



兗州煤業股份有限公司

YANZHOU COAL MINING COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

**ANNUAL RESULTS FOR THE YEAR ENDED
31ST DECEMBER, 2002**

The Board of Directors of Yanzhou Coal Mining Company Limited (the "Company") is pleased to announce the operating results of the Company for the year ended 31st December, 2002:

- The Company's net sales for the year ended 31st December, 2002 was RMB6,356.4 million (approximately US\$770.3 million, or HK\$6,006.8 million), an increase of RMB 1,480.4 million (approximately US\$179.4 million, or HK\$1,398.9 million), or 30.4% as compared with the 2001 net sales of RMB4,876.0 million (approximately US\$597.8 million, or HK\$4,656.6 million). The net sales of coal was increased by RMB1,337.9 million (approximately US\$162.13 million, or HK\$1,264.3 million), or 27.4% to RMB6,213.9 million (approximately US\$753.03 million, or HK\$5,872.1 million) in 2002 from RMB4,876.0 million in 2001. Net income of the railway transportation service was RMB142.5 million (approximately US\$17.27 million, or HK\$134.6 million).
- The Company's net income for the year ended 31st December, 2002 was RMB1,222 million (approximately US\$148.1 million, or HK\$1,154.8 million), an increase of RMB 251.1 million (approximately US\$30.42 million, or HK\$237.2 million), or 25.9% as compared with the 2001 net sales of RMB970.9 million (approximately US\$119.0 million, or HK\$927.2 million).
- In accordance with the Company's consistent dividend policy, the Board of Directors of the Company proposes to declare a final dividend of RMB0.104 (approximately US\$0.0126, or HK0.098) per share (before tax). The dates of the Annual General Meeting (the "AGM") for the year 2002 and the payment of final dividends will be announced by the Company in due course.
- The special purpose coal transportation railway assets (the "Railway Assets"), which was acquired by the Company at the beginning of 2002, transported 27.045 million tonnes of coal in 2002. After the interests on bank borrowings raised in connection to the acquisition of Railway Assets and the enterprise income tax attributable to the income of Railway Assets, the Railway Assets contributed net income of RMB131.8 million (approximately US\$15.97 million, or HK\$124.55 million) to the Company.

The Company has significantly improved its performance in 2002. Net income for the year ended 31st December, 2002 was RMB1,222 million, representing a 25.9% increase over that of 2001.

In 2002, the Company achieved growth in operating results and secured market share in domestic and overseas coal markets, and successfully implemented operating strategies of increasing production and sales of coal, enlarging export volumes and upgrading product quality. The Company has also further improved its marketing system.

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In 2002, the Company's over-all profitability level had increased by the implementation of the following measures regarding the production and sale of coal, such as, further increasing the ratio of clean coal products and optimizing the coal products variety structures; further raising quality management standard in coal production, preparation and transportation which raised the reputation of its products. Its coal product was rated as "Best-selling Brand in China in 2002" by China Market Investigation and Assessment Center. The Company continued to improve the Long-wall Top Coal Caving mining techniques for medium and thick coal seams. The Company strengthened the research and development for the medium and thick coal extraction, enhance the production system and auxiliary facilities. The Company increased capital input to transform production safety facilities and to improve production safety.

At the beginning of 2002, the Company acquired the Railway Assets from the Parent Company. As a result, connected transactions between the Company and the Parent Company had been reduced, and the Company's earnings ability increased as the Company had integrated its coal production, transportation and selling system. In 2002, the Railway Assets transported 27.04 million tonnes of coal. The Railway Assets contributed net income of RMB131.8 million to the Company if the Railway Assets was presented as an operating segment.

The Company's Board of Directors is satisfied with the successful implementation of operating strategies, expansion of the Company's business scale and an increased in profit in 2002. We are optimistic on our future performance.

FINANCIAL HIGHLIGHTS

(prepared in accordance with International Financial Reporting Standards ("IFRS"))

The financial highlights is prepared based on the financial information set out in the audited consolidated statement of income, consolidated balance sheet, and consolidated statement of cash flows in 2002 and 2001, respectively.

OPERATING RESULTS

	Year ended 31st December 2002 (RMB'000)	2001 (RMB'000)
Net Revenue		
Net sales of coal	6,213,901	4,876,010
Domestic Sales	3,413,955	2,599,812
Export	2,799,946	2,276,198
Net Income of Railway Transportation Service	142,471	-
Total Net Sales ⁽¹⁾	6,356,372	4,876,010
Gross Profit	2,993,471	2,063,427
Operating Income	1,866,141	1,421,692
Interest Expenses	(117,929)	(61,519)
Income Before Income Taxes	1,748,212	1,360,173
Net Income	1,221,999	970,945
Earnings per Share	RMB0.43	RMB0.35
Dividend per Share ⁽²⁾	RMB0.104	RMB0.100

Notes (1): Total Net Revenue in 2002 includes net sales of coal and net income of railway transportation service.

(2): Dividend per share of year 2002 represents dividend proposed.

ASSETS AND LIABILITIES

	As at 31st December 2002 (RMB'000)	2001 (RMB'000)
Net Current Assets	2,157,429	1,166,187
Land Use Rights and Net Value of Property, Plant and Equipment	8,895,147	7,851,775
Total Assets	12,924,045	11,182,591
Total Bank Borrowings	1,200,000	-
Shareholders' Equity	9,995,033	9,060,034
Net Asset Value per Share	RMB3.48	RMB3.16
Return on Net Assets (%)	12.23	10.72

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SUMMARY STATEMENT OF CASH FLOWS

	Year ended 31st December 2002 (RMB'000)	2001 (RMB'000)
Net Cash from Operating Activities	2,239,712	1,610,239
Net Increase in Cash and Cash Equivalent	419,367	280,052
Net Cash Flow per Share from Operating Activities	RMB0.78	RMB0.56

OVERVIEW

In 2002, the Company produced 38.43 million tonnes of raw coal, sold 35.05 million tonnes of coal and the railway transportation of coal achieved 27.04 million tonnes. Realized net sales of RMB6,356.4 million, among which net sales of coal was RMB6,213.9 million and net income of railway service was RMB142.5 million, and net income of RMB1,220 million.

In 2002, the Company acquired from the Parent Company the assets of the special purpose coal railway transportation business ("Railway Assets") which provide railway transportation services to the Company and others. Prior to the acquisition, the Company would pay the Parent Company for the railway transportation services provided. The Railway Assets operate as a segment of the Company after the acquisition and impose inter-segment charges for the railway transportation services provided on the sales of coal of the Company. The operating results of the Railway Assets as a segment of the Company are set out in the section headed "Railway Assets".

PRODUCT PRICES AND SALES

The following table sets out the Company's net sales by product category for the years ended 31st December, 2002 and 2001:

	Year ended 31st December						2001	
	2002		Excluding the effects of the acquisition of the Railway Assets					
	Sales volume ('000 tonnes)	Net sales of coal (RMB million)	% of total net sales of coal	Net sales of coal (RMB million)	% of total net sales of coal	Sales volume ('000 tonnes)	Net sales of coal (RMB million)	% of total net sales of coal
Clean coal								
No. 1	422.5	100,131	1.6	95,142	1.6	257.9	56,209	1.2
No. 2	6,086.4	1,245,883	20.0	1,166,298	19.5	3,782.4	715,525	14.7
Domestic	222.8	51,697	0.8	51,227	0.8	282.7	58,491	1.2
Exports	5,863.6	1,194,186	19.2	1,115,071	18.7	3,519.7	657,034	13.5
No. 3	12,369.0	2,300,063	37.1	2,167,851	36.4	11,838.4	2,053,686	42.1
Domestic	3,766.3	694,303	11.2	672,291	11.3	2,692.5	434,522	8.9
Exports	8,602.7	1,605,760	25.9	1,495,560	25.1	9,145.9	1,619,164	33.2
Subtotal for clean coal	18,877.9	3,646,077	58.7	3,429,291	57.5	15,878.7	2,825,420	58.0
Domestic	4,411.6	846,131	13.6	818,660	13.7	3,213.1	549,222	11.3
Exports	14,466.3	2,799,946	45.1	2,610,631	43.8	12,665.6	2,276,198	46.7
Screened raw coal	12,628.6	2,213,372	35.6	2,189,767	36.7	12,169.1	1,785,999	36.6
Mixed coal and others	3,541.5	354,452	5.7	347,146	5.8	2,987.6	264,591	5.4
Total	35,048.0	6,213,901	100.0	5,966,204	100.0	31,035.4	4,876,010	100.0
Including:								
Domestic	20,581.7	3,413,955	54.9	3,355,573	56.2	18,369.8	2,599,812	53.3

The Company has achieved substantial sales increase of coal in 2002 by keeping on carrying out the measure to enlarge sales volume and export volume. The Company sold 35.05 million tonnes of coal in 2002, representing an increase of 4.01 million tonnes, or 12.9%, from 31.04 million tonnes in 2001, among which, sales of export coal was 14.47 million tonnes, representing an increase of 1.80 million tonnes, or 14.2% over that of 2001. The increase in export sales was mainly due to the increase in export of No. 2 clean coal by 2.34 million tonnes and the decrease in export of No.3 clean coal by 0.54 million tonnes. Sales to the domestic market was 20.58 million tonnes, an increase of 2.21 million tonnes, or 12.0%, over that of 2001. The increase in domestic markets was mainly due to the sales increase of No.1 clean coal, No.3 clean coal, raw coal, mixed coal and others by 0.16 million tonnes, 1.07 million tonnes, 0.46 million tonnes and 0.55 million tonnes over that of last year, respectively.

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The following table sets out the Company's product prices for the years ended 31st December, 2001 and 2002:

	2002	Average price (Excluding the effects of the acquisition of the Railway Assets) (RMB per tonne)	2001
	Average price (RMB per tonne)		Average price (RMB per tonne)
Clean coal			
No. 1	237.0	225.2	217.9
No. 2	204.7	191.6	189.2
Domestic	232.0	229.9	222.7
Exports	203.7	190.2	186.7
No. 3 clean coal	186.0	175.3	173.5
Domestic	184.4	178.5	161.4
Exports	186.7	173.9	177.0
Subtotal for clean coal	193.1	181.7	177.9
Domestic	191.8	185.6	170.9
Exports	193.6	180.5	179.7
Screened raw coal	175.3	173.4	146.8
Mixed coal and others	100.1	98.0	88.6
Average price	177.3	170.2	157.1
Average domestic price	165.9	163.0	141.5

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

The average coal price of the Company was RMB177.30/tonne in 2002. After eliminating effects of the acquisition of the Railway Assets, the Company's average price was RMB170.23/tonne, representing an increase of RMB13.12/tonne, or 8.4% as compared with that of 2001, among which the average domestic coal price was RMB163.04/tonne, representing an increase of RMB21.51, or 15.2% as compared with that of 2001. The average export coal price was RMB180.46, representing an increase of RMB0.75, or 0.4% as compared with that of 2001.

The increase in average coal price in 2002 was principally due to: 1. In 2002, the domestic coal price picked up and the prices of all kinds of coal products of the Company were higher than the average annual coal price of the Company in 2001; 2. The sales volume of higher-priced clean coal increased as the Company adjusted its products structures to meet the market demand.

The Company's major export customers are located in East Asian countries and regions, such as Japan and South Korea. The Company's realized net sales of export coal accounted for 45.1% of total net sales in 2002. After eliminating effects of the acquisition of the Railway Assets, the Company's realized net sales of export coal accounted for 43.8% of total net sales in 2002, presenting an decrease of 2.9% over the same period of 2001.

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 2002 were presented as an operating segment.

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 Railway Assets 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 Railway Assets and made payment to the Parent Company through the Company.

After the acquisition of the Railway Assets, the Company bears expenses relating to the Railway Assets for coal products sold on FOB terms. When accounting the Railway Assets as an operating segment, transportation through the Railway Assets is defined 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 are 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. When accounting the Railway Assets as an operating segment, transportation through the Railway Assets is defined as an external transportation and the transportation income less sales tax are included in the transportation service income of the Railway Assets. The cost of such transportation is included as the cost of goods sold of the Company.

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Main operation figures of the Railway Assets as an operating segment are as follows:

Items	2002
I. Net income from Railway Transportation (RMB'000)	529,294
1. Income from Railway Transportation (RMB'000)	534,156
Transportation Volume (tonne)	27,044,733
Freight (RMB/tonne)	19.75
Including:	
(1) Income from External Transportation (RMB'000)	147,333
Transportation Volume (tonne)	8,557,925
Freight (RMB/tonne)	17.22
(2) Income from Internal Transportation (RMB'000)	386,823
Transportation Volume (tonne)	18,486,808
Freight (RMB/tonne)	20.92
2. Sales Tax (RMB'000)	4,862
II. Cost of Railway Transportation (RMB'000)	192,116
1. Cost of External Transportation (RMB'000)	52,990
2. Cost of Internal Transportation (RMB'000)	139,126
III. Contribution to the net income of the Company (RMB'000) (Note)	131,795

Note: After the interests on bank borrowings raised in connection to the acquisition of Railway Assets and the enterprise income tax attributable to the income of Railway Assets.

OPERATING EXPENSES AND COST CONTROL

The following table sets out the Company's principal operating expenses, which are also expressed as percentages of total net sales for the years ended 31st December, 2002 and 2001:

	Year ended 31st December			
	2002 (RMB million)	2001	2002 (% of total net sales)	2001
Net sales				
Net sales of coal	6,213,901	4,876,010	97.8	100.0
Net income of railway transportation	142,471	-	2.2	-
Total net sales	6,356,372	4,876,010	100.0	100.0
Cost of goods sold				
Materials	752,513	643,664	11.8	13.2
Wages and employee benefits	757,532	572,202	11.9	11.7
Electricity	278,407	218,579	4.4	4.5
Depreciation	813,761	784,477	12.8	16.1
Repairs and maintenance	346,290	276,791	5.4	5.7
Land subsidence	232,030	210,939	3.7	4.3
Mining right expenses	19,604	19,604	0.3	0.4
Other transportation fee	43,239	22,632	0.7	0.5
Other manufacturing costs	119,525	63,695	1.9	1.3
Total cost of goods sold	3,362,901	2,812,583	52.9	57.7
Selling, general and administration expenses	1,231,059	759,631	19.4	15.6
Total operating expenses	4,593,960	3,572,214	72.3	73.3

In 2002, total operating expenses were RMB4,594 million, representing an increase by RMB1,021.7 million, or 28.6% from that of 2001. Cost of goods sold and selling, general and administration expenses were increased by 19.6% and 62.1%, respectively, when compared with that in the same period of 2001. Total operating expenses to total net sales reduced to 72.3% in 2002 from 73.3% in 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the audited financial statements of the Company for 2001 and 2002 and the notes thereto included elsewhere in this announcement. Such financial statements have been prepared in accordance with IFRS and include the effects of the Railway Assets, which were acquired at the beginning of 2002. For a discussion of certain differences between IFRS and US Generally Accepted Accounting Principles ("US GAAP"), please refer to note 17 to the financial statements contained herein or the Company's annual report on Form 20-F filed with the Securities and Exchange Commission of United States of America, which will be provided to any shareholder upon written request.

Net sales increased by RMB1,480.4 million, or 30.4%, to RMB6,356.4 million in 2002 from RMB4,876 million in 2001. The net sales of coal was increased by RMB1,337.9 million, or 27.4% to RMB6,213.9 million in 2002 from RMB4,876 million in 2001. Net income of the railway transportation service was RMB142.5 million.

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After excluding the impact of the acquisition of the Railway Assets, the Company realized net sales of coal of RMB5,966.2 million, representing an increase of RMB1,090.2 million, or 22.4%, from RMB4,876 million in 2001. Such increase was principally due to: sales volume of coal was increased by 12.9%, resulting in an increase in net sales of coal by RMB630.4 million; average coal price was increased by 8.4%, resulting in an increase in net sales of coal by RMB459.8 million.

Cost of goods sold and service increased by RMB550.3 million, or 19.6%, to RMB3,362.9 million in 2002 from RMB2,812.6 million of 2001, of which the cost of coal sales was 3,309.9 million, the cost of services provided by the Railway Assets was RMB52.99 million.

After eliminating the effects of the acquisition of the Railway Assets, cost of coal sold increased by RMB497.3 million, or 17.7% to RMB3,309.9 million in 2002 from RMB2,812.6 million in 2001. This was mainly due to the increase in raw coal output, the increased proportion of washed clean coal and the increase in wages. The unit cost of coal sold was RMB94.5, representing an increase of RMB3.9, or 4.3%, compared with RMB90.6 of last year. The main reasons for the variation in the unit cost of coal sold are as follows: i) the adjustment in product structure by increasing the proportion of washed clean coal in sales volume which led to an increase of unit cost of coal sold by around RMB3.3; ii) wages and employee benefits increased following the increase of productivity which resulted in an increase of unit cost by RMB2.9; iii) as the government increased the management and supervision of coal mine production safety, the Company invested approximately RMB40 million to improve production safety, which resulted in an increase in unit cost by around RMB1.1/tonne; iv) raw coal output volume of Jining III coal mine increased by 2.92 million tonnes, which resulted in a decrease of unit cost of coal sold by around RMB0.96/tonne; v) the Company has successfully controlled the cost of production by applying advanced technology and equipment and transforming roof support system and auxiliary transport system to improve productivity. The coal out had increased at same time. As a result, the unit cost reduced by RMB2.4/tonne, partially offsetting effect to the Company by the increase in production cost as mentioned above.

Selling, general and administration expenses was RMB1,231.1 million in 2002, increased by RMB471.5 million, or 62.1%, from RMB759.6 million compared with the same period of last year, among which sales, general and administration expenses of the Railway Assets were RMB65.686 million.

After deducting the acquisition of the Railway Assets, selling, general and administrative expenses of the Company were RMB1,165.4 million, representing an increase of RMB405.8 million or 53.4% as compared with the same period in the previous year. The main reasons were as follows: 1. an increase in pension fund by RMB68.295 million; 2. an increase in wages of the management and employee benefits by RMB88.832 million; 3. an increase in wages surcharge by RMB40.672 million due to the introduction of supplementary medical insurance fund and an increase in wages; 4. increase in provision for bad debt by RMB63.696 million; 5. increase in mineral resources compensation by RMB42.522 million; In addition, the increase in output and sales volume of the Company also led to an selling in sales, general and administrative expenses.

Other operating income reduced by RMB14.167 million, or 12.0%, to RMB103.7 million in 2002 from RMB117.9 million in 2001.

Operating income increased by RMB444.4 million, or 31.3%, to RMB1,866.1 million in 2002 from RMB1,421.7 million in 2001. This was principally due to the increase of net sales.

Interest expenses increased by RMB56.410 million, or 91.7%, to RMB117.9 million in 2002 from RMB61.519 million in 2001. This was principally due to the increase in interest expenses of long-term loan for the acquisition of the Railway Assets.

Before deduction of income taxes, income increased by RMB388 million, or 28.5%, to RMB1,748.2 million in 2002 from RMB1,360.2 million in 2001.

Net income increased by RMB251.1 million, or 25.9%, to RMB1,222 million in 2002 from RMB970.9 million in 2001.

Total assets increased by RMB1,741.4 million, or 15.6%, to RMB12,924 million as at 31st December, 2002 from RMB11,182.6 million as at 31st December, 2001. This was principally due to the acquisition of the Railway Assets and the increase in assets from the Company's production and operation activities.

Total liabilities increased by RMB804 million, or 37.9%, from RMB2,120.1 million as at 31st December, 2001 to RMB2,924.1 million as at 31st December, 2002. This was principally due to the increase in long-term loan for the payment for the acquisition of the Railway Assets.

Shareholders' equity increased by RMB935.0 million, or 10.3%, from RMB9,060.0 million as at 31st December, 2001 to RMB9,995.0 million as at 31st December, 2002. This was principally attributed to the increase in profits arising from the Company's production and operation activities.

LIQUIDITY AND CAPITAL RESOURCES

In 2002, the Company's principal sources of capital were cash flow from operations and loan from the bank. The Company's principal uses of the capital include payment for operating expenses, the acquisition of Jining III coal mine and the Railway Assets and the purchase of property, plants, equipment and payment of shareholders' dividend.

As at 31st December, 2001, the balance of the Company's accounts receivable and notes receivable was RMB802.9 million, an increase of RMB108.6 million, or 15.6% from RMB694.3 million as at 31st December, 2001. That is principally due to the substantial increase of coal sales volume.

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Inventories increased by RMB136.7 million, or 31.1%, to RMB576.6 million as at 31st December, 2002 from RMB439.9 million as at 31st December, 2001. This was principally due to: (i) increases in total production and varieties of coal products, resulting in higher volume of total coal stocks; (ii) the Company increased sales volume transported through the canals, resulting in higher volume of coal in transit.

Prepayment and other current assets reduced by RMB97.2 million or 11.4% to RMB756 million as at 31st December, 2002, from RMB853.2 million as at 31st December, 2001. This was principally due to the decrease in VAT export rebate receivable and provision for land subsidence costs.

Accounts payable and notes payable decreased by RMB33.7 million, or 5.3%, to RMB602.7 million as at 31st December, 2002 from RMB636.4 million as at 31st December, 2001.

Other accounts payable and provisions increased by RMB101.9 million, or 19.1%, to RMB634.8 million as at 31st December, 2002 from RMB532.9 million as at 31st December, 2001, principally due to the increase in provisions, other taxes payable, and employee benefits payable.

Long-term liabilities increased to RMB1,261.3 million as at 31st December 2002 from RMB72.456 million as at 31st December, 2001. This was principally due to the increase in long-term bank loan for the payment of the acquisition of the Railway Assets.

The Company's capital expenditure for the purchase of property, machinery and equipment was RMB728.6 million and RMB837.8 million in 2001 and 2002, respectively.

As at 31st December, 2002, the consideration for the acquisition of Jining III coal mine of RMB2,450.9 million has been settled by the Company with cash in hand of RMB996.1 million and the net proceeds raised from the new issue of A shares and H shares. The consideration for mining right of RMB132.479 million will be paid in ten equal installments without interest each year commencing from 2001. The Company has paid RMB26.496 million for the mining right at the end of this report period.

The Company completed the acquisition of the Railway Assets on 1st January, 2002. The purchase consideration of RMB1,243 million has been settled by the Company at the end of this report period. In accordance with the Railway Assets Acquisition Agreement, when the annual transportation volume of the Railway Assets reaches the volume milestones targets of 25 million tonnes, 28 million tonnes and 30 millions tonnes for the year 2002, 2003 and 2004, respectively, the Company will pay the Parent Company an amount of RMB40 million before 30th June of each year in the three years from 2003. The transportation volume of the Railway Assets in 2002 was 27.04 million and the Company has paid RMB40 million in accordance with the terms stated above.

As at 31st December, 2002, the Company's debt to equity ratio was 12.0%, which was calculated based on the total shareholder's equity and amount of long term bank loan amounting to RMB9,995 million and RMB1,200 million, respectively.

Since 2002, the Company resumes the transfer of future development fund based on a rate of RMB6.0 per tonne of coal, and includes such amount in the future development fund. In addition, the Company transferred an aggregate amount of RMB512.9 million in relation of future development fund for the period from 1999 to 2001 to the future development fund. Such adjustment has no impact on the financial condition and operating result of the Company.

The Company's Board of Directors had recommended a final dividend of RMB298.48 million to be paid out of the Company's cash revenue from operations.

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

The Company is still subject to an income tax rate of 33% on its taxable profits in 2002.

US GAAP RECONCILIATION

The Company's audited financial statements are prepared in compliance with IFRS, which differs in certain respects from US GAAP. Please refer to note 17 to the financial statements contained herein for a description of the differences between IFRS and US GAAP, and the adjusted net income for the year ended 31st December, 2002 and the shareholders' equity as at 31st December, 2002 after reconciliation made in accordance with US GAAP.

OUTLOOK FOR 2003

The coal demand in domestic and overseas markets will maintain stable and coal price is expected to reach last year's average level. The Company aims to have a stable increase in operating results by enlarging sales volume, adjusting products structure and controlling production costs.

The coal supply and demand in domestic market will maintain stable. The Chinese government estimated a 7% or more increase in GDP for 2003. The stable and continuous growth in China's economy, coupled with an increase in coal consumption in electricity power generation, construction and metallurgical industries will increase the domestic demand for coal over that of 2002. On the basis of shutting down small coal mines in the past few years, the Chinese Government will strictly regulate the production permits and production safety of small coal mines. Small coal mines will be closed for safety concerns. Coal production and operation will be further regulated and increase of coal supply will be controlled. Total domestic supply of coal in 2003 will remain as 2002. The demand and supply of coal in the domestic coal market will be in equilibrium and with a stable price.

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Coal has a unique position in energy source in the world. Coking coal is slightly over-demanded while steam coal demand will increase steadily. Coal has a unique position in the world's energy source, with a 44% share of global electricity generation due to its low production cost and stable supply. As the major coal importers being Japan, South Korea and Taiwan district, which make up 75% of total coal import volume in Asia, will continue to increase their demand for power, the demand for thermal coal will continue to increase. We will experience a decrease in thermal coal price in 2003 as compared with 2002 due to competition from coal suppliers. There will be a slight fall in coking coal price although there will be a huge increase in demand as compared to 2002. Due to increases in both demand for and price of coking coal, the semi-soft coking coal will enjoy an increase in demand and its price is expected to maintain stable.

The Iraqi War and the OPEC oil policy will have little impact on the demand and supply of coal and coal prices in the near future. From 1st October, 2003, the Japanese Government will impose import duties on thermal coal. Import duty on thermal coal will be YEN 230/tonne. Such import duty will have little impact on the coal export of the Company.

The Chinese government will continue to encourage coal exporters to enlarge their coal export volume. It is estimated that China's coal export volume in 2003 will exceed 90 million tonnes.

Order volume of coal continues to increase. The Company has so far signed sales contracts and letters of intent for 39.26 million tonnes of coal, which is 4.21 million tonnes or 12.0% higher than the total actual sales volume in 2002, of which approximately 14 million tonnes are planned for export which is approximately the same as the last year.

It is predicted that the coal sales price of the Company in 2003 will be slightly lower than that of 2002. The domestic average coal sale price will remain the same as last year while the export average coal price will be slightly lower than that of 2002.

OPERATING STRATEGIES

Promoting output and sales volumes, and stabilizing export volume. Coal products of the Company enjoy good reputation in domestic and overseas coal markets with great market potentials. In 2003, the Company will further expand its production and sales volumes to meet the demand of electricity and metallurgical customers in coastal areas in China. The coal export volume for 2003 will maintain the same as 2002.

Improving product quality and adjusting products structure. On the basis of an equilibrium in demand and supply, high quality coal products have greater market potentials and are more profitable due to the government's energy policy and increase in consumption in high quality coal products. The Company will continue to utilize more powerful coal washing capacity to increase product quality, and increase the ratio of coal products with higher selling prices in the Company's product structure, such as clean coal.

Upgrading the long-wall top coal caving ("LTCC") technology and improving the mining technology for medium and thick coal seams. The Company's aim is to reach a coal output volume of 40 million tonnes in 2005. By improving the LTCC technology, it is estimated that coal output will reach 40 million tonnes in 2003. One of the key operating strategies of the Company is to maintain its lead in LTCC technology and mining technology for medium and thick coal seams. Based on the present LTCC technique, upgrading the technological equipment to increase the annual output of single working-panel from 3 to 4 million tonnes to 4 to 7 million tonnes and to maintain the lead in LTCC technology. Based on an improved roof support system with 2 rows of pillars used in mining technology for medium and thick coal seams, to transform the hoisting systems, underground transportation systems, and surface coal handling systems; to further improve the mining technology system for medium and thick coal seams. Thus, the Company can enjoy technical advantages for outward development and maintain growth in coal output.

In 2003, the Company will take the following measures to reduce costs: i) increasing production capacity, coal output and production efficiency, and reducing unit cost of production through technological innovation; ii) innovating roof support system, auxiliary transportation system and enlarging bolting net utility, reducing the consumption of materials and reducing labor costs; iii) improving ERP management system, raising management standard and strictly control costs and expenses.

Seeking opportunities for acquisition and exploration of new coal mines. The Company has successfully expanded its operating scale through acquisitions. The Company will make good use of its advantages in technology, market share, management, etc. to seek opportunities in domestic and overseas markets and other businesses to acquire quality coal mines and explore new coal mines. In this way the Company will enhance its profitability level and expand the business scale for sustainable development.

In 2003, the Company will achieve the following object: raw coal output will reach 40 million tonnes with sales volume of 38 million tonnes while the unit costs will be not higher than 2002.

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PROPOSED PROFIT APPROPRIATION

In accordance with the Company's consistent dividend policy, the profit appropriation of the Company for the year ended 31st December, 2002 as proposed by the Board of Directors is as follows:

(Prepared in accordance with PRC GAAP)

	RMB'000
Net income	1,003,115
Unappropriated profits at beginning of year	1,197,704
Appropriation to statutory surplus reserve	100,311
Appropriation to statutory public welfare fund	50,156
Appropriation to statutory surplus reserve and public welfare fund of the subsidiaries	164
Distributable profits	2,050,188
Dividends payable	298,480
Unappropriated profits	1,751,708

The proposed profit appropriation will be presented to the shareholders of the Company (the "Shareholders") for approval at the forthcoming annual general meeting of the Company for 2002.

Pursuant to the Company's Articles of Association, the Company's financial statements should be prepared according to the PRC GAAP as well as the IFRS or the accounting standards and regulations of the places in which its shares are listed. For the purpose of determining the final dividends payable to the Shareholders, the lower of the profits after taxation in these accounting standards will be applied for the relevant year. For this purpose, for the year ended 31st December, 2002, profits after taxation audited in accordance with the PRC GAAP will apply to determine dividends payment. Since listing, the Company has consistently implemented the dividend policy distributing approximately 35% of the Company's net income to the shareholders, after the deduction of statutory reserves for the relevant year.

DIVIDENDS

The directors of the Company have decided to recommend at the forthcoming Annual General Meeting ("AGM") for the year 2002, a payment in cash of a final dividend of RMB298.48 million (before tax) or RMB0.104 (before tax) per share. The dates of the AGM and the payment of final dividends will be announced by the Company in due course. Notice of the AGM, the reply slip and the proxy form will be despatched to the shareholders in due course.

Pursuant to the Company's Articles of Association, dividends payable to the shareholders shall be calculated and declared in Renminbi. Dividends payable to holders of the Company's domestic shares shall be paid in Renminbi, while dividends payable to holders of the Company's H shares shall be paid in Hong Kong dollars. The exchange rate will be the average of the closing exchange rates for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the five working days prior to the announcement of payment of such dividends.

BORROWINGS

The Company entered into a long term borrowing contract (the "Borrowing Contract") with the Bank of China on 3rd December, 2001 and borrowed RMB1.2 billion from the Bank of China on 4th January, 2002. The loan was applied to finance the acquisition of the Railway Assets from the Parent Company.

The interest rate of the loans is 6.21% per annum, subject to adjustment in accordance with the adjustment of statutory interest rate or method of calculation of interest made by the State during the term of the Borrowing Contract. The Loan Period commenced on the date of the signing of the Borrowing Contract and will expire on the date on which the last instalment of principal and interest is paid, which should be no more than 96 months.

CONNECTED TRANSACTIONS

The Company's independent non-executive directors have reviewed the connected transactions set out in notes 14 and 15 to the financial statement contained herein.

HOUSING SCHEME

According to the Materials and Services Supply Agreement dated 17th October, 1997 entered into between the Company and the Parent Company (as amended by a supplemental agreement dated 30th October, 2001), which was disclosed in the Company's combined offering prospectus dated 24th March, 1998 and issued in Hong Kong in connection with the Combined Offering and the announcement and circular of the Company dated 30th October, 2001 and 22nd November 2001, respectively, the Parent Company is responsible for providing accommodation to its employees and the employees of the Company. The Company and the Parent Company 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 RMB30.97 million and RMB37.2 million in 2001 and 2002, respectively.

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Commencing from 2002, the Company paid to its employees a housing allowance which is based on a fixed percentage of employees' wages for their buying of residential houses. In 2002, the employees' housing allowances paid by the Company amounted to RMB129.7 million in total.

DISCLOSURE OF SIGNIFICANT EVENTS

Acquisition of Jining III Coal Mine

The Company acquired Jining III coal mine from the Parent Company on 1st January, 2001. As at 31st December, 2002, the consideration of RMB2,450,905,000 has been settled by the Company.

The consideration of the mining right of Jining III is approximately RMB132.479 million, which shall be paid to the Parent Company in ten equal annual interest free installments, commencing from 2001. As at 31st December, 2002, the Company has paid mining right consideration of RMB26.496 million.

Acquisition of Railway Assets

The Company acquired the Railway Assets from the Parent Company on 1st January, 2002. As at 31st December, 2002, the consideration of RMB1,242,586,000 has been settled by the Company.

During the year ended 31st December, 2002, transport capacity of the Railway Assets reached 27.04 million tonnes. When amounting the Railway Assets as an operating segment, the Railway Assets contributed RMB131.8 million to the Company's net profits during the year ended 31st December, 2002.

Appointment of Directors and Supervisors, election of chairman, vice chairman of the board of directors and chairman of the Supervisory Committee and Appointment of General Manager and other members of the Senior Management

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. At 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 Xuezhai, Zhang Yingmin, Wang Xinkun were appointed as Deputy General Managers; Wu Yuxiang was appointed as the Chief Financial Officer, Ni Xinghua was appointed as Chief Engineer and Chen Guangshui was appointed as the Secretary of the Board.

A meeting of the Board of Directors was held on 8th July, 2002. Two additional Deputy General Managers, Tian Fengze and Shi Chengzhong were appointed.

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 at 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 Company's shares were listed, while also taking into consideration the actual operations of the Company. This is to ensure that the articles could better meet the requirements of domestic/foreign regulators and to improve its practicality. Details of the Revised Bill of the Articles of Association was set out in domestic *Shanghai Security*, and *Wen Wei Po* and *South China Morning Post* of Hong Kong on 5th March, 2002.

EMPLOYEES' BASIC MEDICAL INSURANCE SCHEME

In accordance with the notice of Shandong Provincial People's Government relating to the issue of the "Notice on the Implementation Plan for the Establishment of Cities and Towns Employee Basic Medical Insurance Scheme of Shandong Province" (Lu Zheng Fa [1999] No.94), the "Provisional Rules for Cities and Towns Employee Basic Medical Insurance Scheme of Jining City" (Ji Zheng Fa [2000] No.46) issued by Jining People's Government, the "Implementation Provisions for Employee Medical Insurance of Yanzhou Coal Mining Company Limited" and the "Notice of the Ministry of Finance and the Ministry of Labour Protection relating to Enterprise Supplementary Medical Insurance" (Cai She [2002] No.18) jointly issued by the Ministry of Finance and the Ministry of Labour Protection, the Company established and commenced to implement the employees' basic medical insurance scheme on 1 January, 2002.

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The Company's basic medical insurance scheme comprises basic medical insurance and supplementary medical insurance schemes: 1. basic medical insurance scheme – since the listing of the shares of the Company, a fund of 14% of the total wages of employees ("benefit expenses") was set aside and charged to "Wages and Employees' Benefits" under "Cost of Sale and services provided" and "Selling, General and Administrative Expenses". The employees' medical fees were paid out from the benefit expenses. After the implementation of the basic medical insurance scheme, 8% of the total wages of employees were set aside and charged by the Company as basic medical insurance fund, which was still paid out from the benefit expenses and charged to "Wages and Employee Benefits" under "Cost of Sale and services provided" and "Selling, General and Administrative Expenses", which did not have impact on the earnings of the Company in 2002 as compared to the previous year; 2. supplementary medical insurance scheme – in accordance with the relevant regulations, a supplementary medical insurance fund of 4% of the total wages of employees was set aside by the Company and charged to "Supplementary Medical Insurance" under "Selling, General and Administrative Expenses". In 2002, the Company set aside RMB29.71 million as supplementary medical insurance fund, resulting in a decrease in the net earnings of the Company by RMB19.906 million.

ADJUSTMENT OF ORGANIZATION STRUCTURE

As approved by the meeting of board of directors on 8th July, 2002, the Company has undergone an internal amalgamation. The Company restructured the former 12 functional departments into 7 functional departments, namely the Secretariat of the Board of Directors, Department of Coordination, Department of Human Resources, Department of Financial Planning, Department of Production Technology, Department of Safety Scrutiny and Department of Economic Operation.

As approved by the meeting of the Board of Directors on 29th October, 2002, the Company has established an Audit Committee and an Audit Department. The Audit Committee consists of 5 members, including 3 independent non-executive directors (one is an accounting professional), an external director and an employee director. The head of the Audit Committee is to be selected from the independent non-executive directors. The main duty of the Audit Committee is to audit the Company's internal audit regulations, internal control regulations, financial reporting procedures, financial information and its disclosure on behalf of the Company. The Audit Department is the internal audit organization of the Company.

CONSTRUCTION OF JINING SIHE COAL PORT

The Company's board of directors held a meeting on 11th April, 2003, at which a resolution has been passed to approve the opening of an inland river route connecting Jining III coal mine to the Jinghang Grand Canal by the construction of the Jining Sihe Coal Port which is adjacent to Jining III coal mine.

The handling capacity of the Jining Sihe Coal Port is expected to be 5 million tonnes per year. Its construction consists of two phases. The first phase of this project will mainly include a dock with loading capacity of 1,000 tonnes and a coal stockpile of 180 thousand tonnes. Its handling capacity is expected to be 3 million tonnes per year. It is expected that construction of the first phase of the Jining Sihe Coal Port will commence in April 2003 and will complete in December 2003. Depending on the operation of the first phase of the Jining Sihe Coal Port, the Company may carry out feasibility study on, and the construction of, the second phase of the project.

The Company will use its internal resources to construct the Jining Sihe Coal Port.

After the construction of the Jining Sihe Coal Port, it will create the shortest water transportation route from the Company to the customers along the Jinghang Grand Canal and the Changjiang River, and will provide the following benefits to the Company: (1) improve its business operation system and increase the capacity of its coal transportation; (2) further enhances and develops the Company's coal market along the Jinghang Grand Canal and the Changjiang River; (3) the cost of coal transportation via the Jinghang Grand Canal is lower than railway transportation and seaport transportation and will increase the profitability of the Company; and (4) when the transportation capacity of the Jining Sihe Coal Port reaches its full capacity, it could also provide river transportation service to third parties, creating additional income for the Company.

PURCHASE, REDEMPTION OR SALE OF SHARES

The Company did not purchase, redeem or sell any of its shares during the year ended 31st December, 2002.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Audit Committee of the Board of Directors has been established during the period under review. The details are set out in "Disclosure of significant event" and "Adjustment of Organization Structure" contained herein.

The Directors of the Company are of the view that the Company has complied with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules").

MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the year ended 31st December, 2002.

On behalf of the Board

MO Liqi
Chairman

Zoucheng, PRC, 11th April, 2003

YANZHOU COAL MINING COMPANY LIMITED

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

A results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

ANNUAL RESULTS

The Board of Directors of the Company has the pleasure of presenting the audited annual operating results of the Company and its subsidiary for the year ended 31st December, 2002 prepared in conformity with (I) International Financial Reporting Standards ("IFRS") and (II) the relevant accounting principles and regulations applicable to PRC enterprises ("PRC GAAP").

(I) Financial information under IFRS

CONSOLIDATED STATEMENT OF INCOME

		Year ended December 31, 2002	2001
	NOTES	RMB'000	RMB'000
GROSS SALES OF COAL	4	7,772,315	6,369,649
TRANSPORTATION COSTS OF COAL	4	(1,558,414)	(1,493,639)
NET SALES OF COAL	4	6,213,901	4,876,010
RAILWAY TRANSPORTATION SERVICE INCOME		142,471	-
		6,356,372	4,876,010
COST OF SALES AND SERVICE PROVIDED	5	(3,362,901)	(2,812,583)
GROSS PROFIT		2,993,471	2,063,427
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	6	(1,231,059)	(759,631)
OTHER OPERATING INCOME	7	103,729	117,896
OPERATING INCOME		1,866,141	1,421,692
INTEREST EXPENSES	8	(117,929)	(61,519)
INCOME BEFORE INCOME TAXES		1,748,212	1,360,173
INCOME TAXES	9	(523,148)	(389,228)
INCOME BEFORE MINORITY INTEREST		1,225,064	970,945
MINORITY INTEREST		3,065	-
NET INCOME		1,221,999	970,945
APPROPRIATIONS TO RESERVES		817,187	141,698
DIVIDEND		287,000	235,340
EARNINGS PER SHARE	10	RMB0.43	RMB0.35
EARNINGS PER ADS.	10	RMB21.29	RMB17.29

YANZHOU COAL MINING COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

		2002	At December 31,
	NOTES	RMB'000	2001
			RMB'000
ASSETS			
CURRENT ASSETS			
Bank balances and cash		1,544,173	1,124,806
Restricted cash		51,761	30,000
Bills and accounts receivable	11	802,929	694,252
Investments in securities		88,702	49,997
Inventories	12	576,579	439,882
Prepayments and other current assets		756,019	853,213
Taxes receivable		-	21,674
TOTAL CURRENT ASSETS		3,820,163	3,213,824
MINING RIGHTS		119,231	125,855
LAND USE RIGHTS		618,206	372,020
PROPERTY, PLANT AND EQUIPMENT, NET		8,276,941	7,479,755
GOODWILL		51,660	12,437
NEGATIVE GOODWILL		(82,861)	(110,481)
INVESTMENTS IN SECURITIES		1,760	1,760
DEPOSIT MADE ON ACQUISITION OF INVESTMENTS			
IN SECURITIES		30,138	-
DEFERRED TAX ASSET		88,807	87,421
TOTAL ASSETS		12,924,045	11,182,591
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bills and accounts payable		602,725	636,387
Other payables and accrued expenses		634,790	532,874
Provision for land subsidence, restoration, rehabilitation and environmental costs		83,044	120,196
Amounts due to Parent Company and its subsidiary companies		285,308	757,387
Taxes payable		56,867	793
TOTAL CURRENT LIABILITIES		1,662,734	2,047,637
AMOUNTS DUE TO PARENT COMPANY AND ITS SUBSIDIARY COMPANIES - DUE AFTER ONE YEAR		61,341	72,456
LONG-TERM BANK BORROWING		1,200,000	-
TOTAL LIABILITIES		2,924,075	2,120,093
SHAREHOLDERS' EQUITY		9,995,033	9,060,034
MINORITY INTEREST		4,937	2,464
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,924,045	11,182,591

YANZHOU COAL MINING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31, 2002 RMB'000	2001 RMB'000
OPERATING ACTIVITIES		
Income before minority interest	1,225,064	970,945
Adjustments to reconcile income before minority interest to net cash from operating activities:		
Depreciation of property, plant and equipment and land use rights	851,119	819,638
Amortization of goodwill	777	777
Release of negative goodwill to income	(27,620)	(27,620)
Amortization of mining rights	6,624	6,624
Recognition of deferred tax asset	(1,386)	(2,260)
Loss on disposal of property, plant and equipment	1,093	5,811
Gain on disposal of investments in securities	(2,209)	-
(Increase) decrease in assets (net of acquisitions):		
Bills and accounts receivable	(104,091)	145,380
Inventories	(93,818)	(157,373)
Prepayments and other current assets	231,301	(282,451)
Taxes receivable	21,674	(21,674)
Increase (decrease) in liabilities (net of acquisitions):		
Bills and accounts payable	(56,492)	79,275
Other payables and accrued expenses	90,973	186,763
Provision for land subsidence, restoration, rehabilitation and environmental costs	(43,419)	(16,528)
Amounts due to Parent Company and its subsidiary companies	84,048	52,658
Taxes payable	56,074	(149,726)
NET CASH FROM OPERATING ACTIVITIES	2,239,712	1,610,239
INVESTING ACTIVITIES		
Acquisition of Railway Assets	(1,282,445)	-
Purchase of property, plant and equipment	(842,471)	(677,936)
Acquisition of investments in securities	(88,702)	(51,757)
Deposit made on acquisition of investments in securities	(30,138)	-
Increase in restricted cash	(21,761)	(30,000)
Proceeds on disposal of investments in securities	52,206	-
Proceeds on disposal of property, plant and equipment	47,800	13,686
Acquisition of Jining III	-	(1,204,133)
Acquisition of Zhongyan	-	1,941
NET CASH FLOW USED IN INVESTING ACTIVITIES	(2,165,511)	(1,948,199)
FINANCING ACTIVITIES		
Bank borrowings raised	1,600,000	-
Repayment to Parent Company and its subsidiary companies in respect of consideration for acquisition of Jining III	(567,242)	(601,452)
Dividend paid	(287,000)	(235,340)
Repayments of bank borrowings	(400,000)	-
Dividend paid to a minority shareholder of a subsidiary	(592)	-
Issues of shares, net of share issue expenses	-	1,454,804
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	345,166	618,012
NET INCREASE IN CASH AND CASH EQUIVALENTS	419,367	280,052
CASH AND CASH EQUIVALENTS, BEGINNING	1,124,806	844,754
CASH AND CASH EQUIVALENTS, ENDING, REPRESENTED BY BANK BALANCES AND CASH	1,544,173	1,124,806
Additional cash flow information:		
Cash paid during the year for:		
Interest	147,361	37,109
Income taxes	446,786	562,888

YANZHOU COAL MINING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company also prepares a set of financial statements in accordance with the relevant accounting principles and regulations applicable to PRC enterprises ("PRC GAAP"). Differences between IFRS and PRC GAAP are stated in note 16.

The financial statements reflect 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 IFRS and accounting principles generally accepted in the United States of America ("US GAAP") are stated in note 17.

2. SIGNIFICANT ACCOUNTING POLICIES

The 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 31st December, 2001, except for the adoption of new accounting policies as described below.

Service income is recognized when services are provided.

Revenue recognition

Service income is recognized when services are provided.

Property, plant and equipment

Depreciation is provided to write off the cost of item of Railway Structure over its estimated useful lives, after taking into account its estimated residual value, using the Straight line method. The estimated useful lives of Railway Structure is 15 to 25 years.

Goodwill

Goodwill of Railway Assets is capitalized and amortized on a straight line basis over a period of ten to twenty years. Additional goodwill resulting from future contingent consideration payments in respect of acquisition of Railway Assets will be amortized on a straight line basis over the remaining life of the original period of ten to twenty years.

Government grants

Government grants are recognized over the periods necessary to match them with the related costs. If the grants do not relate to any specific expenditures incurred by the Group, they are reported separately as other operating income. If the grants subsidise an expense incurred by the Group, they are deducted in reporting the related expense. Grants relating to depreciable assets are presented as a deduction from the cost of the relevant asset.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organized into two operating divisions – coal mining and coal railway transportation. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Coal mining	–	Underground mining, preparation and sales of coal
Coal railway transportation	–	Provision of railway transportation services

Segment information about these businesses is presented below:

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INCOME STATEMENT

	For the year ended December 31, 2002			
	Coal mining RMB'000	Coal railway transportation RMB'000	Eliminations RMB'000	Consolidated RMB'000
GROSS REVENUE				
External	7,772,315	142,471	-	7,914,786
Inter-segment	-	386,823	(386,823)	-
Total	<u>7,772,315</u>	<u>529,294</u>	<u>(386,823)</u>	<u>7,914,786</u>

Inter-segment revenue is charged at prices pre-determined by the relevant governmental authority.

RESULT				
Segment results	<u>1,791,446</u>	<u>271,272</u>	<u>-</u>	2,062,718
Unallocated corporate expenses				(226,795)
				1,835,923
Unallocated corporate income				30,218
Operating income				1,866,141
Interest expenses				(117,929)
Income before income taxes				1,748,212
Income taxes				(523,148)
Income before minority interest				<u>1,225,064</u>

Note: No segment information for the years ended December 31, 2001 is presented as the Group was engaged primarily in the coal mining business during those years.

BALANCE SHEET

	At December 31, 2002			
	Coal mining RMB'000	Coal railway transportation RMB'000	Corporate and others RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	<u>9,861,375</u>	<u>1,162,372</u>	<u>1,900,298</u>	<u>12,924,045</u>
LIABILITIES				
Segment liabilities	<u>1,346,568</u>	<u>56,000</u>	<u>1,521,507</u>	<u>2,924,075</u>

OTHER INFORMATION

	For the year ended December 31, 2002			
	Coal mining RMB'000	Coal railway transportation RMB'000	Corporate and others RMB'000	Consolidated RMB'000
Capital additions	802,090	1,166,898	5,547	1,974,535
Amortization of goodwill	777	-	-	777
Release of negative goodwill to income	(27,620)	-	-	(27,620)
Depreciation of property, plant and equipment and land use rights	764,470	75,519	11,130	851,119
Amortization of mining rights	6,624	-	-	6,624
Loss on disposal of property, plant and equipment	1,093	-	-	1,093
Allowance for doubtful debts	<u>66,204</u>	<u>-</u>	<u>-</u>	<u>66,204</u>

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The number of employees of each of the Group's principal divisions are as follows:

	2002	At December 31, 2001
Coal mining	24,623	23,689
Coal railway transportation	3,249	—
	<u>27,872</u>	<u>23,689</u>

4. SALES OF COAL AND TRANSPORTATION COSTS OF COAL

	Year ended December 31, 2002 RMB'000	2001 RMB'000
Domestic sales of coal, gross	3,939,953	3,014,933
Less: Transportation costs	525,998	415,121
Domestic sales of coal, net	<u>3,413,955</u>	<u>2,599,812</u>
Export sales of coal, gross	3,832,362	3,354,716
Less: Transportation costs	1,032,416	1,078,518
Export sales of coal, net	<u>2,799,946</u>	<u>2,276,198</u>
Net sales of coal	<u>6,213,901</u>	<u>4,876,010</u>

Net sales of coal 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 metric tonne ("tonne") of the imputed quantity of raw coal sold and are paid to the local tax bureau. The resource tax for each of the three years ended December 31, 2002 and 2001 amounted to RMB44,712,000 and RMB40,351,000 respectively.

5. COST OF SALES AND SERVICE PROVIDED

	Year ended December 31, 2002 RMB'000	2001 RMB'000
Materials	752,513	643,664
Wages and employee benefits	757,532	572,202
Electricity	278,407	218,579
Depreciation	813,761	784,477
Land subsidence, restoration, rehabilitation and environmental costs	232,030	210,939
Repairs and maintenance	346,290	276,791
Annual fee and amortization of mining rights (note)	19,604	19,604
Transportation costs	43,239	22,632
Others	119,525	63,695
	<u>3,362,901</u>	<u>2,812,583</u>

Note: The Parent Company and the Company have entered into a mining rights agreement pursuant to which the Company 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.

The cost of the mining rights of Jining III of approximately RMB132,479,000 acquired in 2001 is amortized on a straight line basis over twenty years.

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6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2002	2001
	RMB'000	RMB'000
Retirement benefits scheme contributions	334,120	265,825
Wages and employee benefits	164,549	75,717
Additional medical insurance	29,710	—
Depreciation	37,358	35,161
Amortization of goodwill	777	777
Distribution charges	54,524	57,970
Allowance for doubtful debts	66,204	2,508
Resource compensation fees	73,762	31,240
Repairs and maintenance	8,668	8,247
Research and development	30,657	23,026
Staff training costs	26,272	23,991
Freight charges	14,016	5,532
Others	390,442	229,637
	<u>1,231,059</u>	<u>759,631</u>

7. OTHER OPERATING INCOME

	Year ended December 31,	
	2002	2001
	RMB'000	RMB'000
Gain on sales of auxiliary materials	21,277	21,233
Government grants (note)	20,157	—
Interest income from bank deposits	28,737	39,863
Interest income from investments in securities	1,481	—
Release of negative goodwill to income	27,620	27,620
Write back of allowance for doubtful debts	—	29,180
Others	4,457	—
	<u>103,729</u>	<u>117,896</u>

Note: Government grants represents the amount granted to the Group in respect of its export sales activities in prior years and received during the year.

8. INTEREST EXPENSES

	Year ended December 31,	
	2002	2001
	RMB'000	RMB'000
Interest expenses on:		
– bank borrowings wholly repayable within 5 years	3,666	1,924
– bank borrowings not wholly repayable within 5 years	72,072	—
– bills receivable discounted without recourse	2,235	—
Deemed interest expenses	39,956	59,595
	<u>117,929</u>	<u>61,519</u>

No interest was capitalized during the relevant periods.

9. INCOME TAXES

	Year ended December 31,	
	2002	2001
	RMB'000	RMB'000
Income taxes	524,534	391,488
Deferred tax credit	(1,386)	(2,260)
	<u>523,148</u>	<u>389,228</u>

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The Company is subject to an income tax rate of 33% on its taxable income. A reconciliation between the provision for income taxes computed by applying the standard PRC income tax rate to income before income taxes and the actual provision for income taxes is as follows:

	Year ended December 31, 2002 RMB'000	2001 RMB'000
Standard income tax rate in the PRC	33%	33%
Standard income tax rate applied to income before income taxes	576,910	448,857
Reconciling items:		
Transfer to future development fund deductible for tax purpose but not charged to income under IFRS	(76,101)	(67,364)
Amortization of the revaluation surplus of low-priced consumables deductible for tax purposes but not for accounting purposes under IFRS	-	(1,212)
Release of negative goodwill not subject to tax	(9,115)	(9,115)
Deemed interest not deductible for tax purposes	13,185	19,666
Allowance for doubtful debts not deductible for tax purposes	23,681	-
Government grants received not subject to tax	(6,652)	-
Others	1,240	(1,604)
Income taxes	<u>523,148</u>	<u>389,228</u>
Effective income tax rate	<u>30%</u>	<u>29%</u>

10. EARNINGS PER SHARE AND PER ADS

The calculation of the earnings per share for the years ended December 31, 2002 and 2001 is based on the net income for the year of RMB1,221,999,000 and RMB970,945,000 and on the weighted average of 2,870,000,000 shares and 2,807,507,000 shares in issue, respectively, during the year.

The earnings per ADS have been calculated based on the net income for the relevant periods and on one ADS being equivalent to 50 shares.

11. BILLS AND ACCOUNTS RECEIVABLE

	THE GROUP AND THE COMPANY At December 31, 2002 RMB'000	2001 RMB'000
Total bills receivable	239,974	155,883
Total accounts receivable	639,038	596,233
Less: Allowance for doubtful debts	(76,083)	(57,864)
Total bills and accounts receivable, net	<u>802,929</u>	<u>694,252</u>

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.

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An analysis of the allowance for doubtful debts for 2002 and 2001 follows:

	THE GROUP AND THE COMPANY	
	2002	2001
	RMB'000	RMB'000
Balance at January 1	57,864	87,044
Additional allowance charged to income	64,604	-
Direct write-off charged against allowance	(46,385)	-
Allowance written back to income	-	(29,180)
	<u>76,083</u>	<u>57,864</u>
Balance at December 31	<u>76,083</u>	<u>57,864</u>

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:

	THE GROUP AND THE COMPANY	
	At December 31,	2001
	2002	2001
	RMB'000	RMB'000
1 - 180 days	551,795	513,080
181 - 365 days	182,371	119,096
1 - 2 years	99,633	105,443
2 - 3 years	38,388	8,258
Over 3 years	6,825	6,239
	<u>879,012</u>	<u>752,116</u>

12. INVENTORIES

	THE GROUP At December 31,		THE COMPANY At December 31,	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
Auxiliary materials, spare parts and small tools	309,246	269,510	302,164	255,981
Coal products	267,333	170,372	267,333	170,372
	<u>576,579</u>	<u>439,882</u>	<u>569,497</u>	<u>426,353</u>

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13. SHAREHOLDERS' EQUITY

The Company has to 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.

	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
Additional issue of shares, net of share issue expenses of RMB77,253,000	270,000	1,184,804	-	-	-	-	1,454,804
Net income	-	-	-	-	-	970,945	970,945
Appropriations to reserves	-	-	-	94,465	47,233	(141,698)	-
Dividends	-	-	-	-	-	(235,340)	(235,340)
Balance at December 31, 2001	<u>2,870,000</u>	<u>3,272,527</u>	<u>111,748</u>	<u>339,096</u>	<u>169,548</u>	<u>2,297,115</u>	<u>9,060,034</u>
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	-	-	-	-	-	1,219,279	1,219,279
Appropriations to reserves	-	-	743,489	49,024	24,512	(817,025)	-
Dividends	-	-	-	-	-	(287,000)	(287,000)
Balance at December 31, 2002	<u>2,870,000</u>	<u>3,272,527</u>	<u>855,237</u>	<u>388,120</u>	<u>194,060</u>	<u>2,412,369</u>	<u>9,992,313</u>

14. RELATED PARTY BALANCES AND TRANSACTIONS

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

The amounts due to the Parent Company and its subsidiary companies as at December 31, 2002 included the present value of the outstanding balance that arose from the funding of the acquisition of the mining rights of Jining III as of January 1, 2001 discounted using the market rate of bank borrowings.

	THE GROUP AND THE COMPANY At December 31,	
	2002	2001
	RMB'000	RMB'000
Amounts due to Parent Company and its subsidiary companies		
Within one year	285,308	757,387
More than one year, but not exceeding two years	10,483	11,115
More than two years, but not exceeding five years	27,721	29,515
Exceeding five years	23,137	31,826
Total due	<u>346,649</u>	<u>829,843</u>
Less: amount due within one year	<u>285,308</u>	<u>757,387</u>
Amount due after one year	<u>61,341</u>	<u>72,456</u>

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

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

	Year ended December 31,	
	2002	2001
	RMB'000	RMB'000
<i>Income</i>		
Sales of coal	110,403	73,675
Gain on sales of auxiliary materials	12,385	11,586
Utilities and facilities	5,000	5,810
Railway transportation services	496	-
<i>Expenditure</i>		
Utilities and facilities	1,350	600
Annual fee for mining rights	12,980	12,980
Purchases of supply materials	409,117	143,213
Railway transportation services	-	248,876
Repair and maintenance services	239,297	207,550
Social welfare and support services	186,657	150,860
Technical support and training	15,130	15,130
Road transportation services	33,208	6,302

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:

	Year ended December 31,	
	2002	2001
	RMB'000	RMB'000
Sales of coal	37,693	35,440

Certain expenditure for social welfare and support services (excluding medical and child care expenses) of RMB66,500,000 and RMB56,220,000 for each of the two years ended December 31, 2002 and 2001, respectively, and for technical support and training of RMB15,130,000 for each of the two years ended December 31, 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 market prices or based on terms agreed by both parties.

On January 1, 2001, the Company acquired Jining III from the Parent Company (see the section headed "Disclosure of Significant Event").

On January 1, 2002, the Company acquired Railway Assets from the Parent Company (see the section headed "Disclosure of Significant Event").

In addition to the above, the Company participates in a multi-employer scheme of the Parent Company in respect of retirement benefits.

15. SIGNIFICANT RELATED PARTY TRANSACTIONS (Under PRC GAAP)

(1) The followings are related parties where a control relationship exists:

Name of related parties	Registration address	Major business	Relationship	Quality	Status Representative
Yankuang Group	40 Fu Shan Road Zoucheng City, Shandong	Industry Processing	Major shareholder	State-owned	Zhao Jing Che
Zhongyan Trade	No.1 Industrial Zone, Qingdao Free Trade Zone	International Trade	Subsidiary	Limited	Shao Hua Zhen

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- (2) For the related parties where a control relationship exists, the registered capital and the changes therein are as follows:

	December 31, 2001 and 2002 RMB
Yankuang Group	<u>3,090,336,000</u>
Zhongyan Trade	<u>2,100,000</u>

- (3) For the related parties where a control relationship exists, the proportion and changes of equity interest are as follows:

	December 31, 2001 and 2002 RMB	%
Yankuang Group	1,670,000,000	58.19
Zhongyan Trade	1,000,000	52.38

- (4) Nature of relationship with related parties where a control relationship does not exist:

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 year:

- (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
- (c) Acquisition of Jining III
- (d) Sales and purchases

	2002 RMB'000	2001 RMB'000
SALES AND SERVICE PROVIDED		
Sales of coal – Zoucheng Nanmei Shipping Co., Ltd.	37,693	35,440
– Yankuang Group	<u>110,403</u>	<u>73,675</u>
Subtotal	<u>148,096</u>	<u>109,115</u>
Railway transportation services income		
– Yankuang Group	496	–
Public utilities and facilities income		
– Yankuang Group	5,000	5,810
Gain on sales of material and spare parts		
– Yankuang Group	<u>12,385</u>	<u>11,586</u>
	<u>165,977</u>	<u>126,511</u>
PURCHASES		
Yankuang Group	<u>409,117</u>	<u>143,213</u>

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

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(e) Amount due to or from related parties

Account	Company	December 31, 2002 RMB	December 31, 2001 RMB
Accounts receivable	Yankuang Group	10,491,800	12,416,512
Other receivables	Yankuang Group	54,484,900	160,504,483
Prepayments	Yankuang Group	12,125,593	26,547,580
		77,102,293	199,468,575
Notes payable	Yankuang Group	7,020,000	160,000,000
Accounts payable	Yankuang Group	55,433,118	33,456,343
Advance from customers	Yankuang Group	15,355,725	–
Other payables	Yankuang Group	262,964,418	29,308,749
Long-term payable due within one year	Yankuang Group	13,247,800	636,633,816
Long-term payables	Yankuang Group	92,735,160	105,983,040
		446,756,221	965,381,948

(f) Other transactions

- 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 to the government department in charge of the related funds. Amount included as expenses of the Company for the year ended December 31, 2002 and 2001 are RMB437,677,000 and RMB347,145,000 respectively.
- 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 year:

	2002 RMB'000	2001 RMB'000
Repairs and maintenance	239,297	207,550
Technical support and training fee	15,130	15,130
Mining rights fees	12,980	12,980
Public utilities expenses	1,350	600
Road transportation fee	33,208	6,302
Gases and eructate expenses	11,970	11,020
Buildings management fee	37,200	30,970
Children tuition fee	16,600	13,320
Railway transportation fee	–	248,876
Others	17,330	14,230
Total	385,065	560,978

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

- Total amount of salaries paid to key management, including salaries, welfare and subsidies paid in the form of cash, goods and others, for the year ended December 31, 2002 and 2001 are RMB1,918,814 and RMB1,341,265, respectively.

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- (4) During the year 2002 and 2001, the Company and Yankuang Group have made payments or collected receipts to or from individual third party or government authorities on behalf of each other, in respect of goods purchased, services received and other expenses. These payments and receipts made on behalf of the other have been recorded in other payables.

16. 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 (see note 32), which is charged to income before income taxes under PRC GAAP, to shareholders' equity;
- (ii) elimination of the revaluation surplus on low-priced consumables recognized on the establishment of the Company in 1997 and subsequently amortized to the statement of income under PRC GAAP;
- (iii) recognition of a deferred tax asset 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 basis of existing assets and liabilities;
- (iv) negative goodwill arising under IFRS 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. No negative goodwill is recognized under PRC GAAP;
- (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 IFRS while under PRC GAAP, the instalments 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 recognized under PRC GAAP; 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 consolidated financial statements under PRC GAAP as at the balance sheet date.

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

	Net income for the year ended December 31,		Net assets as at December 31,	
	2002	2001	2002	2001
	RMB'000	RMB'000 (restated-see note below)	RMB'000	RMB'000
As per consolidated financial statements prepared under IFRS	1,221,999	970,945	9,995,033	9,060,034
Impact of IFRS adjustments in respect of:				
- transfer to future development fund which is charged to income before income taxes under PRC GAAP	(230,610)	(204,134)	-	-
- amortization of 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	(1,386)	(2,260)	(88,807)	(87,421)
- release of negative goodwill to income	(27,620)	(27,620)	(55,240)	(27,620)
- deemed interest expenses	39,956	59,595	99,551	59,595
- proposed final dividend	-	-	(298,480)	(287,000)
- others	777	3,399	6,517	5,740
	<u>1,003,116</u>	<u>796,253</u>	<u>9,658,574</u>	<u>8,723,328</u>
As per consolidated financial statements prepared under PRC GAAP				

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Note: According to a clarification of the relevant regulations obtained from the Ministry of Finance during the year ended December 31, 2002, the requirement of the Company to transfer an annual amount to the future development fund was not changed upon cancellation of the requirements for contributions to NCIB and SCMB. Such amounts, representing RMB6 per tonne of raw coal mined, were required to be charged to income before income taxes, on a retrospective basis, under PRC GAAP. Accordingly, the Group's net income for the years ended December 31, 2001 and 2000 under PRC GAAP have been restated and reduced by RMB204,134,000 and RMB164,738,000, respectively.

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

17. 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 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 and amortized over a period of ten to twenty years. Any excess of the fair value of the net 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, 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.

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 on the gross revenue and net income under US GAAP for the year ended December 31, 2001 and 2000 is as follows:

	Year ended December 31,	
	2001	2000
	RMB'000	RMB'000
Gross revenue		
As previously reported	6,369,649	4,843,515
Pooling of interest adjustment:		
Gross revenue from Railway Assets	427,430	307,284
Less: Elimination of inter-segment transactions	(247,756)	(208,889)
As restated	<u>6,549,323</u>	<u>4,941,910</u>
Net income		
As previously reported	1,058,878	812,323
Pooling of interest adjustment:		
Net income from Railway Assets	168,675	106,249
As restated	<u>1,227,553</u>	<u>918,572</u>

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.

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Under IFRS, property, plant and equipment and land use rights 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 land use rights 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 basis of the assets is the fair value amount at the date of acquisition.

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,	
	2002	2001
	RMB'000	RMB'000
Net income as reported under IFRS	1,221,999	970,945
US GAAP adjustments:		
Additional depreciation charged on fair valued property, plant and equipment and land use rights	188,178	164,684
Additional deferred tax charge due to a higher tax base resulting from the difference in cost bases of property, plant and equipment and land use rights and capitalization of mining rights	(64,284)	(56,532)
Amortization of negative goodwill on acquisition of Jining III	(27,620)	(27,620)
Amortization of mining rights of Jining III	6,624	6,624
Amortization of goodwill arising on acquisition of Jining II	777	777
Loss of Jining III included in the Group using the pooling of interest method	-	-
Profit of Railway Assets included in the Group using the pooling of interest method	-	168,675
Net income under US GAAP	<u>1,325,674</u>	<u>1,227,553</u>
Earnings per share under US GAAP	<u>RMB0.46</u>	<u>RMB0.44</u>
Earnings per ADS under US GAAP	<u>RMB23.10</u>	<u>RMB21.86</u>

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	At December 31,	
	2002	2001
	RMB'000	RMB'000
Shareholders' equity as reported under IFRS	9,995,033	9,060,034
US GAAP adjustments:		
Difference in cost bases of property, plant and equipment and land use rights	(2,561,032)	(1,982,444)
Additional depreciation charged on fair valued property, plant and equipment and land use rights	937,329	749,151
Additional deferred tax asset due to a higher tax base resulting from the difference in cost bases of property, plant and equipment and land use rights	535,822	406,987
Goodwill arising on acquisition of Jining II	(11,660)	(12,437)
Negative goodwill arising on acquisition of Jining III, net	82,861	110,481
Mining rights of Jining III	(119,231)	(125,855)
Additional deferred tax asset due to a higher tax base resulting from capitalization of mining rights	39,346	41,532
Net assets of Railway Assets incorporated under pooling of interest		
– current assets	–	142,821
– property, plant and equipment and land use rights, net	–	1,136,758
– deduct: difference in cost bases of property, plant and equipment and land use rights	–	(578,588)
– current liabilities	–	(36,993)
	–	663,998
Consideration payable on acquisition of Railway Assets	–	(1,242,586)
Goodwill arising on acquisition of Railway Assets	(40,000)	–
Shareholders' equity under US GAAP	8,858,468	7,668,861

Under US GAAP, the Group's total assets would have been RMB11,787,480,000 and RMB11,070,997,000 at December 31, 2002 and 2001, respectively.

(II) Financial Information Prepared under PRC GAAP

BALANCE SHEET

At December 31, 2002

	The Group		The Company	
	December 31,	2001	December 31,	2001
	2002	2001	2002	2001
	RMB	RMB	RMB	RMB
		<i>(Restated)</i>		<i>(Restated)</i>
ASSETS				
CURRENT ASSETS				
Bank balances and cash	1,595,933,728	1,154,806,342	1,592,397,958	1,150,155,924
Current investments	88,702,100	49,997,305	88,702,100	49,997,305
Notes receivable	239,974,223	155,883,666	239,974,223	155,883,666
Dividends receivable	–	–	655,479	–
Accounts receivable	573,446,193	550,784,838	573,446,193	550,784,838
Other receivables	223,141,786	401,119,702	222,698,314	400,993,716
Prepayments	146,339,631	88,165,432	145,812,599	94,810,318
Subsidies receivable	342,595,878	419,145,249	342,595,878	419,145,249
Inventories	576,579,303	439,882,298	569,496,944	426,352,865
Deferred expenses	110,560,888	111,048,395	110,560,888	111,048,395
TOTAL CURRENT ASSETS	3,897,273,730	3,370,833,227	3,886,340,576	3,359,172,276
Long-term equity investments	31,897,684	1,760,419	36,672,090	4,470,322

YANZHOU COAL MINING COMPANY LIMITED

FIXED ASSETS

Fixed assets at cost	13,632,796,969	11,702,052,041	13,631,983,945	11,701,559,317
Less: Accumulated depreciation	5,480,779,065	4,492,985,894	5,480,563,829	4,492,836,855

FIXED ASSETS, NET

Materials for constructing fixed assets	8,152,017,904	7,209,066,147	8,151,420,116	7,208,722,462
Fixed assets under construction	1,899,659	1,697,068	1,899,659	1,697,068
	123,022,757	268,991,536	123,022,757	268,991,536

TOTAL FIXED ASSETS

	8,276,940,320	7,479,754,751	8,276,342,532	7,479,411,066
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INTANGIBLE ASSETS

	777,436,629	497,874,780	777,436,629	497,874,780
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TOTAL ASSETS

	12,983,548,363	11,350,223,177	12,976,791,827	11,340,928,444
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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Notes payable	108,001,674	275,860,000	108,001,674	275,860,000
Accounts payable	557,175,701	553,982,959	556,939,363	552,320,331
Advances from customers	171,826,093	122,908,153	170,508,547	122,794,582
Salaries and wages payable	46,389,189	36,130,872	46,389,189	36,130,872
Dividends payable	298,480,000	287,000,000	298,480,000	287,000,000
Taxes payable	206,139,942	104,422,929	206,021,490	103,629,887
Other payables	542,999,385	381,314,134	542,851,634	377,052,325
Provision	83,043,947	120,196,012	83,043,947	120,196,012
Long-term payable due within one year	13,247,800	636,633,816	13,247,800	636,633,816

TOTAL CURRENT LIABILITIES

	2,027,303,731	2,518,448,875	2,025,483,644	2,511,617,825
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LONG-TERM LIABILITIES

Long-term loan	1,200,000,000	-	1,200,000,000	-
Long-term payable	92,735,160	105,983,040	92,735,160	105,983,040

TOTAL LONG-TERM LIABILITIES

	1,292,735,160	105,983,040	1,292,735,160	105,983,040
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TOTAL LIABILITIES

	3,320,038,891	2,624,431,915	3,318,218,804	2,617,600,865
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MINORITY INTEREST

	4,936,449	2,463,683	-	-
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SHAREHOLDERS' EQUITY

Share capital	2,870,000,000	2,870,000,000	2,870,000,000	2,870,000,000
Capital reserves	4,454,521,340	4,223,911,394	4,454,521,340	4,223,911,394
Surplus reserves	582,343,347	431,712,152	582,179,477	431,712,152
Including: Statutory common welfare fund	194,141,761	143,904,051	194,059,826	143,904,051
Unappropriated profits	1,751,708,336	1,197,704,033	1,751,872,206	1,197,704,033

TOTAL SHAREHOLDERS' EQUITY

	9,658,573,023	8,723,327,579	9,658,573,023	8,723,327,579
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

	12,983,548,363	11,350,223,177	12,976,791,827	11,340,928,444
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YANZHOU COAL MINING COMPANY LIMITED

STATEMENT OF INCOME AND PROFITS APPROPRIATION

For the year ended December 31, 2002

	The Group December 31,		The Company December 31,	
	2002	2001	2002	2001
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Revenue from major operations	8,055,258,906	6,469,352,955	8,055,258,906	6,469,352,955
Less: Cost of major operations	3,593,511,138	3,016,717,921	3,599,065,977	3,016,717,921
Sales taxes and surcharges	140,473,141	99,704,041	140,473,141	99,704,041
Profit from major operations	4,321,274,627	3,352,930,993	4,315,719,788	3,352,930,993
Add: Profit from other operations	30,153,221	26,483,329	23,403,996	26,483,329
Less: Operating expenses	1,647,447,268	1,551,609,369	1,643,682,040	1,551,609,369
Administrative expenses	1,134,279,470	665,965,451	1,133,135,406	665,965,451
Financial expenses	49,561,176	(34,833,265)	49,580,917	(34,833,265)
Operating profit	1,520,139,934	1,196,672,767	1,512,725,421	1,196,672,767
Add: Investment income	3,687,968	-	7,059,098	-
Subsidy income	20,156,972	-	20,156,972	-
Non-operating income	8,573,766	7,880,206	8,573,766	7,880,206
Less: Non-operating expenses	21,844,181	16,812,063	21,833,000	16,812,063
Total profits	1,530,714,459	1,187,740,910	1,526,682,257	1,187,740,910
Less: Income taxes	524,534,221	391,487,645	523,566,759	391,487,645
Minority interest	3,064,740	-	-	-
Net profit	1,003,115,498	796,253,265	1,003,115,498	796,253,265
Add: Unappropriated profits at the beginning of the year	1,197,704,033	807,888,757	1,197,704,033	807,888,757
Profits available for appropriation	2,200,819,531	1,604,142,022	2,200,819,531	1,604,142,022
Less: Appropriations to statutory common reserve fund	100,393,485	79,625,327	100,311,550	79,625,327
Appropriations to statutory common welfare fund	50,237,710	39,812,662	50,155,775	39,812,662
Profits available for appropriation to shareholders	2,050,188,336	1,484,704,033	2,050,352,206	1,484,704,033
Less: Ordinary share dividend	298,480,000	287,000,000	298,480,000	287,000,000
Unappropriated profits at the end of the year	1,751,708,336	1,197,704,033	1,751,872,206	1,197,704,033

YANZHOU COAL MINING COMPANY LIMITED

SUPPLEMENTAL INFORMATION:

Effect on changes in accounting

treatment of Wei Jian Fei

- Decrease in total profits

- Increase in capital reserves

230,609,946

204,134,184

230,609,946

204,134,184

230,609,946

204,134,184

230,609,946

204,134,184

CASH FLOW STATEMENT

For the year ended December 31, 2002

	The Group December 31,		The Company December 31,	
	2002	2001	2002	2001
	RMB	RMB	RMB	RMB
CASH FLOW FROM OPERATING ACTIVITIES				
Cash received from sales of goods				
or rendering of services	8,564,833,180	7,185,415,721	8,554,804,872	7,185,415,721
Taxes refunded	76,549,371	214,033,232	76,549,371	214,033,232
Other cash received relating				
to operating activities	1,095,669,128	666,944,161	1,093,233,717	666,944,161
SUB-TOTAL OF CASH INFLOWS	9,737,051,679	8,066,393,114	9,724,587,960	8,066,393,114
Cash paid for goods and services	2,507,018,482	2,060,777,762	2,502,928,837	2,060,777,762
Cash paid to and on behalf of employees	1,365,705,578	994,990,361	1,365,615,347	994,990,361
Taxes and surcharges paid	816,698,078	1,096,236,752	813,695,443	1,096,236,752
Other cash paid relating to operating				
activities	2,664,269,943	2,262,708,458	2,659,437,508	2,262,708,458
SUB-TOTAL OF CASH OUTFLOWS	7,353,692,081	6,414,713,333	7,341,677,135	6,414,713,333
NET CASH FLOW FROM OPERATING ACTIVITIES	2,383,359,598	1,651,679,781	2,382,910,825	1,651,679,781
CASH FLOW FROM INVESTING ACTIVITIES				
Cash received from disposal of investments	53,685,273	-	53,685,273	-
Cash received from returns on investment	-	-	651,148	-
Net cash received from disposal				
of fixed assets and other long-term assets	47,799,358	13,685,621	47,799,358	13,685,621
Cash received from acquisition of a subsidiary	-	1,940,515	-	-
SUB-TOTAL OF CASH INFLOWS	101,484,631	15,626,136	102,135,779	13,685,621

YANZHOU COAL MINING COMPANY LIMITED

Cash paid to acquire fixed assets and other long-term assets	842,469,768	684,193,133	842,149,469	684,193,133
Cash paid for investments	118,839,365	51,757,724	118,839,365	54,467,627
Cash paid for acquisition of Jining III	-	1,204,133,000	-	1,204,133,000
Cash paid for acquisition of Railway Assets	1,282,444,340	-	1,282,444,340	-
Increase in restricted cash	21,760,596	30,000,000	21,760,596	30,000,000
SUB-TOTAL OF CASH OUTFLOWS	2,265,514,069	1,970,083,857	2,265,193,770	1,972,793,760
NET CASH FLOW FROM INVESTING ACTIVITIES	(2,164,029,438)	(1,954,457,721)	(2,163,057,991)	(1,959,108,139)
CASH FLOW FROM FINANCING ACTIVITIES				
Cash received from issue of share capital	-	1,454,803,875	-	1,454,803,875
Cash received from borrowings	1,600,000,000	-	1,600,000,000	-
SUB-TOTAL OF CASH INFLOWS	1,600,000,000	1,454,803,875	1,600,000,000	1,454,803,875
Cash repayment of borrowings	400,000,000	-	400,000,000	-
Cash paid for acquisition of Jining III	636,633,896	636,633,960	636,633,896	636,633,960
Cash paid for distribution of dividends	287,000,000	235,340,000	287,000,000	235,340,000
Dividend paid to minority shareholder by a subsidiary	591,974	-	-	-
Cash paid for interest expenses	75,737,500	-	75,737,500	-
SUB-TOTAL OF CASH OUTFLOWS	1,399,963,370	871,973,960	1,399,371,396	871,973,960
NET CASH FLOW FROM FINANCING ACTIVITIES	200,036,630	582,829,915	200,628,604	582,829,915
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	419,366,790	280,051,975	420,481,438	275,401,557

YANZHOU COAL MINING COMPANY LIMITED

	The Group		The Company	
	December 31,		December 31,	
	2002	2001	2002	2001
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
SUPPLEMENTAL INFORMATION:				
RECONCILIATION OF NET PROFIT				
TO NET CASH FLOW FROM				
OPERATING ACTIVITIES				
Net profit	1,003,115,498	796,253,265	1,003,115,498	796,253,265
Add: Minority interest	3,064,740	-	-	-
Provision for diminution in value of assets	66,203,577	(26,671,722)	66,203,577	(26,671,722)
Depreciation of fixed assets	869,077,231	811,750,331	869,011,035	811,750,331
Provision for Wei Jian Fei	230,609,946	204,134,184	230,609,946	204,134,184
Amortization of intangible assets and other assets	19,816,651	30,433,568	19,816,651	30,433,568
Losses on disposal of fixed assets and other long-term assets	1,093,362	5,811,569	1,093,362	5,811,569
Decrease (increase) in deferred expenses	487,507	(76,316,068)	487,507	(76,316,068)
Financial expenses	75,737,500	-	75,737,500	-
Loss (profit) on investment	(3,687,968)	-	(7,059,098)	-
Decrease (increase) in inventories	(131,235,706)	(163,450,978)	(137,682,780)	(163,450,978)
Decrease (increase) in operating receivables	162,089,489	19,945,412	169,578,893	19,945,412
Increase (decrease) in operating payables	86,987,771	49,790,220	91,998,734	49,790,220
NET CASH FLOW FROM OPERATING ACTIVITIES	2,383,359,598	1,651,679,781	2,382,910,825	1,651,679,781
NET INCREASE IN CASH AND CASH EQUIVALENTS:				
Cash at the end of the year	1,544,173,132	1,124,806,342	1,540,637,362	1,120,155,924
Less: Cash at the beginning of the year	1,124,806,342	844,754,367	1,120,155,924	844,754,367
NET INCREASE IN CASH AND CASH EQUIVALENTS	419,366,790	280,051,975	420,481,438	275,401,557

Please also refer to the published version of this announcement in South China Morning Post dated on 14-4-2003.