

Report of Board of Directors

The Board is pleased to submit the Report of the Board of Directors of Year 2006 together with the audited financial statements of the Company for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in underground coal mining, preparation and processing, sales, and railway transportation of coal.

FINANCIAL HIGHLIGHTS

A summary of the results of the Company, the assets and liabilities of the Company and the cash flow of the Company for each of the five years ended 31st December, 2006, 2005, 2004, 2003 and 2002, which are prepared in accordance with the International Financial Reporting Standards (“IFRS”), are set out in the section headed “Financial Highlights” of this report.

PROPOSED PROFIT APPROPRIATION

The profit appropriation of the Company for the year ended 31st December, 2006 as proposed by the Board is as follows:

(Prepared in accordance with PRC GAAP)	RMB'000
Net Profit	1,749,341
Unappropriated profits at the beginning of year	5,843,972
Appropriation to statutory surplus reserve	175,821
Distributable profits	7,417,492
Dividends payable – annual cash dividends for previous year as approved at the annual general meeting	1,082,048
Unappropriated profits at the end of year of which: Proposed cash dividends after the date of the balance sheet	6,335,444 983,680

The proposed profit appropriation will be presented to the Shareholders for approval at the forthcoming 2006 annual general meeting of the Company (the “2006 AGM”).

Pursuant to the articles of association of the Company (the “Articles”), the Company’s financial statements should be prepared according to the PRC GAAP and laws and regulations as well as the IFRS and the accounting standards of the places in which its shares are listed. For the purpose of determining the dividends payable to the Shareholders in a relevant year, the lower of the profits after taxation in the financial statements prepared according to these two accounting standards will be applied for the relevant year. For this purpose, audited profits after taxation in accordance with the PRC GAAP will be applied to determine the proposed cash dividends after the date of balance sheet for the year 2006.

DIVIDENDS

The Directors have decided to propose at the 2006 AGM a payment of cash dividends for the year 2006 of RMB983.7 million (tax included) or RMB0.200 (tax included) per share, which includes (1) a cash dividend for the year 2006 of RMB590.2 million (tax included) or RMB0.120 (tax included) per share in accordance with the Company’s persistent dividend policy, and (2) a special cash dividend for the year 2006 of RMB393.5 million (tax included) or RMB0.080 (tax included) per share. Subject to approval by the Shareholders at the 2006 AGM, the above dividends will be declared and paid to all Shareholders within two months after the 2006 AGM (if so approved).

Pursuant to the Articles, cash dividends payable to the Shareholders shall be calculated and declared in RMB. Cash dividends payable to holders of the Company’s domestic shares shall be paid in RMB, while cash dividends payable to holders of the Company’s H shares shall be paid in Hong Kong dollars.

Report of Board of Directors (Cont'd)

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and services attributable to the Company's five largest suppliers was less than 30% of the total purchase of its commodities for 2006.

Net sales to the Company's five largest domestic customers accounted for less than 30% of the Company's net sales in 2006.

As far as the Directors are aware, neither the Directors, their associates, nor Shareholders who own more than 5% of the Company's share capital had any right and interest in the five largest customers of the Company as at 31st December 2006.

INTEREST CAPITALIZATION

No interest has been capitalized by the Company during the year ended 31st December 2006.

RESERVES

Details of changes in the reserves of the Company for the year ended 31st December, 2006 and details of the distributable reserves of the Company as at 31st December, 2006 are set out in Note 34 to the financial statements prepared in accordance with the IFRS contained herein.

BORROWINGS

Details of the borrowings are set out in Note 33 to the financial statements prepared in accordance with the IFRS contained herein.

NET VALUE OF PROPERTY, PLANT AND EQUIPMENT

Details of movements in net value of property, plant and equipment of the Company during the year ended 31st December, 2006 are set out in Note 25 to the financial statements prepared in accordance with the IFRS contained herein.

EMPLOYEES' PENSION SCHEME

Details of the Company's employees' pension scheme are set out in Note 40 to the financial statements prepared in accordance with the IFRS contained herein.

ON-GOING CONNECTED TRANSACTIONS

The on-going connected transactions between the Company and Yankuang Group for the year 2006 included the following three aspects.

1. On-going Supply of Materials and Services

The on-going supply of materials and services between the Company and Yankuang Group are executed in accordance with Provision of Materials and Water Supply Agreement, Provision of Electricity Agreement, Provision of Labor and Services Agreement, Provision of Equipment Maintenance and Repair Works Agreement and Provision of Products and Materials Agreement entered into between the Company and Yankuang Group on 10th January, 2006, with an effective term for each of these agreements mentioned above from 1st January, 2006 to 31 December, 2008. These agreements and the respective annual caps of such transactions for the year 2006 to 2008 have been approved by the independent Shareholders on 24th March, 2006.

Details of the on-going connected transactions are set out in the Announcement on Continuing Connected Transactions of Yanzhou Coal Mining Company Limited published in the domestic China Securities Journal and Shanghai Securities News; and Wen Wei Po and South China Morning Post of Hong Kong on 11th January, 2006 and the Circular dated 1st February, 2006, which is posted on the websites of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.

Report of Board of Directors (Cont'd)

Details of on-going supply of materials and services between the Company and Yankuang Group for the year 2006 are shown in the following table.

No.	Types of Connected Transaction	Agreement	Annual cap for the year 2006 (RMB'000)	transactions for the year 2006 (RMB'000)
Expenditure				
A	Materials and water purchased from Yankuang Group	Provision of Materials and Water Supply Agreement	535,200	458,509
B	Fuel and power purchased from Yankuang Group	Provision of Electricity Agreement	380,000	349,095
C	Labor and services provided by Yankuang Group	Provision of Labor and Services Agreement	854,700	805,205
D	Maintenance and repair services provided by Yankuang Group	Provision of Equipment Maintenance and Repair Works Agreement	280,000	246,841
E	Products and materials sold to Yankuang Group	Provision of Products and Materials Agreement	2,850,000	1,566,100

2. Mining Rights Fee

Upon approval by the relevant state-owned assets management and coal industry management authorities when the Company was incorporated, and pursuant to the Mining Right Agreement in October, 1997 and its supplemental agreement in February, 1998 entered into between the Company and Yankuang Group, the Company shall pay RMB12.98 million per year to Yankuang Group as mining rights fee of Nantun Coalmine, Xinglongzhuang Coalmine, Dongtan Coalmine, Baodian Coalmine and Jining II Coalmine (the "Five Coalmines"), all of which were owned by the Company when incorporated. Yankuang Group was commissioned to collect the mining rights fee for ten years since 1997. If there are any applicable new regulations governing the payment of mining rights fee promulgated by the State after the ten years, such regulations will apply.

During this reporting period, the Company paid the mining right fee for the Five Coalmines of RMB12.98 million to Yankuang Group.

In September, 2006, the State Council approved the Implementation Proposal on Pilot Reform for Promoting System for Paid Use of Coal Resources jointly issued by the Ministry of Finance, the Ministry of Land & Resources and the National Development and Reform Commission, which stipulates that if any enterprise which uses coal mining rights provided by the State without consideration, it shall pay for such mining rights upon completion of evaluation of the remaining resource reserve. Shandong Province is one of the pilots designated for paid use of mining rights. As at this reporting date, detailed implementation rules regarding paid use of coal mining rights of Shandong Province have not been issued.

All other coal mines owned by the headquarters and the subsidiaries of the Company are all in paid use.

Report of Board of Directors (Cont'd)

3. Payment of Pension Fund

Pursuant to the Provision of Administrative Services for Pension Fund and Retirement Benefits Agreement entered into between the Company and Yankuang Group dated 10th January, 2006, Yankuang Group undertakes to be responsible for the management of the pension insurance fund to employees and payments of pension and other benefits to retirees of the Company (the "Endowment Insurance Fund") on a free of charge basis and such transaction constitutes an exempt continuing connected transaction which has been approved by the Board. The annual amount for the Endowment Insurance Fund for the year 2006 paid by the Company as approved at the Fourth Meeting of the Third Session of the Board on 4th March, 2006 was RMB 605 million. The amount actually paid by the Company was RMB640.62 million, with an excess of RMB 35.62 million approved by the Board on 20th April, 2007.

The Company's independent non-executive Directors have reviewed the on-going connected transactions in the year 2006 and confirmed that: (1) all such connected transactions have been: (a) entered into by the Company in the ordinary and usual course of its business; (b) conducted either on normal commercial terms, or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from any independent third parties; and (c) entered into in accordance with the relevant governing agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; (2) the value of the connected transactions in respect of the on-going supply of materials and services stated under "1. On-going Supply of Materials and Services" above has not exceeded the annual cap for the year 2006 approved by independent Shareholders on 24th March, 2006.

Pursuant to Rule 14A.38 of the Hong Kong Listing Rules, the Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the on-going connected transactions of the Company. The auditors have reported their factual findings on these procedures to the Directors.

ACQUISITION OF CONNECTED ASSETS

Ming Right Consideration for Jining III Coalmine

Pursuant to the Jining III Coalmine Acquisition Agreement entered into between the Company and Yankuang Group in 2000, the consideration for the mining rights of Jining III Coalmine is approximately RMB132.5 million, which shall be paid to Yankuang Group in ten equal installments, free of interest and has commenced since 2001. As for 2006, the Company paid RMB13.248 million to Yankuang Group.

Acquisition of Equity Interest of Shanxi Nenghua

As reviewed and approved at the second extraordinary general meeting of 2006 dated 10th November, 2006, the Company contributed RMB733.34 million out of its own fund in acquisition of 98% equity interest in Shanxi Nenghua from Yankuang Group. Upon approval in the daily operation meeting by the general managers on 9th January, 2007, the Company contributed RMB14.966 million out of its own fund in acquisition of the remaining 2% equity interest in Shanxi Nenghua from Lunan Fertilizer Plant, a subsidiary wholly owned by Yankuang Group. Till the disclosure date, the company had already completed all the procedures on equity transferring.

Shanxi Nenghua holds 81.31% equity interest in Shanxi Heshun Tianchi Energy Company Limited ("Tianchi Company"), which is mainly responsible for the production and operation of Tianchi Coalmine. Tianchi Coalmine was put into operation in November 2006. Shanxi Nenghua holds 99.85% equity interest in Shanxi Tianhao Chemicals Company Limited ("Tianhao Company"), which mainly undertakes the construction and operation of a 100,000 tonnes methanol project. The methanol project is still under the construction.

For details of the acquisition, please refer to the Announcement on Connected Transaction of Yanzhou Coal Mining Company Limited published in the domestic China Securities Journal and Shanghai Securities News; Wen Wei Po and South China Morning Post in Hong Kong by the Company on 21st August, 2006, and the Circular dated on 7th September 2006 regarding the acquisition of Shanxi Nenghua, which is posted on the websites of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.

Report of Board of Directors (Cont'd)

Acquisition of Mining Right of Zhaolou Coalmine

The Company acquired 95.67% equity interest in Heze Nenghua from Yankuang Group in December 2005. Pursuant to the related acquisition agreements, Heze Nenghua has the right to purchase mining rights from Yankuang Group at any time within 12 months from the grant of the mining rights of Zhaolou coalmine to Yankuang Group.

Yankuang Group has been granted the mining right certificate of Zhaolou Coalmine by the Ministry of Land and Resources on 28th June, 2006. The Company has started preliminary work for the acquisition of the mining rights of Zhaolou Coalmine pursuant to the terms of the relevant agreements, and the Company will make a public announcement on the acquisition as and when appropriate. Construction of Zhaolou Coalmine is expected to be completed in 2008.

HOUSING SCHEME

According to the Provision of Labour and Services Agreement entered into between the Company and Yankuang Group, which is set out in the paragraph headed "1. On-going Supply of Materials and Services" of the section headed "On-going Connected Transactions", Yankuang Group is responsible for providing accommodation to its employees and the employees of the Company. The Company and Yankuang Group share the incidental expenses relating to the provision of such accommodation on a pro-rata basis based on their respective number of employees and mutual agreement. Such expenses amounted to RMB37.2 million and RMB86.2 million in 2005 and 2006, respectively.

Commencing from 2002, the Company paid to its employees a housing allowance, which is based on a fixed percentage of employees' wages, for their purchase of residences. As for the year 2006, the employees' housing allowances paid by the Company amounted to RMB165.6 million in total.

Details of the housing scheme are set out in Note 41 to the financial statements prepared in accordance with the IFRS contained herein.

SUBSTANTIAL CONTROLLED COMPANIES OR JOINT-STOCK COMPANIES OF THE COMPANY

Name of Company	Nature of Business	Main Products or Services	(RMB'000)			
			Registered Capital	Registered capital contributed by the Company	Total asset as at 31st December, 2006	Net profit for the year 2006
Zhong Yan Trading Co., Ltd. of Qingdao Bonded Area	International trade	International trade, product processing, commodity exhibition, and storage	2,100	1,100	13,886	1,825
Shandong Yanmei Shipping Co., Ltd.	Goods transportation	River shipping, sales of coal and other products	5,500	5,060	33,943	9,174
Yanzhou Coal Yulin Neng Hua Co., Ltd.	Energy and chemicals	Mainly undertaking the construction and operation of the 0.6Mt Methanol Project and 0.2Mt Acetic Acid Project	800,000	776,000	1,450,238	-29,024
Yancoal Australia Pty Limited	Investment management	Mainly undertaking management of project invested in Australia by the Company	AU\$64 million	AU\$64 million	RMB 1,415,452	-255,134
Yanmei Heze Neng Hua Co., Ltd.	Energy	Development of coal resource in Juye coalfield	600,000	574,000	922,702	-17,475
Yanmei Shanxi Neng Hua Co., Ltd.	Investment management	Mainly undertaking management of the project invested in Shanxi province by the Company	600,000	600,000	979,265	-8,755

Report of Board of Directors (Cont'd)

DISCLOSURE OF SIGNIFICANT EVENTS

Implementation of Share Reform Plan

The share reform plan was executed on 31st March, 2006 by the Company (the "Share Reform Plan"). Yankuang Group, as the only non-tradable Shareholder of the Company, has paid a consideration of 2.5 non-tradable shares for every 10 shares held by each holder of A shares whose name appeared on the register of members of A share on 30th March, 2006. The original non-tradable shares held by the Yankuang Group were floated since 3rd April, 2006.

The financial indicators of the Company including assets, liabilities, ownership interest, total share capital and net profit remain unchanged upon implementation of the share reform plan.

Special undertakings made by Yankuang Group and the performance of the undertakings are as follows:

Special Undertakings	Performance of Undertakings
(1) The original non-tradable shares of the Company held by Yankuang Group shall not go public for dealings within forty-eight months from the date of execution of the share reform plan.	The original non-tradable shares of the Company held by Yankuang Group have not been traded.
(2) Yankuang Group will, in accordance with the relevant governmental procedure, assign part of its operations including coal and electricity operations together with new projects which are in line with the Company's development strategies in 2006 and support the Company in such implementation of assignment to enhance the operating results of the Company and minimize connected transactions and competition between Yankuang Group, and the Company. The Company will be invited to invest in a coal liquefaction project which is being developed by Yankuang Group for co-development.	Yankuang Group has assigned part of its coal operations to the Company. Please refer to the section headed "Acquisition of Connected Asset" for details of the assignment of this part. Yankuang Group has also started relevant preliminary works for the assignment of other projects, and the Company will make disclosures as and when appropriate in accordance with the supervisory regulations.
(3) All related expenses accrued by the non-tradable shares reform will be borne by Yankuang Group.	The undertaking has been fulfilled.

Adding New Operating Activities and Amendments to the Articles

Upon approval at the first extraordinary general meeting in 2006 on 24th March, 2006, the Company amended the Articles. Details of the amendments to the Articles were published in the *Announcement on the Resolutions Passed at the Fourth Meeting of the Third Session of the Board of Directors* in the domestic *China Securities Journal* and *Shanghai Securities News*, *Wen Wei Po* and *South China Morning Post* of Hong Kong on 11th January, 2006.

Pursuant to approval at the 2005 annual general meeting of the Company on 28th June, 2006, the Company amended the Articles. Details of the amendments to the Articles were published in the Notice of the 2005 Shareholder General Meeting in the domestic *China Securities Journal* and *Shanghai Securities News*; *Wen Wei Po* and *South China Morning Post* of Hong Kong on 9th May, 2006, and the Circular dated 9th May, 2006, which was posted on the websites of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.

Pursuant to approval at the second extraordinary general meeting on 10 November 2006, the Company expanded its scope of operation to include the "production and sales of building materials made from the coal waste", and amended corresponding terms in the Articles. Details of the amendments were published in the *Announcement on the Resolutions Passed at the Sixth Meeting of the Third Session of the Board of Directors* in the domestic *China Securities Journal* and *Shanghai Securities News*; *Wen Wei Po* and *South China Morning Post* in Hong Kong by the Company on 21st August, 2006, and the Circular dated 7th September, 2006 regarding the connected transaction and information on proposed amendments to the Articles, which has been posted on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange of Hong Kong Limited.

Report of Board of Directors (*Cont'd*)

Adjustment of Organization

Upon approval at the seventh meeting of the third session of the Board on 20th September, 2006, the Company cancelled the former project department and established the enterprise development department, information management department and risk management department.

By-election of Director and Appointment of Secretary to the Board, Company Secretary, Authorized Representative and Deputy General Manager

The Board received written resignation from Mr. Chen Guangshui on 20th September, 2006, upon which Mr. Chen resigned his posts as a Director, the Secretary to the Board, the Company Secretary and an Authorized Representative of the Company for reasons of personal work reallocation. Details of Mr. Chen Guangshui's resignation were published in the announcement in the domestic China Securities Journal and Shanghai Securities News; Wen Wei Po and South China Morning Post of Hong Kong on 21st September, 2006.

At the Seventh Meeting of the Third Session of the Board held on 20th September, 2006, Mr. Zhang Baocai was appointed as the Secretary to the Board, Company Secretary and an Authorized Representative of the Company, and was nominated as a candidate for a director by the Board. Mr. Zhang Baocai was elected as Director of the Company at the second extraordinary general meeting of year 2006 on 10th November, 2006.

As at the Fifth Meeting of the Third Session of the Board held on 21st April, 2006, Mr. Qu Tianzhi was appointed as a Deputy General Manager of the Company.

Setting up Shaanxi Yulin Yushuwan Coalmine Company Limited

Upon approval at the operation meeting by the general managers, Contract for China-Foreign Joint Venture of Yulin Yushuwan Coalmine Company Limited was entered into by the Company, Chia Tai Energy Chemical Limited ("Chia Tai Company") and Yushen Coal Company Limited ("Yushen Company") of Yulin City on 16th August, 2006, according to which, the three parties shall jointly contribute and establish Shaanxi Yulin Yushuwan Coalmine Company Limited ("Yushuwan Coalmine Company").

The registered capital of Yushuwan Coalmine Company is contemplated to be RMB480 million. The Company holds 41% equity interest by contributing RMB196.8 million and will account for the investment of Yushuwan Coalmine Company by using the equity method; Chia Tai Company holds 40% equity interest by contributing RMB192 million; and Yushen Company holds 19% of equity interest by contributing RMB91.2 million.

Yushuwan Coalmine Company is responsible for the construction and operation of Yushuwan Coalmine. Yushuwan Coalmine is located in the Yushen coal mining area of Yulin City, Shaanxi Province, with recoverable reserve of 1,246 million tonnes and the main coal products are gas coal and thermal coal. Its designed annual capacity is 8 million tonnes.

In view of the preliminary project approval procedures and construction works being undertaken by Yushen Company, the Company and Chia Tai Company jointly will pay RMB150 million to Yushen Company as compensation upon negotiation by the three parties, of which RMB75.93 million will be paid by the Company in accordance with its corresponding equity proportion, and RMB74.07 will be paid by Chia Tai Company.

The proposal on setting up Yushuwan Coalmine Company was reviewed and approved at the Seventh Meeting of the Third Session of the Board. As at this reporting date, procedures relevant to setting up Yushuwan Coalmine Company are being handled.

Report of Board of Directors (Cont'd)

MATERIAL LITIGATION AND ARBITRATION

On 13th December 2004, the Company made an entrusted loan of RMB640 million to Shandong Xin Jia Industrial Company Limited (the "Entrusted Loan"). The Higher People's Court of Shandong Province arranged and auctioned the 289 million shares held by Lianda Group Limited, the guarantor, in Huaxia Bank Company Limited ("Huaxia Shares") in accordance with the relevant laws on 6th September, 2005 to repay the Company's principal, interest, penalty interest and relevant expenses of the Entrusted Loan (the "Creditor's Rights and Interests"). The final auction price was RMB3.5 per Huaxia Share and the total final auction amount was RMB1,011.5 million. As at the date hereof, the successful bidder of Huaxia Shares is still undergoing the process of qualification review by China Banking Regulatory Commission ("CBRC").

The Company recently aware that while the successful bidder of Huaxia Shares is undergoing the process of qualification review by CBRC, Shandong RunHua Group Company Limited ("RunHua Group"), a private enterprise, started legal proceedings in another action for the transfer of 240 million Huaxia Shares held by Lianda Group Limited. It is reported that the Supreme People's Court judged that 240 million of the 360 million Huaxia Shares held by Lianda Group Limited should be transferred to RunHua Group. In accordance with notice of the Supreme People's Court, the Higher People's Court of Shandong Province also informed the Company that the Entrusted Loan case will be enforced continuously.

The State-owned Asset Supervision and Administration Commission of the State Council and the People's Government of Shandong Province have respectively sent a letter to the Supreme People's Court and have formally requested the Supreme People's Court: (1) to support the Company's proposition, clarify the execution of the Entrusted Loan case as a matter of priority and repay the Company from the auctioned fund through auctioning the Huaxia Shares held by Lianda Group Limited; (2) that Lianda Group Limited shall transfer the Huaxia shares to RunHua Group, such transfer shall be proceeded in accordance with legally approved procedures. The letter also requested that without the asset valuation as well as approvals by the state-owned asset supervision and administration organizations and other related authorities, the Huaxia Shares held by Lianda Group shall not be transferred to RunHua Group so as to avoid loss of great amount of state-owned assets.

In view of the coincidence in the targeted matter in the two actions and that the Company has seized the Huaxia Shares in priority, the Supreme People's Court is mediating between the two law cases, and the People's Government of Shandong Province is also trying to solve the disputes through negotiation by coordinating all related parties, so as to protect the state-owned assets and the interest of the listed company and safeguard the interests of related parties. No clear result is available yet.

Considering the comparatively significant rise in equity value of Huaxia Shares, the Company is confident in enforcing its Creditor's Rights and Interests through disposal of the Huaxia Shares. Any significant progress concerning the Entrusted Loan will be promptly disclosed by the Company.

Save as disclosed above, the Company was not involved in any other significant litigation or arbitration during this reporting period.

MATERIAL CONTRACTS

Besides the agreements related to the disclosure of significant events in the section headed "Report of the Board of Directors", the Company was not a party to any material contract during this reporting period.

Report of Board of Directors (*Cont'd*)

PRE-EMPTIVE RIGHTS

The Articles and the laws of the PRC do not contain any provision for any pre-emptive rights, requiring the Company to offer new shares to the existing Shareholders on a pro-rata basis to their shareholdings.

EXTERNAL GUARANTEES

During this reporting period, no guarantee contracts were executed or are to be executed, and no external guarantees were made by the Company.

Upon approval at the Eighth Meeting of the Third Session of the Board dated 25th October, 2006, the Company intends to extend a guarantee of USD30 million to the Company's wholly-owned subsidiary, Yanmei Australia Pty for the purpose of purchasing mining equipment for Astar coalmine. As of this reporting date, no contract concerning the guarantee has been entered into.

The above information concerning external guarantee by the Company is disclosed according to the relevant PRC (excluding Hong Kong) laws and regulations.

ENTRUSTED LOAN

Entrusted loans that occurred in previous years and continued in this reporting period are set out in the following table. Except for the disclosures made below, the Company currently has no other plans to make entrusted loans.

Report of Board of Directors (Cont'd)

No.	Borrower	Amount of Entrusted Loan	Term of Loan	Annual Interest	Approval Process	Whether there is a provision for devaluation	Whether principal has been paid	Accumulated interest income during this reporting period
1	Shandong Xinjia Industrial Co., Ltd	RMB640 million	From 20th December, 2004 to 19th January, 2005	7%	Reviewed and approved at board meeting on 13th December, 2004	No	No	
2	Yancoal Australia Pty Limited	US\$20 million	From 7th November, 2005 to 7th November, 2007	6.31%	Reviewed and approved at board meeting dated on 28th June, 2005	No	No	
3		US\$20 million	From 13th February 2006 to 7th November, 2007	6.57938%		No	No	
4		US\$20 million	From 6th June, 2006 to 7th November, 2007	6.89438%		No	No	
5		US\$20 million	From 22nd August, 2006 to 7th November, 2007	6.9625%		No	No	
6		US\$5 million	From 31st October, 2006 to 7th November, 2007	6.83063%		No	No	
7		US\$5 million	From 27th November, 2006 to 7th November, 2007	6.7875%		No	No	
8		Yanmei Heze Nenghua Company Limited	RMB30 million	From 3rd July, 2006 to 26th June, 2007		5.85%	Reviewed and approved at the daily operation meeting by the general managers dated 26th June, 2006	No
9	RMB100 million		From 10th August, 2006 to 26th June, 2007	5.85%	No	No		
10	RMB35 million		From 17th October, 2006 to 26th June, 2007	5.85%	No	No		
11	RMB23 million		From 29th November, 2006 to 26th June, 2007	5.85%	No	No		
12	RMB25 million		From 26th December, 2006 to 26th June, 2007	5.85%	No	No		
13	RMB37 million		From 16th January, 2007 to 26th June, 2007	5.85%	No	No		
14	RMB30 million	From 7th March, 2007 to 26th June, 2007	5.85%	No	No			
15	Yanzhou Coal Yulin Nenghua Company Limited	RMB500 million	From 20th October, 2006 to 20th October, 2009	6.30%	Reviewed and approved at the daily operation meeting by the general managers dated 11th September, 2006	No	No	RMB 5,425,000
16	Yanzhou Coal Yulin Nenghua Company Limited	RMB500 million	-	-	Reviewed and approved at board meeting dated on 25th October, 2006 (not executed yet)	No	No	

Report of Board of Directors (Cont'd)

As at the daily operation meeting by the general managers held on 22th January, 2007, Shanxi Nenghua, the Company's wholly owned subsidiary, was approved to extend an entrusted loan of RMB200 million to Tianhao Company, Shanxi Nenghua's controlling subsidiary, with an interest of 6.48% and term of 5 years. As at the date hereof, Shanxi Nenghua has extended an entrusted loan of RMB80 million to Tianhao Company.

The above information concerning entrusted loans is made pursuant to disclosure requirement under the relevant laws of China (excluding Hong Kong).

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 34 to the financial statement prepared in accordance with the IFRS contained herein.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Changes in Share Capital

During this reporting period, the total number of shares of the Company remained unchanged. After the Share Reform Plan was executed by the Company on 31st March, 2006, the changes in share capital of the Company were as follows.

	As at		Unit: shares (Par value per share: RMB1.00)		As at	
	1st January, 2006	(%)	Changes during this reporting period (+/-)	Share Reform	31st December 2006	(%)
1. Shares not listed for public dealings	2,672,000,000	54.33%	-2,672,000,000	-	-	-
Initiation shares	2,672,000,000	54.33%	-2,672,000,000	-	-	-
2. tradable shares with trading moratorium	-	-	2,600,000,000	2,600,000,000	2,600,000,000	52.86%
Initiation shares	-	-	2,600,000,000	2,600,000,000	2,600,000,000	52.86%
3. tradable shares without trading moratorium	2,246,400,000	45.67%	72,000,000	72,000,000	2,318,400,000	47.14%
(1) A-shares	288,000,000	5.85%	72,000,000	72,000,000	360,000,000	7.32%
(2) H-shares	1,958,400,000	39.82%	-	-	1,958,400,000	39.82%
4. Total share capital	4,918,400,000	100.00%	-	-	4,918,400,000	100.00%

As at 31st December, 2006, the Company had a total of 75,733 Shareholders, of which one was the holder of tradable shares with trading moratorium, 75,579 were holders of A shares without trading moratorium and 153 were holders of H shares.

Report of Board of Directors (Cont'd)

Shareholdings of the Top Ten Shareholders and Top Ten Shareholders Holding Tradable Shares of the Company

According to the register of Shareholders as at 31st December, 2006, which was provided by the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Hong Kong Registrars Limited, the top ten Shareholders and the top ten Shareholders holding tradable shares of the Company were as follows:

Name of Shareholder	Class of shares held	(As at 31st December, 2006)	
		Number of shares at the end of this reporting period (shares)	Percentage holding of the total capital of the Company (%)
Yankuang Group Corporation Limited	Tradable shares with trading moratorium	2,600,000,000	52.86
HKSCC Nominees Limited	H Shares	1,953,593,196	39.72
GOLDMAN, SACHS & CO.	A Shares	29,852,945	0.61
CREDIT SUISSE (HONG KONG) LIMITED	A Shares	13,882,129	0.28
Shangzheng 50 Tradable Open Index Securities Investment Fund	A Shares	4,412,288	0.09
Changxin Securities Investment Fund of Value-Adding Dynamic Strategic Stocks	A Shares	3,757,287	0.08
DongFeng Automobile Co., Ltd.	A Shares	3,559,496	0.07
CITIGROUP GLOBAL MARKET'S LIMITED	A Shares	2,859,219	0.06
National Social Security Fund 002 Combination	A Shares	2,810,025	0.06
UBS LIMITED	A Shares	2,337,897	0.05
Yifangda 50 Index Securities Investment Fund	A Shares	1,400,189	0.03

Save as disclosed above, no other Shareholder was recorded in the register kept pursuant to the Securities Law of the People's Republic of China as having an interest of 5% or more of the Company's public shares as at 31st December, 2006.

None of the shares held by Yankuang Group was pledged or restricted or under any trust arrangement during the reporting period under review. It is uncertain as to whether the shares held by other Shareholders as disclosed above were pledged or restricted or under any trust arrangement during the reporting period.

Related party relationships and concert actions among the Shareholders as disclosed above are not known.

As the clearing and settlement agent for the Company's H shares, HKSCC Nominees Limited held the Company's H Shares in a nominee capacity.

Report of Board of Directors (Cont'd)

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2006, no other person (other than a Director, chief executive or supervisor of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (the "SFO").

Name of substantial shareholder	Class of shares	Number of shares held (shares)	Capacity	Type of interest	Percentage in the relevant class of share capital	Percentage in total share capital
Yankuang Group Corporation Limited	Domestic Shares tradable shares with trading moratorium	2,600,000,000 ^(L)	Beneficial Owner	Corporate	87.84%	52.86%
UBS AG	H Shares	200,745,742 ^(L) 6,570,000 ^(S)	Beneficial owner, Person having a security interest in shares and Interest of controlled corporations	Corporate	10.59%	4.22%
JPMorgan Chase & Co.	H Shares	161,082,875 ^(L) (including 3,950,100 ^(P))	Beneficial owner, Investment manager and Custodian corporation/ Approved lending agent	Corporate	8.23%	3.28%
Tradewinds NWQ Global Investors, LLC	H Shares	144,134,550 ^(L)	Investment manager	Corporate	7.36%	2.93%
Credit Suisse Group	H Shares	103,040,677 ^(L) (including 4,988,400 ^(P) 34,023,840 ^(S))	Interest of controlled corporations	Corporate	7%	2.79%
Gandhara Master Fund Limited	H Shares	132,288,000 ^(L)	Investment manager	Corporate	6.75%	2.69%
Templeton Asset Management Limited	H Shares	99,360,000 ^(L)	Investment manager	Corporate	5.07%	2.02%

Notes: The letter "L" denotes a long position. The letter "S" denotes a short position. The letter "P" denotes interest in a lending pool.

Report of Board of Directors (Cont'd)

LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDING OF 10% OR MORE

As at 31st December, 2006, Yankuang Group held 2,600,000,000 shares in the Company, representing 52.86% of the total share capital of the Company.

Yankuang Group, a wholly state-owned enterprise, is a controlling Shareholder of the Company. Its legal representative is Mr. Geng Jiahuai and its registered capital is RMB3,353.388 million. It is principally engaged in coal production, building and building materials, chemical and machinery processing businesses. Its actual controller is the State-owned Assets Supervision and Administration Commission of the People's Government of Shandong Province.

During the reporting period, the Company's controlling Shareholder or its actual controller remained unchanged.

As at 31st December, 2006, HKSCC Nominees Limited held 1,953,593,196 H shares of the Company, representing 39.72% of the total share capital of the Company. HKSCC Nominees Limited is a participant of the Central Clearing and Settlement System and provides securities registrations and trustee services to its customers.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the total share capital of the Company consisted of 4,918,400,000 shares, of which 2,318,400,000 shares were held by the public, representing 47.14% of the Company's total share capital. Among the 2,318,400,000 shares held by the public, 1,958,400,000 of them were H shares, representing 39.82% of the Company's total share capital whereas 360,000,000 were A shares of public float (tradable shares without trading moratorium), representing 7.32% of the Company's total share capital.

Report of Board of Directors (Cont'd)

SHAREHOLDING OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Save as disclosed below, as at 31st December 2006, none of the Directors, chief executive or supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange Limited) ("the Model Code") (which shall be deemed to apply to the Company's supervisors to the same extent as it applies to the Directors).

Name	Capacity	Title	Number of domestic shares held at the beginning of reporting period (shares)	Number of domestic shares held at the end of this repor period (shares)	Reasons for change
Wang Xin	–	Chairman of the Board	0	0	No change
Geng Jiahuai	–	Vice Chairman of the Board	0	0	No change
Yang Deyu	Beneficial Owner	Vice Chairman of the Board and General Manager	16,000	20,000	Share Reform Plan
Shi Xuerang	–	Director	0	0	No change
Chen Changchun	–	Director	0	0	No change
Wu Yuxiang	Beneficial Owner	Director and Chief Financial Officer	16,000	20,000	Share Reform Plan
Wang Xinkun	–	Director and Deputy General Manager	0	0	No change
Zhang Baocai	–	Director and Secretary to the Board	0	0	No change
Dong Yunqing	–	Director	0	0	No change
Pu Hongjiu	–	Independent Non-executive Director	0	0	No change
Cui Jianmin	–	Independent Non-executive Director	0	0	No change
Wang Xiaojun	–	Independent Non-executive Director	0	0	No change
Wang Quanxi	–	Independent Non-executive Director	0	0	No change
Meng Xianchang	Beneficial Owner	Chairman of the Supervisor Committee	16,000	20,000	Share Reform Plan
Song Guo	–	Vice-Chairman of the Supervisor Committee	0	0	No change
Zhang Shengdong	–	Supervisor	0	0	No change
Liu Weixin	–	Supervisor	0	0	No change
Xu Bentai	–	Supervisor	0	0	No change
Jin Tai	–	Deputy General Manager	0	0	No change
Zhang Yingmin	–	Executive Deputy General Manager	0	0	No change
He Ye	–	Deputy General Manager	0	0	No change
Qu Tianzhi	–	Deputy General Manager	0	0	No change
Tian Fengze	–	Deputy General Manager	0	0	No change
Shi Chengzhong	–	Deputy General Manager	0	0	No change
Lai Cunliang	–	Deputy General Manager	0	0	No change
Ni Xinghua	–	Chief Engineer	0	0	No change

All the interests disclosed above represent long position in the shares of the Company.

Report of Board of Directors (Cont'd)

As at 31st December, 2006, the total number of domestic shares of the Company held by the Directors, supervisors and senior management of the Company is 60,000, representing 0.001% of the total share capital of the Company.

As at 31st December, 2006, none of the Directors, chief executive or supervisors of the Company nor their spouses or children under the age of 18 was given the right to acquire shares or debentures of the Company or any associated corporation.

BRIEF BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

WANG Xin, aged 48, an engineering technique application researcher, doctor of engineering technology, is the chairman of the Board and the vice chairman of the Board and the general manager of Yankuang Group. Mr. Wang joined the predecessor of the Company in 1982 and became the vice general manager of Yankuang Group in 2000. He was appointed as the director of the board of directors and vice general manager of Yankuang Group in 2002, and was promoted to be the vice chairman of the board of directors and the general manager of Yankuang Group in 2003. In 2004, he became a director and the chairman of the Board. He graduated from China University of Mining and Technology.

GENG Jiahuai, aged 56, an engineering technique application researcher, is the vice chairman of the Board and the chairman of the board of directors and the party committee secretary of Yankuang Group. During the period from 1985 to 2002, Mr. Geng successively acted as the deputy director of Zibo Mining Bureau, the head of the Safety and Supervision Bureau and the director general of Zibo Mining Bureau. Mr. Geng joined Yankuang Group in 2002 and became the general manager, the vice chairman of the board of directors and the party committee deputy secretary of Yankuang Group. Mr. Geng became the chairman of the board of the directors and the party committee secretary of Yankuang Group in 2003. Mr. Geng became a director of the Company in 2002 and the vice chairman of the Company in 2004. He graduated from Shandong Mining Institute.

YANG Deyu, aged 58, an engineering technique application researcher, is the vice chairman of the Board and the general manager of the Company, and a director of the board of Yankuang Group. Mr. Yang joined the Company's predecessor in 1968 and became the deputy director of Yanzhou Mining Bureau in 1994, and the deputy general manager of the Company's predecessor and the head of the Safety and Supervision Bureau in 1996. Mr. Yang became an executive director and the general manager of the Company in 1997 and the vice chairman of the Board and the general manager of the Company in 2002. Mr. Yang became a director of Yankuang Group in 2004. He graduated from Shandong Mining Institute.

SHI Xuerang, aged 52, a senior engineer, is a director of the Company and deputy general manager of Yankuang Group. From 2001 to 2003, Mr. Shi acted as the deputy general manager of Xinwen Coal Mining Group Company Limited. He joined Yankuang Group as the deputy general manager of Yankuang Group in 2003 and became a director of the Company in 2005. He graduated from Shandong Mining Institute.

CHEN Changchun, aged 54, a senior accountant, is a director of the Company and a director, the chief accountant and the chief legal advisor of Yankuang Group. Mr. Chen joined the Company's predecessor in 1984 and became the chief accountant of Yankuang Group in 1998 and became a director of Yankuang Group in 2004. Mr. Chen became a director of the Company in 2005 and the chief legal advisor of Yankuang Group in 2006. He graduated from Beijing Coal Cadre Institute.

WU Yuxiang, aged 45, a senior accountant, is a director and the chief financial officer of the Company. Mr. Wu joined the Company's predecessor in 1981 and became the chief accountant of the finance department of the Company's predecessor in 1996. Mr. Wu became the Manager of the finance department of the Company in 1997, and was promoted to be a director and the chief financial officer of the Company in 2002. He graduated from Shandong TV University.

WANG Xinkun, aged 54, a senior economist, is a director and the deputy general manager of the Company. Mr. Wang joined the Company's predecessor in 1977. Mr. Wang became the manager of the coal transportation and sales department of the Company in 2000, and the deputy general manager of the Company in 2002. He became a director of the Company in 2004. He graduated from Tianjin University.

Report of Board of Directors (Cont'd)

Zhang Baocai, aged 39, a senior accountant, is a director and the secretary to the Board. Mr. Zhang joined the Company's predecessor in 1989 and acted as the head of the planning and finance department of the Company in 2002. He became a director, the secretary to the Board, the head of the Secretariat of the Board and the head of the information management department of the Company in 2006. Mr. Zhang graduated from Nankai University.

DONG Yunqing, aged 51, a senior administrative officer, is a director and the chairman of the labor union of the Company. Mr. Dong joined the Company's predecessor in 1981 and was the vice chairman of the labor union of Yankuang Group from 2001 to April 2003. Mr. Dong became a director and the chairman of the labor union of the Company in 2002. He graduated from Shandong Mining Institute.

Independent Non-executive Directors

Pu Hongjiu, aged 70, professor-level senior engineer, is an independent non-executive director of the Company. He is the first vice chairman of the China Coal Industry Association and the chairman of Coal Industry Association of China International Association. Mr. Pu was a party group member and the head of disciplinary inspection group in State Administration of Work Safety and State Administration of Coalmine Safety in 2001. He has been the board chairperson of China Coal Academy since 2001 and the first vice chairman of the China Coal Industry Association since 2003. He became an independent non-executive director of the Company in 2005. He graduated from Hefei Mining Institute. He also acts as an independent non-executive director in Shanghai Datun Energy Company Limited and Shenhua Ningxia Coal Mining Group Corporation Limited.

CUI Jianmin, aged 74, a senior auditor and certified accountant, is the independent non-executive director of the Company, a consultant for China Tax Expert Association, and part-time professor for colleges such as Central Finance and Economics University. Mr. Cui had previously been the deputy chief auditor of National Audit Office of the PRC, the chairman of the Association of China Certified Accountant, and a committee member of the 8th National Committee of the Chinese People's Political Consultative Conference. Mr. Cui became an independent non-executive director of the Company in 2002 and he has been a consultant in China Tax Expert Association since September 2004. Mr. Cui graduated from the People's University of China. Mr. Cui also acts as an independent non-executive director both in China Power Co., Ltd.

WANG Xiaojun, aged 52, admitted as a solicitor in England and Wales and Hong Kong, is an independent non-executive director of the Company and a partner of Wang & Co., X. J. in Hong Kong. He was admitted in the PRC, Hong Kong and England and Wales in 1988, 1995 and 1996, respectively. Mr. Wang has worked as a legal adviser in the Hong Kong Stock Exchange and Richards Bulter. He became an independent non-executive Director of the Company in 2002. He graduated from the People's University of China and the Graduate School of the Chinese Academy of Social Sciences and holds a bachelor degree in laws and a master degree in laws. Meanwhile, he also acts as independent non-executive director of the Guangzhou Guangchuan International Company Limited, Hong Kong Concepta Investments Ltd., and Natural Gas Company Limited of Shaanxi Province.

WANG Quanxi, aged 51, professor of Nankai University, is an independent non-executive director of the Company. He is the director of financial management department of Nankai University, the director of Enterprise Research Center of Nankai University and the secretary-general of the Association of Management of Tianjin City. Mr. Wang became the independent non-executive director of the Company in 2004. He graduated from Tianjin Finance and Economics University. Meanwhile, he also acts as independent non-executive director of YinzuBohai Group Co., Ltd.

SUPERVISORS

MENG Xianchang, aged 59, a senior administrative officer, is the chairman of the supervisory committee of the Company and party committee deputy secretary of Yankuang Group. Mr. Meng joined the Company's predecessor in 1981 and was promoted as party committee deputy secretary and a supervisor of the Company's predecessor in 1996, and became the chairman of the supervisory committee of the Company in 1997. He graduated from Shandong Mining Institute.

Report of Board of Directors (Cont'd)

SONG Guo, aged 52, a senior administrative officer, is the vice chairman of the supervisory committee of the Company, and the party committee deputy secretary and the secretary of disciplinary inspection committee of Yankuang Group. Mr. Song was the director of the office of Coal Management Bureau of Shandong Province in 2002. He joined Yankuang Group as secretary of the disciplinary inspection committee in 2002, and became the deputy secretary of party committee of Yankuang Group in 2004 and the vice chairman of the supervisory committee of the Company in 2005. He graduated from Shandong University.

ZHANG Shengdong, aged 50 is a senior accountant, a supervisor of the Company, the deputy chief accountant and the head of the finance department and the finance company preparation department of Yankuang Group. Mr. Zhang joined the Company's predecessor in 1981 and became the deputy chief accountant in 1997. He became a supervisor of the Company in 2002, and the head of the finance department of Yankuang Group in 2006. He graduated from China University of Mining and Technology.

LIU Weixin, aged 56, a senior accountant, is a supervisor of the Company and the vice director of the audit department of Yankuang Group. Mr. Liu joined the Company's predecessor in 1971, and became the vice director of the audit affair office of Yankuang Group in 2001, the chief of the audit department of Yankuang Group in 2003, and the deputy director of audit department of Yankuang Group in 2005. Mr. Liu became a supervisor of the Company in 2002. He graduated from Shandong Youth Cadre Institute.

XU Bentai, aged 48, a senior administrative officer, is an employee supervisor of the Company and the chairman of Jining III Coalmine's labor union. Mr. Xu joined the Company's predecessor in 1978 and became the chairman of Jining III Coalmine's labor union in 1999. He became an employee supervisor of the Company in 2002. He graduated from the Central Communist Party School Correspondence Institute.

SENIOR MANAGEMENT

JIN Tai, aged 55, a senior engineer, is the deputy general manager of the Company. Mr. Jin joined the Company's predecessor in 1968. He became the head of Xinglongzhuang coalmine in 1998, and became the deputy general manager of Yankuang Group in 2000. Mr. Jin became the deputy general manager of the Company in 2004. He graduated from China University of Mining and Technology.

ZHANG Yingmin, aged 53, an engineering technology application researcher, is the executive deputy general manager of the Company and a director of Yankuang Group. Mr. Zhang joined the Company's predecessor in 1971. He became the head of Baodian coalmine in 2000. Mr. Zhang became the executive deputy general manager of the Company in 2002 and the deputy general manager of Yankuang Group in 2003. In 2004, Mr. Zhang became a director of Yankuang Group and the chief of the safety supervision bureau of the Company. He graduated from Tianjin University.

HE Ye, aged 49, a senior engineer, is a deputy general manager of the Company. Mr. He joined the Company's predecessor in 1993. He became the head of Jining II Coalmine in 1999, and became the executive deputy general manager of an industrial company subordinated to Yankuang Group in 2002. Mr. He was promoted to deputy general manager of the Company in 2004. He graduated from Guizhou Institute of Technology.

QU Tianzhi, aged 44, an engineering technique application researcher, is the deputy general manager of the Company. Mr. Qu joined the Company's predecessor in 1985 and became the head of Dongtan coalmine in 2000. He was appointed the deputy general manager of the Company in 2006. He graduated from China University of Mining and Technology.

TIAN Fengze, aged 50, a senior economist, is a deputy general manager of the Company. Mr. Tian joined the Company's predecessor in 1976. He became the head of Beixu coalmine in 1991. Mr. Tian became a deputy general manager of the Company in 2002. He graduated from Beijing Coal Cadre Institute.

SHI Chengzhong, aged 44, a senior engineer, is a deputy general manager of the Company. Mr. Shi joined the Company's predecessor in 1983 and became a deputy chief engineer of Yankuang Group in 2000 and a deputy general manager of the Company in 2002. He graduated from Shandong Mining Institute. Mr. Shi also acts as a director of Guizhou Panjiang Coal Power Company Limited.

Report of Board of Directors (Cont'd)

Lai Cunliang, aged 46, a senior engineer, master in mining engineer, is a deputy general manager of the Company. Mr. Lai joined the Company's predecessor in 1980 and became the head of Xinglongzhuang coalmine of the Company in 2000. Then he became a director and the general manager of Yanmei Australia in 2004. He became a deputy general manager of the Company in 2005. He graduated from China University of Mining & Technology.

NI Xinghua, aged 50, a senior engineer, is the chief engineer of the Company. Mr. Ni joined the Company's predecessor in 1975 and became the deputy chief engineer of Yankuang Group in 2000. He was promoted to chief engineer of the Company in 2002. He graduated from Tianjin University.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the supervisors of the Company and the five highest paid individuals of the Company are set out in Note 14 to the financial statements prepared in accordance with the IFRS contained herein.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31st December, 2006.

ARRANGEMENT TO PURCHASE EQUITY OR DEBT SECURITIES

At no time during the year ended 31st December, 2006, was the Company, its holding company, or any of its subsidiaries involved or a party to any arrangement to enable the Directors or supervisors of the Company to acquire benefits by means of the acquisition of equity or debt securities of the Company or any other body corporate with the exceptions of the A shares held by the Directors, supervisors and senior management of the Company. Details are set out in the section headed "Shareholding of Directors, Supervisors and Senior Management of the Company".

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors of the Company has entered into a service contract with the Company. Under such contracts, each Director will receive a salary and a discretionary year-end bonus, the amount of which shall be recommended by the Board and approved by the Shareholders in general meetings, provided that the total amount of discretionary year-end bonuses paid to the Directors and other employees of the Company (including but not limited to other Directors, supervisors and senior management members of the Company) do not exceed 1% of the aggregate of net profit after taxation and extraordinary losses but before net extraordinary gains for that year.

No Director or supervisor of the Company has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN CONTRACTS

None of the Directors, supervisors or senior management of the Company had a material interest directly or indirectly in any material contract entered into or performed by the Company during the year ended 31st December, 2006.

REPURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During this reporting period, the Company and its subsidiaries did not repurchase, sell or redeem any shares of the Company.

Report of Board of Directors (Cont'd)

IMPACT OF FLUCTUATIONS IN EXCHANGE RATES ON THE COMPANY

China adopts a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies.

Impact of RMB fluctuations on the Company is mainly reflected in (a) income from coal export after conversion into RMB since coal exports of the Company are calculated in US dollar; (b) conversion loss of foreign currency deposit; and (c) the Company's import costs of equipment and fittings.

The Company has no plan to make hedging arrangements for the exchange rates of RMB to foreign currencies.

REMUNERATION POLICY

The remuneration for the Directors, Supervisors and senior management should be proposed to the Board by the Remuneration Committee of the Board. Upon review and approval by the Board, the proposal of remuneration for the Directors and supervisors has to be approved in the Shareholders' general meeting; while the remuneration for the senior management should be reviewed and approved by the Board.

The Company adopts a combined annual remuneration and risk control system as the principal means for assessing and rewarding the Directors and senior management of the Company. The annual remuneration consists of basic salary and benefit income: basic salary is determined according to the operational scale of the Company with reference to the market wages and the income of employees whereas benefit income is determined by the actual operational achievement of the Company. The annual remunerations for the Directors and senior management of the Company are pre-paid on a monthly basis and are cashed after the assessment to be carried out in the following year.

The remuneration policy of the other employees of the Company is principally a position and skill remuneration system, which determines the remuneration of the employees on the basis of their positions and responsibilities and their quantified assessment results. Rewards are linked to the Company's overall economic efficiency.

EMPLOYEES

As at 31st December, 2006, the Company had 39,785 employees, of whom 2,484 were administrative personnel, 1,333 were technicians, 26,548 were directly involved in coal production and 9,420 were supporting staff.

On behalf of the Board

WANG Xin
Chairman

Zoucheng, PRC, 20th April, 2007