

During this reporting period, in accordance with the PRC Company Law and the Articles, all of the supervisors of the Company have fulfilled their supervising responsibilities, preserved the rights of the Company and the Shareholders, followed the principles of honesty and trustworthiness, and actively carried out their duties with care and diligence. The supervisory committee held two meetings and has independently carried out the following work during the period under review:

1. From 10th February to 10th March 2004, the supervisory committee has conducted a comprehensive review on the Company's financial report for 2003 and gave reasonable suggestions and advice in respect thereto in accordance with the PRC Company Law and the Articles.
2. A supervisory committee meeting was held at 8:00 a.m. on 16th April, 2004 at the conference room on the second floor of the Company's headquarters, at which the supervisory committee's report, the 2003 annual report, the audited financial report for 2003, the proposed allocation of the profits of 2003 and the policies for the allocation of the profits of 2004 and the "Resolution of the Board On the Provision of Assets Depreciation and the Provision of Verified Sale Assets Depreciation for the Year 2003" were considered, approved and passed.
3. From 13th July to 29th July 2004, the supervisory committee has conducted a comprehensive review on financial report for first half of 2004, and gave reasonable suggestions and advice in accordance with the PRC Company Law and the Articles.
4. A supervisory committee meeting was held on 20th August, 2004 at the Company's headquarters, at which the "2004 Interim Report of Yanzhou Coal Mining Company Limited" and the "Measures for the Management and Use of Raised Fund of Yanzhou Coal Mining Company Limited" were considered, approved and passed.

The Supervisory Committee gave independent opinion on the following:

**1. Operations of the Company in 2004 were in compliance with laws**

Pursuant to the relevant laws and regulations of the State, the supervisory committee, via sitting in the Board's meeting, has carried out investigation and supervision on matters such as the resolutions of and the procedures on convening the Shareholders and Directors' meetings, the implementation of the resolutions of the Shareholders' general meetings by the Board, the carrying out of duties by the senior management of the Company and the management system of the Company. No act against the law, regulations and the Articles has been found. No breach of laws and regulations of the Directors and managers of the Company has been found. The supervisory committee considered that the performance of the Board in 2004 was in compliance with relevant laws and regulations of the State and the Articles, and was serious and responsible and its decision procedures were systematic. The Company had also further upgraded the internal control systems and reached all the operating targets successfully.

## 2. Inspection of the financial situation of the Company

The supervisory committee carried out supervision and inspections on the financial system and financial conditions of the Company, and considered that the Company and its controlling Shareholders have, in accordance with the "Five Separations" principle, established independent financial accounts and had independent financial personnel. In the reporting period, the Company's auditors has issued an unqualified opinion on the relevant information such as the financial statements. The supervisory committee was of the view that the financial statements truly, accurately and objectively reflected the Company's financial situation and operating results. All costs, expenses and provisions were in accordance with the relevant laws, regulations, and the Articles and were in compliance with the relevant requirements of the "Enterprise Accounting Standard" and "Enterprise Accounting System".

## 3. Connected transactions

The connected transactions during the period of this report between the Company and the Parent Company and its subsidiaries were just, fair and lawful, and did not impair the interests of the Company.

## 4. Fairness of Assets Acquisition

In October 2004, the Company entered into the Southland Coal Mine Asset Sale Agreement with the receivers and managers and the liquidators of Southland Coal Pty Limited in Australia, pursuant to which the Company would acquire the entire Southland Coal Mine owned by Southland Coal Pty Limited. The aggregate consideration for the agreement is AUD32 million.

The Company has completed all asset transfer of Southland Coal Mine by 24th December, 2004. The consideration for the acquisition was objective and fair. The agreement is fair and reasonable, does not in contravention of the principles of integrity, fairness and equity and does not prejudice the interests of the Company and all the Shareholders.

## 5. Usage of Raised Funds

The explanation of the Board to the usage of the raised funds is objective and true. The usage of the raised funds is reasonable and normative. The projects actually invested by the funds are consistent with the projects undertaken to be invested.

Meng Xianchang

*Chairman of the Supervisory Committee*

Zoucheng, PRC, 25th April, 2005