



# 兖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 ("PRC") with limited liability)  
(Stock Code: 1171)

## Third Quarterly Report for the Year 2005

### IMPORTANT

This announcement is made pursuant to the disclosure requirement under rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board of Directors (the "Board") and the Directors of Yanzhou Coal Mining Company Limited (the "Company") confirm that this announcement does not contain any false information, misleading statements or material omissions, and accept joint and several responsibility for the truthfulness, accuracy and completeness of the contents.

The Company's chairman, Mr. Wang Xin, chief financial officer, Mr. Wu Yuxiang, and chief of the planning and finance department, Mr. Zhang Baocai, confirm that the financial statements contained in the third quarterly report for the year 2005 (the "Report") are true and complete.

The financial statements of the Company set out in the Report have not been audited.

Summary of the unaudited results for the third quarter ended 30th September, 2005:

- This Report is prepared in accordance with the Regulations on Disclosure of Information in Quarterly Reports for Listed Companies issued by China Securities Regulatory Commission.
- All financial information contained in this Report is prepared in accordance with the PRC Generally Accepted Accounting Principles. The Company has also provided the average coal sales price of the first three quarters of 2005 prepared on the same basis as its previous periodical reports as announced overseas. Please refer to the section headed "Brief analysis of general operating performance during the reporting period". Shareholders of the Company and public investors should be aware of the different bases of calculation used in this Report and those in the interim and annual reports when trading in shares of the Company.
- Unless otherwise specified, the currency in this Report is denominated in Renminbi.
- In the third quarter of 2005, revenue from principal operations was RMB2,659,941 million, representing a decrease of RMB548,032 million or 17.1% as compared with the corresponding period last financial year. Realised net profit was RMB384,614 million, representing a decrease of RMB471,165 million or 55.17% as compared with the corresponding period last financial year.
- During the first three quarters of 2005, revenue from principal operations was RMB9,336,586 million, representing an increase of RMB795,949 million or 9.3% as compared with the corresponding period last financial year. Realised net profit was RMB2,041,237 million, representing an increase of RMB127,190 million or 6.6% as compared with the corresponding period last financial year.
- The information contained in this Report is the same as that published on the Shanghai Stock Exchange, and this announcement is published simultaneously in the PRC and overseas.

### 1. GENERAL INFORMATION

#### 1.1 General Information

Which the stock exchange on which the Company is listed	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited	New York Stock Exchange, Inc.
Stock abbreviation	Yanzhou Mei Ye	1171	YZC
Stock code	600188		
<b>Secretary of the Board of Directors</b>			
Name	Chen Guang Shui		Representative of Securities Business
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#### 1.2 Financial Information

##### 1.2.1 Major financial statistics and indexes

	At the end of this reporting period (unaudited)	At the end of last financial year (audited)	Increase/decrease (%)
Total assets (RMB)	20,179,027,996	18,213,918,970	10.8
Shareholders' equity (excluding minority interest) (RMB)	16,643,102,955	15,252,470,563	9.1
Net assets per share (RMB)	3.38	3.10 (note 1)	9.1
Net assets per share after adjustment (RMB)	3.37	3.09 (note 1)	9.1
<b>From the beginning of this year to the end of this reporting period (unaudited)</b>			
<b>Reporting period (unaudited)</b>			
Net cash flow from operating activities (RMB)	30,258,783	2,715,011,904	- 97.6
Earnings per share (RMB)	0.08	0.42	- 52.9 (note 2)
Return on net assets (%)	2.31	12.26	decreased by 3.63 percentage
Weighted average return on net assets after deducting extraordinary gain and loss (%)	2.32	12.27	decreased by 4.27 percentage

Note 1. Net assets per share at the end of the last financial year and net assets per share after adjustment are calculated on the basis of 4,918.4 million shares, being the total number of shares in issue at the end of this reporting period; if calculated on the basis of 3,074.0 million shares, being the total number of shares in issue at the end of the last reporting period, net assets per share at the end of last financial year and net assets per share after adjustment are RMB4.96 and RMB4.94 respectively.

Note 2. Earnings per share of the corresponding period of the last financial year is RMB 0.17 which is calculated on the basis of 4,918.4 million shares in the total share capital of the Company as at the end of this reporting period; if calculated on the basis of 3,074.0 million shares in the total share capital of the Company as at 30 September 2004, earnings per share of the corresponding period of the last financial year is RMB0.28 per share.

Extraordinary gain and loss (For the nine months ended 30th September)	Amount (RMB) (unaudited)
Non-operating income	458,900
Non-operating expenses	- 5,211,607
Short-term investment return	5,412,850
Impact on income tax	-1,643,968
Total	- 983,825

##### 1.2.2 Statement of Income

Item	This reporting period (For the three months ended 30th September)		Corresponding period last financial year (For the three months ended 30th September)	
	Consolidated (Unaudited)	The Company (Unaudited)	Consolidated (Unaudited)	The Company (Unaudited)
Revenue from principal operations	2,659,940,792	2,659,940,792	3,207,973,118	3,207,973,118
Less: Cost of principal operations	1,413,968,362	1,413,968,362	1,167,092,934	1,167,129,796
Sales taxes and surcharges	62,314,354	62,314,354	62,248,244	61,277,694
Profit from principal operations	1,183,658,076	1,183,658,076	1,978,631,940	1,979,565,828
Add: Profit from other operations	13,061,290	12,940,037	8,305,991	7,759,223
Less: Operating expenses	178,676,188	180,553,734	332,384,632	334,270,488
Administrative expenses	403,251,317	396,150,992	349,634,143	348,628,952
Financial expenses	42,280,973	44,941,381	433,072	444,981
Operating profit	572,510,888	574,952,006	1,304,486,084	1,303,980,430
Add: Investment income	6,221,862	3,495,241	7,319,075	7,542,150
Subsidy income	181,604	176,604	650,108	650,108
Non-operating income	181,604	176,604	650,108	650,108
Less: Non-operating expenses	3,134,636	3,130,432	795,661	795,619
Total profits	575,779,718	575,493,419	1,311,659,606	1,311,377,069
Less: Income taxes	191,011,925	190,879,745	455,738,766	455,598,377
Minority interest	154,119	-	142,148	-
Net profit	384,613,674	384,613,674	855,778,692	855,778,692

##### Statement of Income (Continued)

Item	From January to the end of this reporting period (For the nine months ended 30th September)		Corresponding period last financial year (For the nine months ended 30th September)	
	Consolidated (Unaudited)	The Company (Unaudited)	Consolidated (Unaudited)	The Company (Unaudited)
Revenue from principal operations	9,336,586,713	9,336,586,713	8,540,636,747	8,540,636,747
Less: Cost of principal operations	4,172,236,262	4,173,512,179	3,293,703,701	3,293,877,642
Sales taxes and surcharges	187,348,363	187,348,363	168,137,272	166,062,676
Profit from principal operations	4,977,001,088	4,975,725,171	5,078,795,774	5,080,696,429
Add: Profit from other operations	36,952,903	36,470,937	28,166,613	26,253,311
Less: Operating expenses	717,070,646	721,020,800	1,139,580,607	1,144,994,149
Administrative expenses	1,208,671,596	1,190,492,197	1,020,656,766	1,016,368,181
Financial expenses	37,856,588	37,925,853	(7,569,885)	(7,704,029)
Operating profit	3,050,355,161	3,062,757,258	2,954,294,899	2,953,063,439
Add: Investment income	9,040,516	(4,280,944)	13,201,946	13,793,690
Subsidy income	-	-	-	-
Non-operating income	458,900	433,900	1,485,284	1,485,284
Less: Non-operating expenses	5,211,607	5,034,683	6,898,892	6,868,312
Total profits	3,054,642,970	3,053,875,981	2,962,083,237	2,961,474,411
Less: Income taxes	1,012,963,545	1,012,639,214	1,047,724,801	1,047,427,269
Minority interest	442,658	-	311,604	-
Net profit	2,041,236,767	2,041,236,767	1,914,046,832	1,914,046,832

### 1.3 Total number of shareholders and the top 10 shareholders with tradable shares of the Company at the end of this reporting period

Total number of shareholders at the end of this reporting period 46,350

#### The top 10 shareholders with tradable shares of the Company

Full Name of Shareholder	Number of tradable shares at the end of this reporting period	Classes of shares (A, B, H shares or others) held
HKSCC Nominees Limited	1,953,877,996	H shares
Zhongxin Classic Allocation Securities Investment Fund	14,000,000	A shares
Deutsche Bank Aktiengesellschaft	11,568,690	A shares
UBS Limited	9,479,478	A shares
Credit Suisse First Boston (Hong Kong) Limited	8,788,357	A shares
Lehman Brothers International (Europe)	8,500,194	A shares
Tongsheng Securities Investment Fund	6,528,669	A shares
Yangjiang Xizhilang Co., Ltd.	6,458,165	A shares
Shanghai Stock Exchange 50 Exchange Trading Open-End Index Securities Investment Fund	5,970,618	A shares
Shanghai Baogang Group	5,335,250	A shares

### 2. MANAGEMENT DISCUSSION AND ANALYSIS

#### 2.1 Brief analysis of general operating performance during the reporting period

##### (1) Brief analysis of general operating performance during the reporting period

During this reporting period, the Company's revenue from principal operations was RMB2,659,941 million, representing a decrease of RMB548,032 million or 17.1% as compared with the corresponding period in 2004. This was attributable to the decrease of coal sales, as a result of the decrease in raw coal production as compared with the corresponding period last year. The cost of principal operations was RMB1,413,968 million, representing an increase of RMB246,875 million or 21.2% over the corresponding period in 2004. This was mainly attributable to certain factors including the decrease in the rate of export tax rebate, the increase in raw material price, increased investment in employee's safety, the increase in employees' wages, the increase in expense caused by "the Four Optimizations in Coal Sales" strategies of the Company which led to increased expenditures. Realised net profit was RMB384,614 million, representing a decrease of RMB471,165 million or 55.1% as compared with the corresponding period last year.

During the reporting period, the Company's coal production was 7.36 million tonnes, representing a decrease of 3.18 million tonnes, or 30.2%, as compared with the corresponding period in 2004. The Company's salable coal production was 6.65 million tonnes, representing a decrease of 3.11 million tonnes, or 33.2%, as compared with the corresponding period in 2004.

The Company sold 6.81 million tonnes of coal, representing a decrease of 2.55 million or 27.2%, as compared with the corresponding period in 2004.

Coal transported by the railway assets was 4.36 million tonnes, representing a decrease of 2.32 million tonnes or 34.7%.

##### (2) Brief analysis of general operating performance in the first three quarters

During the first three quarters, the Company's revenue from principal operations was RMB9,336,586 million, representing an increase of RMB795,949 million or 9.3% over the corresponding period in 2004. Of the Company's revenue, income from the sales of coal was RMB9,208,384 million, representing an increase of RMB838,388 million or 10.0% as compared with the corresponding period last year, which was mainly attributable to a decreased revenue from the principal operations of RMB1,458,891 million due to the decrease in sales volume but an increased revenue from the principal operations of RMB2,297,279 million due to the increase in selling prices of coal. Railway transportation service income (income realised from the freight expenses borne by customers for the volume of coal transported by the exclusive railway assets within the mining area) was RMB128,202 million, representing a decrease of RMB42,439 million or 24.9% as compared with the corresponding period in 2004.

The Company's cost of principal operations was RMB4,172,236 million, representing an increase of RMB878,533 million or 26.7% over the corresponding period in 2004. Of the Company's costs, cost of sales of coal products was RMB4,098,452 million, representing an increase of RMB868,173 million or 26.9% as compared with the corresponding period last year. The unit cost of coal sales was RMB174.77/tonne, representing an increase of RMB61.04/tonne or 53.7% as compared with the corresponding period last year, which was mainly attributable to (1) the decrease of 4.95 million tonnes in coal sales which caused an increase of RMB20.80 in the unit cost of coal sales; (2) the increase in expense of objective factors which caused an increase of RMB26.24 in the unit cost of coal sales, among others, an increase of RMB2.01 per tonne was caused by the decrease in the rate of export tax rebate, an increase of RMB5.80 per tonne was caused by the appropriation of Safety Work Expense and increased expense in employee safety investment, an increase of RMB3.64 per tonne was caused by the appropriation of Reform and Specific Development Fund; and an increase of RMB5.50 per tonne was caused by the increase of raw material price; an increase of RMB9.29 per tonne was caused by the increased compensation for land sink; (3) the increase in employee's wages caused an increase of RMB8.50 in the unit cost of coal sales; (4) the increase in expense which has been caused by "The Four Optimizations in Coal Sales" resulting in an increase of RMB5.60 in the unit cost of coal sales; and (5) the increased efforts in cost control by the Company which partly offset the impacts of the increase in cost.

The Company's realised profit from principal operations decreased by RMB101,795 million or 2.0% to RMB4,977,001 million as compared with the corresponding period in 2004.

The Company's realised net profit increased by RMB127,190 million or 6.6% to RMB2,041,237 million as compared with the corresponding period in 2004.

During the first three quarters, the Company's raw coal production was 25.81 million tonnes, representing a decrease of 4.54 million tonnes, or 15.0%, as compared with the corresponding period in 2004. This was mainly due to the delay in resettlement of the villages located above the coal seams of the Company. In 2005, six of the villages located above the Company's coal seams have not been resettled in accordance with the removal schedule, resulting in abnormal production of six of the coal mining systems. It is estimated that two villages will complete the resettlement in the fourth quarter of 2005 and three coal mining systems will get back to normal production. The Company's coal production capacity in the fourth quarter of 2005 will return to the production level in the first half of 2005. Upon resettlement of the remaining four villages in the first quarter of 2006, the remaining three coal mining systems will return to normal production in the first quarter of 2006.

The Company's salable coal production was 23.85 million tonnes, representing a decrease of 4.74 million tonnes, or 16.6%, as compared with the corresponding period in 2004.

The Company sold 23.45 million tonnes of coal, representing a decrease of 4.95 million or 17.4%, as compared with the corresponding period in 2004 mainly due to the decrease of raw coal production of the first three quarters. Of the coal sold, 18.04 million tonnes of coal were sold to the domestic market, representing a decrease of 2.72 million tonnes or 13.1%, as compared with the corresponding period in 2004; and 5.41 million tonnes were sold to the overseas market, representing a decrease of 2.23 million or 29.2%, as compared with the corresponding period in 2004.

Coal transported by the railway assets of the Company was 15.34 million tonnes, representing a decrease of 4.48 million tonnes or 22.6%.

##### (3) Average coal sales price analysis of the first three quarters

The following table sets out average coal sales price calculated on the same basis as its previous periodical reports announced in the PRC during the first three quarters:

	Year 2005		Year 2004		For the year ended 31st December, 2004
	The third quarter	The first three quarters	The third quarter	The first three quarters	
Average coal sales price	385.65	392.66	336.62	294.70	315.25
Domestic sales	344.73	362.74	292.54	262.17	286.06
Export sales	507.80	492.46	439.29	383.14	396.83

During the first three quarters, the Company's average coal sales price was RMB392.66/tonne, representing an increase of RMB97.96/tonne or 33.2% as compared with the same period in 2004. Of the average coal sales price, the average domestic coal sales price was RMB362.74/tonne, representing an increase of RMB100.57/tonne or 38.4% as compared with the corresponding period in 2004; and the average export coal sales price was RMB492.46/tonne, representing an increase of RMB109.32/tonne or 28.5% as compared with the same period in 2004. The increase in coal price was principally due to the increase in the domestic and overseas coal market prices and the optimization of product mix and customer structures upon the implementation of the Company's "The Four Optimizations in Coal Sales" strategies, leading to an increased coal sales price.

In the third quarter, the Company's average coal sales price was RMB385.65/tonne, representing a decrease of RMB98.88/tonne or 2.5% as compared with the price of RMB395.53/tonne of the first half of 2005 mainly due to the decrease in coal price for domestic market of the third quarter.

The following table sets out the Company's average coal sales prices calculated on the same basis as its previous periodical reports announced overseas during the first three quarters:

	Year 2005		Year 2004		For the year ended 31st December, 2004
	The third quarter	The first three quarters	The third quarter	The first three quarters	
Average coal sales price (note)	352.32	356.41	295.84	250.40	274.65
Domestic sales	326.93	343.96	277.00	240.60	262.45
Export sales	428.12	397.92	339.75	277.05	294.26

Note 1. The average coal sales price represents the invoice prices minus sales taxes, transportation costs from the Company to ports, port charges and miscellaneous fees for coal sales.

Note 2. The average coal sales price has considered the impact of such factors as the merger of Yanmei Shipping Company Limited, and the prices of the third quarter of 2004, and the first three quarters of 2004 disclosed in the periodical reports has been adjusted.

As calculated in accordance with the basis reflected in the Company's previous periodical reports and as announced overseas, the average coal sales price in the first three quarters of 2005 was RMB356.41/tonne, representing an increase of RMB106.01/tonne or 42.3% as compared with the corresponding period last year. Of the average coal sales price, the average domestic coal sales price was RMB343.96/tonne, representing an increase of RMB103.36/tonne or 43.0% as compared with the corresponding period last year; and average export coal sales price was RMB397.92/tonne, representing an increase of RMB120.87/tonne or 43.6% as compared with the corresponding period last year.

##### 2.1.1 Information on principal operations or products which contributed 10% or more to the revenue from principal operations or profit from principal operations

Applicable  Not applicable

Industries/products	Revenue from principal operations (RMB thousand) (Unaudited)	Cost of principal operations (RMB thousand) (Unaudited)	Gross profit ratio (%)
Coal mining & preparation	2,627,010	1,391,228	47.04
Including: connected transactions	115,592	61,842	46.50

##### 2.1.2 Seasonal or periodical factors for the Company's operation

Applicable  Not applicable

##### 2.1.3 Breakdown of profits for the reporting period (material changes in the proportion of the total profits of the following items as compared with the previous reported period and the reasons thereof: profit from principal operations, profit from other operations, expenses, investment income, subsidy income and net non-operating income and expenses)

Applicable  Not applicable

	For the financial year ended 31st December, 2004		For the financial year ended 31st December, 2004		Increase/decrease (%)
	This reporting period (RMB thousand) (Unaudited)	For the financial year ended 31st December, 2004 (RMB thousand) (Unaudited)	This reporting period (RMB thousand) (Unaudited)	For the financial year ended 31st December, 2004 (RMB thousand) (Unaudited)	
Profit from principal operations	1,183,658	3,793,343	205.57	153.03	34.33
Profit from other operations	13,061	23,892	2.27	0.96	136.46
Expenses	624,208	1,339,390	108.41	54.03	100.65
Investment income	6,222	2,819	1.08	0.11	881.82
Net non-operating income and expenses	-2,953	-1,800	-0.51	-0.07	628.57
Total profits	575,780	2,478,863	100.00	100.00	0.00

The proportion