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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 2022**

FINANCIAL HIGHLIGHTS

- Revenue of the Group in the first half of 2022 was RMB165,579 million, representing an increase of RMB21,600 million or 15.0% over the same period of 2021.
- Profit for the period attributable to equity holders of the Company was RMB42,475 million, representing an increase of RMB15,975 million or 60.3% over the same period of 2021.
- Basic earnings per share for the period was RMB2.138.
- EBITDA in the first half of 2022 was RMB65,407 million, representing an increase of RMB18,090 million or 38.2% over the same period of 2021.

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 2022 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 2022 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 2022 – unaudited

(Expressed in Renminbi (“RMB”))

		<u>Six months ended 30 June</u>	
	<i>Note</i>	<u>2022</u>	<u>2021</u>
		<i>RMB million</i>	<i>RMB million</i>
Revenue			
Goods and services	4	165,579	143,979
Cost of sales	5	<u>(106,677)</u>	<u>(102,777)</u>
Gross profit		58,902	41,202
Selling expenses		(328)	(329)
General and administrative expenses		(4,575)	(3,586)
Research and development costs		(703)	(471)
Other gains and losses		369	458
Other income		545	309
Loss allowances, net of reversal		77	17
Other expenses		(130)	(231)
Interest income		1,502	1,133
Finance costs		(1,204)	(1,096)
Share of results of associates		<u>1,274</u>	<u>708</u>
Profit before income tax		55,729	38,114
Income tax expense	6	<u>(6,238)</u>	<u>(6,347)</u>
Profit for the period	7	<u>49,491</u>	<u>31,767</u>

	Six months ended 30 June	
	2022	2021
	RMB million	<i>RMB million</i>
Profit for the period	49,491	31,767
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	(14)	73
Share of other comprehensive income of associates	326	(2)
<i>Items that may be reclassified subsequently to profit or loss, net of income tax:</i>		
Exchange differences	420	12
Share of other comprehensive income of associates	(5)	20
Other comprehensive income for the period, net of income tax	727	103
Total comprehensive income for the period	50,218	31,870

		Six months ended 30 June	
		2022	2021
		<i>RMB million</i>	<i>RMB million</i>
Profit for the period attributable to:			
Equity holders of the Company		42,475	26,500
Non-controlling interests		7,016	5,267
		<u>49,491</u>	<u>31,767</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		43,099	26,597
Non-controlling interests		7,119	5,273
		<u>50,218</u>	<u>31,870</u>
Earnings per share			
– Basic (<i>RMB</i>)	8	<u>2.138</u>	<u>1.334</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 – unaudited

(Expressed in RMB)

	<i>Note</i>	30 June 2022	31 December 2021 (Restated)
		<i>RMB million</i>	<i>RMB million</i>
Non-current assets			
Property, plant and equipment		258,889	263,431
Construction in progress		28,393	26,201
Exploration and evaluation assets		4,000	4,000
Intangible assets		4,741	4,651
Right-of-use assets		22,982	22,240
Interests in associates	9	49,263	47,708
Equity instruments at fair value through other comprehensive income		2,160	2,174
Other non-current assets		29,064	28,089
Deferred tax assets		4,029	3,568
		403,521	402,062
Total non-current assets			
Current assets			
Inventories		11,666	12,633
Accounts and bills receivables	10	11,982	13,607
Financial assets at fair value through other comprehensive income		163	376
Prepaid expenses and other current assets		18,421	18,514
Restricted bank deposits		6,534	4,479
Time deposits with original maturity over three months		5,520	1,701
Cash and cash equivalents		195,870	156,706
Assets classified as held for sale		38	294
		250,194	208,310
Total current assets			

	<i>Note</i>	30 June 2022	31 December 2021 (Restated)
		<i>RMB million</i>	<i>RMB million</i>
Current liabilities			
Borrowings		12,050	9,917
Accounts and bills payables	11	30,073	35,216
Accrued expenses and other payables		84,859	29,109
Current portion of lease liabilities		241	187
Current portion of long-term liabilities		931	1,427
Income tax payable		5,023	9,028
Contract liabilities		6,385	6,864
		<hr/>	<hr/>
Total current liabilities		139,562	91,748
		<hr/>	<hr/>
Net current assets		110,632	116,562
		<hr/>	<hr/>
Total assets less current liabilities		514,153	518,624
		<hr/>	<hr/>
Non-current liabilities			
Borrowings		44,838	49,193
Bonds		3,336	3,172
Long-term liabilities		7,840	8,025
Accrued reclamation obligations		7,221	6,754
Deferred tax liabilities		1,024	974
Lease liabilities		1,406	1,510
		<hr/>	<hr/>
Total non-current liabilities		65,665	69,628
		<hr/>	<hr/>
Net assets		448,488	448,996
		<hr/>	<hr/>
Equity			
Share capital		19,869	19,869
Reserves		352,643	359,984
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		372,512	379,853
Non-controlling interests		75,976	69,143
		<hr/>	<hr/>
Total equity		448,488	448,996
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2022 – unaudited
(Expressed in RMB)

	Equity attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	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>
At 31 December 2021	19,869	84,766	3,657	(334)	22,425	(14,316)	263,971	380,038	69,183	449,221
Impact on initial application of amendments to IAS 16, Property, plant and equipment: Proceeds before intended use (Note 3)	-	-	-	-	-	-	(185)	(185)	(40)	(225)
At 1 January 2022	19,869	84,766	3,657	(334)	22,425	(14,316)	263,786	379,853	69,143	448,996
Profit for the period	-	-	-	-	-	-	42,475	42,475	7,016	49,491
Other comprehensive income for the period	-	-	-	317	-	307	-	624	103	727
Total comprehensive income for the period	-	-	-	317	-	307	42,475	43,099	7,119	50,218
Dividend declared (Note 12)	-	-	-	-	-	-	(50,466)	(50,466)	-	(50,466)
Appropriation of maintenance and production funds	-	-	-	-	2,896	-	(2,896)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	(1,536)	-	1,536	-	-	-
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	124	124
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	(463)	(463)
Others	-	-	-	-	-	13	13	26	53	79
At 30 June 2022	<u>19,869</u>	<u>84,766</u>	<u>3,657</u>	<u>(17)</u>	<u>23,785</u>	<u>(13,996)</u>	<u>254,448</u>	<u>372,512</u>	<u>75,976</u>	<u>448,488</u>

Equity attributable to equity holders of the Company

	Share capital	Treasury shares	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	<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 (Note 12)	-	-	-	-	-	-	-	(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>3,657</u>	<u>(194)</u>	<u>21,068</u>	<u>(14,642)</u>	<u>240,297</u>	<u>354,821</u>	<u>70,519</u>	<u>425,340</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022 – unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2022	2021
		RMB million	RMB million
Operating activities			
Profit before income tax		55,729	38,114
Adjustments for:			
Depreciation and amortisation	7	11,250	9,948
Other gains and losses	7	(369)	(458)
Loss allowances, net of reversal	7	(77)	(17)
Interest income		(1,502)	(1,133)
Share of results of associates		(1,274)	(708)
Interest expense		1,384	1,177
Exchange gain, net	7	(187)	(81)
Other income		(134)	–
Operating cash flows before movements in working capital		64,820	46,842
Decrease/(increase) in inventories		967	(2,225)
Decrease/(increase) in accounts and bills receivables		1,040	(1,730)
Decrease/(increase) in prepaid expenses, other current assets and other non-current assets		690	(1,699)
(Decrease)/increase in accounts and bills payables		(2,596)	784
Increase in accrued expenses and other payables		4,575	6,269
(Decrease)/increase in contract liabilities		(479)	1,672
Cash generated from operations		69,017	49,913
Income tax paid		(10,654)	(9,694)
Net cash generated from operating activities		58,363	40,219

Six months ended 30 June

	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
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	(11,163)	(10,025)
Increase in right-of-use assets	(926)	(439)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	465	562
Investments in associates	(225)	(383)
Net cash increased from disposed of assets classified as held for sale	256	–
Dividend received from associates	224	198
Interest received	934	1,132
(Increase)/decrease in restricted bank deposits	(2,055)	571
(Increase)/decrease in time deposits with original maturity over three months	(3,819)	9,829
Collection of entrusted loans and financial lease included in prepaid expenses and other current assets	–	69
Net cash received from disposal of subsidiaries	–	3,975
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(16,309)	5,489
	<hr/> <hr/>	<hr/> <hr/>

	Six months ended 30 June	
	2022	2021
	RMB million	<i>RMB million</i>
Financing activities		
Capital element of lease rentals paid	(91)	(90)
Interest element of lease rentals paid	(10)	(15)
Interest paid	(1,356)	(1,487)
Proceeds from borrowings	10,955	9,928
Repayments of borrowings	(13,074)	(10,445)
Contributions from non-controlling shareholders	124	264
Distributions to non-controlling shareholders	(253)	(402)
Proceeds from bills discounted	542	851
	<u>(3,163)</u>	<u>(1,396)</u>
Net cash used in financing activities		
	38,891	44,312
Net increase in cash and cash equivalents		
Cash and cash equivalents, at the beginning of the period	156,706	112,880
Effect of foreign exchange rate changes	273	(110)
	<u>195,870</u>	<u>157,082</u>
Cash and cash equivalents, at the end of the period		

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2022

(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). It was authorised for issue on 26 August 2022.

The interim financial report have been prepared in accordance with the same accounting policies adopted in the 2021 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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 2021 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in the report dated 25 March 2022.

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 IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements.

From 1 January 2022, the Group respectively has accounted for the proceeds and costs of sales of trial operation and recognised in profit or loss for the current period, and meanwhile in accordance with the amendments above, applied the amendments retrospectively to the sales of trial operation that occurred between the beginning of the earliest period presented of the financial statements and the effective date.

The impact of the retrospective adjustments of the above accounting policy changes on the consolidated statement of financial position at 31 December 2021, which was prepared in accordance with IFRSs, is as follows: Property, plant and equipment decreased by RMB225 million and total equity decreased by RMB225 million, respectively, as at 31 December 2021.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
	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	113,976	107,319	-	-	-	-	-	-	-	-	-	-	-	-	-	113,976	107,319
Power	-	-	34,133	25,009	-	-	-	-	-	-	-	-	-	-	-	34,133	25,009
Coal chemical products	-	-	-	-	-	-	-	-	-	-	3,148	2,980	-	-	-	3,148	2,980
Others	2,552	2,563	2,942	2,139	-	-	-	-	-	-	277	280	-	-	-	5,771	4,982
	116,528	109,882	37,075	27,148	-	-	-	-	-	-	3,425	3,260	-	-	-	157,028	140,290
Transportation and other services																	
Railway	-	-	-	-	5,600	2,214	-	-	-	-	-	-	-	-	-	5,600	2,214
Port	-	-	-	-	-	-	884	322	-	-	-	-	-	-	-	884	322
Shipping	-	-	-	-	-	-	-	-	622	617	-	-	-	-	-	622	617
Others	-	-	-	-	1,345	435	99	77	1	-	-	-	-	-	24	1,445	536
	-	-	-	-	6,945	2,649	983	399	623	617	-	-	-	-	24	8,551	3,689
Total	116,528	109,882	37,075	27,148	6,945	2,649	983	399	623	617	3,425	3,260	-	24	165,579	143,979	
Geographical markets																	
Domestic markets	114,896	109,693	34,184	25,105	6,945	2,649	983	399	623	617	3,425	3,260	-	24	161,056	141,747	
Overseas markets	1,632	189	2,891	2,043	-	-	-	-	-	-	-	-	-	-	4,523	2,232	
Total	116,528	109,882	37,075	27,148	6,945	2,649	983	399	623	617	3,425	3,260	-	24	165,579	143,979	
Timing of revenue recognition																	
A point in time	116,528	109,882	37,075	27,148	-	-	-	-	-	-	3,425	3,260	-	-	157,028	140,290	
Over time	-	-	-	-	6,945	2,649	983	399	623	617	-	-	-	24	8,551	3,689	
Total	116,528	109,882	37,075	27,148	6,945	2,649	983	399	623	617	3,425	3,260	-	24	165,579	143,979	

5 COST OF SALES

	<u>Six months ended 30 June</u>	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Coal purchased	30,096	41,522
Materials, fuel and power	12,894	10,996
Personnel expenses	12,586	8,260
Depreciation and amortisation	9,209	8,489
Repairs and maintenance	4,744	5,170
Transportation charges	9,357	8,391
Taxes and surcharges	9,934	6,782
Other operating costs	17,857	13,167
	<u>106,677</u>	<u>102,777</u>

6 INCOME TAX EXPENSE

	<u>Six months ended 30 June</u>	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Current tax, mainly PRC enterprise income tax	9,462	7,964
Over provision in respect of prior year	(2,813)	(1,465)
Deferred tax	(411)	(152)
	<u>6,238</u>	<u>6,347</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 the PRC group entities is 25% (2021: 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%.

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 businesses are included in the “Catalogue for Guiding Industrial Restructuring” and the “Catalogue of Encouraged Industries in the Western Region”.

On 18 January 2021, the National Development and Reform Commission issued an order No.40, 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. A preferential tax rate of 15% is applicable to the coal subsidiaries and branches of the Company located in the western region that qualify for the Western Development Encouragement Program and is valid until 2030.

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

	Six months ended 30 June	
	2022	2021
	%	%
Australia	30.0	30.0
Indonesia	22.0	22.0
United States	21.0	21.0
Hong Kong	<u>8.25/16.5*</u>	<u>8.25/16.5*</u>

During the six months ended 30 June 2022 and 2021, 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	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Personnel expenses, including	20,973	14,605
– contributions to defined contribution plans	2,162	1,742
Depreciation of property, plant and equipment	10,030	8,951
Depreciation of right-of-use assets	429	346
Amortisation of intangible assets	220	205
Amortisation of other non-current assets	612	471
Depreciation and amortisation charged for the period	11,291	9,973
Less: amount capitalised	41	25
Depreciation and amortisation (<i>Note</i>)	<u>11,250</u>	<u>9,948</u>
Loss allowances, net of reversal		
– Trade and other receivables	<u>(77)</u>	<u>(17)</u>
	<u>(77)</u>	<u>(17)</u>

	Six months ended 30 June	
	2022	2021
	RMB million	<i>RMB million</i>
Other gains, represent		
– gains on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets	<u>(369)</u>	<u>(458)</u>
	<u>(369)</u>	<u>(458)</u>
Cost of inventories	79,120	87,311
Operating lease changes relating to short-term leases, leases of low-value assets and variable lease payments	189	116
Exchange gain, net	<u>(187)</u>	<u>(81)</u>

Note:

Cost of sales included an amount of depreciation and amortisation of RMB9,209 million for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB8,489 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 RMB42,475 million (six months ended 30 June 2021: RMB26,500 million) and the 19,869 million ordinary shares in issue during the six months ended 30 June 2022 (six months ended 30 June 2021: 19,869 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 2022	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
Unlisted shares, at cost	47,948	47,723
Share of post-acquisition profits and other reserves, net of dividend received	1,315	(15)
	49,263	47,708

Name of associates	Proportion of ownership interest and voting power held by the Group		Principal activities
	30 June 2022	31 December 2021	
	%	%	
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	Coal production and sale
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
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 Hulunbeier Power Generation Co., Ltd.	20.00	20.00	Generation and sale of electricity
China Energy Finance Co., Ltd. (“Finance Company”)	40.00	40.00	Provision of comprehensive financial service

10 ACCOUNTS AND BILLS RECEIVABLES

	30 June 2022	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
Accounts receivable		
– China Energy Group and fellow subsidiaries	2,549	3,391
– Associates	53	256
– Third parties	<u>8,693</u>	<u>7,888</u>
	11,295	11,535
Less: allowance for credit losses	<u>(1,200)</u>	<u>(1,277)</u>
	<u>10,095</u>	<u>10,258</u>
Bills receivables		
– China Energy Group and fellow subsidiaries	252	567
– Third parties	<u>1,635</u>	<u>2,782</u>
	<u>1,887</u>	<u>3,349</u>
	<u>11,982</u>	<u>13,607</u>

As at 30 June 2022 and 31 December 2021, accounts and bills receivables from contracts with customers amounted to RMB13,182 million and RMB14,884 million, respectively.

Bills receivables were mainly issued by PRC banks and are expiring within one year. As at 30 June 2022, no bills receivables was pledged to secure bills payables.

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 2022	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
Less than one year	9,680	9,527
One to two years	237	143
Two to three years	15	80
More than three years	163	508
	<u>10,095</u>	<u>10,258</u>

11 ACCOUNTS AND BILLS PAYABLES

	30 June 2022	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
Accounts payable		
– China Energy Group, associates of China Energy Group and fellow subsidiaries	2,008	2,064
– Associates	290	626
– Third parties	27,277	31,100
	<u>29,575</u>	<u>33,790</u>
Bills payables	498	1,426
	<u>30,073</u>	<u>35,216</u>

The following is an ageing analysis of accounts and bills payables, presented based on invoice date at the end of the reporting period:

	30 June 2022	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
Less than one year	22,355	31,468
One to two years	4,939	888
Two to three years	186	400
More than three years	2,593	2,460
	<u>30,073</u>	<u>35,216</u>

12 DIVIDENDS

During the current interim period, a final dividend in respect of the year ended 31 December 2021 of RMB2.54 per ordinary share totaling RMB50,466 million (six months ended 30 June 2021: RMB1.81 per ordinary share totaling RMB35,962 million in respect of the year ended 31 December 2020) was approved at the annual general meeting held on 24 June 2022 and paid in full by August 2022.

The Directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2021: Nil).

II. BOARD STATEMENT

Dear Shareholders,

In the first half of 2022, global economic growth slowed down, local conflicts caused energy shortages, and energy security was prominent. Countries continued to strengthen the construction of energy supply chains and coal prices fluctuated at high levels. In order to ensure an adequate supply and stable prices of energy, the Chinese government has issued a number of policies such as increase in accounting of coal production capacity, price control, and medium- to long-term agreements, which have achieved a basically stable operation of the national coal economy and an effective guarantee of coal supply.

As the largest listed coal company in China, China Shenhua has thoroughly grasped the spirit of the General Secretary Xi Jinping's important indications and instructions on energy security, actively implemented the requirements for increasing production and ensuring supply in the coal industry, earnestly implemented the supply supervision measures, highlighted the work orientation of "steadiness, coordination, empowerment and quality improvement", and promoted various work as a whole. Its major indicators are better than those of the corresponding period of last year, and it has continued to maintain a good trend with a steady, positive and good progress.

In the first half of 2022, the Company recorded a revenue of RMB165.6 billion, profit for the period attributable to equity holders of the Company of RMB42.5 billion, basic earnings per share of RMB2.138, and total market value of USD85.2 billion. The Company paid a final cash dividend of RMB2.54/share (tax inclusive) for 2021 to its shareholders, which was praised as "the best central enterprise for practicing common prosperity". The Company ranked 36th in the top 500 enterprises of China of the 2022 FORTUNE.

Energy security and supply guarantee lived up. We have resolutely implemented the national energy supply guarantee decision-making plan and a package of policies and measures to stabilize the economy. We have adhered to the principle of safe production increase, systematic guarantee and seizing every ton of coal, optimized the succession of excavation and stripping, and strengthened management to tap the potential. In the first half of 2022, the average monthly production of commercial coal exceeded 26 million tonnes. We strengthened the operation and refined maintenance of thermal power generation equipment, the number of hours of power generation was year-on-year ahead in the region, with the total power generation increased by 10.1% year-on-year. The transportation segment strengthened the connection between empty and loaded vehicles, improved marshalling efficiency, efficiently organized loading and unloading, and consolidated an integrated and stable operation mechanism. We took the lead in strictly implementing the regulation policy on coal contract

signing and performance, and coordinated the implementation of the medium- to long-term trading policy for electricity. The Company's regular long-term supply guarantee is orderly and effective, and the production safety situation is stable. The Company has effectively played the role of "ballast stone" and "stabilizer" in stabilizing the price and market of energy.

The enterprise operation achieved a growth in quantity and an improvement in quality. We coordinated and implemented the special actions to improve quality and efficiency and value creation, and continued to promote coal production and profit, electroheat increment and price adjustment, transportation potential and efficiency, and chemical price and income increase. The production and sales volume of Baorixile Energy, Shengli Energy and other units reached new records, with the average selling price of electricity increased by 7.9 cents/kWh year-on-year, and the non-coal transportation volume of the transportation industry exceeded 10 million tons. The industrial foundation has been further consolidated. We have obtained the exploration right of Well No.1 and Well No.2 in Xinjie and the resources in the deep areas of Shangwan and Bulianta mines. Three coal mines, including Qinglong Temple, have obtained 4.6 million tons increase in accounting of production capacity per year. The Luoyuanwan coal and electricity project has been fully completed and put into operation. The preparation for the start-up of the second-phase gas and electricity cogeneration project in Huizhou has been completed and the first-phase 70,000-ton two-way waterway project in Huanghua Port has been basically completed. The reasonable growth in quantity and steady improvement in quality have ensured the hedge and increase of the assets in value, and reflected the most reliable strength to help the steady growth of the national economy.

The implementation of industry intelligence construction was accelerated. We continued to enhance the new momentum of scientific and technological innovation, vigorously promoted digital transformation, and accelerated the tackling the key industry-leading projects. The intelligent technology and construction coverage of coal mines has been continuously improving. The world's largest enterprise-level 5G private network in the mining industry has been built in Shendong Mines. Daliuta Mine has passed the inspection and acceptance of the first batch of national intelligent demonstration coal mine, and Zhunge'er Energy's "5G+ unpiloted" project has achieved multi-group operation. The railway dispatching information system project was completed, the cyber-physical systems CPS of the Beijing Gas Intelligent Power Station realized the integration of intelligent management and control, and the intelligent chemical integrated construction system was put into operation. In the first half of 2022, the Company was granted 413 patents, including 99 invention patents.

Green and low-carbon development was comprehensively promoted. We have actively implemented the national goals of carbon emission peak and carbon neutrality, unswervingly promoted the green transformation and safe carbon reduction, proactively linked up with local energy development plans

and key project arrangements, given full play to the advantages of capital and land, and actively obtained new energy industry resources. As of the end of the reporting period, our subsidiaries have commenced and put into operation 205,000 kilowatts of photovoltaic projects. High-level efforts have been made to clean up fossil energy sources. Efforts have been made to control, among others, coal consumption for power supply and comprehensive energy consumption for chemical industry. The “three reforms” linkages of coal-fired power units have been implemented as planned. The construction of “shore power application for docks and ships” has basically been completed. The construction of ecological civilization has been strengthened with high standards. Green mines have the leading production capacity in the country. Huanghua Port has become the first port enterprise in China to win the “China Environmental Excellence Award”. The CCUS project of the Jinjie Power Plant has been operating steadily and produced nearly 7,000 tons of industrial-grade liquid carbon dioxide with purity of 99.9% in the first half of 2022.

Deepening the reform results to stimulate vitality. We continued to promote the construction of a modern enterprise system with Chinese characteristics and promoted the task of state-owned enterprise reform three-year action with high quality. We conscientiously implemented the operating guidelines for central enterprises to implement the functions and powers of the board of directors of subsidiary enterprises, speeded up the improvement of the system construction, and further performed the functions and powers of the board of directors in the aspects of the company’s development strategy, operation plan, financial supervision and control, personnel management, etc. to ensure the implementation and effectiveness of various systems. We carried out the special campaign of “strengthening compliance awareness and laying a solid foundation for development” to ensure that the production and operation are in compliance with the laws and regulations, and won the “Top 10 Cases of National Integrity Construction”. We independently built and applied the first ESG management system of central enterprises, and continuously innovated and practiced ESG governance. The Company formulated the A+H shares compliance risk pre-control guidelines for the listed company, and further promoted the construction of “China Shenhua under the rule of law”.

Party building led and guaranteed consolidation and promotion. We have implemented the general requirements for party building in the new era and the party’s organizational line in the new era, implemented the “four enhancements and six promotions” measures for party building, persistently promoted the study, education and publicity of party history, continuously deepened the “Hard Work Making Socialism Realized (社會主義是幹出來的)” post achievement actions, vigorously strengthened the Party’s political construction, further promoted the comprehensive and strict administration of the Party, strengthened the building of primary-level party organizations, built a contingent of high-quality professional cadres and continuously improved the leadership of Party committee, the combat effectiveness of the branches, and the executive ability of cadres.

The main principle is simple and practical work is the most important. In the second half of the year, we will fully implement the spirit of the work of the State-owned Assets Supervision and Administration Commission of the State Council on improving the quality of listed companies controlled by central enterprises, fully implement the requirements of preventing and controlling the epidemic, stabilizing the economy and ensuring safe development, to ensure high-quality completion of the year's objectives and tasks. Firstly, we will implement the new Work Safety Law, carry out in-depth investigation and management of major disasters and hidden dangers such as hazardous chemicals and coal mines, strengthen the safety management of first-class standardized mine construction and construction projects, enhance the emergency rescue capability, and ensure a stable safety production situation; Secondly, we will speed up the release of high-quality and compliant production capacity, make good efforts to stabilize and increase the production of self-produced coal and increase the quantity of the purchased coal to compensate for the shortage, ensure that all units should be fully and stably operated, and make every effort to guarantee the energy supply; Thirdly, we will earnestly implement the requirements for medium- to long-term contracts to be signed and fulfilled, strictly implement the coal price policy, consolidate the implementation of the electricity price reform policy, and build Zhuhai Gaolan Port and Guangxi Beihai Coal Reserve Base to better play the role of leading enterprises in stabilizing prices and markets; Fourthly, we will intensify the development of Xinjie mining area, promote the construction of Beihai Power Plant, Huizhou Thermal Power Phase II, Shenshuo and Shuohuang Lines, Huangwan Line electrification, external railway special line, port expansion and other projects, implement the "three reforms" linkage of coal-fired power units as planned, improve the heating and peak-shaving capacity, and continuously enhance the quality and toughness of integrated operation; Fifthly, we will give full play to the platform and capital advantages of the listed company, expand new energy development opportunities through various channels, and ensure that the start-up projects such as photovoltaic in Shengli Energy Open Pit Dump will be put into production on schedule. We will promote the construction of the first batch of national intelligent demonstration coal mines, and strive to achieve new breakthroughs in areas such as intelligent heavy-haul railway transportation, construction of new power systems and intelligent chemical industry, so as to add stamina to accelerate the transformation and development; Sixthly, we will deepen the construction of ecological civilization, fight the battle of pollution prevention and control in depth, vigorously develop circular economy, strengthen the construction of ESG governance system, and solidly promote the green, low-carbon, harmonious, win-win and high-quality development.

**The Board of Directors of
China Shenhua Energy Company Limited
26 August 2022**

III. MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY AND PRINCIPAL BUSINESSES CONDITIONS OF THE COMPANY IN THE FIRST HALF OF THE YEAR

(I) Competition and Development Trend in the Industry¹

1. *Macroeconomic Environment*

Since 2022, economic development has faced complex and difficult situation against the backdrop of a complicated international environment and sporadic COVID-19 outbreaks in China. The Chinese government coordinated the pandemic prevention and control with economic and social development, strengthened its efforts in the regulation of macro policies, and effectively implemented a set of policies and measures to stabilise the economy, leading to effective control of the rebound of the pandemic, stabilisation and recovery of national economy, marginal improvement on production demand, basically stable market prices and continuous high-quality development trend. In the first half of this year, China's gross domestic product (GDP) grew 2.5% year on year, and the national consumer price index (CPI) increased by 1.7% year on year.

¹ This section is for reference only and does not constitute any investment advice. The Company has used its best endeavors 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 Coal Transportation & Sales Society etc..

2. Coal Market Environment

(1) China's Thermal Coal Market

In the first half of 2022, under the guidance of China's energy supply and price stabilisation policy, the self-sufficiency of coal has been significantly improved, the proportion of medium- and long-term contract sales has increased significantly, seasonal fluctuations in consumption were evident, and the domestic coal supply and demand were generally stable and orderly. In the first half of this year, the price of medium- and long-term contracts for thermal coal (5,500 kcal, seaborne coal at northern ports) was stable within a reasonable range, with an average price of approximately RMB721/tonne; as of the end of June 2022, the Bohai-Rim Steam-Coal Price Index (5,500 kcal) was RMB733/tonne, representing a year-on-year decrease of RMB4/tonne as compared to the end of the previous year; the average value of price index in the first half of this year was RMB738/tonne, representing a year-on-year increase of RMB132/tonne or approximately 21.8%.

	First half of 2022	Year-on-year change %
Industrial raw coal output above designated scale in China (<i>billion tonnes</i>)	2.19	11.0
Coal import (<i>billion tonnes</i>)	0.115	(17.5)
National coal transportation by railways (<i>billion tonnes</i>)	1.33	4.4

From the perspective of the supply side, all major coal-producing provinces and regions actively explored production potential under the premise of ensuring safety, effectively releasing advanced production capacity and achieving increased production and supply. In the first half of this year, the national industrial raw coal output above scale was 2.19 billion tonnes, representing a year-on-year increase of 11.0%, of which 380 million tonnes of raw coal were produced in June, with an average daily output of 12.64 million tonnes. Increase in coal production in the first half of this year was mainly from four provinces, namely Shanxi, Shaanxi, Inner Mongolia and Xinjiang. The national coal transportation by railways continued to grow, with 1.33 billion tonnes of coal dispatched in the first half of this year, representing

a year-on-year increase of 4.4%. In the first half of this year, China imported 115 million tonnes of coal, representing a year-on-year decrease of 17.5%. The level of coal storage in key links has been comprehensively improved to effectively ensure the safety of coal supply.

From the perspective of the demand side, coal consumption was generally stable in the first half of this year. The output of wind, photovoltaic, water and other clean energy increased significantly, while thermal power generation decreased year on year. Coal demand in the iron and steel industry gradually stabilised in the second quarter. Affected by the continuous downturn in the real estate industry, coal consumption in the building materials industry decreased year on year. The chemical industry as a whole showed rapid development, and coal sales maintained growth.

(2) *International thermal coal market*

In the first half of 2022, the international situation was complex, with intensified energy shortages in many countries, significant increase in demand for coal and upward fluctuation of international coal price. Major coal-producing countries such as China, India, Indonesia and the United States maintained growth in production; however, coal exports from major coal exporters such as Indonesia, Russia and Australia declined due to various factors. The flow of coal trade has changed, with the restart of coal-fired power generation in the EU and a significant increase in coal imports. EU coal imports increased by approximately 49.6% year on year in the first half of this year, while the volume of coal import in China and India decreased year on year. Coal price continued to rise due to the imbalance between supply and demand. As of 1 July, the spot price of Newcastle NEWC thermal coal amounted to USD390.40 per tonne, representing an increase of 123.1% as compared to the start of the year, and the average price for the first half of this year amounted to approximately USD271 per tonne, representing a year-on-year increase of 173.0%.

3. Power Market Environment

In the first half of 2022, the growth rate of China's electricity consumption demand slowed down. China's national power consumption reached 4,097.7 billion kWh, representing a year-on-year increase of 2.9%. Power generation by power plants above scale totalled 3,963.1 billion kWh, representing a year-on-year increase of 0.7%. Among them, due to the rapid growth of non-fossil energy power generation, the growth rate of hydropower and solar power generation has exceeded 20%; thermal power generation amounted to 2,727.7 billion kWh, representing a year-on-year decrease of 3.9%, accounting for 68.8% of the national power generation, and remained the most significant source of power supply in China. The national average utilisation hours of generating units of the power plants with the installed capacity of 6,000KW and above was 1,777 hours, representing a year-on-year decrease of 81 hours. Among them, the average utilisation hours of thermal power generation equipment reached 2,057 hours, representing a year-on-year decrease of 133 hours (the average utilisation hours of coal-fired power reached 2,139 hours, representing a year-on-year decrease of 123 hours).

The non-fossil energy power generation installed capacity has grown significantly. In the first half of this year, investment in non-fossil energy power generation accounted for approximately 84.7% of investment in power sources. As of the end of June 2022, the national full-calibre power generation installed capacity reached 2.44 billion kilowatts, of which non-fossil energy power generation installed capacity was 1.18 billion kilowatts, representing a year-on-year increase of 14.8%, accounting for 48.2% of the total installed capacity. thermal power (including biomass power) was 1.30 billion kilowatts, accounting for 53.3% of the total installed capacity, representing a decrease of 1.3 percentage points from the end of the previous year.

The market transaction volume increased significantly, with electricity price level rising year on year. In the first half of this year, power trading centers across China organized and completed a total of 2,482.6 billion kWh of market transactions, representing a year-on-year increase of 45.8%, constituting 60.6% of total power consumption in the whole society; of which the total medium- and long-term direct transaction volume of power was 1,997.1 billion kWh, representing a year-on-year increase of 45.0%. The inter-regional and inter-provincial power transmission increased year on year. All provinces effectively implemented the transaction electricity price and achieved a significant year-on-year increase in the electricity price level.

4. Outlook for the second half of the year

In the second half of 2022, despite the risk of stagflation in the global economy and increasing uncertainties in the recovery of the domestic economy, the long-term positive fundamentals of China's economy remain unchanged. The Chinese government will fully, accurately and comprehensively implement the new development concept, efficiently coordinate pandemic prevention and control and economic and social development, seize the critical period of economic recovery, pay close attention to the implementation of a package of policies to stabilise the economy, continue to implement the work of "Stability in Six Areas" and "Six Priorities", continue to increase efficiency, activate power and drive, and continuously consolidate the foundation for economic stability and recovery, with the economic operation expected to gradually improve and the economic growth rate running within a reasonable interval.

From the perspective of the coal industry, the growth rate of coal consumption in the second half of this year will continue to recover, and the growth rate may be higher than that in the first half of the year. Along with the rebound of the growth rate of electricity consumption in the whole society in the second half of the year, the demand for coal will increase slightly. The release of high-quality coal production capacity will continue to accelerate, and coal imports are expected to remain weak year on year. The coverage of medium- and long-term contracts for coal will be further improved, and the supply and demand in China's coal market will remain generally balanced, with prices running in a reasonable interval.

From the perspective of the power industry, China's package of policies and measures to stabilise the economy has provided the most important support for economic recovery and the growth of electricity consumption in the whole society. It is expected that the growth rate of power consumption throughout the society in the second half of the year will rebound as compared with the first half of the year. The proportion of non-fossil energy installed capacity will continue to grow, and the power security supply guarantee capability will be improved. Taking into account uncertain factors such as temperature, precipitation and pandemic, the power supply and demand in some areas may be generally in tight balance during the peak summer and peak winter periods.

(II) Principal Businesses and Operation Model of the Company during the Reporting Period

China Shenhua Energy Company Limited was established in Beijing in November 2004 and was listed on HKEx and SSE in June 2005 and October 2007, respectively. The Group is principally engaged in the production and sale of coal and electricity, railway, port and shipping transportation, and coal-to-olefins businesses. The integration of coal, power, railway, port, shipping and coal chemical into one unified operation chain is the Group's unique operation and profitability model.

The Group owns high-quality coal resources in Shendong Mines, Zhunge'er Mines, Shengli Mines and Baorixile Mines, etc. As at 30 June 2022, the Company had coal reserves of 33.09 billion tonnes and recoverable coal reserves of 14.05 billion tonnes under the PRC Standard; In the first half of 2022, the Group realized commercial coal production volume of 157.6 million tonnes and the sales volume of coal of 210.1 million tonnes. The Group controls and operates high capacity clean coal-fired power generators with great parameters, the Group controls and operates power generators with an installed capacity of 38,929 MW by the end of June 2022, with a total power output dispatch of 79.60 billion kWh in the first half of 2022. The Group controls and operates a network of concentric transportation railways around the major coal production bases in western Shanxi, northern Shaanxi and southern Inner Mongolia as well as "Shenshuo – Shuohuang Line", a major channel for coal transportation from western to eastern China, and Huanghua-Dajiawa Railway, a new energy channel in Bohai Rim. The total length of railways in operation has reached 2,408 km. The transportation turnover of the self-owned railway reached 145.2 billion tonnes km in the first half of 2022. The Group also controls and operates a number of ports and docks (approximately 270 million tonnes/year vessel loading capability in aggregate), such as Huanghua Port, possesses the shipping transportation team comprising its own vessels with approximately 2.18 million tonnes of loading capacity and conducts coal-to-olefins businesses with approximately 0.6 million tonnes/year of operation and production capacity. The Group's technology in coal exploitation and production safety has secured a leading position in the global market, and that of clean coal-fired power generation and heavy-loaded railway transportation has secured a leading position in the domestic market.

During the reporting period, the Group made no significant change in the scope of its principal businesses, operation model and key drivers to performance.

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

There were no substantial changes in the core competitiveness of the Group during the reporting period.

The core competitiveness of the Group mainly includes: (1) the chained integration operation model of coal, power, railway, port, shipping and coal chemical operations; (2) premium and abundant coal resources; (3) a management team with the dedication to the principal business of the Company and an advanced operation philosophy; (4) leading industrial technologies and technological innovation capabilities in China and overseas in areas including coal mining, production safety, clean coal-fired power generation, heavy-loaded railway transportation and coal-to-olefins.

III. DISCUSSION AND ANALYSIS ON OPERATION RESULTS

In the first half of this year, the Group steadily improved its operational performance, and continued to maintain a good trend of steady, positive and excellent progress.

The Group recorded a revenue of RMB165,579 million in the first half of 2022 (the first half of 2021: RMB143,979 million), achieving 55.8% of the business target for 2022, representing a year-on-year increase of 15.0%; a profit before tax of RMB55,729 million (the first half of 2021: RMB38,114 million), representing a year-on-year increase of 46.2%; the profit for the period attributable to equity holders of the Company of RMB42,475 million (the first half of 2021: RMB26,500 million); and basic earnings per share of RMB2.138/share (the first half of 2021: RMB1.334/share), representing a year-on-year increase of 60.3%.

The status of completion of 2022 business targets of the Group is as follows:

Item	Unit	Targets of 2022	Completion in the first half of 2022	Percentage of completion %
Commercial coal production	100 million tonnes	2.978	1.576	52.9
Coal sales	100 million tonnes	4.029	2.101	52.1
Power generation	100 million kWh	1,805	847.9	47.0
Revenue	RMB100 million	2,966	1,655.79	55.8
Cost of sales	RMB100 million	2,048	1,066.77	52.1
Selling, general and administrative expenses, R&D costs and net financial costs	RMB100 million	132	53.08	40.2
Change in unit production cost of self-produced coal	/	Year-on-year increase of approximately 10%	Year-on-year increase of 18.9%	/

Note: The above business targets are subject to risks, uncertainties and assumptions. The annual actual outcome may differ materially from the targets. 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

Item	The first half of 2022	The first half of 2021	Change %
Revenue	165,579	143,979	15.0
Cost of sales	(106,677)	(102,777)	3.8
General and administrative expenses	(4,575)	(3,586)	27.6
Research and development costs	(703)	(471)	49.3
Other income	545	309	76.4
Interest income	1,502	1,133	32.6
Share of results of associates	1,274	708	79.9
Income tax expense	(6,238)	(6,347)	(1.7)
Net cash generated from operating activities	58,363	40,219	45.1
Net cash (used in)/ generated from investing activities	(16,309)	5,489	(397.1)
Net cash used in financing activities	(3,163)	(1,396)	126.6

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

The revenue of the Group in the first half of 2022 recorded a year-on-year increase. The main reasons for such change are:

- ① The average coal sales price recorded a year-on-year increase of 26.9%, due to strong coal demand in the coal market and rise in coal price;
- ② The Group's electricity sales and average price of electricity sales increased by 10.5% and 23.7% year on year, respectively, due to the successive commencement of operation of several units of the Group since the second half of 2021 and the adjustment to the electricity price policy.

Major operating indicator	Unit	The first half of 2022	The first half of 2021	Change %
(I) Coal				
1. Commercial coal production	Million tonnes	157.6	152.4	3.4
2. Coal sales	Million tonnes	210.1	240.8	(12.7)
Of which: Sales of self- produced coal	Million tonnes	160.0	152.2	5.1
Sales of purchased coal	Million tonnes	50.1	88.6	(43.5)
(II) Transportation				
1. Turnover of self-owned railways	Billion tonne kilometres	145.2	150.0	(3.2)
2. Loading volume at Huanghua Port	Million tonnes	103.2	109.4	(5.7)
3. Loading volume at Tianjin Coal Dock	Million tonnes	20.3	22.8	(11.0)
4. Shipping volume	Million tonnes	65.8	59.3	11.0
5. Shipment turnover	Billion tonne nautical miles	64.4	53.0	21.5
(III) Power generation				
1. Gross power generation	Billion kWh	84.79	77.04	10.1
2. Total power output dispatch	Billion kWh	79.60	72.04	10.5
(IV) Coal chemicals				
1. Sales of polyethylene	Thousand tonnes	183.7	190.2	(3.4)
2. Sales of polypropylene	Thousand tonnes	174.6	180.9	(3.5)

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

Breakdown of cost of sales	The first half of 2022		The first half of 2021		Change of the amount %
	Amount	Percentage	Amount	Percentage	
	<i>RMB million</i>	%	<i>RMB million</i>	%	
Cost of coal purchased	30,096	28.2	41,522	40.4	(27.5)
Raw materials, fuel and power	12,894	12.1	10,996	10.7	17.3
Personnel expenses	12,586	11.8	8,260	8.0	52.4
Repairs and maintenance	4,744	4.4	5,170	5.0	(8.2)
Depreciation and amortization	9,209	8.6	8,489	8.3	8.5
Transportation expenses	9,357	8.8	8,391	8.2	11.5
Tax and surcharge	9,934	9.3	6,782	6.6	46.5
Other	17,857	16.8	13,167	12.8	35.6
Total cost of sales	<u>106,677</u>	<u>100.0</u>	<u>102,777</u>	<u>100.0</u>	<u>3.8</u>

The cost of sales of the Group in the first half of 2022 represented a year-on-year slight increase, of which:

- ① The main reasons for the year-on-year decrease in the cost of purchased coal: the sales volume of coal purchased decreased by 43.5% year on year.
- ② The main reason for the year-over-year increase in the cost of raw materials, fuel and power: the increase in power generation and coal purchase price; rising electricity prices in West Inner Mongolia Region leading to the rise of electricity charge.
- ③ The main reasons for the year-on-year increase in personnel expenses: the provision of employee unpaid wages and bonuses increased year-on-year according to the operating performance and assessment of the Group; the increase in the number of employees resulting in an increase in wages and social security contributions.

- ④ The main reason for the year-on-year decrease in repair and maintenance costs: the decrease in repairs and maintenance costs in railway, port, shipping and coal chemical segments affected by the maintenance schedule.
- ⑤ The main reasons for the year-on-year increase in depreciation and amortization: the successive commencement of operation of a number of the Group's generating units since the second half of 2021; and the increase in the purchase of coal mine production equipment.
- ⑥ The main reasons for the year-on-year increase in transportation expenses: the increase in fuel costs due to the increase in fuel prices, the increase in vessel rental charges.
- ⑦ The main reason for the year-on-year increase in taxes and surcharges: the increase in resource taxes as a result of the increase in income from the sale of self-produced coal.
- ⑧ The main reasons for the year-on-year increase in other costs: the increase in mining engineering expenses, expenses for coal exploitation service, expenses for coal washing, selection and processing, etc. in certain coal subsidiaries of the Group; the increase in the cost accounted for Indonesia Java and South Sumatra No. 1 projects calculated in accordance with the relevant provisions of the concession agreement.

(3) Other items of profit and loss statement

- ① The main reason for the year-on-year increase in general and administrative expenses: the increase in personnel expenses.
- ② The main reason for the year-on-year increase in R&D costs: the increase in R&D costs of the Group's projects such as smart mines and smart railways.
- ③ Other income during the Reporting Period was mainly the government subsidies related to daily activities obtained by certain coal-fired power plants of the Group.
- ④ The main reason for the year-on-year increase in interest income: the increase in the average balance of deposits of the Group resulted in the increase in interest income.

- ⑤ The main reason for the year-on-year increase in share of results of associates: the increase in the profit recognised by the Group for associate companies.
- ⑥ The main reason for the year-on-year decrease in the average income tax rate: certain coal subsidiaries of the Group settled and paid the income tax at a preferential tax rate of 15% in accordance with the corporate income tax policy of the Western Development, and the overpaid tax in previous years was offset against the current income tax.

(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: net cash inflow in the first half of 2022 was RMB58,363 million (net inflow in the first half of 2021: RMB40,219 million), representing a year-on-year increase of 45.1%, which was mainly due to increased revenue.
- ② Net cash flow generated from investing activities: net cash outflow in the first half of 2022 was RMB16,309 million (net inflow in the first half of 2021: RMB5,489 million), representing a year-on-year change of 397.1%, which was mainly due to the increase in newly-added time deposits during the reporting period and more cash received from the maturity of time deposits and the disposal of subsidiaries and other investment activities in the same period of the last year.
- ③ Net cash flow used in financing activities: net cash outflow in the first half of 2022 was RMB3,163 million (net outflow in the first half of 2021: RMB1,396 million), representing a year-on-year increase of 126.6%, which was mainly due to more repayment of borrowings during the Reporting Period.

(5) *Research and development expenses*

Expensed research and development expenditure in the period (<i>RMB million</i>)	703
Capitalized research and development expenditure in the period (<i>RMB million</i>)	325
Total research and development expenditure (<i>RMB million</i>)	1,028
Ratio of capitalized research and development expenditure (%)	31.6
Percentage of total research and development expenditure to revenue (%)	0.6
Number of research and development personnel in the Company (<i>number of person</i>)	2,616
Ratio of research and development personnel to the total number of persons in the Company (%)	3.2

In the first half of 2022, the investment in research and development of the Group represented a year-on-year increase of 33.0% (the first half of 2021: RMB773 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, intelligent operation and maintenance technology of heavy-haul railway infrastructure, and expanding test and engineering application of mobile blocking of heavy-haul railway, etc..

2. *Explanation on material changes in the business model, 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 2022, the Group's coal, power generation, transportation and coal chemical segments accounted for 73%, 7%, 19% and 1% (the first half of 2021: 60%, 8%, 30% and 2%) of profits before tax (before elimination). Affected by the increase in coal prices and other factors, the proportion of profits before tax in the coal segment increased.

During the reporting period, 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

Item	As at 30 June 2022		As at 31 December 2021		Change of the amount %	Main reasons for changes
	Amount <i>RMB</i> <i>million</i>	Percentage of total assets %	Amount <i>RMB</i> <i>million</i>	Percentage of total assets %		
Accounts and bills receivables	11,982	1.8	13,607	2.2	(11.9)	More release of bills receivables during the current period
Restricted bank deposits	6,534	1.0	4,479	0.7	45.9	Provident deposit of the mine environment treatment and restoration funds under regulations
Time deposits with original maturity over three months	5,520	0.8	1,701	0.3	224.5	Increase in time deposits in banks
Cash and cash equivalents	195,870	30.0	156,706	25.7	25.0	Increase of net cash generated from operating activities
Assets held for sale	38	0.0	294	0.0	(87.1)	Disposal of assets of Watermark Project for the current period
Accounts and bills payables	30,073	4.6	35,216	5.8	(14.6)	Decrease in project amount and commodity amount payable; some bank bills accepted during current period
Accrued expenses and other payables	84,859	13.0	29,109	4.8	191.5	Unpaid final dividend of 2021 as of the end of the reporting period; Increase in staff salaries and bonuses payable
Income tax payable	5,023	0.8	9,028	1.5	(44.4)	Decrease in average corporate income tax rate during the current period and decrease in income tax payable at the end of the period

2. *Explanation on offshore assets*

As of 30 June 2022, the total offshore assets of the Group (including Hong Kong, Macau and Taiwan, China) amounted to RMB28,909 million, representing 4.4% to total assets, which are mainly composed of the power generation assets in Indonesia and the assets from U.S. dollar-denominated bonds issued in Hong Kong, the PRC.

3. *Restrictions on main assets as of the end of the reporting period*

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

As of 30 June 2022, the balance of the restricted assets of the Group was RMB7,306 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 2022, based on normalized energy supply, the Group strengthened coal safety production, optimized the mining and stripping succession of coal mines, and realized stable production and production increase. As a result, the commercial coal output achieved 157.6 million tonnes (the first half of 2021: 152.4 million tonnes), representing a year-on-year increase of 3.4%. The total footage of advancing tunnels at underground mines was 229 thousand meters (the first half of 2021: 230 thousand meters), among which Shendong Mines recorded footage of advancing tunnels of 219 thousand meters (the first half of 2021: 223 thousand meters); the total commercial coal production of open-pit coal mines was 57.9 million tonnes (first half of 2021: 53.3 million tonnes), representing a year-on-year increase of 8.6%. Safe production was maintained in coal mines. In the first half of the year, the fatality rate of the Group's raw coal production per million tonnes was zero.

In the first half of 2022, the Group's coal exploration expenses were not incurred (the expenses incurred before the conclusion of feasibility study and related to exploration and evaluation of coal resources, which amounted to RMB4,000 million in the first half of 2021); The Company's relevant capital expenditure of mining development and exploration amounted to approximately RMB970 million (the first half of 2021: RMB5,440 million), which was mainly attributable to the payment of the transfer proceeds for the coal resource of Shangwan Coal Mine and Bulianta Coal Mine.

The Group continued to promote the coal resources acquisition and capacity enhancement. For the Exploration License of Xinjie Mine 1 and Xinjie Mine 2 in Taigemiao North Area in Inner Mongolia Dongsheng Coalfield issued by the relevant authorities, the reconnaissance report has been completed and the exploration reports have been reviewed and filed; The acquisition of blank areas and deep resources of Shangwan Coal Mine and Bulianta Coal Mine was carried out in an orderly manner; 321 hectares continuous production land of Heidaigou Open-pit Mine and 289 hectares continuous production land of Ha' erwusu Open-pit Mine have gained the approval from the Ministry of Natural Resources of China, which effectively guaranteed the land demand in the past three years, releasing the stripping volume of approximately 830 million m³; The total production capacity of Huangyuchuan, Qinglongsi and Shenshan coal mines increased by 4.6 million tonnes/year, and the relevant environmental assessment and capacity replacement were carried out as planned.

Intelligent mine construction has achieved fruitful results, and the level of mine safety production and disaster prevention has been significantly improved. The intelligent projects of Daliuta Mine and Heidaigou Open-pit Mine, the national intelligent demonstration coal mines, have been completed, of which Daliuta Mine has passed the construction acceptance of the first batch of national intelligent demonstration coal mines, and has reached the Class I intermediate intelligent demonstration coal mines; The power substation and water pump room of Shendong Coal mines have achieved 100% unmanned operation, and the main transportation system has achieved 80% unmanned operation; There are 34 300-tonne and 220-tonne trucks in the open-pit mine for pilot operation. As of the end of the reporting period, the Group has built 27 intelligent coal mining working faces, 28 intelligent excavation working faces and 3 intelligent stripping surface for open-pit mines.

(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, affiliated railway companies of the Company are mainly responsible for coal transportation and affiliated 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 2022, the Group actively implemented the relevant national policies on the signing of medium and long-term coal contracts and pricing, and the sales of self-produced coal was further tilted to medium and long-term customers. The “benchmark price + floating price” pricing mechanism was implemented. In the first half of the year, the coal average sales price was RMB633 per tonne (exclusive of tax, same below) (the first half of 2021: RMB499 per tonne), representing a year-on-year increase of 26.9%.

In the first half of 2022, the sales volume of the Group to the top five domestic customers of coal was 89.5 million tonnes, which accounted for 43.0% of the domestic sales volume. In particular, the sales volume to China Energy Group, the largest customer, was 77.3 million tonnes, which accounted for 37.2% 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 2022			The first half of 2021			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
I. Sales by Trading Group	199.0	94.7	651	229.6	95.3	512	(13.3)	27.1
1. Annual long-term contracts	104.5	49.7	513	99.2	41.2	412	5.3	24.5
2. Monthly long-term contracts	74.1	35.3	808	103.1	42.8	614	(28.1)	31.6
3. Spot commodity	20.4	9.7	780	27.3	11.3	489	(25.3)	59.5
II. Direct sales by mine pits	11.1	5.3	322	11.2	4.7	231	(0.9)	39.4
Total sales volume/average price (exclusive of tax)	210.1	100.0	633	240.8	100.0	499	(12.7)	26.9

In the first half of 2022, the sales volume of thermal coal was 162.3 million tonnes, accounting for 78.0% of the coal sales volume; the coal sales volume to metallurgy, chemical and other industries was 45.7 million tonnes, accounting for 22.0% of the coal sales volume.

② By internal and external customers

	The first half of 2022			The first half of 2021			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
1. Sales to external customers	175.3	83.4	650	212.1	88.0	506	(17.4)	28.5
2. Sales to internal power segment	32.3	15.4	556	26.4	11.0	458	22.3	21.4
3. Sales to internal coal chemical segment	2.5	1.2	450	2.3	1.0	322	8.7	39.8
Total sales volume/average price (exclusive of tax)	210.1	100.0	633	240.8	100.0	499	(12.7)	26.9

③ By sales regions

	The first half of 2022			The first half of 2021			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
I. Domestic sales	208.0	99.0	629	238.0	98.9	500	(12.6)	25.8
(I) Self-produced coal and purchased coal	199.0	94.7	619	228.1	94.8	500	(12.8)	23.8
1. Direct arrival	92.2	43.9	473	93.3	38.8	376	(1.2)	25.8
2. Seaborne	106.8	50.8	746	134.8	56.0	586	(20.8)	27.3
(II) Sales of domestic trading coal	6.7	3.2	816	4.9	2.0	568	36.7	43.7
(III) Sales of imported coal	2.3	1.1	888	5.0	2.1	401	(54.0)	121.4
II. Export sales	0.3	0.1	1,149	0.3	0.1	668	0.0	72.0
III. Overseas coal sales	1.8	0.9	1,063	2.5	1.0	429	(28.0)	147.8
Total sales volume/average price (exclusive of tax)	210.1	100.0	633	240.8	100.0	499	(12.7)	26.9

(3) *Coal resources*

As at 30 June 2022, under the PRC Standard, the Group had coal resources amounting to 33.09 billion tonnes, representing a decrease of 120 million tonnes as compared with that of the end of 2021, recoverable coal reserve amounting to 14.05 billion tonnes, representing a decrease of 100 million tonnes as compared with that of the end of 2021, proved reserve amounting to 3.24 billion tonnes, representing a decrease of 70 million tonnes as compared with that of the end of 2021. The Group's marketable coal reserve amounted to 7.27 billion tonnes under the JORC Standard, representing a decrease of 160 million tonnes as compared with that of the end of 2021.

Unit: 100 million tonnes

Mines	Coal resources (under the PRC Standard)	Recoverable coal reserve (under the PRC Standard)	Proven reserve (under the PRC Standard)	Marketable coal reserve (under the JORC Standard)
Shandong Mines	152.9	86.7	17.8	41.7
Zhunge'er Mines	36.8	29.3	12.4	18.4
Shengli Mines	19.5	13.2	0.2	1.4
Baorixile Mines	13.2	11.0	1.9	11.2
Baotou Mines	0.5	0.3	0.1	0.0
Xinjie Mines	108.0	/	/	/
Total	330.9	140.5	32.4	72.7

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 kcal/kg	Sulphur content average, %	Ash content average, %
Shendong Mines	Long flame coal/ non-caking coal	5,000-6,200	0.1-0.6	4-33
Zhunge'er Mines	Long flame coal	4,000-5,300	0.3-0.6	17-33
Shengli Mines	Lignite	2,800-3,100	0.9-1.1	21-28
Baorixile Mines	Lignite	3,300-3,500	0.2-0.3	13-17
Baotou Mines	Long flame coal/ non-caking coal	4,300-4,600	0.3-0.6	≤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 2022	The first half of 2021	Change %	Main reasons for changes
Revenue	<i>RMB million</i>	136,252	123,396	10.4	Increase in average sales price of coal
Cost of operations	<i>RMB million</i>	(94,628)	(99,187)	(4.6)	Decrease in purchase cost of purchased coal resulting from the decrease in the sales volume of purchased coal
Gross profit margin	%	30.5	19.6	Increased by 10.9 percentage points	Decrease in sales volume of purchased coal with relatively lower gross profit margins and its proportion in total sales volume of coal
Profit before tax	<i>RMB million</i>	39,339	21,859	80.0	

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

	The first half of 2022				The first half of 2021			
	Revenue <i>RMB million</i>	Costs <i>RMB million</i>	Gross profit <i>RMB million</i>	Gross profit margin %	Revenue <i>RMB million</i>	Costs <i>RMB million</i>	Gross profit <i>RMB million</i>	Gross profit margin %
Domestic	130,758	(80,443)	50,315	38.5	118,909	(90,697)	28,212	23.7
Export and overseas	2,285	(1,983)	302	13.2	1,263	(1,152)	111	8.8
Total	133,043	(82,426)	50,617	38.0	120,172	(91,849)	28,323	23.6

③ Gross profit from sales of coal products by coal source

Types of source of coal	First half of 2022			Gross profit margin %
	Sales revenue <i>RMB million</i>	Sales cost <i>RMB million</i>	Gross profit <i>RMB million</i>	
Self-produced coal	94,496	(45,228)	49,268	52.1
Purchased coal	38,547	(37,198)	1,349	3.5
Total	133,043	(82,426)	50,617	38.0

The coal purchased from third parties by the Group includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal. The cost of sales of purchased coal includes the purchase cost of purchased coal, as well as the transportation and port charges incurred to realise the sales.

④ Unit production cost of self-produced coal

Unit: RMB/tonne

	The first half of 2022	The first half of 2021	Change %	Main reasons for changes
Unit production cost of self-produced coal	157.4	132.4	18.9	
Raw materials, fuel and power	28.4	25.5	11.4	Increase in electricity prices in West Inner Mongolia Region leading to the rise in electricity charge.
Personnel expenses	41.3	26.0	58.8	Increase in provision of employee unpaid wages and bonuses; increase in the number of employees resulting in an increase in wages and social security contributions.
Repairs and maintenance	11.8	10.0	18.0	Mainly affected by the maintenance plan
Depreciation and amortization	20.9	19.2	8.9	Increase in the purchase of the coal production equipment
Other costs	55.0	51.7	6.4	Increase in mining engineering expenses, expenses for coal exploitation service, expenses for coal washing, selection and processing, etc.

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 66%; (2) auxiliary production expenses, accounting for 18%; (3) land requisition and surface subsidence compensation, environmental protection expenses, tax, etc., accounting for 16%.

2. Power segment

(1) Production and operations

In the first half of 2022, the Group gave full play to the coal-fired power generation as a stabilizer and the advantages of clean and efficient generating units, strengthened the operation management of generating units, and made every effort to seize the chance of power generation. Power generation in the first half of this year amounted to 84.79 billion kWh (the first half of 2021: 77.04 billion kWh), representing a year-on-year increase of 10.1%; and total power output dispatch of 79.60 billion kWh (the first half of 2021: 72.04 billion kWh), representing a year-on-year increase of 10.5%, among which, the volume of power in market-based transactions was 75.22 billion kWh, accounting for 94.5% of the total power output dispatch, representing a year-on-year increase of 32.3 percentage points. The Group promoted the implementation of the electricity price reform policy and actively sought to increase the electricity price. In the first half of the year, the Group's average power output dispatch was RMB412/MWh (the first half of 2021: RMB333/MWh), representing a year-on-year increase of 23.7%.

The Group continued to strengthen energy conservation and consumption reduction in power generation business, vigorously promoted the “three reforms” linkages of coal-fired power generating units, carried out heating transformation for a total of 9 units of Shouguang Power and Jiujiang Power, and carried out transformation of energy conservation for a total of 7 units of Taishan Power and Jinjie Energy. In the first half of the year, the Group's standard coal consumption for power supply of coal-fired units of the Group was 297g/kWh (the first half of 2021: 298g/kWh), representing a year-on-year decrease of 1g/kWh.

The Group accelerated the business development of the new energy and power generation. As of the first half of 2022, the Group has commenced construction and put into operation photovoltaic power stations with an installment capacity of 205 MW, among which, the external commercial operation in Fujian Energy and Shouguang Power amounted to 30 MW. The 150,000-kW open-pit dump photovoltaic project of Shengli Energy is constructed as planned and is expected to be connected to the grid at full capacity by the end of 2022. Beijing Guoneng New Energy Industry Investment Fund and Beijing Guoneng Green and Low-Carbon Development Investment Fund, jointly established by the Company, have completed investments in various new energy projects in Shanxi, Jiangsu, Zhejiang, Hunan, Hubei and other provinces.

(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 2022	The first half of 2021	Change %	The first half of 2022	The first half of 2021	Change %	The first half of 2022	The first half of 2021	Change %
	(I) Coal-fired power	82.59	75.18	9.9	77.45	70.21	10.3	409	328
Shaanxi	14.61	15.35	(4.8)	13.43	14.08	(4.6)	346	268	29.1
Guangdong	14.41	13.31	8.3	13.56	12.47	8.7	436	385	13.2
Hebei	11.47	11.18	2.6	10.77	10.49	2.7	398	311	28.0
Fujian	8.59	8.15	5.4	8.19	7.61	7.6	422	351	20.2
Sichuan	6.78	2.75	146.5	6.39	2.50	155.6	433	378	14.6
Inner Mongolia	6.13	3.91	56.8	5.58	3.57	56.3	373	243	53.5
Jiangxi	5.18	6.28	(17.5)	4.94	6.00	(17.7)	430	350	22.9
Shandong	4.17	4.45	(6.3)	3.96	4.25	(6.8)	458	341	34.3
Chongqing	3.69	4.78	(22.8)	3.54	4.57	(22.5)	411	357	15.1
Hunan	3.04	/	/	2.90	/	/	468	/	/
Henan	2.27	2.25	0.9	2.12	2.10	1.0	371	279	33.0
Guangxi	1.48	1.92	(22.9)	1.40	1.82	(23.1)	484	344	40.7
Indonesia (overseas)	0.77	0.85	(9.4)	0.67	0.75	(10.7)	524	453	15.7
(II) Gas-fired power	1.91	1.55	23.2	1.86	1.52	22.4	568	570	(0.4)
Beijing	1.91	1.55	23.2	1.86	1.52	22.4	568	570	(0.4)
(III) Hydropower	0.28	0.31	(9.7)	0.28	0.31	(9.7)	255	250	2.0
Sichuan	0.28	0.31	(9.7)	0.28	0.31	(9.7)	255	250	2.0
(IV) Photovoltaic power	0.01	/	/	0.01	/	/	425	/	/
Fujian	0.01	/	/	0.01	/	/	425	/	/
Shandong	0.00	/	/	0.00	/	/	349	/	/
Total	84.79	77.04	10.1	79.60	72.04	10.5	412	333	23.7

Note: In the first half of 2022, the power generation and output dispatch of the photovoltaic power station of the Group based in Shandong was 29 mWh and 28 mWh, respectively.

(3) *Installed capacity*

At the end of the reporting period, the total installed capacity of power generating units of the Group reached 38,929 MW, among which, the total installed capacity of the coal-fired power generators is 37,824 MW, which is 97.2% of the total installed capacity of the Group.

Unit: MW

Power type	Gross installed capacity as at 31 December 2021	Installed capacity increased/ (decreased) during the reporting period	Gross installed capacity as at 30 June 2022
Coal-fired power	36,824	1,000	37,824
Gas-fired power	950	0	950
Hydropower	125	0	125
Photovoltaic power	<u>/</u>	<u>30</u>	<u>30</u>
Total	<u><u>37,899</u></u>	<u><u>1,030</u></u>	<u><u>38,929</u></u>

During the reporting period, the No. 2 unit of Fujian Luoyuanwan Port Reserves Power Generation Integration Project Power Plant Construction was put into operation, and the installed capacity of coal-fired generators increased by 1,000 MW; the photovoltaic power projects of the Group based in Fujian and Shandong were successively put into operation, with the photovoltaic power generation capacity increasing by 30 MW.

(4) *Utilisation rate of power generation equipment*

In the first half of 2022, average utilisation hours of coal-fired generators of the Group reached 2,220 hours, representing a decrease of 244 hours as compared to 2,464 hours of the same period of last year, which was 81 hours higher than the national average utilisation hours of 2,139 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 2022	The first half Of 2021	Change %	The first half Of 2022	The first half Of 2021	Change
Coal-fired power	2,220	2,464	(9.9)	5.06	5.47	Decreased by 0.41 percentage point
Gas-fired power	2,012	1,632	23.3	1.48	1.26	Increased by 0.22 percentage point
Hydropower	2,268	2,502	(9.4)	0.34	0.32	Increased by 0.02 percentage point
Photovoltaic power	272	/	/	/	/	/
Weighted average	2,213	2,440	(9.3)	5.23	5.63	Decreased by 0.40 percentage point

¹ Data source: China Electricity Council

(5) *Operation results of the power sales business*

During the reporting period, the Group owned two companies offering power sales business, which are located in Shandong and Guangdong, respectively, which are principally engaged in procurement and sales of power, incremental distribution grid business, power equipment management and comprehensive energy utilisation and other value-added services. In the first half of 2022, the agent power output dispatch from non-self-owned power plants of the Group were approximately 3.63 billion kWh, and the corresponding power output dispatch revenue and power purchase cost were RMB1,264 million and RMB1,187 million, respectively.

No.	Province of the power output dispatch company	power output dispatch		Average price of electricity (without tax)		Unit cost of power purchase (without tax)	
		<i>Billion kWh</i>		<i>RMB/MWh</i>		<i>RMB/MWh</i>	
		The first half of 2022	The first half of 2021	The first half of 2022	The first half of 2021	The first half of 2022	The first half of 2021
1	Shandong	2.96	1.71	329	341	320	343
2	Guangdong	0.67	2.67	433	362	369	391

(6) *Capital Expenditure*

In the first half of 2022, the total capital expenditure of the power generation segment was RMB4,267 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 end of the reporting period <i>%</i>
1	Guangxi Beihai Thermal Power Plant Project (2 × 1,000MW)	1,255	65
2	Fujian Luoyuanwan Port Power Generation & Storage Integration Project Power Plant Construction(2 × 1,000MW)	905	82
3	Hunan Yueyang Power Plant Project (2 × 1,000MW)	425	10
4	Guangdong Qingyuan Power Plant (Phase I) (2 × 1,000MW)	342	16

(7) Operation results

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

		The first half of 2022	The first half of 2021	Change %	Main reasons for changes
Revenue	<i>RMB million</i>	37,160	27,180	36.7	Increase in the power output dispatch and the average power output dispatch price Increase in the power output dispatch; increase in the coal purchase price
Cost of operations	<i>RMB million</i>	(32,377)	(23,377)	38.5	
Gross profit margin	%	12.9	14.0	Decreased by 1.1 percentage points	
Profit before tax	<i>RMB million</i>	3,945	2,990	31.9	

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

Power type	Revenue from power output dispatch (including heat sales)			Cost of power output dispatch (including heat sales)				
	The first half of 2022	The first half of 2021	Change %	The first half of 2022	Percentage to total costs of power output dispatch of the first half of 2022 %	The first half of 2021	Percentage to total costs of power output dispatch of the first half of 2021 %	Change in the first half of 2022 over the first half of 2021 %
Coal-fired power	33,081	24,132	37.1	29,166	96.3	20,933	95.7	39.3
Gas-fired power	1,059	865	22.4	1,063	3.5	899	4.1	18.2
Hydropower	71	76	(6.6)	58	0.2	50	0.2	16.0
Total	34,211	25,073	36.4	30,287	100.0	21,882	100.0	38.4

Note: The Group's photovoltaic power generation is small in scale. Its revenue and cost of power output dispatch are temporarily shown in the coal-fired power generation.

The Group's cost of power output dispatch (including heat sales) mainly comprised such costs as raw materials, fuel and power, personnel expenses, repairing and maintenance, depreciation and amortisation and other costs.

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

	The first half of 2022		The first half of 2021		Change in costs %
	Costs	Percentage	Costs	Percentage	
	RMB million	%	RMB million	%	
Raw material, fuel and power	22,311	76.5	15,636	74.7	42.7
Personnel expenses	2,025	6.9	1,317	6.3	53.8
Repairs and maintenance	860	2.9	700	3.3	22.9
Depreciation and amortisation	2,901	9.9	2,414	11.5	20.2
Others	1,069	3.8	866	4.2	23.4
Total cost of power output dispatch of coal-fired power plant (including heat sales)	29,166	100.0	20,933	100.0	39.3

In the first half of 2022, the Group's unit cost of sale of power output dispatch was RMB380.5/MWh (first half of 2021: RMB303.8/MWh, representing a year-on-year increase of 25.2%, which was mainly due to the increase in purchase price of coal and the increase in personnel expenses.

The power segment consumed a total of 32.1 million tonnes of coal from internal sales of the Group (including China Shenhua's self-produced coal and coal purchased), accounting for 84.3% of the 38.1 million tonnes of the thermal coal consumption of the power segment of the Group in the first half of 2022.

3. *Railway segment*

(1) Production and operations

In the first half of 2022, the railway segment of the Group continued to improve the efficient collection, distribution and transportation networks, enhanced capability of online marketing and sales generation, and continued to improve the transportation efficiency. The upgrade work of train platform for the 300 million tonne expansion capacity project of Shenshuo Railway commenced in an orderly manner, and over 75,000 20,000-tonne loaded trains of Shuohuang Railway operated safely. We reasonably arranged commissioning of trains, optimized the connection of coal used in the trains and empty weight to ensure maximum loading. In the first half of the year, transportation turnover of self-owned railway reached 145.2 billion tonne km (the first half of 2021: 150.0 billion tonne km), representing a year-on-year decrease of 3.2%; The revenue of railway segment reached RMB21,012 million (the first half of 2021: RMB19,984 million), representing a year-on-year increase of 5.1%. The non-coal transportation business, mainly iron ore, alloy ore, chemical products and coal extensions, continued to grow, with transportation volume of non-coal commodities of approximately 10 million tonnes in the first half of the year, representing a year-on-year increase of 2.4%.

The diversion capacity of the Huangda Railway has been further improved. The construction progress of the direct integration project of Dajiawa has been accelerated, and the construction project of the manual coal unloading line of Binzhou Logistics Park has been commenced. In the first half of the year, a coal transportation volume of 8.8 million tonnes of Huangda Railway has been completed, with a net profit of RMB5.0 million.

(2) *Operation results*

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

		The first half of 2022	The first half of 2021	Change %	Main reasons for changes
Revenue	RMB million	21,012	19,984	5.1	
Cost of sales	RMB million	(11,342)	(9,866)	15.0	Increase in personnel expenses; increase in other related costs resulting from business classification adjustments
Gross profit margin	%	46.0	50.6	Decreased by 4.6 percentage points	
Profit before income tax	RMB million	8,171	9,061	(9.8)	

In the first half of 2022, the unit transportation cost in the railway segment was RMB0.069/tonne km (the first half of 2021: RMB0.061/tonne km), representing a year-on-year increase of 13.1%, which was mainly due to the increase in personnel expenses and related costs resulting from business classification adjustments.

4. Port segment

(1) Production and operations

In the first half of 2022, the port segment of the Group overcame the impact of unbalanced arrival resources, strengthened the collaboration of upstream and downstream industries, improved the efficiency of port operation, and ensured efficient and available transportation channels. Affected by the decline in coal arrival, Huanghua Port achieved 103.2 million tonnes of coal shipments (the first half of 2021: 109.4 million tonnes), representing a year-on-year decrease of 5.7%; Tianjin Coal Dock achieved 20.3 million tons of coal shipments (the first half of 2021: 22.8 million tonnes), representing a year-on-year decrease of 11.0%.

The port large-scale logistics business developed steadily. In the first half of the year, the port segment completed the transportation volume of 2.71 million tonnes of non-coal cargo such as crude oil and chemical fertilizer. The main body of Huanghua Port 3# and 4# general bulk cargo terminals which are large-scale logistics supporting projects, have been completed, and the installation of supporting equipment has been advanced in an orderly manner.

The green ports construction has achieved substantial results. Huanghua Port achieved “near-zero emission” of dust in the coal port and zero emission of wastewater in the port zone. In the first half of the year, the amount of ballast water, rainwater and coal sewage collected and recycled accounted for 67% of the total water consumption, and 15,000 tonnes of coal cakes production from dust treatment have been completed. Huanghua Harbour Administration won the “China Environmental Excellence Award”, becoming the only port enterprise selected since the establishment of the award.

(2) Operation results

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

		The first half of 2022	The first half of 2021	Change %	Main reasons for changes
Revenue	RMB million	3,237	3,297	(1.8)	Decrease in port shipments
Cost of sales	RMB million	(1,666)	(1,693)	(1.6)	
Gross profit margin	%	48.5	48.7	Decreased by 0.2 percentage point	
Profit before income tax	RMB million	1,357	1,413	(4.0)	

5. Shipping segment

(1) Production and operations

In the first half of 2022, the shipping segment of the Group seized the opportunity to expand its capacity, explore external markets and enrich the variety of cargoes, achieving steady growth in its shipping business. In the first half of the year, shipping volume amounted to 65.8 million tonnes (the first half of 2021: 59.3 million tonnes), representing a year-on-year increase of 11.0%; shipment turnover amounted to 64.4 billion tonne nautical miles (the first half of 2021: 53.0 billion tonne nautical miles), representing a year-on-year increase of 21.5%.

(2) *Operation results*

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

		The first half of 2022	The first half of 2021	Change %	Main reasons for changes
Revenue	RMB million	3,031	2,787	8.8	Increase in shipping turnover
Cost of sales	RMB million	(2,503)	(2,132)	17.4	Increase in shipping turnover; increase in fuel costs, ship charter fees, personnel expenses, etc.
Gross profit margin	%	17.4	23.5	Decreased by 6.1 percentage points	
Profit before income tax	RMB million	442	573	(22.9)	

In the first half of 2022, the unit transportation cost of the shipping segment was RMB0.039/tonne nautical mile (the first half of 2021: RMB0.040/tonne nautical mile), representing a year-on-year decrease of 2.5%.

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, fine methanol, etc.

In the first half of this year, the production equipment of Baotou Coal Chemical maintained high-load and stable operation, with the utilization rate of 100% in all main units. We improved the marketing model of chemical industry, adjusted the product structure and brand in a timely manner, and increased the production of refined methanol, fabrics and other high value-added products. In the first half of this year, the sales volume of polypropylene products reached 358.3 thousand tonnes (the first half of 2021: 371.1 thousand tonnes), representing a year-on-year decrease of 3.4%.

The preliminary work of the Baotou coal-to-olefin upgrade demonstration project has been basically completed, and the overall design is currently carried out.

Baotou Coal Chemical adhered to clean development. In the first half of the year, environmental protection facilities operated stably, and all pollutants met the standard discharge, achieving zero discharge of waste water and significant reduction of waste gas pollutants.

The sales of polyethylene and polypropylene products of the Group in the first half of 2022 is as follows:

	The first half of 2022		The first half of 2021		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	183.7	7,060	190.2	6,522	(3.4)	8.2
Polypropylene	174.6	6,891	180.9	6,905	(3.5)	(0.2)

(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 2022	The first half of 2021	Change %	Main reasons for changes
Revenue	RMB million	3,425	3,260	5.1	Increase in sales price of polyethylene; increase in sales revenue of refined methanol
Cost of sales	RMB million	(2,804)	(2,423)	15.7	Increase in the price of raw material coal and coal, and increase in personnel expenses
Gross profit margin	%	18.1	25.7	Decreased by 7.6 percentage points	
Profit before income tax	RMB million	499	743	(32.8)	

(3) *Unit production cost of main products*

	In the first half of 2022		In the first half of 2021		Change	
	Output <i>Thousand tonnes</i>	Unit production cost <i>RMB/tonne</i>	Output <i>Thousand tonnes</i>	Unit production cost <i>RMB/tonne</i>	Output %	Unit production cost %
Polyethylene	178.6	5,808	187.1	5,141	(4.5)	13.0
Polypropylene	173.2	5,795	176.0	5,058	(1.6)	14.6

The increase in the unit production cost of polyethylene and polypropylene was mainly due to the increase in the price of raw coal and coal and the increase in personnel expenses.

The coal consumed by the coal chemical segment was self-produced coal of the Group, which consumed a total of 2.5 million tonnes coal in the first half of 2022.

(IV) Regional operation analysis

Unit: RMB million

	The first half of 2022	The first half of 2021	Change %
Revenue from external transactions in domestic markets	161,056	141,747	13.6
Revenue from external transactions in overseas markets	4,523	2,232	102.6
Total	<u>165,579</u>	<u>143,979</u>	<u>15.0</u>

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 2022, the revenue from external transactions in domestic markets was RMB161,056 million, accounting for 97.3% of the Group's revenue. Revenue from external transactions in overseas markets was RMB4,523 million, representing a year-on-year increase of 102.6%, which was mainly due to the increase in revenue from Pembangkitan Jawa Power Plant and South Sumatra No. 1 Project of the Group located in Indonesia accounted for under the relevant provisions of the Concession Agreement and the increase in revenue from coal export and re-exports business.

In the first half of 2022, the operation of the Group's overseas projects was stable. EMM Indonesia actively responded to the impact of the COVID-19 pandemic and the local carbon tax policy, strengthened site control, made efforts to reduce costs and reduce carbon, and maintained safe and stable production and operation. Pembangkitan Jawa in Indonesia overcame the unfavorable situation of tight domestic coal supply and demand, explored coal sources and boosted power generation load, completing 6.04 billion kWh of power generation in the first half of the year. The production operation of the shale gas project in Pennsylvania, U.S.A. was smooth. The Group produced 76 million cubic meters of gas (equity gas) in the first half of the year, achieving a revenue of US\$10.86 million, representing a year-on-year increase of 45%.

(V) Analysis on investments

1. Overall analysis of external equity investments

The equity investments of the Company in the first half of 2022 amounted to RMB5,880 million (the first half of 2021: RMB5,890 million). It was mainly the capital increase in part of the power generation and transportation subsidiaries.

2. Completion of capital expenditures plans for 2022

Unit: RMB100 million

	Plan for 2022	Completion in the first half of 2022
1. Coal segment	61.57	35.66
2. Power generation segment	171.86	42.67
3. Transportation segments	80.69	18.43
Including: railways segment	64.87	13.60
port segment	15.38	4.83
shipping segment	0.44	–
4. Coal chemical segment	4.83	0.92
Others	7.16	0.12
Total	326.11	97.80

In the first half of 2022, total amount of capital expenditure of the Group was RMB9.780 billion, primarily used for the payment of coal resource assignment fees, power generation projects under construction such as the Guangxi Beihai Thermal Power Plant Project, the Luoyuanwan Port Power Generation & Storage Project and the Hunan Yueyang Power Plant Project, the construction of the Huangda Railway and the construction of the bulk cargo wharf projects at Huanghua Port.

The capital expenditure plans of the Group in 2022 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 at the end of the reporting period, the financial assets at fair value through other comprehensive revenue of the Group were the non-tradable equity investments that have no significant impact on the investees, as well as bank acceptances proposed to be used for discounting or endorsement.

The items measured at fair value by the Group and the movements therein are as follows:

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 current period
Other investments in equity instruments	2,174	2,160	(14)	0
financing receivables	376	163	(213)	0
Total	2,550	2,323	(227)	0

(VI) 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 2022	The first half of 2021	Change %	
1	Shandong Coal	4,989	59,184	50,691	17,872	8,085	121.1	Increase in average coal sales price
2	Shuohuang Railway	15,231	48,230	39,148	3,713	4,233	(12.3)	Decrease in rail transport turnover
3	Jinjie Energy	2,278	15,711	13,114	2,907	1,978	47.0	Increase in average coal sales price, and increase in average price of electricity sold
4	Baorixile Energy	1,169	14,119	8,316	2,068	651	217.7	Increase in coal sales and average sales price
5	Zhunge'er Energy	7,102	47,627	38,985	1,657	956	73.3	Increase in average coal sales price
6	Baotou Energy	2,633	10,169	8,518	1,297	527	146.1	Increase in sales volume and average price of coal
7	Beidian Shengli	2,925	11,569	7,607	1,276	645	97.8	Increase in sales volume and average price of coal
8	Trading Group	1,889	23,884	11,126	985	1,213	(18.8)	Decrease in sales volume of coal
9	Huanghua Harbour Administration	6,790	14,654	12,211	886	847	4.6	
10	Yulin Energy	2,420	7,644	5,806	774	459	68.6	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. Shandong Coal recorded a revenue of RMB45,759 million and a profit from operations of RMB16,368 million in the first half of 2022.
 3. Shuohuang Railway recorded a revenue of RMB10,298 million and a profit from operations of RMB4,940 million in the first half of 2022.

V. POTENTIAL RISKS AND COUNTERMEASURES

The Company encountered major risks, primarily including: risk of safety production and environmental protection, risk of market competition, risk of investment, risk of engineering project management, risk of international business, risk of macroeconomic fluctuation, risk of integrated operation, and policy risk (please refer to the Company's 2021 Annual Report for details), and no new risk factors were added during the reporting period.

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 and Risk Management Committee and 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.

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.

1. In safe production and environmental protection, the Company will continuously strengthen the operation of the safety production and risk pre-control management system, strengthen the works of safety training, hidden danger detection and control and emergency rescue 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 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 the construction of green mine, green intelligent heavy-duty railways and green ports, strengthen the remediation of potential issues and environmental emergency management, continuously strengthen the soft and hard power of environmental protection, further improve the environmental management system and actively adapt to the new policy, new requirements and new indicators of "Dual Control" of total energy consumption and energy intensity in order to achieve energy-saving and emission reduction targets.

2. In marketing and sales, the Company will fully and accurately grasp market conditions, improve the accuracy of the pre-judgment to coal market and formulate the reasonable marketing policies; the Company will strictly implement long-term contracts, optimise the structure of coal products for further enhancing the brand advantages; increase the development of new market and the maintenance of original market and construction of interchange bases and deepen the comprehensive coordination of production, transportation, sales, storage and use; 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 increase the collection and distribution capacity of self-owned railways.
3. In investment management, the Company will continue to optimise its investment structure, strengthen the quality management in the early stage of projects, strictly control and improve the risk management and control of major projects; continue to focus on investment plans, expand effective investment, and reasonably control the pace of project investment; actively, orderly and standardly carry out post-project evaluation work to improve the benefits of investment.
4. In project management, the Company will strengthen the awareness of risk management of engineering projects, enhance the construction of standardised construction sites, continuously strengthen construction safety management and enforce its administration in safety emergency plans; keep track timely, monitor the construction of project construction, and formulate effective measures to reduce or eliminate the impact of the prolong of construction period.
5. In international operation, the Company will further carry out overseas resource evaluation, operation performance evaluation and technology assessment based on sound information collection, analysis and research prior to making any decision on overseas project investment so as to ensure economic and technological feasibility. The Group will actively respond to the impact of the COVID-19 pandemic on overseas business, strengthen overseas risk screening, and regularly monitor the overseas legal compliance risks. Furthermore, the Company will strengthen the cultivation and introduction of interdisciplinary talents; actively and steadily implement the “Going Global” strategy in accordance with the requirements of coordinating the overall domestic and international situation.

6. In policy research and response, the Company will strengthen the research on the latest national industrial policies and regulations, enhance policy coordination, pay close attention to the window of policy opportunities for resource continuation, correctly understand and grasp the requirements of “carbon peak” and “carbon neutrality”, reasonably match the investment scale of each industry, and promote industrial upgrading and structural adjustment.

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.

VI. SIGNIFICANT EVENTS

REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

For the six months ended 30 June 2022, 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 2022, the Company has adopted the corporate governance polices 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 2022.

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 2022.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an Audit and Risk Management Committee in accordance with the Hong Kong Listing Rules. As at 30 June 2022, the Audit and Risk Management Committee comprised Dr. Chen Hanwen (chairman of the Audit and Risk Management Committee, with professional qualifications and experience in finance-related fields such as accounting), Dr. Yuen Kwok Keung and Dr. Bai Chong-En, all being Independent Non-executive Directors. The principal duties of the Audit and Risk Management 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 effectiveness of the internal and external audits; reviewing the financial information of the Company and its disclosure; supervising and evaluating the risk management and internal control of the Company; and other duties under laws, regulations, the Articles of Association and the authorisation of the Board. During the Reporting Period, in relation to the consideration of resolutions on the amendments to the annual cap for the supply of coal by the Group to the China Energy Group from 2021 to 2023 under the Mutual Coal Supply Agreement and the annual cap for the supply of supplies and services by the Group to the China Energy Group from 2022 to 2023 under the Mutual Supplies And Services Agreement at the Company's 2021 annual general meeting, the Company established the Independent Board Committee comprising Dr. Yuen Kwok Keung, Dr. Bai Chong-En and Dr. Chen Hanwen, which issued a recommendation to the independent shareholders to vote for the resolutions. For details, please refers to the circular disclosed by the Company on the website of the Hong Kong Stock Exchange on 20 May 2022.

For the period ended 30 June 2022, the Audit and Risk Management Committee performed its duties in strict compliance with the Rules of Procedures of the Audit and Risk Management Committee of the Board of Directors and the Work Procedures of the Audit and Risk Management Committee of the Board of Directors of China Shenhua. On 23 August 2022, the Audit and Risk Management Committee reviewed the Group's interim financial statements for the six months ended 30 June 2022 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 announcement have the following meanings:

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy	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.
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.
Baorixile Energy	China Energy Baorixile Energy Co., Ltd.
Beidian Shengli	China Energy Beidian Shengli Energy Co., Ltd.
Shuohuang Railway	China Energy Shuohuang Railway Development Co., Ltd.
Trading Group	China Energy Trading Group Limited
Huanghua Harbour Administration	China Energy Huanghua Harbour Administration Co., Ltd.
Baotou Energy	China Energy Baotou Energy Co., Ltd.
Baotou Coal Chemical	China Energy Baotou Coal Chemical Co., Ltd.
Yulin Energy	China Energy Yulin Energy Co., Ltd.
Fujian Energy	Shenhua (Fujian) Energy Co., Ltd.

EMM Indonesia	PT.GH EMM INDONESIA
Pembangkitan Jawa	PT. Shenhua Guohua Pembangkitan Jawa Bali
Taishan Power	China Energy Yudean Taishan Power Co., Ltd
Jinjie Energy	China Energy Jinjie Energy Co., Ltd.
Jiujiang Power	China Energy Shenhua Jiujiang Power Co., Ltd.
Shouguang Power	China Energy Shouguang Power Generation Company Limited
Shengli Energy	Shengli Energy Branch of the Company
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
Finance Company	China Energy Finance Co., Ltd
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 + financial cost, net + income tax + depreciation and amortization – share of profits and losses of associates
RMB	Renminbi unless otherwise specified

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

Beijing, 26 August 2022

As at the date of this announcement, the Board comprises the following: Mr. Lv Zhiren 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 Ms. Liu Xiaolei as employee director.