SUPPLEMENTAL INFORMATION

I. SUMMARY OF DIFFERENCES BETWEEN IFRS AND PRC GAAP

The consolidated financial statements prepared under IFRS and those prepared under PRC GAAP have the following major differences:

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

(ii) reversal of the Work Safety Cost provided but not yet ultizing for the enhancement of safety production environment and facilities, which is charged as expenses when provided under PRC GAAP;

(iii) negative goodwill arising under IFRS for the acquisition of Jining III was 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 prior to January 1, 2005. No negative goodwill is recognized under PRC GAAP;

(iv) the installments payable to the Parent Company for the acquisition of Jining III have been stated at present value discounted using market rates under IFRS while under PRC GAAP, the installments payable are stated at gross amounts. Accordingly, deemed interest expense arises on the installments payable to the Parent Company under IFRS and no such interest expenses are recognized under PRC GAAP;

(v) write off pre-operating expenses capitalized in a subsidiary of the Company as a long term asset under PRC GAAP;

(vi) reversal of amortization of goodwill under PRC GAAP, which is not amortized but instead tested for impairment at least annually under IFRS from January 1, 2005 onwards; and

(vii) recognition of a deferred tax asset/liability under IFRS 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 bases of existing assets and liabilities.

I. SUMMARY OF DIFFERENCES BETWEEN IFRS AND PRC GAAP (Continued)

The following table summarizes the differences between IFRS and PRC GAAP:

	Net income attributable to the equity holders of the Company for the year ended December 31,			Net assets attributable to equity holders of the Company as at December 31,	
	2005 RMB'000	2004 RMB'000	2003 RMB'000	**2005 RMB'000**	2004 RMB'000
As per consolidated financial statements prepared under IFRS	**2,881,461**	3,154,317	1,386,686	**17,618,577**	15,523,751
Impact of IFRS adjustments in respect of:					
– transfer to future development fund which is charged to income before income taxes under PRC GAAP	**(381,208)**	(331,548)	(259,674)	**(269,945)**	(96,669)
– reversal of Work Safety Cost	**(238,600)**	(204,668)	–	**(443,268)**	(204,668)
– release of negative goodwill to income	**–**	(27,620)	(27,620)	**(138,101)**	(110,480)
– deemed interest expenses	**3,858**	4,550	5,261	**113,220**	109,362
– write-off of pre-operating expenses of a subsidiary	**121,801**	–	–	**121,801**	–
– reversal of goodwill amortisation	**(15,006)**	–	–	**(15,006)**	–
– deferred tax effect on temporary differences not recognized under PRC GAAP	**123,175**	111,976	(65)	**146,279**	23,104
– others	**–**	778	777	**8,070**	8,071
As per consolidated financial statements prepared under PRC GAAP	**2,495,481**	2,707,785	1,105,365	17,141,627	15,252,471

Note: There are also differences in other items in the consolidated financial statements due to differences in classification between IFRS and PRC GAAP.

II SUMMARY OF DIFFERENCES BETWEEN IFRS AND US GAAP

The consolidated financial statements are prepared in accordance with IFRS, 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 cost bases of property, plant and equipment and land use rights and related adjustments to deferred taxation.

Under IFRS, the acquisitions of Jining II, Jining III and the Railway Assets have been accounted for using the purchase method which accounts for the assets and liabilities of Jining II, Jining III and the 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. Prior to January 1, 2005, such goodwill was amortized over a period of ten to twenty years. Subsequent to January 1, 2005, such goodwill is tested for impairment at least annually. Prior to January 1, 2005, any excess of the fair value of the net assets acquired over the purchase consideration is recorded as negative goodwill, which was presented as a deduction from the assets of the Group in the consolidated balance sheet. Such negative goodwill was released to the statement of income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets. The carrying amount of negative goodwill has been de-recognized and adjusted to the opening retained earnings at January 1, 2005.

Under US GAAP, as the Group, Jining II, Jining III, the Railway Assets and Heze are entities under the common control of the Parent Company, the assets and liabilities of Jining II, Jining III, the Railway Assets and Heze 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, the Railway Assets and Heze acquired and the purchase price paid is recorded as an adjustment to shareholders' equity.

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 Heze using the pooling of interest method on the net income under US GAAP for the year ended December 31, 2004 and 2003 is as follows:

	Year ended December 31, 2004 RMB'000	2003 RMB'000
Net income		
As previously reported	3,272,478	1,499,249
Pooling of interest adjustment		
Net loss from Heze	(8,586)	–
As restated	3,263,892	1,499,249

II SUMMARY OF DIFFERENCES BETWEEN IFRS AND US GAAP (Continued)

Under IFRS, the mining rights of Jining III are stated at purchase consideration less amortization. Mining rights are amortized on a straight line basis over twenty 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 have 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 IFRS, property, plant and equipment and prepaid lease payments have been stated based on their respective fair values at the date of acquisition even for cases involving transaction between entities under common control. The fair value amount becomes the new cost basis of the assets of the Company formed from the reorganization and depreciation is based on such new basis. Under US GAAP, when accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or equity interests shall initially recognize the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. Accordingly, property, plant and equipment and prepaid lease payments are restated at the historical cost and no additional depreciation on the fair value amounts will be recognized under US GAAP. However, a deferred tax asset relating to the difference in cost bases between the fair value at the date of acquisition and historical cost is required to be recognized under US GAAP and the tax bases of the assets are the fair value amount at the date of acquisition.

Under IFRS, the acquisition of Yanmei Shipping has been accounted for using purchase method which accounted for the assets and liabilities of Yanmei Shipping at their fair value at the date of acquisition. The excess of the purchase consideration over the value of the net assets acquired is capitalized and amortized over a period of ten years prior to January 1, 2005. No further difference in this treatment of goodwill are identified from January 1, 2005 onwards. Under US GAAP, goodwill is not amortized but instead tested for impairment at least annually.

II SUMMARY OF DIFFERENCES BETWEEN IFRS AND US GAAP (Continued)

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

	Year ended December 31,		
	2005 RMB'000	2004 RMB'000	2003 RMB'000
Income attributable to the equity holders of the Company as reported under IFRS	**2,881,461**	3,154,317	1,386,686
US GAAP adjustments:			
Additional depreciation charged on fair valued property, plant and equipment and prepaid lease payments	**187,885**	187,418	188,191
Additional deferred tax charge due to a higher tax base resulting from the difference in cost bases of property, plant and equipment and prepaid lease payments and capitalization of mining rights	**(64,188)**	(64,034)	(64,289)
Amortization of negative goodwill on acquisition of Jining III	**–**	(27,620)	(27,620)
Amortization of mining rights of Jining III	**6,624**	6,624	6,624
Amortization of goodwill arising on acquisition of Jining II	**–**	777	777
Amortization of goodwill arising on acquisition of the Railway Assets	**–**	13,880	8,880
Amortization of goodwill arising on acquisition of Yanmei Shipping	**–**	1,116	–
Loss of Heze included in the Group using the pooling of interest method	**(17,071)**	(8,586)	–
Income under US GAAP	**2,994,711**	3,263,892	1,499,249
Earnings per share under US GAAP, Basic and diluted	**RMB0.61**	RMB0.69	RMB0.33
Earnings per ADS under US GAAP Basic and diluted	**RMB30.44**	RMB34.40	RMB16.32

II SUMMARY OF DIFFERENCES BETWEEN IFRS AND US GAAP (Continued)

	At December 31,	
	2005	2004
	RMB'000	RMB'000
Equity attributable to the equity holders of the Company as reported under IFRS	**17,618,577**	15,523,751
US GAAP adjustments:		
Difference in cost bases of property, plant and equipment and prepaid lease payments	**(2,561,032)**	(2,561,032)
Additional depreciation/amortization charged on fair valued property, plant and equipment and prepaid lease payments	**1,500,823**	1,312,938
Additional deferred tax asset due to a higher tax base resulting from the difference in cost bases of property, plant and equipment and prepaid lease payments	**349,869**	411,871
Goodwill arising on acquisition of Jining II	**(10,106)**	(10,106)
Negative goodwill arising on acquisition of Jining III, net	**–**	27,621
Mining rights of Jining III	**(99,359)**	(105,983)
Additional deferred tax asset due to a higher tax base resulting from capitalization of mining rights	**32,788**	34,974
Goodwill arising on acquisition of Railway Assets	**(97,240)**	(97,240)
Amortization of goodwill on acquisition of Yanmei Shipping	**1,116**	1,116
Net assets of Heze incorporated under pooling of interest		
– current assets		442,355
– property, plant and equipment, net		192,963
– current liabilities	**–**	(44,292)
– minority interests	**–**	(25,592)
	–	565,434
Consideration payable on acquisition of Heze	**–**	(584,008)
Goodwill arising on acquisition of Heze	**(35,645)**	–
Shareholders' equity under US GAAP	**16,699,791**	14,519,336

Under US GAAP, the Group's total assets would have been RMB20,189,379,000 and RMB17,379,062,000 at December 31, 2005 and 2004, respectively.

II SUMMARY OF DIFFERENCES BETWEEN IFRS AND US GAAP (Continued)

Details of effect of recent accounting pronouncements in the US GAAP are as follows:

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 123 (revised 2004) ("SFAS No. 123-R"). "Share-Based Payment", which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation". SFAS No. 123-R supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". Generally, the approach in SFAS No. 123-R is similar to the approach described in SFAS No. 123. However, SFAS No. 123-R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on the grant-date fair values. Pro forma disclosure previously permitted under SFAS No. 123 is no longer an alternative. The new standard, as recently amended, will be effective for the Group in the annual reporting period beginning after January 1, 2006. Under SFAS No. 123-R, the Group could elect the modified prospective or modified retroactive option for transition on the adoption of this new standard. Under the modified retroactive option, prior periods are adjusted on a basis consistent with the pro forma disclosures previously required for those periods by SFAS No. 123. Under the modified prospective option, compensation expense for all unvested stock options must be recognized on or after the required effective date based on the grant-date fair value of those stock options. The Group does not issue stock options and therefore the adoption of SFAS No. 123-R did not have material impact on the Group's financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs — an amendment of ARB No. 43, Chapter 4". SFAS No. 151 clarifies the accounting that requires abnormal amounts of idle facility expenses, freight, handling costs, and spoilage costs to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for inventory costs incurred on or after July 1, 2005. The Group adopted SFAS No.151 on July 1, 2005 and it did not have a material effect on the Group's financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29" ("SFAS 153"), which amends Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions" to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. The Group does not anticipate that the adoption of this statement will have a material effect on the Group's financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements — An Amendment of APB Opinion No. 28." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Group does not anticipate that the adoption of this statement will have a material effect on the Group's financial position or results of operations.