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中国神华能源股份有限公司

CHINA SHENHUA ENERGY COMPANY LIMITED

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

(Stock Code: 01088)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue of the Group in the first half of 2021 was RMB143,979 million, representing an increase of RMB38,963 million or 37.1% over the same period of 2020.
- Profit for the period attributable to equity holders of the Company was RMB26,500 million, representing an increase of RMB6,130 million or 30.1% over the same period of 2020.
- Basic earnings per share for the period was RMB1.334.
- EBITDA in the first half of 2021 was RMB47,317 million, representing an increase of RMB6,175 million or 15.0% over the same period of 2020.

The board of directors (the “**Board**”) of China Shenhua Energy Company Limited (the “**Company**”) hereby presents the interim results of the Company and its subsidiaries (the “**Group**” or “**China Shenhua**”) for the six months ended 30 June 2021 and reports our performance for the period.

I. INTERIM FINANCIAL INFORMATION

Financial information extracted from the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 prepared in accordance with International Accounting Standard 34, “*Interim Financial Reporting*”:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		RMB million	RMB million
Revenue			
Goods and services	4	143,979	105,016
Cost of sales	5	(102,777)	(69,957)
Gross profit		41,202	35,059
Selling expenses		(329)	(279)
General and administrative expenses		(3,586)	(3,561)
Research and development costs		(471)	(245)
Other gains and losses		458	236
Other income		309	297
Loss allowances, net of reversal		17	(273)
Other expenses		(231)	(88)
Interest income		1,133	665
Finance costs		(1,096)	(1,004)
Share of results of associates		708	484
Profit before income tax		38,114	31,291
Income tax expense	6	(6,347)	(6,507)
Profit for the period	7	31,767	24,784

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Profit for the period	31,767	24,784
Other comprehensive income for the period		
<i>Items that will not be reclassified to profit or loss, net of income tax:</i>		
Fair value changes on investments in equity instruments at fair value through other comprehensive income	73	26
Share of other comprehensive income of associates	(2)	(2)
<i>Items that may be reclassified subsequently to profit or loss, net of income tax:</i>		
Exchange differences	12	68
Share of other comprehensive income of associates	20	1
Fair value changes on investments in debt instruments at fair value through other comprehensive income	—	(8)
Other comprehensive income for the period, net of income tax	103	85
Total comprehensive income for the period	31,870	24,869

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		<i>RMB million</i>	<i>RMB million</i>
Profit for the period attributable to:			
Equity holders of the Company		26,500	20,370
Non-controlling interests		5,267	4,414
		31,767	24,784
Total comprehensive income for the period attributable to:			
Equity holders of the Company		26,597	20,440
Non-controlling interests		5,273	4,429
		31,870	24,869
Earnings per share			
– Basic (<i>RMB</i>)	8	1.334	1.024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited

(Expressed in RMB)

	Note	30 June 2021 RMB million	31 December 2020 RMB million
Non-current assets			
Property, plant and equipment		239,941	238,198
Construction in progress		40,197	39,845
Exploration and evaluation assets		4,000	–
Intangible assets		4,378	3,888
Right-of-use assets		18,632	18,597
Interests in associates	9	50,636	49,556
Equity instruments at fair value through other comprehensive income		1,915	1,845
Other non-current assets		32,553	35,890
Deferred tax assets		3,054	2,856
Total non-current assets		395,306	390,675
Current assets			
Inventories		14,975	12,750
Accounts and bills receivables	10	12,624	11,759
Prepaid expenses and other current assets		19,231	17,480
Restricted bank deposits		2,820	3,391
Time deposits with original maturity over three months		1,357	11,186
Cash and cash equivalents		157,082	112,880
Assets classified as held for sale		–	2,783
Total current assets		208,089	172,229

	<i>Note</i>	30 June 2021 RMB million	31 December 2020 RMB million
Current liabilities			
Borrowings		6,719	8,847
Accounts and bills payables	11	29,784	28,980
Accrued expenses and other payables		62,094	18,949
Current portion of lease liabilities		228	242
Current portion of long-term liabilities		379	689
Income tax payable		3,118	6,313
Contract liabilities		6,928	5,256
Liabilities associated with assets classified as held for sale		–	217
Total current liabilities		109,250	69,493
Net current assets		98,839	102,736
Total assets less current liabilities		494,145	493,411
Non-current liabilities			
Borrowings		51,686	50,251
Bonds		3,219	3,241
Long-term liabilities		6,244	2,661
Accrued reclamation obligations		6,251	6,169
Deferred tax liabilities		942	896
Lease liabilities		463	606
Total non-current liabilities		68,805	63,824
Net assets		425,340	429,587
Equity			
Share capital		19,869	19,890
Reserves		334,952	344,313
Equity attributable to equity holders of the Company		354,821	364,203
Non-controlling interests		70,519	65,384
Total equity		425,340	429,587

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Equity attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings	Total		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
At 1 January 2021	19,890	(256)	85,001	3,657	(201)	20,236	(14,809)	250,685	364,203	65,384	429,587
Profit for the period	-	-	-	-	-	-	-	26,500	26,500	5,267	31,767
Other comprehensive income for the period	-	-	-	-	7	-	90	-	97	6	103
Total comprehensive income for the period	-	-	-	-	7	-	90	26,500	26,597	5,273	31,870
Dividend declared (<i>Note 12</i>)	-	-	-	-	-	-	-	(35,962)	(35,962)	-	(35,962)
Appropriation of maintenance and production funds	-	-	-	-	-	2,478	-	(2,478)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(1,646)	-	1,646	-	-	-
Cancellation of repurchased own shares	(21)	256	(235)	-	-	-	-	-	-	-	-
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	-	405	405
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(546)	(546)
Others	-	-	-	77	-	-	-	(94)	(17)	3	(14)
At 30 June 2021	<u>19,869</u>	<u>-</u>	<u>84,766</u>	<u>3,734</u>	<u>(194)</u>	<u>21,068</u>	<u>(14,719)</u>	<u>240,297</u>	<u>354,821</u>	<u>70,519</u>	<u>425,340</u>

	Equity attributable to equity holders of the Company								Non	
	Share	Share	Capital	Exchange	Statutory	Other	Retained	Total	-controlling	Total
	capital	premium	reserve	reserve	reserves	reserves	earnings		interests	equity
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
At 1 January 2020	19,890	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218
Profit for the period	-	-	-	-	-	-	20,370	20,370	4,414	24,784
Other comprehensive income for the period	-	-	-	53	-	17	-	70	15	85
Total comprehensive income for the period	-	-	-	53	-	17	20,370	20,440	4,429	24,869
Dividend declared (Note 12)	-	-	-	-	-	-	(25,061)	(25,061)	-	(25,061)
Appropriation of maintenance and production funds	-	-	-	-	1,811	-	(1,811)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	(1,897)	-	1,897	-	-	-
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	89	89
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	(782)	(782)
Others	-	-	-	-	-	-	(76)	(76)	-	(76)
At 30 June 2020	<u>19,890</u>	<u>85,001</u>	<u>3,618</u>	<u>109</u>	<u>25,032</u>	<u>(14,807)</u>	<u>232,537</u>	<u>351,380</u>	<u>67,877</u>	<u>419,257</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*for the six months ended 30 June 2021 – unaudited**(Expressed in RMB)*

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		<i>RMB million</i>	<i>RMB million</i>
Operating activities			
Profit before income tax		38,114	31,291
Adjustments for:			
Depreciation and amortisation	7	9,948	9,996
Other gains and losses	7	(458)	(236)
Loss allowances, net of reversal	7	(17)	273
Interest income		(1,133)	(665)
Share of results of associates		(708)	(484)
Interest expense		1,177	1,008
Exchange gain, net	7	(81)	(4)
Operating cash flows before movements in working capital		46,842	41,179
Increase in inventories		(2,225)	(2,069)
Increase in accounts and bills receivables		(1,730)	(3,785)
Increase in prepaid expenses, other current assets and other non-current assets		(1,699)	(525)
Increase in accounts and bills payables		784	1,924
Increase in accrued expenses and other payables		6,269	23,377
Increase in contract liabilities		1,672	304
Cash generated from operations		49,913	60,405
Income tax paid		(9,694)	(6,685)
Net cash generated from operating activities		40,219	53,720

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	(10,025)	(7,897)
Increase in right-of-use assets	(439)	(26)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	562	127
Proceeds from disposal of wealth management products included in prepaid expenses and other current assets	–	33,657
Proceeds on disposal of derivative financial instruments included in prepaid expenses and other current assets	–	91
Investments in associates	(383)	(62)
Dividend received from associates	198	60
Interest received	1,132	621
Decrease/(increase) in restricted bank deposits	571	(553)
Decrease in time deposits with original maturity over three months	9,829	43
Collection of entrusted loans and financial lease included in prepaid expenses and other current assets	69	–
Investments in government bonds included in other non-current assets	–	(790)
Net cash received from disposal of subsidiaries	3,975	–
Decrease in other current assets	–	16,669
Net cash generated from investing activities	5,489	41,940

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Financing activities		
Capital element of lease rentals paid	(90)	(106)
Interest element of lease rentals paid	(15)	(17)
Interest paid	(1,487)	(1,080)
Proceeds from borrowings	9,928	3,697
Repayments of borrowings	(10,445)	(11,217)
Contributions from non-controlling shareholders	264	168
Distributions to non-controlling shareholders	(402)	(1,392)
Dividend paid to equity holders of the Company	–	(20,768)
Proceeds from bills discounted	851	1,226
Net cash used in financing activities	(1,396)	(29,489)
Net increase in cash and cash equivalents	44,312	66,171
Cash and cash equivalents, at the beginning of the period	112,880	41,827
Effect of foreign exchange rate changes	(110)	32
Cash and cash equivalents, at the end of the period	157,082	108,030

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2020

(Expressed in RMB)

1 PRINCIPAL ACTIVITIES

China Shenhua Energy Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in: (i) the production and sale of coal; and (ii) the generation and sale of coal-based power to provincial/regional electric grid companies in the People’s Republic of China (the “**PRC**”). The Group operates an integrated railway network and seaports that are primarily used to transport the Group’s coal sales from its mines. The primary customers of the Group’s coal sales include power plants, metallurgical and coal chemical producers in the PRC.

2 BASIS OF PREPARATION

This interim financial report have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, Interim financial reporting, issued by the International Accounting Standards Board (IASB).

The interim financial report have been prepared in accordance with the same accounting policies adopted in the 2020 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual consolidated financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Group's annual consolidated financial statements for that financial year but is derived from those financial statements. The annual consolidated financial statements for the year ended 31 December 2020 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in the report dated 26 March 2021.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform-phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

4 REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue of business lines and geographical location of customers is as follows:

Segments	For the six months ended 30 June															
	Coal		Power		Railway		Port		Shipping		Coal chemical		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Types of goods or services																
Sales of goods																
Coal	107,319	73,262	-	-	-	-	-	-	-	-	-	-	-	-	107,319	73,262
Power	-	-	25,009	20,685	-	-	-	-	-	-	-	-	-	-	25,009	20,685
Coal chemical products	-	-	-	-	-	-	-	-	-	-	2,980	2,125	-	-	2,980	2,125
Others	2,563	2,026	2,139	1,883	-	-	-	-	-	-	280	284	-	-	4,982	4,193
	109,882	75,288	27,148	22,568	-	-	-	-	-	-	3,260	2,409	-	-	140,290	100,265
Transportation and other services																
Railway	-	-	-	-	2,214	2,340	-	-	-	-	-	-	-	-	2,214	2,340
Port	-	-	-	-	-	-	322	280	-	-	-	-	-	-	322	280
Shipping	-	-	-	-	-	-	-	-	617	783	-	-	-	-	617	783
Others	-	-	-	-	435	396	77	188	-	-	-	-	24	764	536	1,348
	-	-	-	-	2,649	2,736	399	468	617	783	-	-	24	764	3,689	4,751
Total	109,882	75,288	27,148	22,568	2,649	2,736	399	468	617	783	3,260	2,409	24	764	143,979	105,016
Geographical markets																
Domestic markets	109,693	74,769	25,105	20,683	2,649	2,736	399	468	617	783	3,260	2,409	24	764	141,747	102,612
Overseas markets	189	519	2,043	1,885	-	-	-	-	-	-	-	-	-	-	2,232	2,404
Total	109,882	75,288	27,148	22,568	2,649	2,736	399	468	617	783	3,260	2,409	24	764	143,979	105,016
Timing of revenue recognition																
A point in time	109,882	75,288	27,148	22,568	-	-	-	-	-	-	3,260	2,409	-	-	140,290	100,265
Over time	-	-	-	-	2,649	2,736	399	468	617	783	-	-	24	764	3,689	4,751
Total	109,882	75,288	27,148	22,568	2,649	2,736	399	468	617	783	3,260	2,409	24	764	143,979	105,016

5 COST OF SALES

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Coal purchased	41,522	19,111
Materials, fuel and power	10,996	9,440
Personnel expenses	8,260	6,608
Depreciation and amortisation	8,489	8,350
Repairs and maintenance	5,170	4,328
Transportation charges	8,391	6,753
Taxes and surcharges	6,782	5,088
Other operating costs	13,167	10,279
	102,777	69,957

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Current tax, mainly PRC enterprise income tax	7,964	6,415
(Over)/under provision in respect of prior year	(1,465)	45
Deferred tax	(152)	47
	<u>6,347</u>	<u>6,507</u>

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (six months ended 30 June 2020: 25%) except for subsidiaries and branches operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020.

On 23 April 2020, the relevant government and tax authorities issued an announcement (Announcement [2020] No.23 of Ministry of Finance, State Taxation Administration, and National Development and Reform Commission), according to which the future periods of application of the preferential tax rate of 15% will be extended for another 10 years from 2021 to 2030, if the companies’ main business are included in the “Catalogue of Encouraged Industries in the Western Region (2020 Version)”, which came into effect since 1 March 2021 with new encouraged industries applicable to the coal subsidiaries and branches of the Company.

As at 30 June 2021, some of the coal subsidiaries and branches of the Company engaged in coal mining have obtained the approval from the relevant government and tax authorities and are entitled to enjoy the preferential tax rate of 15%. Meanwhile, some other coal subsidiaries of the Company are still in the process of obtaining the approval.

The applicable tax rates of the Group’s overseas subsidiaries are as follows:

	Six months ended 30 June	
	2021	2020
	%	%
Australia	30.0	30.0
Indonesia	22.0	25.0
United States	21.0	21.0
Russia	20.0	20.0
Hong Kong	<u>8.25/16.5*</u>	<u>8.25/16.5*</u>

During the six months ended 30 June 2021 and 2020, there was no significant assessable profit and provision for income tax for the overseas subsidiaries.

- * The two-tiered profits tax rates regime is applicable from the year of assessment 2018/19 onwards. The profits tax rate for the first HKD2,000,000 of profits of corporations will be lowered to 8.25%, and profits above that amount will continue to be subject to the tax rate of 16.5%.

7 PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Personnel expenses, including	14,605	12,194
– contributions to defined contribution plans	1,742	1,103
Depreciation of property, plant and equipment	8,951	8,991
Depreciation of right-of-use assets	346	336
Amortisation of intangible assets	205	202
Amortisation of other non-current assets	471	489
Depreciation and amortisation charged for the period	9,973	10,018
Less: amount capitalised	25	22
Depreciation and amortisation (<i>Note</i>)	9,948	9,996
Loss allowances, net of reversal		
– Loans receivables and interbank certificate of deposits	–	2
– Trade and other receivables	(17)	271
	(17)	273

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Other (gains) and losses, represent		
– (gains)/losses on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets	(458)	55
– gains on disposal of financial assets at FVTPL	–	(457)
– gains on disposal of derivative financial instruments	–	(20)
– losses on changes in fair value of financial assets	–	179
– impairment losses on construction in progress	–	6
– impairment losses on intangible assets	–	1
	(458)	(236)
Carrying amount of inventories sold	87,311	51,201
Operating lease changes relating to short-term leases, leases of low-value assets and variable lease payments	116	121
Exchange gain, net	(81)	(4)

Note:

Cost of sales included an amount of depreciation and amortisation of RMB8,489 million for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB8,350 million).

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB26,500 million (six months ended 30 June 2020: RMB20,370 million) and the 19,869 million ordinary shares in issue (net off repurchased shares) during the six months ended 30 June 2021 (six months ended 30 June 2020: 19,890 million shares).

No diluted earnings per share is presented as there were no potential ordinary shares in existence for both periods.

9 INTERESTS IN ASSOCIATES

	30 June 2021	31 December 2020
	<i>RMB million</i>	<i>RMB million</i>
Unlisted shares, at cost	47,763	47,380
Share of post-acquisition profits and other comprehensive income, net of dividend received	2,873	2,176
	50,636	49,556

Name of associate	Proportion of ownership interest and voting power held by the Group		Principal activities
	30 June	31 December	
	2021 %	2020 %	
Beijing Guodian Power Co., Ltd.	42.53	42.53	Generation and sale of electricity
Haoji Railway Co., Ltd.	12.50	12.50	Provision of transportation service
Shandong Tianlong Group Co., Ltd.	20.39	20.39	Production and sale of coal
Sichuan Guang'an Power Co., Ltd.	20.00	20.00	Generation and sale of electricity
Guohua (Hebei) Renewables Co., Ltd.	25.00	25.00	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	43.83	43.83	Provision of transportation service
Inner Mongolia Yili Chemical Industry Co., Ltd.	25.00	25.00	Production and sale of chemicals
Suizhong Power Generation Co., Ltd.	15.00	15.00	Generation and sale of electricity
Inner Mongolia Guohua Hulunbeler Power Generation Co., Ltd.	20.00	20.00	Generation and sale of electricity
China Energy Finance Co., Ltd.	40.00	40.00	Provision of comprehensive financial service

10 ACCOUNTS AND BILLS RECEIVABLES

	30 June 2021 <i>RMB million</i>	31 December 2020 <i>RMB million</i>
Accounts receivable		
– China Energy Group and fellow subsidiaries	2,642	2,574
– Associates	396	407
– Third parties	8,478	6,116
	<u>11,516</u>	<u>9,097</u>
Less: allowance for credit losses	<u>(1,295)</u>	<u>(1,299)</u>
	<u>10,221</u>	<u>7,798</u>
 Bills receivable		
– China Energy Group and fellow subsidiaries	154	65
– Third parties	2,249	3,896
	<u>2,403</u>	<u>3,961</u>
	<u>12,624</u>	<u>11,759</u>

As at 30 June 2021 and 31 December 2020, accounts and bills receivables from contracts with customers amounted to RMB13,919 million and RMB13,058 million, respectively.

Bills receivable were mainly issued by PRC banks and are expiring within one year. As at 30 June 2021, no bills receivable was pledged to secure bills payable.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 <i>RMB million</i>	31 December 2020 <i>RMB million</i>
Less than one year	9,325	6,972
One to two years	201	125
Two to three years	116	84
More than three years	579	617
	<u>10,221</u>	<u>7,798</u>

11 ACCOUNTS AND BILLS PAYABLES

	30 June 2021 <i>RMB million</i>	31 December 2020 <i>RMB million</i>
Accounts payable		
– China Energy Group, associates of China Energy Group and fellow subsidiaries, and associates of the Group	2,703	2,510
– Third parties	25,955	25,362
	28,658	27,872
Bills payable	1,126	1,108
	29,784	28,980

The following is an ageing analysis of accounts and bills payables, presented based on invoice date as of 30 June 2021:

	30 June 2021 <i>RMB million</i>	31 December 2020 <i>RMB million</i>
Less than one year	25,416	24,621
One to two years	1,047	671
Two to three years	359	459
More than three years	2,962	3,229
	29,784	28,980

12 DIVIDENDS

During the current interim period, a final dividend in respect of the year ended 31 December 2020 of RMB1.81 per ordinary share totaling RMB35,962 million (six months ended 30 June 2020: RMB1.26 per ordinary share totaling RMB25,061 million in respect of the year ended 31 December 2019) was approved at the annual general meeting held on 25 June 2021 and paid in full by August 2021.

The Directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2020: Nil).

II. CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board, I am delighted to present you with the 2021 interim report and the results during the period of China Shenhua, and express sincere gratitude to all of you for your support!

Since this year, we have committed to the spirit of the important instructions made by General Secretary Xi Jinping and the decision-making deployment of the Party Central Committee, deeply implemented “One Target, Three Models and Five Strategies, and Seven First-classes” development strategy, actively undertook the responsibilities and missions as a state-owned listed company, ensured energy supply as well as stability of price and market, performed steadily in overall in safety and environmental protection, consolidated and strengthened integrated operations, accelerated the promotion of carbon peak emissions and carbon neutrality, made more efforts in project construction, and continuously strengthened the drive for innovation, made good progress in digital transformation, achieved remarkable results in various tasks, obtained better key production and operation indicators than the same period of the previous year and this year’s expectations, and made steady and positive progress, laying a solid foundation for achieving a good start in the “14th Five-Year Plan” throughout the year.

We have provided comprehensive services to build a new development pattern, achieved 152.4 million tons of coal production, 77.04 billion kilowatt-hours of power generation, 150.0 billion tons kilometers of transportation turnover of self-owned railways, and 371,100 tons of chemical products production, and achieved a revenue of RMB143.979 billion, a profit before tax of RMB38.114 billion, a profit of RMB31.767 billion in the current period, a basic earnings per share of RMB1.334, a gearing ratio of 29.5% at the end of the period, and an aggregate market value of USD51.8 billion. The key production and operation indicators have been greatly improved and continued to improve, making positive contributions to the accelerated recovery and stable growth of the national economy.

We have led production and operations with high goals, and insisted on steady progress to ensure growth, strengthened coordinated dispatching, ensured supply and price stability, demonstrated responsibility, effectively guaranteed energy supply in important periods such as the cold wave at the beginning of the year, the Spring Festival and “July 1”. Coal enterprises such as Shendong Coal and Zhunge’er Energy continuously produced safe, stable and high yields, giving full play to the role of the main force and ballast stone. We have adhered to corporate credit and increased the fulfillment of internal and external long-term contracts, maintained the long-term coal agreed pricing mechanism, resolutely ensured the safety of the energy supply chain and the stability of the production, transportation and marketing supply chain, effectively stabilized the market, reached a new level in integrated operation, deeply tapped the potential of Baoshen Railway and Shuohuang Railway, realized long-term full-scale operation in transportation channels in the core area, focused on synergy to create benefits, built a new coal-electricity relationship of “risk sharing, benefit sharing, and performance co-creation”, accurately implemented the distribution system based on marginal benefits, and strengthened inventory management throughout the entire cycle and process.

We made every effort to promote innovation-driven development and green transformation to achieve higher quality development, focused on the goal of realizing carbon peak and carbon neutrality, carefully planned the development blueprint of the “14th Five-Year Plan”, focused on the research on low-carbon transformation of coal, electricity, chemical and transportation integration, gave play to the regional advantages of capital and assets, and explored diversified investment modes to promote the development of new energy industry, strengthened the guidance of scientific and technological innovation and initiated the application of mobile block technology for heavy-haul railways in Shuohuang Railway; promoted the application of zero and negative carbon technology, and built Jinjie Energy into the largest 150,000 tons/year carbon capture demonstration project in China; built state-level intelligent coal mines and power stations, and built intelligent transportation technologies, standards and data systems. In the first half of 2021, the Company was granted a total of 269 patents, including 110 invention patents.

We implemented the Securities Law, protected the interests of minority investors, fulfilled promise, continued to distribute a large proportion of cash dividends to return to investors, comprehensively strengthened ESG governance and promoted the standardisation of ESG management system construction. We studied and implemented the new Work Safety Law, strictly focused on safety production, and continued to promote the Three-year Action for Special Improvement to effectively contain various accidents. We strictly implemented environmental protection and emission reduction, continued to consolidate the achievements of pollution prevention and control, and jointly safeguarded the ecological security of key regions such as the Yangtze River and the Yellow River. In the first half of the year, the Company won the “Tianma Award of Mainboard-listed Companies with the Investor Relationship in China” and “Sustainable Development Inclusion Award”. The effectiveness of corporate social responsibility and the high-quality interaction with minority investors have received positive publicity from regulatory agencies many times.

We adhered to the “two consistent principles”, gave full play to the leading role of Party building, established a long-term mechanism to implement the important instructions of General Secretary Xi Jinping, implemented the “First Issue” system, and continuously improved political judgment, political understanding, and political execution. We firmly promoted the study and education of the Party’s history, celebrated the centenary of the founding of the Party. We incorporated the Party’s leadership into corporate governance, implemented the core concept of corporate culture, effectively connected the poverty alleviation and rural revitalization, strictly governed the party and effectively transformed the political and organizational advantages of the Party into the development advantages of enterprises.

In the second half of the year, we will earnestly study and carried through General Secretary Xi Jinping’s significant speech on “July 1st”, aim at the goal and tasks of the year without wavering, give play to the industry leadership, stabilize production, supply, prices and market, adhere to corporate credit, expand market share, and establish the “leader of the chain” in the modern industrial chain, so as to promote the healthy development of the industry. We will aim at the goal of realizing the peak in carbon emission and carbon neutrality, focus on the primary duty and core business, deepen the supply-side structural reform, improve the quality and efficiency of the development of coal, electricity, chemical and transportation industries, and accelerate the development of the new energy industry, to further expand the core competitive advantages of integrated operations under the new situation. We will strengthen the comprehensive risk prevention and control system and capacity building, effectively respond to major challenges, and resist major risks to effectively ensure the healthy and sustainable development of the Company.

China Shenhua will uphold the Company's core values of "green development and pursuit of excellence". With the joint efforts of the Board of Directors, management and all employees, and with the strong support of shareholders and all sectors of society, we will work hard to make dedications, innovate and strive to be the first, make greater contributions to economic and social development in China, and create greater value for investors, customers and the society.

III. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Competition and Development Trend in the Industry¹

1. Macroeconomic Environment

In the first half of 2021, facing the complicated and versatile environment domestically and abroad and under the strong leadership of the CPC Central Committee with comrade Xi Jinping as the core, the Chinese government continued to consolidate and expand epidemic prevention and control and economic and social development achievements, and accurately implement macro policy, as a result, the economy continued to recover steadily, production demand continued to rebound, prices and employment remained generally stable, new momentum rapidly grew, quality and efficiency improved steadily. The expectations of market entities improved, major macro indicators were within an appropriate range, and economic development was stable and improving. China's Gross Domestic Product (GDP) grew 12.7% year-on-year in the first half of this year, with a two-year average growth of 5.3%.

The current international situation is still complex and severe, the global epidemic prevention and control is still under great pressure, and the foundation of China's economic recovery is yet to be solid. In the second half of this year, the Chinese government will always adhere to the general tone of seeking improvement in stability, better coordinate the epidemic prevention and control with economic and social development, continue to deepen the supply-side structural reform so as to release the potential in domestic demand, vigorously help enterprises for development, accelerate the reform and opening up, make overall adjustment and keep the economy running within a reasonable range, take solid steps to promote high-quality development, and strive to meet the targets and tasks for economic and social development for the year.

2. Coal Market Environment

(1) China's Thermal Coal Market

Review of the first half of 2021

In the first half of this year, China's national economy continued to stabilize to promote coal consumption demand, regional coal supply structure was relatively tight, and coal price hovered at a high level. As of 30 June, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB644/tonne, increasing by RMB51/tonne compared with the beginning of the year (RMB593/tonne). In the first half of 2021, the average value of Bohai Bay thermal coal (5,500 kcal) price index was RMB606/tonne, a year-on-year increase of RMB63/tonne (the first half of 2020: RMB543/tonne).

	January to June 2021	Change %
Raw coal output (<i>million tonnes</i>)	1,949	6.4
Coal import (<i>million tonnes</i>)	140	(19.7)
Coal transportation by railways (<i>million tonnes</i>)	1,280	13.8

In the first half of this year, China's total coal consumption was approximately 2,130 million tonnes, representing a year-on-year increase of 10.6%. Based on the same period in 2019, the two-year average growth rate was 3.4%. The consumption growth was mainly driven by the power industry. In the first half of 2021, the coal consumption of the power industry accounted for approximately 58%, and the consumption of thermal coal increased by 14.5% year on year, with the two-year average growth rate of approximately 7.7%.

On the supply side, coal production remained stable on the whole. Main origins of coal have further strengthened the comprehensive investigation of potential safety risks, standardized production capacity management, and continued to optimize coal production capacity. In the first half of this year, coal enterprises above scale produced 1,950 million tonnes of raw coal, representing a year-on-year increase of 6.4% and a two-year average growth of 3.5%. In the first half of this year, the output of three provinces including Shanxi, Shaanxi and Inner Mongolia accounted for 75.5% of the total national output.

In the first half of this year, China imported 140 million tonnes of coal, representing a year-on-year decrease of 19.7%. Indonesia, Russia and Mongolia became the top three source countries of China's coal imports.

Outlook for the second half of the year

In the second half of the year, China's economy will recover steadily, energy consumption will keep growing, and the growth rate will gradually return to be moderate. Factors such as the evolution of the global epidemic, peak of energy consumption in summer, off-peak production in energy-intensive industries, and weather changes will lead to periodic fluctuations in coal demand in the second half of the year. From the supply side, coal supply will increase slightly compared with the first half of the year as the effect of multi-link supply guarantee measures appears and new coal mine capacity is gradually released. It is expected that in the second half of the year, the tight balance between coal supply and demand will be to some extent relieved, but the tight supply in structure, time period and region will still exist, and coal price hub will to some extent fall.

(2) *Thermal Coal Market in Asia Pacific Region*

Review of the first half of 2021

In the first half of the year due to the extreme weather in major coal consumption markets and the accelerated pace of economic recovery has rapidly released coal demand, the rapid recovery of the global economy has led to a rapid rise in energy consumption. Coal production in most major coal producing countries has gradually recovered, and the output showed a trend of rebounding or narrowing of decrease. India produced 415 million tonnes of coal in the first half, representing a year-on-year increase of 1.7%. Indonesia produced 293 million tonnes of coal, representing a year-on-year increase of 7.7%; The United States produced 293 million tonnes of coal, representing a year-on-year increase of 10.7%; Russia produced 212 million tonnes of coal, representing a year-on-year increase of 8.6%; Australia produced 134 million tonnes of coal in the first quarter, representing a year-on-year decrease of 2.3%.

Coal trade recovered moderately in the first half of the year. Due to climate factors and transport disruptions, Indonesia exported 213 million tonnes of coal in the first half of this year, representing a year-on-year increase of 2.5%. Australia exported 87.29 million tonnes of coal in the first quarter, representing a year-on-year decrease of 6.0%. Coal exports from Russia, the United States and Mongolia soared. In terms of imports, excluding China, among the major coal importing countries, India imported 92.05 million tonnes of coal from January to May, representing a year-on-year increase of 1.2%. Japan imported 86.28 million tonnes, representing a year-on-year decrease of 2.4%; Republic of Korea imported 57.14 million tonnes, representing a year-on-year decrease of 3.6%; Chinese Taiwan imported 32.44 million tonnes, representing a year-on-year increase of 3.3%. Imports of Germany, Turkey and Ukraine showed the increasing trend.

In the first half of the year, the overall supply of coal in the international market was tight, driving the market price of coal to continue to rise rapidly. As of 30 June, the spot price of Newcastle NEWC thermal coal amounted to USD136.96 per tonne, representing an increase of USD53.24 per tonne, or 63.6% as compared to the start of the year (USD83.72 per tonne), and an increase of USD86.77 per tonne as compared to the end of June 2020 (USD50.19 per tonne).

Outlook for the second half of the year

As the global economy continues to recover in the second half of the year, there is still room for coal demand to be released. With the ease of pandemic outbreak and the resumption of production, the tight supply and demand of coal in the world may ease to some extent in the second half of the year. However, with great instability and uncertainty arising from the epidemic and the international political and economic environment, extreme weather and transportation capacity may still bring some constraints on the export supply capacity, and there is still a risk of periodic imbalance in the supply and demand of coal market in the second half of the year.

3. Power Market Environment

Review of the first half of 2021

In the first half of this year, China's economy continued to recover steadily, and economic development showed a steady strengthening and positive trend. China's national power consumption reached 3,930 billion kWh, up 16.2% year on year with a two-year average growth of 7.6%. In terms of industries, China has further advanced the rural revitalization strategy. In the first half of this year, the power consumption potential of primary industry has been continuously released, with a year-on-year growth of 20.6% and a two-year average growth of 14.3%. There was a clear trend of upgrading in the manufacturing sector, and new drivers of growth were growing. The power consumption in the secondary industry increased by 16.6% year on year, with a two-year average growth of 7.3%. The tertiary industry recovered rapidly, with an increase of power consumption by 25.8% year-on-year in the first half of the year and a two-year average growth of 9.9%. The domestic power consumption of urban and rural residents increased by 4.5% year on year, with a two-year average growth of 5.6%.

In the first half of this year, power generation by national and international power plants in China totalled 3,870 billion kWh, representing a year-on-year increase of 13.7%. Among them, due to the rapid growth of power consumption and the slow growth of hydropower generation, the coal-fired power totaled 2,830 billion kWh, representing a year-on-year increase of 15%, accounting for 73.0% of the total power generation; Hydropower generation increased by 1.4%; nuclear power generation increased by 13.7% year-on-year, the full-calibre on-grid wind power and on-grid solar power generation increased by 44.6% and 24.0%, respectively. In the first half of 2021, average utilization hours of national power generation equipment reached 1,853 hours, representing a year-on-year increase of 119 hours. Among them, the utilization hours of coal-fired power generation equipment reached 2,186 hours, representing a year-on-year increase of 231 hours (the utilization hours of coal power reached 2,257 hours, representing a year-on-year increase of 254 hours).

In the first half of this year, the national new power generation installed capacity reached 51.78 million kilowatts. As of the end of June 2021, the national power generation installed capacity reached 2.26 billion kilowatts, of which non-fossil energy power generation installed capacity accounted for 45.4%, representing a year-on-year increase of 3.2 percentage points; coal power installed capacity accounted for 48.2% of total installed capacity, representing a year-on-year decrease of 3.3 percentage points.

The power system reforms continued to be pushed deeper, the pilot scope of power spot commodity extended and new energy participated in market trading of power in an orderly manner. In the first half of the year, the national inter-regional power transmission amounted to 295.6 billion kWh, an increase of 13% year on year, whilst the national inter-provincial power transmission was 721.8 billion kWh, edging up 13.7% year on year, of which the medium and long-term direct transaction volume of power was 1,702.3 billion kWh, with an 41.6% growth from previous year. The medium and long-term direct transaction volume of power was 1,377.3 billion kWh, with an 43.4% growth from previous year, constituting 35% of total power consumption, with an increase of 6.4 percentage points year on year.

Outlook for the second half of the year

Power consumption demand is expected to maintain rapid growth in the second half of the year, and the overall balance of power supply and demand in the country will be balanced. During summer consumption peak, power load will be increased for high temperature weather, and power supply in some areas will be tight during peak hours. Taking into account the domestic and foreign economic situation in the second half of the year and the base of last year, it is expected that in the second half of 2021, the national power consumption will grow by approximately 6% year on year, reaching approximately 10–11% jump for the entire year.

¹ This section is for reference only and does not constitute any investment advice. The Company has used its best endeavours to ensure the accuracy and reliability of information in this section, but does not assume any liability or provide any form of guarantee for the accuracy, completeness or validity of all or part of its content. If there is any error or omission, the Company does not assume any liability. The content in this section may contain certain forward-looking statements based on subjective assumptions and judgments of future political and economic developments; therefore there may exist uncertainties in these statements. The Company does not undertake any responsibility for updating the information or correcting any subsequent error that may appear. The opinions, estimates and other data set out herein can be amended or withdrawn without further notice. The data contained in this section are mainly derived from sources such as the National Bureau of Statistics, China Coal Market Network, China Coal Resources Network, China Electricity Council and China Coal Transportation & Sales Society etc.

(II) Discussion and analysis on operation results

In the first half of 2021, with the continuously steady recovery of economy in China, the Group achieved stable growth during the production and operation courses, consolidated and strengthened the integration operation model, promoted in-depth innovation-driven development and green transformation.

The Group recorded a revenue of RMB143,979 million in the first half of 2021 (the first half of 2020: RMB105,016 million), achieving 59.3% of the business target for 2021, representing a year-on-year increase of 37.1%; a profit before tax of RMB38,114 million (the first half of 2020: RMB31,291 million), representing a year-on-year increase of 21.8%; the profit for the period attributable to equity holders of the Company of RMB26,500 million (the first half of 2020: RMB20,370 million); and basic earnings RMB1.334/share (the first half of 2020: RMB1.024/share), representing a year-on-year increase of 30.3%.

Major financial indicators of the Group for the first half of 2021 are as follows:

	Unit	First half of 2021	First half of 2020	Change %
Return on total assets as at the end of the period	%	5.3	4.3	Increased by 1.0 percentage points
Return on net assets as at the end of the period	%	7.5	5.8	Increased by 1.7 percentage points
EBITDA	RMB million	47,317	41,142	15.0
	Unit	As at 30 June 2021	As at 31 December 2020	Change %
Equity of shareholders per share	RMB/share	17.86	18.33	(2.6)
Gearing ratio	%	29.5	23.7	Increased by 5.8 percentage points
Total debt to total equity ratio	%	12.9	13.4	Decreased by 0.5 percentage point

The status of completion of 2021 business targets of the Group:

Item	Unit	Target of 2021	Completed in the first half of 2021	Percentage Of completion %
Commercial coal production	100 million tonnes	2.84	1.524	53.7
Coal sales	100 million tonnes	4.76	2.408	50.6
Power generation	100 million kWh	1,350	770.4	57.1
Revenue	RMB100 million	2,426	1,439.79	59.3
Cost of sales	RMB100 million	1,704	1,027.77	60.3
Selling, general and administrative expenses, R&D costs and net finance costs	RMB100 million	125	43.49	34.8
Change in unit production cost of self-produced coal	/	Increased by approximately 5% year-on-year	Increased by 4.3% year-on-year	/

The above business targets are subject to the progress of procedures for the use of coal mine lands, risks, uncertainties and assumptions. The actual outcome may differ materially from these statements. Such statements do not constitute substantial commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks.

IV. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

1. Analysis on Changes in the Major Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows

Unit: RMB million

	The first half of 2021	The first half of 2020	Change %
Revenue	143,979	105,016	37.1
Cost of sales	(102,777)	(69,957)	46.9
Research and development costs	(471)	(245)	92.2
Other gains and losses	458	236	94.1
Loss allowances, net of reversal	17	(273)	(106.2)
Other expenses	(231)	(88)	162.5
Interest income	1,133	665	70.4
Share of results of associates	708	484	46.3
Income tax expense	(6,347)	(6,507)	(2.5)
Net cash generated from operating activities	40,219	53,720	(25.1)
Of which: Net cash generated from operating activities of Finance Company ^{Note}	0	21,545	(100.0)
Net cash generated from operating activities excluding the effect of Finance Company	40,219	32,175	25.0
Net cash generated from investing activities	5,489	41,940	(86.9)
Net cash used in financing activities	(1,396)	(29,489)	(95.3)

Note: The item represents the cash flows of deposits and loans and interest, fees and commission generated from financial services including deposits and loans for entities other than the Group to which the Finance Company provided in the first half of 2020 before the completion of capital increase transaction of the Finance Company.

(1) *Explanations on the reasons for the changes in revenue*

The revenue of the Group in the first half of 2021 recorded a year-on-year increase. The main reasons for such change are:

- ① Sales volume of coal and the average coal sales price of the Group recorded a year-on-year increase of 17.3% and 25.4%, respectively, due to strong coal demand in the coal market and rise in coal price with the steady recovery of China's economy;
- ② Driven by the increase of sales volume of coal and other factors, the Group experienced year-on-year growth in major operating indicators, such as transportation turnover of self-owned railway, loading volume of vessels at the ports, and shipping turnover;
- ③ The power demand in China increased rapidly, and the Group proactively took advantage of integrated operation to ensure the coal supply of power plants, resulting in a year-on-year increase in power generation;
- ④ Subject to international oil price and other factors, domestic polyolefin products were in short-term shortage of supplies with rising price, resulting in year-on-year increase in sales volume of polyolefin products and average polyolefin sales price of the Group.

Major operating indicator	Unit	The first half of 2021	The first half of 2020	Change %
(I) Coal				
1. Commercial coal production	Million tonnes	152.4	145.6	4.7
2. Coal sales	Million tonnes	240.8	205.3	17.3
Of which: Self-produced coal	Million tonnes	152.2	141.9	7.3
Purchased Coal	Million tonnes	88.6	63.4	39.7
(II) Transportation				
1. Turnover of self-owned railways	Billion tonne kilometres	150.0	133.3	12.5
2. Loading volume at Huanghua Port	Million tonnes	109.4	93.7	16.8
3. Loading volume at Tianjin Coal Dock	Million tonnes	22.8	21.5	6.0
4. Shipping volume	Million tonnes	59.3	51.3	15.6
5. Shipment turnover	Billion tonne nautical miles	53.0	42.9	23.5
(III) Power generation				
1. Gross power generation	Billion kWh	77.04	62.82	22.6
2. Total power output dispatch	Billion kWh	72.04	58.76	22.6
(IV) Coal chemicals				
1. Sales of polyethylene	Thousand tonnes	190.2	182.0	4.5
2. Sales of polypropylene	Thousand tonnes	180.9	164.2	10.2

(2) *Explanations on the reasons for the changes in cost of sales*

Breakdown of cost of sales	The first half of 2021		The first half of 2020		Change of the amount %
	Amount <i>RMB million</i>	Percentage %	Amount <i>RMB million</i>	Percentage %	
Cost of coal purchased	41,522	40.4	19,111	27.3	117.3
Raw materials, fuel and power	10,996	10.7	9,440	13.5	16.5
Personnel expenses	8,260	8.0	6,608	9.4	25.0
Repairs and maintenance	5,170	5.0	4,328	6.2	19.5
Depreciation and amortization	8,489	8.3	8,350	11.9	1.7
Transportation expenses	8,391	8.2	6,753	9.7	24.3
Tax and surcharge	6,782	6.6	5,088	7.3	33.3
Other	13,167	12.8	10,279	14.7	28.1
Total cost of sales	102,777	100.0	69,957	100.0	46.9

The cost of sales of the Group in the first half of 2021 represented a year-on- year increase, of which:

- ① The year-on-year increase in cost of coal purchased was mainly driven by the strong demand in the coal market and rise in coal price, the Group's sales volume and unit procurement cost of purchased increased by 39.7% and 55.5% year on year, respectively.
- ② The year-over-year increase in the cost of raw materials, fuel and power was mainly due to the increase in power generation volume and the increase in price of coal purchased.
- ③ The year-on-year increase in personnel expenses was mainly due to the impact of the adjustment of the employee performance salary accrual cycle, which resulted in higher employee salary accrual in the first half of 2021 as compared with the same period of the previous year, as well as the increase in social security contributions due to the increase in employee salary.
- ④ The year-on-year increase in repairs and maintenance costs was mainly due to the postponement of certain maintenance works of the Group's railway and coal segments due to the pandemic in the same period of the previous year, resulting in less repairs and maintenance costs incurred.

- ⑤ The year-on-year increase in transportation expenses was mainly due to the increase in ship chartering fees in the shipping business.
- ⑥ The year-on-year increase in tax and surcharge was mainly attributable to the rise in revenue and the increase in resources tax rates in Shaanxi Province.

(3) Other items of profit and loss statement

- ① The year-on-year increase in research and development costs was mainly attributable to the year-on-year increase in research and development costs of the Group in smart mines.
- ② The year-on-year increase in other gains and losses was mainly attributable to the Group's withdrawal from the Watermark project development rights and then obtaining consideration from the State Government of New South Wales, Australia.
- ③ The year-on-year change in loss allowances was mainly attributable to loss allowance in provision for coal sales receivables in the same period of last year. No significant loss allowances occurred at the end of the reporting period.
- ④ The year-on-year increase in other expenses was mainly attributable to the Group's provision of estimated losses due to the withdrawal from the development rights of the Watermark project.
- ⑤ The year-on-year increase in interest income was mainly attributable to the deconsolidation of the Finance Company, ceasing to consolidate the interest income from the deposit of the Group in Finance Company to offset, and growth in average deposit balances deposited in financial institutions other than the Finance Company.
- ⑥ The year-on-year increase in share of results of associates was mainly attributable to the recognition of profit attributable to Financial Company due to the deconsolidation of the Finance Company in the first half of 2021.
- ⑦ The year-on-year decrease in income tax was mainly attributable to the overpayment of the final settlement of income tax of the previous year by certain coal subsidiaries and branches in the first half of the year offsetting the income tax for the current period.

(4) *Items of cash flow statement*

The Group formulated capital management policies that aimed to achieve maximized interests for the shareholders and maintained a sound capital structure as well as reduced the costs of capital under the premise of safeguarding the operation on an on-going basis. In accordance with the policy of the Company, the capital was invested in infrastructure, mergers and acquisitions and other projects.

- ① Net cash generated from operating activities decreased by 25.1% on a year-on-year basis, which was mainly due to reduction of net cash flow arising from the deconsolidation of the Finance Company. Excluding the effect of Finance Company, net cash generated from operating activities of the Group represented a year on-year increase of 25.0%, which was mainly attributable to the increase in cash flows due to increased income during the reporting period.
- ② Net cash generated from investing activities decreased by 86.9% on a year-on-year basis, which was mainly due to the maturity and recovery of bank wealth management products held by the Company during the same period of the previous year, and no similar business occurred in this reporting period.
- ③ Net cash used in financing activities decreased by 95.3% on a year-on-year basis, which was mainly due to 2019 final dividend payments and bond payable repayments in the same period last year. As of the end of the reporting period, the 2020 final dividend has not been paid.

(5) *Research and development expenses*

Expensed research and development expenditure in the period (<i>RMB million</i>)	471
Capitalized research and development expenditure in the period (<i>RMB million</i>)	302
Total research and development expenditure (<i>RMB million</i>)	773
Ratio of capitalized research and development expenditure (%)	39.1
Percentage of total research and development expenditure to revenue (%)	0.5
Number of research and development personnel in the Company (<i>number of person</i>)	2,328
Ratio of research and development personnel to the total number of persons in the Company (%)	3.1

In the first half of 2021, the investment in research and development of the Group represented a year-on-year increase of 152.6% (the first half of 2020: RMB306 million), which was mainly used for the smart mine project of Shendong mining area, research and application project of key technology of unmanned transportation operation system in Zhunge'er Mines open pit mine, research and application project of intelligent operation and maintenance technology of Shuohuang heavy-haul railway infrastructure, expanding test and engineering application research project of mobile blocking of Shuohuang heavy-haul railway, etc.

2. Explanation on material changes in the composition of profit or source of profit of the Company

The main operation mode of the Group is the integrated industrial chain of coal production, coal transportation (railway, port, shipping), coal conversion (power generation and coal chemical), and there are business contacts among the segments. In the first half of 2021, the Group's coal, power generation, transportation and coal chemical segments accounted for 58%, 9%, 31% and 2% of operating profits (before elimination). Affected by the increase in coal prices and other factors, the proportion of operating profits in the coal segment increased, while the proportion of operating profits in the power generation segment decreased.

In the first half of 2021, the Company made no significant change in the business model, composition of profit or source of profit.

(II) Analysis on Assets and Liabilities

1. Analysis on Changes in the Major Items in the Consolidated Statement of Financial Position

	As at 30 June 2021		As at 31 December 2020		Change of the amount	Main reasons for changes
	Amount	Percentage of total assets	Amount	Percentage of total assets		
	<i>RMB million</i>	%	<i>RMB million</i>	%	%	
Intangible assets	4,378	0.7	3,888	0.7	12.6	Increase in Baorixile, Xinjie mining rights
Inventories	14,975	2.5	12,750	2.3	17.5	Increase in coal inventory

	As at 30 June 2021		As at 31 December 2020			
	Amount	Percentage of total assets	Amount	Percentage of total assets	Change of the amount	Main reasons for changes
	<i>RMB million</i>	%	<i>RMB million</i>	%	%	
Accounts and bills receivables	12,624	2.1	11,759	2.1	7.4	Relatively low base of account receivables at the end of the previous year, as a result of the intensified efforts of the Group on collection of accounts receivables and the increase in receivables for coal sales and receivables for electricity sales in the first half of 2021
Restricted bank deposits	2,820	0.5	3,391	0.6	(16.8)	Usage of the mine environment treatment and restoration funds under regulations
Time deposits with original maturity over three months	1,357	0.2	11,186	2.0	(87.9)	Maturity of time deposits with original maturity over three months in the end of last year
Cash and cash equivalents	157,082	26.0	112,880	20.1	39.2	Increase of net cash generated from operating activities
Assets classified as held for sale	0	0.0	2,783	0.5	(100.0)	The completion of equity delivery of Fuping Thermal Power
Short-term borrowings	6,719	1.1	8,847	1.6	(24.1)	Repayments of certain short-term borrowings upon maturity
Accrued expenses and other payables	62,094	10.3	18,949	3.4	227.7	Unpaid final dividend of 2020 as of 30 June 2021
Current portion of long-term liabilities	379	0.1	689	0.1	(45.0)	Repayments of certain long-term liabilities in the first half of 2021
Income tax payable	3,118	0.5	6,313	1.1	(50.6)	Final settlement of corporate income tax of the previous year during the reporting period

	As at 30 June 2021		As at 31 December 2020		Change of the amount	Main reasons for changes
	Amount <i>RMB million</i>	Percentage of total assets %	Amount <i>RMB million</i>	Percentage of total assets %		
Contract liabilities	6,928	1.1	5,256	0.9	31.8	Increase in advance coal payments due to the increase in coal sales and average sale price
Liabilities associated with assets classified as held for sale	0	0.0	217	0.0	(100.0)	The completion of equity transfer of Fuping Thermal Power
Long-term liabilities	6,244	1.0	2,661	0.5	134.6	The recognition of long-term payables for mining rights after reassessment of the mining rights of certain mines

2. *Restrictions on main assets as at 30 June 2021*

No main assets of the Group have been seized or mortgaged.

As at 30 June 2021, the balance of the restricted assets of the Group was RMB3,669 million, which mainly consisted of fixed assets and various deposits secured and guaranteed for acquiring bank borrowings.

(III) Operation results by business segment

1. *Coal segment*

(1) *Production and operations*

In the first half of 2021, faced with the strong coal market demand, the Group overcame adverse effects of complex geological structure of working surface, methodically organized coal production, intensified efforts in resources acquisition and development, adjusts coal product structure on a timely basis, and realized stable and high coal production. As a result, the commercial coal output achieved 152.4 million tonnes (the first half of 2020: 145.6 million tonnes), representing a year-on-year increase of 4.7%. The total footage of advancing tunnels at underground mines was 230 thousand meters (the first half of 2020: 202 thousand meters), representing a year-on-year increase of 13.9%, among which Shendong Mines recorded footage of advancing tunnels of 223 thousand meters.

In the first half of 2021, the Group's coal exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB4,000 million (the first half of 2020: RMB14 million), mainly because Xinjie Taigemiao South area obtained coal resources detailed investigation and exploration rights. The Company's relevant capital expenditure of mining development and exploration amounted to approximately RMB5,440 million (the first half of 2020: RMB741 million), which was mainly attributable to the reassessment of mining right for Baorixile Mines, and the engineering construction expenses of the second panel project in Guojiawan coal mine.

The construction of smart mines continued to advance. The smart project construction of Daliuta Mine and Heidaigou Mine, as the national smart demonstration coal mine, has been carried out on schedule. Baorixile Energy's five 220-tonne trucks realized operation in unpiloted groups. As of 30 June 2021, the Group has built 25 smart coal mining working surfaces, 4 smart tunneling working surfaces and 6 smart coal collection plants.

The approval of land acquisition for coal mining advanced in an orderly manner. The 667 hectares of continuous production land of Beidian Shengli No. 1 open-pit mine and 611 hectares of land Heidaigou and Haerwusu open-pit mines have been partially approved and other approval procedure is under progress. The approval procedure for Baorixile open-pit mine's 600 hectares of continuation land for excavation site is under progress.

Steady progress has been made in the acquisition of mining rights. Shenhua Xinjie Energy Co., Ltd, the holding subsidiary of the Company, has obtained the detailed exploration license of coal resources in Taigemiao south area of Dongsheng Coal Field in Inner Mongolia issued by the Ministry of Natural Resources. The acquisition of the surrounding resource certificates of Shangwan Mine, Bulianta Mine and Wanli No. 1 Mine of Shendong Mines is proceeding in an orderly manner.

(2) Sales of coal

The coal sold by the Group is mainly produced in its self-owned mines. In order to fulfill the needs of customers and adequately make use of railways transportation, the Group also purchased the coal from third parties in the surrounding areas of the self-owned mines and railways and produced different kinds and levels of coal products and sold them to external customers. The Group implemented specialized division management. Production enterprises are responsible for production of coal, railway companies of the Company are mainly responsible for coal transportation and Trading Group of the Company is mainly responsible for sales of coal. Customers are involved in different industries, such as power, metallurgy, chemical and construction materials.

In the first half of 2021, the Group further optimized the coal marketing layout, utilized the sales network along the sea, river and railways to expand the market, improved the coal supplier management and pricing mechanism, and stabilized the source of coal purchased. Thus, the sales volume of coal of the Group amounted to 240.8 million tonnes (the first half of 2020: 205.3 million tonnes), representing a year-on-year increase of 17.3%, among which the domestic sales volume of three-year long-term contracts with external customers amounted to 84.2 million tonnes, accounting for 35.0% of the total sales volume of coal. The Group adopted unified pricing policies in the sales volume of coal under the annual long-term contracts, which led to an average sales price of coal amounting to RMB499 per tonne (exclusive of tax, same below) (the first half of 2020: RMB398 per tonne), representing a year-on-year increase of 25.4%.

In the first half of 2021, the sales volume of the Group to the top five domestic customers of coal was 90.5 million tonnes, which accounted for 38.0% of the domestic sales volume. In particular, the sales volume to China Energy Group, the largest customer, was 78.5 million tonnes, which accounted for 33.0% of the domestic sales volume. The top five domestic customers of coal were primarily power, coal chemical and coal trading companies.

① By contract pricing mechanisms

	The first half of 2021			The first half of 2020			Changes	
	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	<i>Million tones</i>	<i>%</i>	<i>RMB/tonne</i>	<i>Million tones</i>	<i>%</i>	<i>RMB/tonne</i>	<i>%</i>	<i>%</i>
I. Sales by Trading Group	229.6	95.3	512	197.7	96.3	407	16.1	25.8
1. Annual long-term contracts	99.2	41.2	412	88.3	43.0	382	12.3	7.9
2. Monthly long-term contracts	103.1	42.8	614	73.7	35.9	441	39.9	39.2
3. Spot commodity	27.3	11.3	489	35.7	17.4	397	(23.5)	23.2
II. Direct sales by mine pits	11.2	4.7	231	7.6	3.7	179	47.4	29.1
Total sales volume/average price (exclusive of tax)	240.8	100.0	499	205.3	100.0	398	17.3	25.4

② By internal and external customers

	The first half of 2021			The first half of 2020			Changes	
	Sales volume <i>Million tones</i>	Proportion of total sales %	Price (exclusive of tax) RMB/tonne	Sales volume <i>Million tones</i>	Proportion of total sales %	Price (exclusive of tax) RMB/tonne	Sales volume %	Price (exclusive of tax) %
1. Sales to external customers	212.1	88.0	506	181.9	88.6	403	16.6	25.6
2. Sales to internal power segment	26.4	11.0	458	21.1	10.3	364	25.1	25.8
3. Sales to internal coal chemical segment	2.3	1.0	322	2.3	1.1	354	0.0	(9.0)
Total sales volume/average price (exclusive of tax)	240.8	100.0	499	205.3	100.0	398	17.3	25.4

③ By sales regions

	The first half of 2021			The first half of 2020			Changes	
	Sales volume <i>Million tones</i>	Proportion of total sales %	Price (exclusive of tax) RMB/tonne	Sales volume <i>Million tones</i>	Proportion of total sales %	Price (exclusive of tax) RMB/tonne	Sales volume %	Price (exclusive of tax) %
I. Domestic sales	238.0	98.9	500	204.0	99.4	397	16.7	25.9
(I) Self-produced coal and purchased coal	228.1	94.8	500	195.6	95.3	399	16.6	25.3
1. Direct arrival	93.3	38.8	376	76.1	37.1	317	22.6	18.6
2. Seaborne	134.8	56.0	586	119.5	58.2	451	12.8	29.9
(II) Sales of domestic trading coal	4.9	2.0	568	4.9	2.4	314	0.0	80.9
(III) Sales of imported coal	5.0	2.1	401	3.5	1.7	441	42.9	(9.1)
II. Export sales	0.3	0.1	668	0.4	0.2	577	(25.0)	15.8
III. Overseas coal sales	2.5	1.0	429	0.9	0.4	493	177.8	(13.0)
Total sales volume/average price (exclusive of tax)	240.8	100.0	499	205.3	100.0	398	17.3	25.4

(3) Coal resources

As at 30 June 2021, under the PRC Standard, the Group had coal resources amounting to 33.36 billion tonnes, representing an increase of 3.68 billion tonnes as compared with that of the end of 2020, mainly because Xinjie Taigemiao South area obtained detailed investigation exploration rights; and recoverable coal reserve amounting to 14.26 billion tonnes, representing a decrease of 160 million tonnes as compared with that of the end of 2020. The Group's marketable coal reserve amounted to 7.57 billion tonnes under the JORC Standard, representing a decrease of 160 million tonnes as compared with that of the end of 2020.

Unit: 100 million tonnes

Mines	Coal resources (under the PRC Standard)	Recoverable coal reserve (under the PRC Standard)	Marketable coal reserve (under the JORC Standard)
Shendong Mines	154.9	87.8	43.5
Zhunge'er Mines	37.5	29.9	19.2
Shengli Mines	19.7	13.4	1.6
Baorixile Mines	13.4	11.2	11.4
Baotou Mines	0.5	0.3	0.0
Xinjie Mines	107.6	/	/
Total	333.6	142.6	75.7

Characteristics of the commercial coal produced in the Company's major mines are as follows:

Mines	Major types of coal	Calorific value of major commercial coal products <i>kcal/kg</i>	Sulphur content average, %	Ash content average, %
Shendong Mines	Long flame coal/ noncaking coal	4,500–6,100	0.3–0.8	5–48
Zhunge'er Mines	Long flame coal	4,000–5,300	0.4–0.5	32–18
Shengli Mines	Lignite	2,500–3,200	0.7–1.6	17–36
Baorixile Mines	Lignite	3,500–3,600	0.2–0.3	14–17
Baotou Mines	Long flame coal/ noncaking coal	3,800–4,900	0.3–1.0	8–25

Note: The above calorific value, sulphur content and ash content of major commercial coal products produced by each mine may be inconsistent with the characteristics of the commercial coal products produced by individual mine and those of the commercial coal products sold by the Company due to geological conditions and production process.

(4) *Operation results*

① The operation results of the coal segment of the Group before elimination on consolidation

		The first half of 2021	The first half of 2020	Change %	Main reasons for changes
Revenue	RMB million	123,396	84,201	46.5	Increase in sales volume and average price of coal
Cost of operations	RMB million	(99,187)	(66,104)	50.0	Increase in the sales volume of self-produced coal; Increase in the sales volume of purchased coal and unit purchase cost
Gross profit margin	%	19.6	21.5	Decreased by 1.9 percentage points	The proportion of purchased coal sales with relatively low gross profit margins in total coal sales increased from 30.9% in the first half of 2020 to 36.8%. Affected by this, the coal segment's gross profit margin decreased year on year
Profit from operations	RMB million	21,506	15,569	38.1	
Profit margin from operations	%	17.4	18.5	Decreased by 1.1 percentage points	

② The gross profit of the coal of the Group before elimination on consolidation

	The first half of 2021				The first half of 2020			
	Revenue	Costs	Gross profit	Gross profit margin	Revenue	Costs	Gross profit	Gross profit margin
	RMB million	RMB million	RMB million	%	RMB million	RMB million	RMB million	%
Domestic	118,909	(90,697)	28,212	23.7	81,064	(59,977)	21,087	26.0
Export and overseas	1,263	(1,152)	111	8.8	686	(570)	116	16.9
Total	<u>120,172</u>	<u>(91,849)</u>	<u>28,323</u>	<u>23.6</u>	<u>81,750</u>	<u>(60,547)</u>	<u>21,203</u>	<u>25.9</u>

③ Unit production cost of self-produced coal

Unit: RMB/tonne

	The first half of 2021	The first half of 2020	Change %	Main reasons for changes
Unit production cost of self-produced coal	132.4	126.9	4.3	
Raw materials, fuel and power	25.5	25.7	(0.8)	
Personnel expenses	26.0	23.0	13.0	Provision of employee salary; increase in social security contributions
Repairs and maintenance	10.0	9.1	9.9	The postpone of certain maintenance projects in the same period last year
Depreciation and amortisation	19.2	18.2	5.5	
Other costs	51.7	50.9	1.6	

Other costs consist of the following three components: (1) expenses directly related to production, including expenses for coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 60%; (2) auxiliary production expenses, accounting for 23%; (3) land requisition and surface subsidence compensation, environmental protection expenses, tax, etc., accounting for 17%.

④ Cost of coal purchased from third parties

The coal purchased from third parties by the Company includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal. In the first half of the year, cost of coal purchased from third parties was RMB41,522 million (the first half of 2020: RMB19,111 million), representing a year-on-year increase of 117.3%, of which the sales volume of coal purchased from third parties was 88.6 million tonnes (the first half of 2020: 63.4 million tonnes), representing a year-on-year increase of 39.7%; the unit purchase cost was RMB468.6 per tonne (the first half of 2020: RMB301.4 per tonne), with a year-on-year increase of 55.5%.

2. Power segment

(1) Production and operations

In the first half of 2021, China has achieved continuous expansion and consolidation in the overall planning of epidemic prevention and control and economic and social development, economic operations have recovered steadily, and the volume of power use in the whole society has grown rapidly. The Group seized the opportunity, strengthened the operation management of units, and spared no effort to grab power generation. Power generation in the first half of this year amounted to 77.04 billion kWh (the first half of 2020: 62.82 billion kWh), representing a year-on-year increase of 22.6%; and total power output dispatch amounted to 72.04 billion kWh (the first half of 2020: 58.76 billion kWh), representing a year-on-year increase of 22.6%.

(2) Power output dispatch and power tariffs

Power type/ Location	Gross power generation <i>billion kWh</i>			Total power output dispatch <i>billion kWh</i>			Power tariff <i>RMB/MWh</i>		
	The first half of	The first half of	Change %	The first half of	The first half of	Change %	The first half of	The first half of	Change %
	2021	2020		2021	2020		2021	2020	
(I) Coal-fired power	75.18	60.63	24.0	70.21	56.62	24.0	328	330	(0.6)
Shaanxi	15.35	13.31	15.3	14.08	12.18	15.6	268	273	(1.8)
Hebei	11.18	10.33	8.2	10.49	9.71	8.0	311	320	(2.8)
Guangdong	13.31	9.19	44.8	12.47	8.55	45.8	385	377	2.1
Fujian	8.15	6.21	31.2	7.61	5.95	27.9	351	350	0.3
Jiangxi	6.28	4.29	46.4	6.00	4.10	46.3	350	364	(3.8)
Shandong	4.45	4.02	10.7	4.25	3.82	11.3	341	349	(2.3)
Inner Mongolia	3.91	3.78	3.4	3.57	3.45	3.5	243	232	4.7
Chongqing	4.78	2.77	72.6	4.57	2.64	73.1	357	369	(3.3)
Sichuan	2.75	2.57	7.0	2.50	2.37	5.5	378	379	(0.3)
Henan	2.25	1.92	17.2	2.10	1.79	17.3	279	323	(13.6)
Guangxi	1.92	1.49	28.9	1.82	1.41	29.1	344	344	0.0
Indonesia (overseas)	0.85	0.75	13.3	0.75	0.65	15.4	453	551	(17.8)
(II) Gas-fired power	1.55	1.93	(19.7)	1.52	1.88	(19.1)	570	561	1.6
Beijing	1.55	1.93	(19.7)	1.52	1.88	(19.1)	570	561	1.6
(III) Hydropower	0.31	0.26	19.2	0.31	0.26	19.2	250	254	(1.6)
Sichuan	0.31	0.26	19.2	0.31	0.26	19.2	250	254	(1.6)
Total	77.04	62.82	22.6	72.04	58.76	22.6	333	337	(1.2)

Note: Year-on-year increase in the power output dispatch and the proportion of clean heating with lower power tariffs in Henan Mengjin Electricity led to the year-on-year decrease in average power tariff.

(3) *Installed capacity*

As of 30 June 2021, the total installed capacity of power generating units of the Group reached 31,579 MW, among which, the total installed capacity of the coal-fired power generators is 30,504 MW, which is 96.6% of the total installed capacity of the Group.

Unit: MW

Power type	Gross installed capacity as at 31 December 2020	Installed capacity increased/ (decreased) in the first half of 2021	Gross installed capacity as at 30 June 2021
Coal-fired power	31,204	(700)	30,504
Gas-fired power	950	0	950
Hydropower	125	0	125
Total	32,279	(700)	31,579

In the first half of the year, the equity delivery of Fuping Thermal Power was completed and the installed capacity of coal-fired power generators was reduced by 700 MW.

(4) *Utilisation rate of power generation equipment*

In the first half of 2021, average utilisation hours of coal-fired generators of the Group reached 2,464 hours, representing an increase of 433 hours as compared to 2,031 hours of the same period of last year, which was 207 hours higher than the national average utilisation hours of 2,257 hours¹ for coal-fired generating equipment.

Power type	Average utilisation hours			Power consumption ratio of power plant		
	<i>Hour</i>			<i>%</i>		
	The first half of 2021	The first half of 2020	Change %	The first half of 2021	The first half of 2020	Change
Coal-fired power	2,464	2,031	21.3	5.47	5.85	Decreased by 0.38 percentage point
Gas-fired power	1,632	2,028	(19.5)	1.26	1.61	Decreased by 0.35 percentage point
Hydropower	2,502	2,095	19.4	0.32	0.35	Decreased by 0.03 percentage point
Weighted average	2,440	2,031	20.1	5.63	5.70	Decreased by 0.07 percentage point

(5) Market Transaction of Power

In the first half of 2021, the volume of power in market-based transactions of the Group was 44.83 billion kWh, representing 62.2% of the total power output dispatch.

(6) Operation results of the power sales business

During the reporting period, the Group owned three companies offering power sales business, which are located in Shandong, Jiangsu and Guangdong, respectively, which are principally engaged in procurement and sales of power, incremental distribution grid business, distributed energy, power equipment management and comprehensive energy utilisation and other value-added services. In the first half of 2021, the agent power output dispatch from non-self-owned power plants of the Group was approximately 12.06 billion kWh.

(7) Capitalised expenses

In the first half of 2021, the total capital expenditure of the power generation segment was RMB4,535 million, mainly for the following items:

No.	Name of Project	The contribution amount for the reporting period <i>RMB million</i>	Percentage of accumulated investment in project to the total budget as of the reporting period <i>%</i>
1	Phase I of Hunan Yongzhou Project (2 × 1,000MW)	1,442	54
2	Sichuan Jiangyou Coal Reserves Power Generation Integration Project (2 × 1,000MW)	923	81
3	Fujian Luoyuan Bay Port Reserves Power Generation Integration Project Power Plant Construction (2 × 1,000MW)	471	43
4	Guangxi Beihai Power Plant Project (2 × 1,000MW)	414	20
5	Phase I of Inner Mongolia Shengli Power Plant Construction (2 × 660MW)	227	35

(8) *Operation results*

① The operation results of the power segment of the Group before elimination on consolidation

		The first half of 2021	The first half of 2020	Change %	Main reasons for changes
Revenue	RMB million	27,180	22,604	20.2	Increase in the power output dispatch
Cost of operations	RMB million	(23,377)	(16,970)	37.8	Increase in the power output dispatch; increase in purchase price of fire coal
margin	%	14.0	24.9	Decreased by 10.9 percentage points	Gross profit
Profit from operations	RMB million	3,421	4,831	(29.2)	
Profit margin from operations	%	12.6	21.4	Decreased by 8.8 percentage points	

② Revenue and cost from the power output dispatch of the Group before elimination on consolidation

Unit: RMB million

Power type	Revenue from power output dispatch			Cost of power output dispatch				
	The first half of 2021	The first half of 2020	Change %	The first half of 2021	Percentage to total costs of power output dispatch of the first half of 2021 %	The first half of 2020	Percentage to total costs of power output dispatch of the first half of 2020 %	Change in the first half of 2021 over the first half of 2020 %
Coal-fired power	24,132	19,596	23.1	20,933	95.7	14,776	93.4	41.7
Gas-fired power	865	1,055	(18.0)	899	4.1	1,006	6.4	(10.6)
Hydropower	76	65	16.9	50	0.2	33	0.2	51.5
Total	25,073	20,716	21.0	21,882	100.0	15,815	100.0	38.4

The Group's cost of power output dispatch mainly comprised such costs as raw materials, fuel and power, personnel expenses, repairing and maintenance, depreciation and amortisation and other costs. The unit cost of power output dispatch of the Group in the first half of 2021 was RMB303.8/MWh (the first half of 2020: RMB269.1/MWh), representing a year-on-year increase of 12.9%.

③ Cost of sale of power of coal-fired power plant of the Group before elimination on consolidation

	The first half of 2021		The first half of 2020		Change
	Costs	Percentage	Costs	Percentage	in costs
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>	<i>%</i>
Raw material, fuel and power	15,636	74.7	10,324	69.9	51.5
Personnel expenses	1,317	6.3	803	5.4	64.0
Repairs and maintenance	700	3.3	760	5.1	(7.9)
Depreciation and amortisation	2,414	11.5	2,393	16.2	0.9
Others	866	4.2	496	3.4	74.6
Total cost of power output dispatch of coal-fired power plant	20,933	100.0	14,776	100.0	41.7

The power segment consumed a total of 27.6 million tonnes of coal from internal sales of the Group (including China Shenhua's self-produced coal and coal purchased), accounting for 84.1% of the 32.8 million tonnes of the thermal coal consumption of the power segment of the Group in the first half of 2021.

3. Railway segment

(1) Production and operations

In the first half of 2021, the railway segment of the Group made full use of the coordinated production and operations scheduling system, optimized the "skylight" arrangement, adjusted the freight rate mechanism, and significantly improved operational efficiency and benefits. It continued to promote the development of large-scale logistics business, actively developed the non-coal transportation business in Shandong area along the Huangda Railway, and build 5 non-coal loading and unloading sites such as Yanjiata along the Shenshuo Railway, and achieved the

transportation volume of non-coal commodities of 9.8 million tonnes and reverse transportation of 6.4 million tonnes by railway segment in the first half of the year. It continued to promote the development of railway transportation technology and intelligence, and the Group's first heavy-haul railway mobile blocking technology was applied to the Shuohuang Railway, and intelligent improvement projects such as intelligent driving technology for freight locomotives steadily advanced.

In the first half of the year, transportation turnover of self-owned railways reached 150.0 billion tonne km (the first half of 2020: 133.3 billion tonne km), representing a year-on-year increase of 12.5%. Among them, the turnover of providing railway transportation services to external customers amounted to 13.4 billion tonne km (the first half of 2020: 12.1 billion tonne km), representing a year-on-year increase of 10.7%. The Huangda Railway officially opened a direct railway channel to Longkou Port in Yantai, realizing the transportation pattern of "one railway to three ports". Coal from Shaanxi and Inner Mongolia can directly reach the coastal areas of Shandong Province, with a transportation volume of coal of 4.1 million tonnes in the first half of the year.

(2) Operation results

The operation results of the railway segment of the Group before elimination on consolidation are as follows:

		The first half of 2021	The first half of 2020	Change %	Main reasons for changes
Revenue	RMB million	19,984	18,188	9.9	Increase in transportation turnover of railways
Cost of sales	RMB million	(9,866)	(8,843)	11.6	Increase in transportation turnover of railways; a year-on-year increase in repair costs in the first half of 2021 due to the postpone of certain maintenance projects in the same period last year

		The first half of 2021	The first half of 2020	Change %	Main reasons for changes
Gross profit margin	%	50.6	51.4	Decreased by 0.8 percentage point	
Profit from operations	RMB million	9,399	8,857	6.1	
Profit margin from operations	%	47.0	48.7	Decreased by 1.7 percentage point	

In the first half of 2021, the unit transportation cost in the railway segment was RMB0.061/tonne km (the first half of 2020: RMB0.061/tonne km), which was the same as the previous year.

4. Port segment

(1) Production and operations

In the first half of 2021, the port segment of the Group strengthened its operation organization, and the cargo-handling efficiency of the port continued to improve. Huanghua Port achieved 109.4 million tonnes of coal shipments (the first half of 2020: 93.7 million tonnes), representing a year-on-year increase of 16.8%; Tianjin Harbour Administration achieved 22.8 million tons of coal shipments (the first half of 2020: 21.5 million tonnes), representing a year-on-year increase of 6.0%.

The port large-scale logistics business developed steadily. In the first half of the year, the port segment completed 4.8 million tonnes of non-coal cargo such as oil products and general cargo. The construction of large-scale logistics supporting projects accelerated, the construction of Huanghua Port 3# and 4# general bulk cargo terminal project fully started, and the handling capacity of ore, oil and bulk cargo in Huanghua Port will further improve upon completion.

The enhancement project of port operation capacity progressed as scheduled. The dredging project of the 70 thousand-tonne round-way channel construction of Huanghua Port is expected to be completed by the end of the year.

The construction of intelligent ports was advanced continuously. Huanghua Port realized the intelligent management and control of the whole process equipment of the coal port, and the intelligent management and control system for the production of Tianjin Harbour Administration was put into operation.

(2) Operation results

The operation results of the port segment of the Group before elimination on consolidation are as follows:

		The first half of 2021	The first half of 2020	Change %	Main reasons for changes
Revenue	RMB million	3,297	2,934	12.4	Year-on-year increase in port shipments
Cost of sales	RMB million	(1,693)	(1,512)	12.0	Year-on-year increase in port shipments
Gross profit margin	%	48.7	48.5	Increased by 0.2 percentage point	
Profit from operations	RMB million	1,451	1,293	12.2	
Profit margin from operations	%	44.0	44.1	Decreased by 0.1 percentage point	

5. Shipping segment

(1) Production and operations

In the first half of 2021, the Group focused on integrated operations, flexibly adjusted its capacity plan, expanded its chartered capacity, so as to fully guarantee the coal transportation demand of internal power plants. In the first half of 2021, shipping volume amounted to 59.3 million tonnes (the first half of 2020: 51.3 million tonnes), representing a year-on-year increase of 15.6%; shipment turnover amounted to 53.0 billion tonne nautical miles (the first half of 2020: 42.9 billion tonne nautical miles), representing a year-on-year increase of 23.5%.

The Group further strengthened the prevention and control of air pollutants from ships, and used high-voltage shore power and other technologies to promote energy conservation and emission reduction of ships.

(2) Operation results

The operation results of the shipping segment of the Group before elimination on consolidation are as follows:

		The first half of 2021	The first half of 2020	Change %	Main reasons for changes
Revenue	RMB million	2,787	1,306	113.4	Increase in shipping turnover and average shipping price Increase in shipping turnover; increase in ship charter fees
Cost of sales	RMB million	(2,132)	(1,201)	77.5	
Gross profit margin	%	23.5	8.0	Increased by 15.5 percentage points	
Profit from operations	RMB million	570	28	1,935.7	
Profit margin from operations	%	20.5	2.1	Increased by 18.4 percentage points	

In the first half of 2021, the unit transportation cost of the shipping segment was RMB0.040/tonne nautical mile (the first half of 2020: RMB0.028/tonne nautical mile), representing a year-on-year increase of 42.9%, which was mainly due to the increase in ship charter fees.

6. Coal chemical segment

(1) Production and operations

The coal chemical segment of the Group comprises the coal-to-olefins project (Phase I) of Baotou Coal Chemical. Its main products consist of polyethylene (with production capacity of approximately 300,000 tonnes/year) and polypropylene (with production capacity of approximately 300,000 tonnes/year) and minor by-products including industrial sulfur, mixed C5, industrial propane, mixed C4, industrial methanol, etc.

In the first half of 2021, the production equipment of Baotou Coal Chemical maintained stable and high-load operation with the utilization rate of 100%. The output of olefins and methanol reached the highest value in the same period since commercial operation. According to market changes, the product structure and brand were adjusted in a timely manner, the sales volume of high value-added products was increased, and the operating efficiency increased significantly.

The approval procedure of the Baotou coal-to-olefin upgrade demonstration project has progressed in an orderly manner.

The sales of polyethylene and polypropylene products of the Group in the first half of 2021 is as follows:

	The first half of 2021		The first half of 2020		Change	
	Sales volume <i>thousand tonnes</i>	Price <i>RMB/tonne</i>	Sales volume <i>thousand tonnes</i>	Price <i>RMB/tonne</i>	Sales volume <i>%</i>	Price <i>%</i>
Polyethylene	190.2	6,522	182.0	5,100	4.5	27.9
Polypropylene	180.9	6,905	164.2	5,662	10.2	22.0

In the first half of 2021, Baotou Coal Chemical adhered to clean development to ensure the stable operation of environmental protection facilities and standard pollutant discharge.

(2) Operation results

The operation results of the coal chemical segment of the Group before elimination on consolidation are as follows:

		The first half of 2021	The first half of 2020	Change <i>%</i>	Main reasons for changes
Revenue	RMB million	3,260	2,409	35.3	Year-on-year increases in sales volume and average sales price of polyolefin products of the Group due to the short-term situation of shortage in supply and rising price of polyolefin products in China under the impact of factors such as international oil prices
Cost of sales	RMB million	(2,423)	(2,407)	0.7	
Gross profit margin	<i>%</i>	25.7	0.1	Increased by 25.6 percentage points	
Profit from operations	RMB million	741	(75)	(1,088.0)	Increased by 25.8 percentage points
Profit margin from operations	<i>%</i>	22.7	(3.1)		

(3) *Unit production cost of main products*

	In the first half of 2021		In the first half of 2020		Change	
	Output	Unit production cost	Output	Unit production cost	Output	Unit production cost
	Thousand tonnes	RMB/tonne	Thousand tonnes	RMB/tonne	%	%
Polyethylene	187.1	5,141	179.0	5,352	4.5	(3.9)
Polypropylene	176.0	5,058	168.0	5,265	4.8	(3.9)

The coal consumed by the coal chemical segment was all from the internal sales of the Group (including China Shenhua's self-produced coal and coal purchased). In the first half of 2021, a total of 2.3 million tonnes was consumed.

(IV) **Regional operation analysis**

Unit: RMB million

	The first half of 2021	The first half of 2020	Change %
Revenue from external transactions in domestic markets	141,747	102,612	38.1
Revenue from external transactions in overseas markets	2,232	2,404	(7.2)
Total	143,979	105,016	37.1

Note: Revenue from external transactions was classified based on the location of the customers receiving the services or purchasing the products.

The Group is mainly engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-to-olefins businesses in the PRC. In the first half of 2021, the revenue from external transactions in domestic markets was RMB141,747 million, accounting for 98.4% of the Group's revenue. Revenue from external transactions in overseas markets was RMB2,232 million, representing a year-on-year decrease of 7.2%, which was mainly due to the decrease of coal exports of the Group.

¹ Data source: China Electricity Council

In the first half of 2021, the Group steadily implemented international operations. Java in Indonesia resolved various difficulties and scientifically prevented epidemic to ensure the stable operation of the power plant; EMM Indonesia properly handled the impact of the epidemic, actively organized emergency drills and coordinated the entry of materials into plant to achieve the safe and stable operation of the power plant; the preliminary design file of Russia Zashulanskoye open-pit coal mine project has been submitted to the Russian Central Mining Commission for approval; the shale gas project in Pennsylvania, U.S. overcame the impact of the epidemic and maintained normal production, producing 190 million cubic meters of gas in the first half of the year, with sales revenue of USD7.51 million.

(V) Analysis on investments

1. Overall analysis of external equity investments

The equity investments of the Company in the first half of 2021 amounted to RMB5,890 million (the first half of 2020: RMB1,875 million). The significant year-on-year increase is mainly due to the capital increase in part of coal, power and transportation subsidiaries and the new long-term investment in the Guoneng New Energy Industrial Investment Fund.

2. Completion of Capital Expenditures Plans in 2021

Unit: RMB100 million

	Plan for 2021	Completion in the first half of 2021
Coal segment	74.48	66.73
Power generation segment	147.99	45.35
Transportation segments	92.06	12.48
Including: railways	79.29	9.33
ports	12.45	3.15
shipping	0.32	0.00
Coal chemical segment	30.81	2.58
Others	10.48	0.01
Total	355.82	127.15

In the first half of 2021, total amount of capital expenditure of the Group was RMB12.715 billion, primarily used for the expenses in the prepayment of the mining rights costs, the purchase for the exploitation equipment for coal mines and the construction of the coal distribution system; the power generation projects under construction, as well as Phase I of Hunan Yongzhou Project, Sichuan Jiangyou Coal Reserves Power Integration Project.

The capital expenditure plans of the Group in 2021 are subject to the development of business plans (including potential acquisitions), progress of capital projects, market conditions, outlook for future operation environment and the obtaining of the requisite permissions and approval documents. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, and other debt and equity financing.

3. Financial assets at fair value

As of 30 June 2021, the financial assets at fair value through other comprehensive revenue of the Group were the non-tradable equity investments amounting to RMB1,915 million held by the Group that have no significant impact on the investee.

Details regarding the items and changes at fair value of the Group:

Unit: RMB million

Name of items	Opening balance at the beginning of the period	Closing balance at the end of the period	Change for the current period	Change of profit for the first half of 2021
Other investments in equity instruments	1,845	1,915	70	0
Total	1,845	1,915	70	0

(VI) Disposal of material assets and equity interest

The Group had no material acquisition or disposal in relation to subsidiaries, associates or joint ventures in the first half of 2021.

(VII) Analysis on major holding and associated companies

1. Major subsidiaries

Unit: RMB million

No.	Company	Registered capital	Total assets	Net assets	Net profit attributable to the equity holders of the parent company			
					The first half of 2021	The first half of 2020	Change %	Reasons for changes
As at 30 June 2021								
1	Shendong Coal	4,989	34,009	31,112	8,085	5,613	44.0	Increase in coal sales and average sales price
2	Shuohuang Railway	15,231	47,889	38,812	4,233	3,984	6.3	
3	Trading Group	1,889	30,780	9,137	1,213	976	24.3	Increase in coal sales
4	Jinjie Energy	2,278	12,943	11,138	1,978	1,422	39.1	Increase in coal sales and average sales price; Increase in power output dispatch
5	Zhunge'er Energy	7,102	43,740	35,561	956	960	(0.4)	
6	Huanghua Harbour Administration	6,790	14,703	11,956	847	704	20.3	Increase in port shipments
7	Beidian Shengli	2,858	7,510	5,405	645	422	52.8	Increase in coal sales and average sales price
8	Baorixile Energy	1,169	10,922	5,315	651	498	30.7	Increase in coal sales and average sales price
9	Baotou Energy	2,633	7,893	6,496	527	403	30.8	Increase in coal sales and average sales price
10	Yulin Energy	2,420	6,086	4,476	459	257	78.6	Increase in coal sales and average sales price

Notes: 1. The financial information of the major subsidiaries disclosed in the above table (unassessed and unadjusted before consolidation) was prepared in accordance with the China Accounting Standards for Business Enterprises. The data has not been audited or reviewed.

2. Shendong Coal recorded a revenue of RMB31,539 million and a profit from operations of RMB9,893 million in the first half of 2021.

3. Shuohuang Railway recorded a revenue of RMB10,720 million and a profit from operations of RMB5,592 million in the first half of 2021.

2. Finance Company

As of 30 June 2021, the Company directly and indirectly held 40% equity interest in Finance Company. The China Energy, the controlling shareholder of the Company, held 60% equity interest in Finance Company, and the financial services provided by Finance Company to the Group constituted a related/connected transaction of the Company.

(1) Major Financial Indicators of Finance Company

	Unit	The first half of 2021 (unaudited)	The first half of 2020 (unaudited)	Change %
Revenue	RMB million	1,703	1,761	(3.3)
Total profit	RMB million	1,656	913	81.5
Net profit	RMB million	1,260	678	85.9

	Unit	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)	Change %
Total assets	RMB million	124,863	105,607	18.2
Total liabilities	RMB million	102,546	83,136	23.3
Owner's equity	RMB million	22,317	22,471	(0.7)

Note: The financial data in the above table is prepared in accordance with the PRC Accounting Standards for Business Enterprises.

(2) Major Risk Indicators of Finance Company

No.	Control indicators	As at 30 June 2021	Compliant with regulatory requirements or not
1	Capital adequacy rate not lower than 10%	21.76%	Yes
2	Non-performing asset rate not higher than 4%	0.00%	Yes
3	Non-performing loan rate not higher than 5%	0.00%	Yes
4	Capital loss coverage ratio not lower than 100%	2,500.11%	Yes
5	Loan loss coverage ratio not lower than 100%	2,495.84%	Yes
6	Liquidity ratio not lower than 25%	54.64%	Yes
7	Ratio of self-owned fixed assets not higher than 20%	0.07%	Yes
8	Ratio of investment (against total capital) not higher than 70%	46.60%	Yes
9	Inter-bank borrowing ratio not higher than 100%	0.00%	Yes
10	Guarantee ratio not higher than 100%	1.73%	Yes

(VIII) Structured Entities Controlled by the Company

☐ Applicable ☒ N/A

V. POTENTIAL RISKS

The Company has established a closed-loop risk management system: it will perform risk identification and determine the major risks upon assessment at the beginning of each year, then monitor such risks on a daily basis by way of monitoring of major risks on a quarterly basis, specialised inspection, internal audit and other methods, and assess its major risk management at the end of the year. This facilitates and improves the decision-making process, refines the internal control system, and continues to enhance the risk management standard. The Board and the Audit Committee of the Company is of the view that such mechanism is able to assess the effectiveness of the operation of the risk management of the Company.

Investors should be aware that although the Company has assessed the major risks, and adopted relevant countermeasures, there is no absolute guarantee that all adverse impact could be eliminated due to the limitation of various factors.

The Company encountered major risks, primarily including: risk of safety production and environmental protection, risk of market competition, risk of international business, legal risk, risk of engineering project management, policy risk, risk of integrated operation and risk of macroeconomic fluctuation.

The Company will further strengthen the research on the development trend of relevant industries, and enhance the development quality constantly by optimising the industrial structure, implementing the clean energy strategy and accelerating the development of new energy industry.

1. In safe production and environmental protection, the Company will further improve the production safety management and control system, strengthen the works of safety training, hidden danger detection and control and emergency management, give full play to the advantages of informatisation, and effectively improve the level of safety management and control. The Company will focus on the development direction of clean energy, constantly build the brand of “ultra-low emission” of coal power and comprehensively promote ecological progress, with a core of the efficient development, utilisation and conversion of clean coal. The Company will be in compliance with laws and regulations and prioritise the protection, strictly defend the ecological red line, vigorously promote green mine construction, accelerate environmental governance in water, gas, noise and slag, and continue to strengthen environmental monitoring. The Company will carry out special rectification actions to strengthen safety production and the investigation and management of hidden environmental danger.

2. In marketing and sales, the Company will fully and accurately grasp market conditions and formulate the reasonable marketing policies; the Company will also optimise the structure of coal products for further enhancing the brand advantages, increasing the development of new market and the maintenance of old market as well as balancing arrangements for transportation and sales, further improve the quality and efficiency of power business development, and participate in power market transactions in accordance with laws and regulation. We will improve the collection, distribution and transportation networks, promote the construction of special lines in coal core areas, accelerate the expansion and upgrading of railway lines, and improve the transportation capacity of trunk railway lines.
3. In international operation, the Company will further strengthen the collection, analysis and research of information before the decision-making of investment in overseas projects to ensure the economic and technical feasibility of projects. Actively responding to the impact of COVID-19 on overseas business, the Company will strengthen overseas risk screening and take multiple measures to prevent and defuse risks, and strengthen the competence of internationalization to provide a strong guarantee for “going out”.
4. In terms of legal risk, the Company will optimize the legal risk prevention system on a continuous basis, and use information technology to realize the informatization of case management and in-depth integration of compliance management and business. The Company will proceed the “layered listing supervision” mechanism for major cases, and improve the prevention and response capabilities for major legal cases. The Company will strengthen the compliance management of coal-fired power projects, such as project approval and licensing, and standardize the construction and operation of projects.
5. In project management, the Company will strengthen the awareness of project risk management, strengthen standardised site construction, strengthen project construction organisation and site management, and ensure the progress of the project.
6. In policy risk, the Company will comprehensively track policy trends for accelerating the policy changes and solving the problems left over from history. The Company will focus on organising breakthroughs in related problems affecting production and operation. The Company will enhance policy coordination, actively promote industrial upgrading and green transformation, and actively implement the “carbon peak and carbon neutrality” goals.

VI. SIGNIFICANT EVENTS

REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's securities (as provided under the Hong Kong Listing Rules).

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, the Company has adopted the corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules, the Company and all directors have been in full compliance with all the principles and code provisions contained in the Corporate Governance Code and most of the recommended best practices as specified therein.

SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as provided in Appendix 10 of the Hong Kong Listing Rules, requiring all securities transactions of the Company's directors be made in accordance with the Model Code. The Model Code also applies to the supervisors and the senior management of the Company.

The Company has made specific enquiries, and all directors and supervisors have confirmed that they had fully complied with the Model Code for the six months ended 30 June 2021.

Other than the working relationships within the Company, none of the directors, supervisors or senior management had any financial, business or family relationship or any relationship in other material aspects with each other.

Other than their own service contracts, none of directors or supervisors had any actual personal interest, directly or indirectly, in any material contracts made by the Company or any of its subsidiaries in the first half of 2021.

AUDIT COMMITTEE

The Company has appointed independent non-executive directors and established an Audit Committee in accordance with the Hong Kong Listing Rules. As at 30 June 2021, the Audit Committee comprised Dr. Chen Hanwen (chairman of the Audit Committee, with professional qualifications and experience in finance-related fields such as accounting), Dr. Yuen Kwok Keung and Dr. Bai Chong-En. The principal duties of the Audit Committee include: supervising and evaluating the work of external auditing firm and proposing engagement or replacement of the external audit institutions; supervising and evaluating the internal audit work and taking charge of coordination of the internal and external audits; reviewing the financial information of the Company and its disclosure; supervising and evaluating the internal control of the Company; and other duties under laws, regulations, the Articles of Association and the authorisation of the Board.

As at 30 June 2021, the Audit Committee performed its duties in strict compliance with the Rules of Procedures of the Audit Committee of the Board of Directors and the Work Procedures of the Audit Committee of the Board of Directors of China Shenhua. On 24 August 2021, the Audit Committee reviewed the Group's interim financial statements for the six months ended 30 June 2021 and approved the submission of the same to the Board of Directors for consideration and approval.

VII. DEFINITIONS

Unless the context otherwise requires, the following terms used in this report have the following meanings:

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy Group Corporation	China Energy Investment Corporation Limited
China Energy Group	China Energy and its subsidiaries (excluding the Group)
Shendong Coal	China Energy Shendong Coal Group Co., Ltd.
Shendong Power	Shenhua Shendong Power Co., Ltd.
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.

Shuohuang Railway	China Energy Shuohuang Railway Development Co., Ltd.
Xinshuo Railway	China Energy Xinshuo Railway Co., Ltd
Railway Equipment	China Energy Railway Equipment Co., Ltd.
Trading Group	China Energy Trading Group Limited
Huanghua Harbour Administration	China Energy Huanghua Harbour Administration Co., Ltd.
Baoshen Railway	China Energy Baoshen Railway Group Co., Ltd.
Baotou Energy	China Energy Baotou Energy Co., Ltd.
Baotou Coal Chemical	China Energy Baotou Coal Chemical Co., Ltd.
Baorixile Energy	China Energy Baorixile Energy Co., Ltd.
Yulin Energy	China Energy Yulin Energy Co., Ltd.
Tianjin Harbour Administration	China Energy Tianjin Coal Terminal Co., Ltd.
Zhuhai Harbour Administration	China Energy Zhuhai Harbour Administration Co., Ltd.
Sichuan Energy	China Energy Sichuan Energy Co., Ltd.
Fujian Energy	Shenhua Fujian Energy Co., Ltd.
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy
EMM Indonesia	PT.GH EMM INDONESIA

Java, Indonesia	PT. Shenhua Guohua Pembangkitan Jawa Bali
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of China Shenhua
Beijing Gas-fired Power	China Energy Guohua (Beijing) Gas-fired Power Co., Ltd.
Shouguang Power	Shenhua Guohua Shouguang Power Generation Company Limited
Liuzhou Power	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.
Beidian Shengli	Shenhua Beidian Shengli Energy Co., Ltd.
Shenhua Lease Company	Shenhua (Tianjin) Finance Lease Co., Ltd.
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
Beijing GD Power	Beijing GD Power Co., Ltd

Finance Company	China Energy Finance Co., Ltd.
Capital Increase Transaction of Finance Company	The Transaction that China Energy Group subscribed additional registered capital of RMB7.5 billion in Shenhua Finance Company at a consideration of RMB13,273.716 million in cash (for details, please refer to the H Share announcement on 27 March 2020 and A Share announcement on 28 March 2020 of the Company)
Deconsolidation of Finance Company	On 1 September 2020, transaction of capital increase in Finance Company was completed and the Company decreased its shareholding in Finance Company to 40%, and Finance Company will no longer be consolidated into the consolidated financial statements of the Company
Completion of Equity Transfer of Fuping Thermal Power	The transfer of 100% equity of China Energy Shaanxi Fuping Thermal Power Co., Ltd. to China Energy Guoyuan Power Co., Ltd. by Shendong Power, a subsidiary of the Company, which was completed on 7 January 2021
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on SSE
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the HKEx
China Accounting Standards for Business Enterprises	The latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Board
Articles of Association	Articles of Association of China Shenhua Energy Company Limited

EBITDA	Profit for the period + net finance cost + income tax + depreciation and amortization – share of results of associates
Gearing ratio	Total liabilities/total assets
Total debt to equity ratio	[Long-term interest bearing debt + short-term interest bearing debt (including notes payable)]/[long-term interest bearing debt + short-term interest bearing debt (including notes payable) + total shareholders' equity]
RMB	Renminbi unless otherwise specified

By order of the Board
China Shenhua Energy Company Limited
Huang Qing
Secretary to the Board of Directors

Beijing, 27 August 2021

As at the date of this announcement, the Board comprises the following: Mr. Wang Xiangxi, Mr. Yang Jiping and Mr. Xu Mingjun as executive directors, Mr. Jia Jinzhong and Mr. Yang Rongming as non-executive directors, Dr. Yuen Kwok Keung, Dr. Bai Chong-En and Dr. Chen Hanwen as independent non-executive directors, and Mr. Wang Xingzhong as employee director.