,494**
	9,279,101
Less:	
1. Investment income from Zhong Yan Company	**2,831,482**
Taxable income of the Company for current period	**878,898,562**
Income tax rate	**33%**

43. OTHER CASH RECEIVED RELATING TO OPERATING ACTIVITIES

	For the period ended June 30,	
	2002	2002
	The Group	The Company
	RMB	RMB
Other operating income	263,260,817	258,855,464
Interest income	13,289,408	13,278,300
Others	311,282,562	314,811,621
Total	587,832,787	586,945,385

44. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

	For the period ended June 30,	
	2002	2002
	The Group	The Company
	RMB	RMB
Amount paid in cash in operating expenses and administrative expenses	1,000,651,187	996,385,843
Other operating expenses	244,003,657	244,002,765
Other expenses paid	104,306,719	104,299,584
Total	1,348,961,563	1,344,688,192

45. CASH PAID FOR PURCHASE OF RAILWAY ASSETS

	RMB
Current assets	142,820,764
Fixed assets	877,379,752
Intangible assets (Land use right)	259,378,500
Current Liabilities	(36,993,101)
Total (note 47)	1,242,585,915
Less: Cash received by acquisition of Railway Assets	141,575
Net cash paid for the acquisition of Railway Assets	1,242,444,340

The above consideration of RMB1,242,444,340 has been paid to Yankuang Group in current period.

46. SEGMENT INFORMATION

	Item	Coal Mining Business June 30, 2002	Railway Transportation Business June 30, 2002	Inter-settlement June 30, 2002	Unallocated Items June 30, 2002	Total June 30, 2002
1.	**Operating Revenue**					
	External Operating Revenue	3,710,059,371	70,310,675	–	–	3,780,370,046
	Operating Revenue between segments	–	188,707,069	(188,707,069)	–	–
	Total	3,710,059,371	259,017,744	(188,707,069)	–	3,780,370,046
2.	**Cost Of Sales**					
	External cost of sales	1,547,802,007	24,812,613	–	–	1,572,614,620
	Cost of sales between segments	–	66,380,888	(66,380,888)	–	–
	Total	1,547,802,007	91,193,501	(66,380,888)	–	1,572,614,620
3.	**Total Operating Expenses**	1,326,573,130	32,305,915	(122,326,181)	92,821,792	1,329,374,656
4.	**Total Operating Profit**	835,684,234	135,518,328	–	(92,821,792)	878,380,770
5.	**Total Assets**	9,604,935,524	1,105,743,411	–	1,864,557,356	12,575,236,291
6.	**Total Liabilities**	1,725,217,023	21,004,642	–	1,400,510,445	3,146,732,110

47. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Name of related parties	Address	Major business	Relationship	Quality	Status Representative
Yankuang Group Corporation Limited (Yankuang Group)	40 Fu Shan Road Shandong	Industry Processing	Common director	State-owned	Zhao Jing Che
Qingdao Free Trade Zone Zhongyan Trade Co., Ltd. (Zhongyan Trade)	No.1 Industry Zone, Qingdao Free Trade Zone	International Trade	Subsidiary	Limited	Shao Hua Zhen

(2) Status and charges of the Paid-in Capital owned by related parties who can exercise control over the Company

	Opening and Closing balance RMB
Yankuang Group	3,090,336,000
Zhongyan Trade	2,100,000

47. SIGNIFICANT RELATED PARTY TRANSACTIONS – continued

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

	January 1, 2002		Addition		Deduction		June 30, 2002	
	RMB	%	RMB	%	RMB	%	RMB	%
Yankuang Group	1,670,000,000	58.19	–	–	–	–	1,670,000,000	58.19
Zhongyan Trade	1,000,000	52.38	–	–	–	–	1,100,000	52.38

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

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

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

(a) The transactions between the Company and the subsidiary which the Company can exercise control over and whose financial statements are included in the consolidated financial statements were eliminated.

(b) Acquisition of railway transportation business

On January 1, 2002, the Company acquired from Parent Company the assets of the special purpose coal railway transportation business ("Railway Assets") at the consideration of approximately RMB1,242,590,000 according to "Railway Assets Acquisition Agreement" signed with Yankuang Group. When the Railway Assets' actual capacity reaches the target one quoted in the agreement, the additional payment is as follows:

A If the Railway Assets' actual capacity reaches 25,000,000 tonnes for the year ended December 31, 2002, the Company will pay an extra RMB40,000,000;

B. If the Railway Assets' actual capacity reaches 28,000,000 tonnes for the year ended December 31, 2003, the Company will pay an extra RMB40,000,000;

C. If the Railway Assets' actual capacity reaches 30,000,000 tonnes for the year ended December 31, 2004, the Company will pay an extra RMB40,000,000.

The total consideration for acquiring Railway Assets should be paid in cash in the following five installments:

1) The amount of RMB1,159,560,000 has been paid by the Company to Yankuang Group at acquisition date;

2) The remaining balance of RMB83,030,000 should be paid before June 30, 2002;

3) The amount of RMB40,000,000 as mentioned in term A should be paid before June 30, 2003;

47. SIGNIFICANT RELATED PARTY TRANSACTIONS – continued

(5) Significant transactions entered with the Company and above-mentioned related parties in current period: – continued

(b) Acquisition of railway transportation business – continued

4) The amount of RMB40,000,000 as mentioned in term B should be paid before June 30, 2004;

5) The amount of RMB40,000,000 as mentioned in term C should be paid before June 30, 2005.

Up to June 30, 2002, the Company has paid all the consideration of approximately RMB1,242,590,000 to YanKuang Group. For the period ended June 30, 2002, the Railway Assets' actual capacity reaches 13,070,000 tones.

The consideration for the acquisition is determined according to revaluation price.

(c) Acquisition of Jining III

On January 1, 2001, the Company exercised the "Agreement for Acquisition of Jining III", which was signed with Yankuang Group. The Company acquired Jining III from Yankuang Group at the consideration of RMB2,450,900,000 and mining rights of RMB132,480,000.

The Company will pay the interest-free consideration of RMB623,380,000 prior to December 31, 2002. The consideration for the costs of the mining rights of RMB13,248,000 is to be settled over ten years by equal installments before December 31 of each year, commencing from 2001.

By the end of June 30, 2002, the Company had paid RMB2,390,770,000 to Yankaung Group for the above acquisition. The payment during this period is RMB550,000,000.

The consideration for the acquisition is determined according to revaluation price.

(d) Sales and purchase

		For the period ended June 30,	
		2002	2001
		RMB'000	RMB'000
SALES AND SERVICE PROVIDED			
Sales of coal	– Zoucheng Nanmei Shipping Co., Ltd.	**20,243**	18,900
	– Yankuang Group	**55,788**	26,695
Subtotal		**76,031**	45,595
Railway transportation service income	– Yankuang Group	**1,529**	–
Public utilities and facilities income	– Yankuang Group	**2,500**	2,905
Sales of material and spare parts	– Yankuang Group	**8,399**	5,272
		88,459	53,772
PURCHASES			
Yankuang Group		**68,831**	38,155

The price of the above transaction is determined according to market price or negotiated price.

47. SIGNIFICANT RELATED PARTY TRANSACTIONS – continued

(5) Significant transactions entered with the Company and above-mentioned related parties in current period: – continued

(e) Amount due to or from related parties

Account	Company	June 30, 2002 RMB	June 30, 2001 RMB
Accounts receivable	Yankuang Group	**18,178,398**	12,416,512
Prepayments	Yankuang Group	**38,354,295**	26,547,580
Other receivable	Yankuang Group	**97,892,100**	160,504,483
		154,424,793	199,468,575
Notes payable	Yankuang Group	**100,000,000**	160,000,000
Accounts payable	Yankuang Group	**38,355,511**	33,456,343
Advance from customers	Yankuang Group	**3,304,079**	–
Other payable	Yankuang Group	**151,778,412**	29,308,749
Long-term payable within one year	Yankuang Group	**86,633,816**	636,633,816
Long-term payables	Yankuang Group	**105,983,040**	105,983,040
		486,054,858	965,381,948

(f) 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 periods from January 1, 2001 to June 30, 2001 and from January 1, 2002 to June 30, 2002 are RMB172,773,000 and RMB205,087,000, respectively.

(2) Pursuant to an agreement signed by the Company and Yankuang Group, the department and subsidiary of Yankuang Group provided the following services and charged related service fees during the period:

	For the period ended June 30	
	2002 RMB'000	2001 RMB'000
Repairs and maintenance	**108,437**	60,603
Technical support and training fee	**7,565**	7,565
Mining rights fees	**6,490**	6,490
Railway transportation fee	**–**	118,505
Public utilities expenses	**870**	300
Road transportation fee	**16,921**	4,502
Gases and eructate expenses	**5,510**	5,510
Buildings management fee	**18,600**	15,485
Children tuition fee	**8,300**	6,660
Others	**7,265**	7,115
Total	**179,958**	232,735

The price of the transaction is determined according to market price or negotiated price.

47. SIGNIFICANT RELATED PARTY TRANSACTIONS – continued

(5) Significant transactions entered with the Company and above-mentioned related parties in current period: – continued

(f) Other transactions – continued

(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 periods from January 1, 2001 to June 30, 2001 and from January 1, 2002 to June 30, 2002 are RMB286,438 and RMB1,264,369, respectively.

48. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities of the Company is as follows:

According to "Railway Assets Acquisition Agreement" signed with Yankuang Group, if the Railway Assets' actual capacity reaches 25,000,000 tones for the year ended December 31, 2002, the Company has to pay an extra amount of RMB40,000,000 (note 47(5)(b)) before June 30, 2003. For the period ended June 30, 2002, the actual capacity of Railway Assets reached amount to 13,070,000 tones.

49. CAPITAL COMMITMENTS

Capital commitment

	June 30, 2002 RMB'000
Capital commitment contracted for but not provided in the financial statements in respect of the purchase of assets	50,664

SUPPLEMENT

1. SUMMARY OF DIFFERENCES BETWEEN IAS AND PRC GAAP

	Net profit of the period RMB'000	Net assets at June 30, 2002 RMB'000
As per the financial statements prepared under *"Accounting Standards for Business Enterprises"* and *"Enterprise Accounting Regulations"*	584,946	9,424,058
Impact adjustment in respect of:		
– Revise of Wei Jian Fei	115,785	–
– Deferred tax effect	2,204	89,625
– Release of negative goodwill to income	13,810	41,430
– Deemed interest expenses	(19,978)	(79,573)
– Others	(380)	(6,119)
As per the financial statements prepared under IAS	696,387	9,469,421

2. RETURN ON SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE CALCULATED BY DILUTED METHOD AND WEIGHTED AVERAGE METHOD

	Return on Shareholders' Equity %		Earnings Per Share RMB	
Profit for the reporting year	**Diluted**	**Weighted Average**	**Diluted**	**Weighted Average**
Income from principal operations	22.89	23.77	0.75	0.75
Operating profit	9.32	9.68	0.31	0.31
Net profit	6.21	6.45	0.20	0.20
Net profit deducted by extraordinary gain (or loss)	6.23	6.47	0.20	0.20

3. LIST OF PROVISION FOR LOSS ON ASSETS AS OF JUNE 30, 2002

Unit: RMB Yuan

Item	January 1, 2002 The Group	January 1, 2002 The Company	Provision The Group	Provision The Company	Reverse The Group	Reverse The Company	June 30, 2002 The Group	June 30, 2002 The Company
1. Total bad debts provision	60,372,497	60,372,497	35,022,260	35,022,260	–	–	95,394,757	95,394,757
Including: Accounts receivable	57,864,288	57,864,288	35,022,260	35,022,260	–	–	92,886,548	92,886,548
Other receivables	2,508,209	2,508,209	–	–	–	–	2,508,209	2,508,209
2. Total provision for loss on short-term investment	–	–	–	–	–	–	–	–
Including: Investment in stock	–	–	–	–	–	–	–	–
Investment in bond	–	–	–	–	–	–	–	–
3. Total provision for loss on inventory	–	–	–	–	–	–	–	–
Including: Finished goods	–	–	–	–	–	–	–	–
Raw material	–	–	–	–	–	–	–	–
4. Total provision for loss on long-term investment	–	–	–	–	–	–	–	–
Including: Long-term equity investment	–	–	–	–	–	–	–	–
Long-term bonds investment	–	–	–	–	–	–	–	–
5. Total provision for loss on fixed assets	–	–	–	–	–	–	–	–
Including: Buildings	–	–	–	–	–	–	–	–
Machinery , property and equipment	–	–	–	–	–	–	–	–
6. Total provision for loss on intangible assets	–	–	–	–	–	–	–	–
Including: Patent	–	–	–	–	–	–	–	–
Brand names	–	–	–	–	–	–	–	–
7. Provision for loss on construction in progress	–	–	–	–	–	–	–	–
8. Provision for loss on entrustment	–	–	–	–	–	–	–	–

4. ANALYSIS OF ITEMS WHICH FLUCTUATED OVER 30% (INCLUDING 30%), AND ACCOUNTING FOR 5% (INCLUDING 5%) OF THE TOTAL ASSETS ON THE BALANCE SHEET DATE OR 10%(INCLUDING 10%) OF THE OPERATING PROFIT FOR THE REPORTING PERIOD:

Unit: RMB Yuan

Items in balance sheet	June 30, 2002 Amount	June 30, 2002 Percentage in total assets	December 31, 2001	Fluctuation	Reason
Intangible assets	747,274,070	5.94%	497,874,780	50.09%	Note 1
Unappropriated profits	1,782,649,945	14.18%	1,197,704,033	48.84%	Note 2

Note1: Increase in land use right was due to the acquisition of Railway Assets.

Note 2: The operating profit of this period increased.

Unit: RMB Yuan

Items in income statement	Period from January 1, 2002 to June 30, 2002 Amount	Period from January 1, 2002 to June 30, 2002 Percentage in operating profit	Period from January 1, 2001 to June 30, 2001	Fluctuation	Reason
Administrative expenses	485,864,557	55.49%	344,387,680	41.08%	Note 3

Note 3:

(1) Labor insurance and staff welfare expense increased in line with salary.
(2) With the acquisition of Railway Assets, administrative expense increased accordingly.
(3) Bad debts provision.

(ii) Unaudited Financial Information prepared under IAS

CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

	Notes	Six months ended June 30, 2002 RMB'000 (unaudited)	2001 RMB'000 (unaudited)
Gross sales of coal	5	**3,662,013**	3,038,669
Transportation costs	5	**(733,404)**	(703,241)
Net sales of coal	5	**2,928,609**	2,335,428
Railway transportation service income		**67,991**	–
Cost of sales	6	**(1,456,830)**	(1,362,218)
Gross profit		**1,539,770**	973,210
Selling, general and administrative expenses	7	**(533,334)**	(378,001)
Operating income		**1,006,436**	595,209
Interest expenses	8	**(63,988)**	(23,879)
Other income	9	**42,423**	46,289
Income before income taxes	10	**984,871**	617,619
Income taxes	11	**(285,910)**	(170,621)
Income before minority interest		**698,961**	446,998
Minority interest		**2,574**	–
Net income		**696,387**	446,998
Appropriations to reserves		**551,732**	8,361
Dividend	12	**287,000**	235,340
Earnings per share	13	**RMB0.24**	RMB0.16
Earnings per ADS.	13	**RMB12.13**	RMB8.15

CONDENSED CONSOLIDATED BALANCE SHEET

AT JUNE 30, 2002

	Notes	At June 30, 2002 RMB'000 (unaudited)	At December 31, 2001 RMB'000 (audited)
ASSETS			
CURRENT ASSETS			
Bank balances and cash		**1,183,519**	1,124,806
Restricted cash	14	**30,000**	30,000
Bills and accounts receivable	15	**800,914**	694,252
Investments in securities	16	**89,997**	49,997
Inventories	17	**627,330**	439,882
Prepayments and other current assets		**991,956**	853,213
Taxes receivable		**–**	21,674
TOTAL CURRENT ASSETS		**3,723,716**	3,213,824
MINING RIGHTS	18	**122,543**	125,855
LAND USE RIGHTS	19	**624,731**	372,020
PROPERTY, PLANT AND EQUIPMENT, NET	20	**7,948,062**	7,479,755
GOODWILL	21	**12,048**	12,437
NEGATIVE GOODWILL	22	**(96,671)**	(110,481)
INVESTMENTS IN SECURITIES	16	**1,760**	1,760
DEFERRED TAX ASSET	23	**89,625**	87,421
TOTAL ASSETS		**12,425,814**	11,182,591
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	24	**626,527**	636,387
Other payables and accrued expenses		**581,206**	532,874
Provision for land subsidence, restoration, rehabilitation and environmental costs	25	**136,640**	120,196
Amounts due to Parent Company and its subsidiary companies	30	**216,191**	757,387
Taxes payable		**118,927**	793
TOTAL CURRENT LIABILITIES		**1,679,491**	2,047,637
AMOUNTS DUE TO PARENT COMPANY AND ITS SUBSIDIARY COMPANIES – DUE AFTER ONE YEAR	30	**72,456**	72,456
LONG-TERM BANK BORROWING	26	**1,200,000**	–
TOTAL LIABILITIES		**2,951,947**	2,120,093
COMMITMENTS	31		
SHAREHOLDERS' EQUITY	27	**9,469,421**	9,060,034
MINORITY INTEREST		**4,446**	2,464
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**12,425,814**	11,182,591

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2002

	Share capital RMB'000	Share premium RMB'000	Future development fund RMB'000	Statutory common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at January 1, 2001	2,600,000	2,087,723	111,748	244,631	122,315	1,703,208	6,869,625
Shares issued, net of expenses (unaudited)	270,000	1,184,804	–	–	–	–	1,454,804
Net income (unaudited)	–	–	–	–	–	446,998	446,998
Appropriations to reserves (unaudited)	–	–	–	(5,574)	(2,787)	8,361	–
Dividend (unaudited)	–	–	–	–	–	(235,340)	(235,340)
Balance at June 30, 2001 (unaudited)	2,870,000	3,272,527	111,748	239,057	119,528	1,923,227	8,536,087
Balance at July 1, 2002 (unaudited)	2,870,000	3,272,527	111,748	239,057	119,528	1,932,227	8,536,087
Net income (unaudited)	–	–	–	–	–	523,947	523,947
Appropriations to reserves (unaudited)	–	–	–	100,039	50,020	(150,059)	–
Balance at December 31, 2001	2,870,000	3,272,527	111,748	339,096	169,548	2,297,115	9,060,034
Balance at January 1, 2002	2,870,000	3,272,527	111,748	339,096	169,548	2,297,115	9,060,034
Net income (unaudited)	–	–	–	–	–	696,387	696,387
Appropriations to reserves (unaudited) (note)	–	–	628,664	(51,288)	(25,644)	(551,732)	–
Dividend (unaudited)	–	–	–	–	–	(287,000)	(287,000)
Balance at June 30, 2002 (unaudited)	2,870,000	3,272,527	740,412	287,808	143,904	2,154,770	9,469,421

Note:

Prior to 1999, the Company was required to contribute at RMB1.80 per tonne of raw coal mined to National Coal Industry Bureau ("NCIB") and Shangdong Coal Mining Industrial Bureau ("SCMIB"), in aggregate and the amount was recognized as an expense. In addition, the Company was also required to transfer an annual amount to a future development fund at RMB4.2 per tonne of raw coal mined. The fund can only be used for the future development of the coal mining business and is not available for distribution to shareholders.

The contribution to NCIB has been cancelled since July 1, 1998 and the contribution to SCMIB has been cancelled since January 1, 1999. The annual transfer to the future development fund was stopped in the year started in January 1999.

According to clarification of the relevant regulations obtained in various discussions with governmental authorities during the six months ended June 30, 2002, the requirement of the Company to transfer an annual amount to the future development fund had not been changed upon cancellation of requirements for contributions to NCIB and SCMIB. Therefore the Company is required to transfer an amount of RMB628,664,000 (including RMB512,880,000 that would have been transferred had transfer not been stopped on January 1, 1999), to the future development fund in the current period, representing RMB6 per tonne of raw coal mined, from retained earnings. This change did not have any impact on the Group's financial position or results of operations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2002

	Six months ended June 30, 2002 RMB'000 (unaudited)	2001 RMB'000 (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Income before minority interest	**698,961**	446,998
Adjustments to reconcile income before minority interest to net cash provided by operating activities:		
Depreciation of property, plant and equipment and the land use rights	**393,147**	390,141
Amortization of goodwill	**389**	389
Release of negative goodwill to income	**(13,810)**	(18,426)
Amortization of mining rights	**3,312**	3,312
Recognition of deferred tax asset	**(2,204)**	(1,216)
Loss on disposal of property, plant and equipment	**932**	3,548
(Increase) decrease in assets:		
Bills and accounts receivable	**(102,076)**	6,980
Inventories	**(134,627)**	(52,184)
Prepayments and other current assets	**(6,110)**	(67,931)
Taxes receivable	**21,674**	–
Increase (decrease) in liabilities:		
Accounts payable	**(32,690)**	(120,367)
Other payables and accrued expenses	**58,504**	62,066
Provision for land subsidence, restoration, rehabilitation and environmental costs	**16,444**	20,485
Amounts due to Parent Company and its subsidiary companies	**8,804**	(105,261)
Taxes payable	**118,134**	(27,889)
Net cash provided by operating activities	**1,028,784**	540,645

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – continued

FOR THE SIX MONTHS ENDED JUNE 30, 2002

	Notes	Six months ended June 30, 2002 RMB'000 (unaudited)	2001 RMB'000 (unaudited)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Jining III	28	–	(1,204,133)
Acquisition of Railway Assets	29	**(1,242,445)**	–
Purchase of property, plant and equipment		**(59,852)**	(45,128)
Acquisition of investments in securities		**(40,000)**	–
Proceeds on disposal of property, plant and equipment		**9,818**	2,798
CASH FLOW FROM INVESTING ACTIVITIES		**(1,332,479)**	(1,246,463)
CASH FLOW FROM FINANCING ACTIVITIES			
Issues of shares, net of share issue expenses		–	1,451,303
Dividend paid		**(287,000)**	(235,340)
Acquisition of Jining III	28	–	(150,003)
Repayment to Parent Company and its subsidiary companies		**(550,000)**	–
Bank borrowing raised		**1,200,000**	–
Dividend paid by subsidiary to minority shareholder		**(592)**	–
CASH FLOW FROM FINANCING ACTIVITIES		**362,408**	1,065,960
NET INCREASE IN CASH AND CASH EQUIVALENTS		**58,713**	360,142
CASH AND CASH EQUIVALENTS, BEGINNING		**1,124,806**	844,754
CASH AND CASH EQUIVALENTS, ENDING		**1,183,519**	1,204,896
ADDITIONAL CASH FLOWS INFORMATION:			
Cash paid during the period for			
Interest		**103,961**	1,314
income taxes		**217,931**	198,510

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2002

1. GENERAL

The Company is established as a joint stock company with limited liability in the People's Republic of China (the "PRC") and operates six coal mines, namely the Xinglongzhuang coal mine, Baodian coal mine, Nantun coal mine, Dongtan coal mine, Jining II coal mine ("Jining II") and Jining III coal mine ("Jining III") as well as a regional railway network that links these mines with the national railway gird. These six coal mines and the railway 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 Jining II from the Parent Company for cash in 1998. The Company acquired Jining III from the Parent Company effective January 1, 2001. This acquisition was financed as set out below.

On January 3, 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 have been listed on the Shanghai Securities Exchange ("SSE") since February 2001. On May 14, 2001, the Company issued an aggregate of 170,000,000 H shares to independent investors and the H shares were listed on the Stock Exchange of Hong Kong Limited. The total net proceeds from the A share and H share offerings were approximately RMB960,607,000 and HK$461,867,000 (equivalent to approximately RMB494,197,000), respectively. The proceeds were applied towards the purchase price of Jining III of approximately RMB2,583 million. The purchase price included the cost of Jining III of approximately RMB2,450,905,000 and the cost of the mining rights of approximately RMB132,479,000.

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

(i) Initial installment
RMB243,526,000 was paid on January 1, 2001, the completion date;

(ii) Second installment
The net proceeds of RMB960,607,000 of the A Share Issue were paid over on January 22, 2001.

(iii) Third installment
50% of the outstanding balance of the purchase price was paid (without interest) prior to December 31, 2001; and

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

At June 30, 2002, the unsettled balance of the cost of Jining III was RMB89,698,000.

The consideration for the cost of the mining rights of approximately RMB132,479,000 is to be settled over ten years by equal annual installments before December 31 of each year, commencing from 2001 (see note 28).

1. GENERAL – continued

On January 1, 2002, the Company acquired from the Parent Company the assets of the special purpose coal railway transportation business ("Railway Assets"). The consideration for the acquisition of the Railway Assets is approximately RMB1,242,586,000 subject to the adjustments as follows:

> For each of the years ending December 31, 2002, 2003 and 2004, the Company will pay an extra RMB40,000,000 for each year if the Railway Assets' actual capacity reaches 25,000,000 tonnes, 28,000,000 tonnes and 30,000,000 tonnes, respectively.
>
> The acquisition was funded by cash of the Company and a long-term bank loan of RMB1,200,000,000, the repayment of which is guaranteed by the Parent Company.

At June 30, 2002 and December 31, 2001, the Company holds a 52.38% interest in the registered capital of Qingdao Free Trade Zone Zhongyan Trade Co., Ltd. ("Zhongyan"), a limited liability company established and operated in the PRC. Zhongyan is engaged in the trading and processing of mining machinery. The Company acquired its stake in Zhongyan during the year ended December 31, 2001 for a cash consideration of RMB2,710,000. Zhongyan did not have any significant impact on the Group's results.

In April 2001, the status of the Company was changed to that of a sino-foreign joint stock limited company.

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

2. BASIS OF PRESENTATION

The condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounting policies adopted, as described below, differ from those used in the management accounts of the Group, 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 36.

The condensed financial statements 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 37.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial instruments.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2001, except for the adoption of new accounting policies as described below.

Revenue recognition

Service income is recognized when services are provided.

Property, plant and equipment

Railway structure assets are depreciated over their estimated useful lives from 15 to 25 years, after taking into account their estimated residual value, using the straight line method.

4. SEGMENT INFORMATION

The Company is engaged primarily in the coal mining business and commencing from January 1, 2002, the Company is also engaged in coal railway transportation business. The Company operates only in the PRC. 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 China National Coal Industry Import and Export Corporation ("National Coal Corporation"), China National Minerals Import and Export Co., Ltd. ("National Minerals Company") or Shanxi Coal Imp. & Exp. Group Corp. ("Shanxi Coal Corporation"). The final customer destination of the Company's export sales is determined by the Company, National Coal Corporation, National Minerals Company or Shanxi Coal Corporation. The Company's subsidiary is engaged in trading and processing of mining machinery in the PRC. No separate segment information about the subsidiary's business is presented in these financial statements as the underlying gross sales, results and assets of the subsidiary's business are insignificant to the Group.

Business segments

For the six months ended June 30, 2002

	Gross revenue RMB'000	**Segment result** RMB'000
Coal mining business	3,662,013	1,090,409
Coal railway transportation business	67,991	13,192
	3,730,004	1,103,601
Unallocated corporate expenses		(97,165)
Operating income		1,006,436

Note:

No segment information for the six months ended June 30, 2001 is presented as the Company was engaged primarily in a single line of business during that period.

5. SALES AND TRANSPORTATION COSTS

	Six months ended June 30,	
	2002	2001
	RMB'000	RMB'000
Domestic sales of coal, gross	**1,795,523**	1,575,927
Less: Transportation costs	**211,542**	227,892
Domestic sales of coal, net	**1,583,981**	1,348,035
Export sales of coal, gross	**1,866,490**	1,462,742
Less: Transportation costs	**521,862**	475,349
Export sales of coal, net	**1,344,628**	987,393
Net sales	**2,928,609**	2,335,428

5. SALES AND TRANSPORTATION COSTS – continued

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 the customers.

Sales taxes consist primarily of a resource tax calculated at the rate of RMB1.20 per tonne of imputed quantity of raw coal sold and is paid to the local tax bureau. The resource tax for each of six months ended June 30, 2002 and 2001 amounted to RMB21,681,000 and RMB19,954,000, respectively.

6. COST OF SALES

	Six months ended June 30,	
	2002	2001
	RMB'000	RMB'000
Materials	**338,784**	312,487
Wages and employee benefits	**312,262**	281,635
Electricity	**115,125**	111,476
Depreciation	**380,646**	373,446
Land subsidence, restoration, rehabilitation and environmental costs	**104,972**	105,345
Repairs and maintenance	**131,892**	114,831
Annual fee and amortization of mining rights	**9,802**	9,802
Other transportation costs	**17,864**	17,025
Others	**45,483**	36,171
	1,456,830	1,362,218

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended June 30,	
	2002	2001
	RMB'000	RMB'000
Retirement benefits scheme contributions (note 32)	**156,088**	131,681
Wages and employee benefits	**82,581**	44,938
Depreciation	**12,501**	16,695
Amortization of goodwill	**389**	389
Distribution charges	**44,057**	32,402
Allowance for doubtful debts	**35,023**	4,308
Resource compensation fees	**21,443**	15,023
Repairs and maintenance	**3,744**	3,913
Research and development	**13,249**	12,483
Others	**164,259**	116,169
	533,334	378,001

8. INTEREST EXPENSES

	Six months ended June 30, 2002 RMB'000	2001 RMB'000
Interest expenses on:		
– deemed interest expenses (note 28)	**19,978**	22,565
– borrowings wholly repayable within 5 years	**3,666**	–
– borrowings not wholly repayable within 5 years	**39,639**	–
– bills receivable discounted without recourse	**705**	1,314
	63,988	23,879

No interest was capitalized during the relevant periods.

9. OTHER INCOME

	Six months ended June 30, 2002 RMB'000	2001 RMB'000
Gain on sales of auxiliary materials	**13,079**	16,916
Interest income from bank deposits	**13,278**	9,831
Release of negative goodwill to income	**13,810**	18,426
Others	**2,256**	1,116
	42,423	46,289

10. INCOME BEFORE INCOME TAXES

	Six months ended June 30, 2002 RMB'000	2001 RMB'000
Income before income taxes has been arrived at after charging:		
Amortization of mining rights	**3,312**	3,312
Amortization of goodwill	**389**	389
Depreciation of land use rights and property, plant and equipment	**393,147**	390,141
Repairs and maintenance	**135,636**	118,744
Research and development	**13,249**	12,483
and after crediting:		
Release of negative goodwill to income	**13,810**	18,426

11. INCOME TAXES

	Six months ended June 30, 2002 RMB'000	2001 RMB'000
Income taxes	**288,114**	171,837
Deferred tax credit	**(2,204)**	(1,216)
	285,910	170,621

The Group is subject to a standard income tax rate of 33%. However, the effective income tax rate of the Group for the current period is 29% (six months ended June 30, 2001: 28%). The major reconciling item is the amount claimed on the appropriation to future development fund which is eligible for tax deduction but is not charged to income under IAS.

12. DIVIDEND

	Six months ended June 30, 2002 RMB'000	2001 RMB'000
Final dividend approved	**287,000**	235,340

Pursuant to the annual general meeting held on June 15, 2001, a final dividend of approximately RMB235,340,000 or RMB0.082 per share in respect of the year ended December 31, 2000 was approved.

Pursuant to the annual general meeting held on June 7, 2002, a final dividend of approximately RMB287,000,000 or RMB0.10 per share in respect of the year ended December 31, 2001 was approved.

13. EARNINGS PER SHARE AND PER ADS

The calculation of the earnings per share for the six months ended June 30, 2002 and 2001 is based on the net income for the period of RMB696,387,000 and RMB446,998,000 and on the weighted average number of 2,870,000,000 shares and 2,743,977,901 shares in issue, respectively, during the period.

The earnings per ADS have been calculated based on the net income for the relevant period and on one ADS representing 50 H shares.

14. RESTRICTED CASH

The amount represented the bank deposits pledged to a bank to secure banking facilities granted to the Group.

15. BILLS AND ACCOUNTS RECEIVABLE

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Total bills receivable	**116,933**	155,883
Total accounts receivable	**776,868**	596,233
Less: Allowance for doubtful debts	**(92,887)**	(57,864)
Total bills and accounts receivable, net	**800,914**	694,252

15. BILLS AND ACCOUNTS RECEIVABLE – continued

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

The Group made allowance for doubtful debts of RMB35,023,000 and RMB4,308,000 for the six months ended June 30, 2002 and 2001 respectively.

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

The following is an aged analysis of bills and accounts receivable at the reporting date:

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
1 – 180 days	**513,469**	513,080
181 – 365 days	**161,663**	119,096
1 – 2 years	**191,877**	105,443
2 – 3 years	**16,770**	8,258
Over 3 years	**10,022**	6,239
	893,801	752,116

16. INVESTMENTS IN SECURITIES

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Available-for-sale investments		
NON-CURRENT		
Equity investments	**1,760**	1,760
CURRENT		
Fixed maturity investments	**89,997**	49,997

The investments in securities included above represent unlisted equity investments and the amount is stated at cost subject to impairment recognition, and investments in listed fixed maturity securities that the Group does not intend or is not able to hold to maturity. The carrying values of these fixed maturity securities approximate the quoted market prices.

17. INVENTORIES

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
COST		
Auxiliary materials, spare parts and small tools	**259,311**	269,510
Coal products	**368,019**	170,372
	627,330	439,882

18. MINING RIGHTS

	RMB'000
Cost	
At January 1, 2002 and June 30, 2002	132,479
Amortization	
At January 1, 2002	6,624
Provided for the period	3,312
At June 30, 2002	9,936
Net book values	
At June 30, 2002	122,543
At December 31, 2001	125,855

In addition, the Parent Company and the Group have entered into a mining rights agreement pursuant to which the Group has agreed to pay to the Parent Company effective from September 25, 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 Group's mines other than Jining III. The annual fee is subject to change after a ten year period.

19. LAND USE RIGHTS

	RMB'000
Cost	
At January 1, 2002	399,171
Additions on acquisition of Railway Assets	259,378
At June 30, 2002	658,549
Depreciation	
At January 1, 2002	27,151
Provided for the period	6,667
At June 30, 2002	33,818
Net book values	
At June 30, 2002	624,731
At December 31, 2001	372,020

The land use rights have a term of fifty years from the date of grant of land use rights certificates.

As part of the process to establish the Company referred to in note 1, the revaluation surplus arising on the revaluation of the land use rights of the mines injected into the Company amounting to RMB237,731,000, 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 RMB59,450,000 on the land use right of Jining III has been incorporated into the fair value of the net assets acquired by the Company as of January 1, 2001. The revaluation surplus of RMB253,453,000 on the land use right of Railway Assets has been incorporated into the fair value of the net assets acquired by the Company as of January 1, 2002.

20. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings RMB'000	Railway structure RMB'000	Mining structure RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total HK$'000
COST							
At January 1, 2002	1,889,262	–	3,556,324	5,945,331	169,497	270,689	11,831,103
Additions on acquisition of Railway Assets	48,009	720,704	–	88,388	19,760	519	877,380
Additions	–	–	–	25,492	412	9,613	35,517
Disposals	(4,615)	–	–	(44,920)	(1,734)	–	(51,269)
At June 30, 2002	1,932,656	720,704	3,556,324	6,014,291	187,935	280,821	12,692,731
DEPRECIATION							
At January 1, 2002	611,208	–	1,204,134	2,447,362	88,644	–	4,351,348
Provided for the period	52,259	26,174	48,244	292,184	14,979	–	433,840
Eliminated on disposals	(192)	–	–	(38,864)	(1,463)	–	(40,519)
At June 30, 2002	663,275	26,174	1,252,378	2,700,682	102,160	–	4,744,669
NET BOOK VALUES							
At June 30, 2002	1,269,381	694,530	2,303,946	3,313,609	85,775	280,821	7,948,062
At December 31, 2001	1,278,054	–	2,352,190	3,497,969	80,853	270,689	7,479,755

As part of the process to establish the Company referred to in note 1, the revaluation surplus arising on the revaluation of the property, plant and equipment of the mines injected into the Company amounting to RMB1,456,853,000, 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 January 1, 1998. The revaluation surplus of RMB10,830,000 on Jining III has been incorporated into the fair value of net assets acquired by the Company as of January 1, 2001. The revaluation surplus of RMB325,135,000 on Railway Assets has been incorporated into the fair value of net assets acquired by the Company as of January 1, 2002.

During the six months ended June 30, 2002 and 2001, depreciation charges absorbed in the cost of inventories amounted to RMB47,360,000 and RMB25,975,000, respectively.

21. GOODWILL

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Cost		
Opening balance and closing balance	**15,545**	15,545
Amortization		
Opening balance	**3,108**	2,331
Provided for the period/year	**389**	777
Closing balance	**3,497**	3,108
Net book values		
Closing balance	**12,048**	12,437

22. NEGATIVE GOODWILL

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Cost		
Opening balance and closing balance	**138,101**	138,101
Released to income		
Opening balance	**27,620**	–
Released for the period/year	**13,810**	27,620
Closing balance	**41,430**	27,620
Net book values		
Closing balance	**96,671**	110,481

23. DEFERRED TAX ASSET

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Opening balance	**87,421**	85,161
Credit for the period/year	**2,204**	2,260
Closing balance	**89,625**	87,421

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

There was no material unprovided deferred tax for the period or at the balance sheet date.

24. ACCOUNTS PAYABLE

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Bills payable	**158,715**	115,860
Accounts payable	**467,812**	520,527
	626,527	636,387

The following is an aged analysis of bills and accounts payables at the reporting date:

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
1 – 180 days	**463,736**	314,549
181 – 365 days	**156,472**	216,953
1 – 2 years	**6,319**	104,885
	626,527	636,387

25. PROVISION FOR LAND SUBSIDENCE, RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Opening balance	**120,196**	136,724
Additional provision in the period/year	**119,644**	210,939
Payments made in the period/year	**(103,200)**	(227,467)
Closing balance	**136,640**	120,196

The provision 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.

During the six months ended June 30, 2002, provision for land subsidence, restoration, rehabilitation and environmental costs absorbed in the cost of inventories amounted to RMB14,672,000. There was no significant amount absorbed during the six months ended June 30, 2001.

26. LONG-TERM BANK BORROWING

During the period, the Group obtained a new bank loan in the amount of RMB1,200,000,000. The loan bears interest at 6.21% per annum and is repayable in installments over a period of 7 years, the first repayment instalment of which is due in August 2004. The proceeds were used to finance the acquisition of Railway Assets (see note 1).

The above loan is repayable as follows:

	RMB'000
In the third to fifth year inclusive	600,000
After five years	600,000
Property, plant and equipment, net	1,200,000

27. 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 at June 30, 2002 and at December 31, 2001**
Domestic invested shares	– State legal person shares (held by the Parent Company)	1,670,000,000
	– A shares (note 1)	180,000,000
Foreign invested shares	H shares (including H shares represented by ADS) (note 1)	1,020,000,000
	Total	2,870,000,000

Each share has a par value of RMB1.

Pursuant to regulations in the PRC, the Company is required to transfer an annual amount to a future development fund at RMB6 per tonne of raw coal mined. The fund can only be used for the future development of the coal mining business and is not available for distribution to shareholders.

27. SHAREHOLDERS' EQUITY – continued

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 appropriation is done once a year based on the results for the year, and accordingly, no appropriation is made at the reporting dates. The statutory common reserve fund can be used for the following purposes:

- to make good 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 the Company 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 GAAP and (ii) IAS or the accounting standards of the places in which its shares are listed.

The Company can also create a discretionary reserve in accordance with its 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 RMB1,782,650,000 as at June 30, 2002 (as at December 31, 2001: RMB1,197,704,000).

28. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF JINING III

	Six months ended June 30, 2001 RMB'000
Bills and accounts receivable	2,920
Inventories	6,078
Prepayments and other current assets	1,362
Mining rights	132,479
Land use rights	88,929
Property, plant and equipment, net	2,372,525
Accounts payable	(7,062)
Other payables and accrued expenses	(13,847)
Total net assets acquired	2,583,384
Negative goodwill	(138,101)
Consideration	2,445,283
Satisfied by:	
Cash consideration	1,204,133
Installments paid during the period	150,003
Amounts due to Parent Company and its subsidiary companies – due within one year	451,449
Amounts due to Parent Company and its subsidiary companies – due after one year	639,698
Total consideration	2,445,283

28. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF JINING III – continued

The total consideration of RMB2,445,283,000 disclosed above represents the present value of the installments payable in respect of the acquisition cost of Jining III. The difference between this amount and the gross payments due of RMB2,583,384,000, amounting to RMB138,101,000 represents a deemed interest charge on the acquisition which is charged to income in proportion to the balance outstanding each period.

29. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF RAILWAY ASSETS

	Six months ended June 30, 2002 RMB'000
Bank balances and cash	141
Bills and accounts receivable	4,586
Prepayment and other current assets	132,633
Inventories	5,461
Land use rights	259,378
Property, plant and equipment, net	877,380
Accounts payable	(22,830)
Other payables and accrued expenses	(14,163)
Total net assets acquired	1,242,586
Satisfied by:	
Cash consideration	1,242,586
Net cash outflow arising on acquisition:	
Cash paid on acquisition	(1,242,586)
Bank balances and cash acquired	141
	(1,242,445)

On January 1, 2002, the Company acquired the Railway Assets from its Parent Company for a total consideration of RMB1,242,586,000.

30. RELATED PARTY TRANSACTIONS

The amounts due to Parent Company and its subsidiary companies are non-interest bearing and unsecured.

The amounts due to Parent Company and its subsidiary companies as at June 30, 2002 included the present value of outstanding balance that arose from the funding of the acquisition of Jining III and its mining right as of January 1, 2001 discounted using the market rate of bank borrowings (note 1).

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Within one year	**216,191**	757,387
More than one year, but not exceeding five years	**40,630**	40,630
Exceeding five years	**31,826**	31,826
Total due	**288,647**	829,843
Less: amount due within one year	**216,191**	757,387
Amount due after one year	**72,456**	72,456

Except for the amounts disclosed above, the amounts due to Parent Company and/or its subsidiary companies have no specific terms of repayment.

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

	Six months ended June 30,	
	2002 RMB'000	2001 RMB'000
Income		
Sales of coal	**55,788**	26,695
Sales of auxiliary materials	**8,399**	5,272
Utilities and facilities	**2,500**	2,905
Railway transportation services provided	**1,529**	–
Expenditure		
Utilities and facilities	**870**	300
Annual fee for mining rights	**6,490**	6,490
Purchases of supply materials	**68,831**	38,155
Railway transportation services	**–**	118,505
Repairs and maintenance services	**108,437**	60,603
Social welfare and support services	**88,674**	75,861
Technical support and training	**7,565**	7,565
Road transportation services	**16,921**	4,502

During the periods, the Group had the following significant transactions with a related party, certain management members of which are also management members of the Group:

	Six months ended June 30,	
	2002 RMB'000	2001 RMB'000
Sales of coal	20,243	18,900

30. RELATED PARTY TRANSACTIONS – continued

Certain expenditure for social welfare and support services (excluding medical and child care expenses) of RMB31,375,000 for the six months ended June 30, 2002 (six months ended June 30, 2001: RMB28,110,000) and for technical support and training of RMB7,565,000 for each of the six months ended June 30, 2002 and 2001 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.

On January 1, 2001, the Company acquired Jining III mine from Parent Company (see note 1).

On January 1, 2002, the Company acquired Railway Assets from Parent Company (see note 1).

In addition to the above, the Company participates in a multi-employer plan of the Parent Company in respect of retirement benefits (see note 32).

31. COMMITMENTS

At June 30, 2002, the Group had capital commitments of approximately RMB50,664,000 (December 31, 2001: RMB63,986,000) contracted for but not provided in the condensed financial statements in respect of the acquisition of property, plant and equipment.

32. 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.

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 December 31, 2001. Upon expiration of the initial period, the Company and the Parent Company have determined the contribution rate to remain at 45% for the period from January 1, 2002 to December 31, 2006.

The Company's subsidiary is a participant in a state-managed retirement scheme pursuant to which the subsidiary pays a fixed percentage of its qualifying staff's wages as contribution to the scheme. The subsidiary's financial obligation under this scheme is limited to the payment of the employer's contribution. During the period, contributions payable by the subsidiary pursuant to this arrangement were insignificant to the Group.

During the period 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.

33. HOUSING SCHEME

The Parent Company is responsible for providing accommodation to its employees and the employees of the Group. The Group and the Parent Company share the incidental expenses relating to the accommodation at a negotiated amount for the six months ended June 30, 2002 and 2001. Such expenses, amounting to RMB18,600,000 and RMB15,485,000 for the six months ended June 30, 2002 and 2001, respectively, have been included as part of the social welfare and support services expenses summarized in note 30.

33. HOUSING SCHEME – continued

Monthly wages and benefits paid to employees by the Group 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 existing accommodations 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.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of bills and accounts receivable, investments in securities, accounts payable and amounts due to the Parent Company and/or its subsidiary companies of the Group approximate their fair values because of the short maturity of these amounts or because they are stated at present value discounted using market rates.

35. CONCENTRATION OF CREDIT RISK

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

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

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

As the Group does not currently have direct export rights, all of its export sales must be made through National Coal Corporation, Shanxi Coal Corporation or National Minerals Company. The quality, prices and final customer destination of the Group's export sales are determined by the Group, National Coal Corporation, Shanxi Coal Corporation or National Minerals Company. The Group 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 six months ended June 30, 2002 and 2001, net sales to the Group's five largest domestic customers accounted for approximately, 24% and 25%, respectively, of the Group's total net sales. Net sales to the Group's largest domestic customer, the Shandong Power and Fuel Company, accounted for 15% and 15% of the Group's net sales for the six months ended June 30, 2002 and 2001, 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 14% and 14% of the Group's net sales for the six months ended June 30, 2002 and 2001, respectively.

Details of the amounts receivable from the five customers with the largest receivable balances at June 30, 2002 and December 31, 2001 are as follows:

	Percentage of accounts receivable	
	At June 30, 2002	At December 31, 2001
Five largest receivable balances	**25%**	30%

36. SUMMARY OF DIFFERENCES BETWEEN IAS AND PRC GAAP

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

(i) adjustment of future development fund (see note 27), which is charged to income before income taxes under PRC GAAP, to owners' equity;

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

(iii) recognition of a deferred tax asset under IAS 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;

(iv) negative goodwill arising under IAS for the acquisition of Jining III is recognized as income in the statement of income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets;

(v) the installments payable to the Parent Company for the acquisition of Jining III have been stated at present value discounted using market rates under IAS while under PRC GAAP, the installments payable are stated at gross amount. Accordingly, deemed interest expense arises on the installments payable to the Parent Company under IAS; and

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

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

	Net income for		Net assets	
	Six months ended June 30, 2002 RMB'000	Six months ended June 30, 2001 RMB'000	**As at June 30, 2002 HK$'000**	As at December 31, 2001 HK$'000
As per condensed financial statements prepared under IAS	**696,387**	446,998	**9,469,421**	9,060,034
Impact of IAS adjustment in respect of:				
– future development fund which is charged to income before income tax under PRC GAAP	**(115,784)**	(101,946)	**–**	–
– revaluation surplus on low-priced consumables recognized on the establishment of the Company under PRC GAAP	**–**	(3,672)	**–**	–
– deferred tax effect on temporary differences not recognized under PRC GAAP	**(2,204)**	(1,216)	**(89,625)**	(87,421)
– release of negative goodwill to income	**(13,810)**	(18,426)	**(41,430)**	(27,620)
– deemed interest expenses	**19,978**	22,565	**79,573**	59,595
– proposed final dividend	**–**	–	**–**	(287,000)
– others	**379**	389	**6,119**	5,740
As per financial statements prepared under PRC GAAP	**584,946**	344,692	**9,424,058**	8,723,328

36. SUMMARY OF DIFFERENCES BETWEEN IAS AND PRC GAAP – continued

Note:

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

37. SUMMARY OF DIFFERENCES BETWEEN IAS AND US GAAP

The condensed 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 acquisitions of Jining II, Jining III and Railway Assets, the revaluation of property, plant and equipment and land use rights and related adjustments to deferred taxation.

Under IAS, the acquisitions of Jining II, Jining III and Railway Assets have been accounted for using the purchase method which accounts for the assets and liabilities of Jining II, Jining III and Railway Assets at their fair value at the date of acquisition. Any excess of the purchase consideration over the fair value of the net assets acquired is capitalized as goodwill. The Group amortizes the goodwill over a period of 20 years. Any excess of the fair value of the assets acquired over the purchase consideration is recorded as negative goodwill, which is presented as a deduction from the assets of the Group in the consolidated balance sheet. The Group releases the negative goodwill to the statement of income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets.

Under US GAAP, as the Group and Jining II, Jining III and Railway Assets are entities under the common control of the Parent Company, the assets and liabilities of Jining II, Jining III and Railway Assets are required to be included in the consolidated balance sheet of the Group at historical cost. The difference between the historical cost of the assets and liabilities of Jining II, Jining III and Railway Assets acquired and the purchase price paid is recorded as an adjustment to shareholders' equity.

Under IAS, the mining rights of Jining III are stated at purchase consideration less amortization. Mining rights are amortized on a straight line basis over 20 years, being the useful life estimated based on the total proven and probable reserves of the coal mine. Under US GAAP, as both the Group and Jining III are entities under the common control of the Parent Company, the mining rights are to be restated at nil cost and no amortization on mining rights will be recognized. However, a deferred tax asset relating to the capitalization of mining rights is required to be recognized under US GAAP as a higher tax base resulting from the capitalization is utilized for PRC tax purposes.

Under IAS, the revalued amount of property, plant and equipment and land use rights is 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 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.

37. SUMMARY OF DIFFERENCES BETWEEN IAS AND US GAAP – continued

In applying the pooling of interest method, the financial statement items of the combining enterprises for the period in which the combination occurs and for any comparative periods disclosed should be included in the financial statements of the combined enterprises as if they had been combined from the beginning of the earliest period presented. The effect of accounting for the acquisition of Railway Assets using the pooling of interest method under US GAAP on the gross sales and net income for the six months ended June 30, 2001 is as follows:

	Six months ended June 30, 2001 RMB'000
Gross sales	
As previously reported	3,038,669
Pooling of interest adjustment	53,025
As restated	3,091,694
Net income	
As previously reported	446,998
Pooling of interest adjustment	58,099
As restated	505,097

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 Group, the directors estimate that at June 30, 2002, an additional provision for land subsidence, restoration, rehabilitation and environmental costs of approximately RMB34,735,000 is reasonably possible.

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

	Six months ended June 30,	
	2002 **RMB'000**	2001 RMB'000
Net income as reported under IAS	**696,387**	446,998
US GAAP adjustments:		
Depreciation charge on revalued property, plant and equipment and land use rights	**91,755**	81,241
Additional deferred tax charge due to a higher tax base resulting from the revaluation of property, plant and equipment and land use rights and capitalization of mining rights	**(31,372)**	(26,810)
Amortization of negative goodwill on acquisition of Jining III	**(13,810)**	(18,426)
Amortization of mining rights of Jining III	**3,312**	3,312
Profit of Railway Assets included in the Group using the pooling of interest method	**–**	58,099
Others	**389**	389
Net income under US GAAP	**746,661**	544,803
Earnings per share under US GAAP	**RMB0.26**	RMB0.20
Earnings per ADS under US GAAP	**RMB13.01**	RMB9.93

The comprehensive income represents net income under us GAAP presented above.

37. SUMMARY OF DIFFERENCES BETWEEN IAS AND US GAAP – continued

	At June 30, 2002 RMB'000	At December 31, 2001 RMB'000
Shareholders' equity as reported under IAS	**9,469,421**	9,060,034
US GAAP adjustments:		
Revaluation of property, plant and equipment and land use rights	**(2,561,032)**	(1,982,444)
Depreciation charged on revalued property, plant and equipment and land use rights	**840,906**	749,151
Additional deferred tax assets due to a higher tax base resulting from the revaluation of property, plant and equipment and land use rights	**567,641**	406,987
Goodwill arising on acquisition of Jining II	**(12,048)**	(12,437)
Negative goodwill arising on acquisition of Jining III, net	**96,671**	110,481
Mining rights of Jining III	**(122,543)**	(125,855)
Net asset of Railway Assets incorporated under pooling of interests		
– current assets	**–**	142,821
– property, plant and equipment and land use rights, net	**–**	1,136,758
– deduct: revaluation surplus of property, plant and equipment and land use rights	**–**	(578,588)
– current liabilities	**–**	(36,993)
	–	663,998
Additional deferred tax assets due to a higher tax base resulting from capitalization of mining rights	**40,439**	41,532
Shareholders' equity under US GAAP	**8,319,455**	8,911,447

Under US GAAP, the Group's total assets would have been RMB11,275,848,000 and RMB11,070,997,000 at June 30, 2002 and December 31, 2001, respectively.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No.142, "Goodwill and Other Intangible Assets", which requires that upon adoption, amortization of goodwill and other intangible assets with indefinite lives will cease and instead, the carrying value of these intangible assets will be evaluated for impairment on an annual basis. Identifiable intangible assets with definitive lives will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of ". SFAS No. 142 is effective for financial statements issued for fiscal years beginning after December 15, 2001. The Group adopted this Standard during the period ended June 30, 2002 and it did not have a material effect in the Group's financial statements.

37. SUMMARY OF DIFFERENCES BETWEEN IAS AND US GAAP – continued

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which is effective for financial statements issued for fiscal years beginning after December 15, 2001. SFAS No. 144 applies to all long-lived assets (including discontinued operations) and it develops one accounting model for long-lived assets that are to be disposed of by sale. The Group adopted this Standard during the period ended June 30, 2002 and its did not have a material effect in the Group's financial statements.

In addition, the Group has not adopted the following new accounting standards:

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" which is effective for financial statements issued for fiscal years beginning after June 15, 2002. This statement addresses the diverse accounting practices for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Group is evaluating the impact of the adoption of this standard and has not yet determined the effect of adoption on its financial position and results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Such costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 replaces the previous accounting guidance provided by the Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Group is evaluating the impact of the adoption of this standard and has not yet determined the effect of the adoption on its financial position and results of operations.

CORPORATE INFORMATION

Registered Name	兗州煤業股份有限公司
English Name	Yanzhou Coal Mining Company Limited
Registered Address	40 Fushan Road Zoucheng Shandong Province 273500 PRC
Website	http://www.yanzhoucoal.com.cn
E-mail	YZC@yanzhoucoal.com.cn
Legal Representative	Mo Liqi
Company Secretary	Chen Guangshui
Authorized Representatives	Yang Jiachun Chen Guangshui 40 Fushan Road Zoucheng Shandong Province 273500 PRC Tel: (86537) 5382319 Fax: (86537) 5383311
Places of Listing	A Shares: Shanghai Stock Exchange Ticker Symbol: 600188 Stock Abbreviation: Yanzhou Mei Ye H Shares: The Stock Exchange of Hong Kong limited Share Code: 1171 ADR: The New York Stock Exchange, Inc. Ticker Symbol: YZC