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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue of the Group in 2022 were RMB344,533 million, representing an increase of RMB8,893 million or 2.6% over 2021.
- Profit for the year attributable to equity holders of the Company in 2022 was RMB72,903 million, representing an increase of RMB21,481 million or 41.8% over 2021.
- Basic earnings per share was RMB3.669.
- The Board recommend the payment of: a final dividend in cash of RMB2.55 per share (tax inclusive) or RMB50,665 million (tax inclusive) for the year of 2022.

The Board of China Shenhua Energy Company Limited (the “**Company**” or “**China Shenhua**”) presented the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 and reported our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (“IFRSs”):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		<i>RMB million</i>	<i>(Restated)</i> <i>RMB million</i>
Revenue			
Goods and services	4	344,533	335,640
Cost of sales	6	(226,624)	(239,805)
Gross profit		117,909	95,835
Selling expenses		(410)	(581)
General and administrative expenses		(9,930)	(9,119)
Research and development costs		(3,722)	(2,499)
Other gains and losses	9	(3,184)	(955)
Other income		1,100	893
Loss allowances, net of reversal	9	(1,337)	(2,561)
Other expenses		(2,136)	(1,103)
Interest income	7	3,071	2,492
Finance costs	7	(3,930)	(2,583)
Share of results of associates		2,223	(874)
Profit before income tax		99,654	78,945
Income tax expense	8	(14,297)	(18,161)
Profit for the year	9	85,357	60,784

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		RMB million	(Restated) RMB million
Profit for the year		85,357	60,784
Other comprehensive income for the year			
<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		219	292
Share of other comprehensive income of associates		326	—
<i>Items that may be reclassified subsequently to profit or loss, net of income tax:</i>			
Exchange differences		898	(172)
Fair value changes on investments in debt instruments at fair value through other comprehensive income		4	—
Share of other comprehensive income of associates		(7)	66
Other comprehensive income for the year, net of income tax		1,440	186
Total comprehensive income for the year		86,797	60,970
Profit for the year attributable to:			
Equity holders of the Company		72,903	51,422
Non-controlling interests		12,454	9,362
		85,357	60,784
Total comprehensive income for the year attributable to:			
Equity holders of the Company		74,162	51,645
Non-controlling interests		12,635	9,325
		86,797	60,970
Earnings per share			
– Basic/diluted (<i>RMB</i>)	11	3.669	2.588

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

	<i>Notes</i>	31 December 2022	31 December 2021 (Restated)
		<i>RMB million</i>	<i>RMB million</i>
Non-current assets			
Property, plant and equipment		274,103	263,431
Construction in progress		20,843	26,201
Exploration and evaluation assets		5,218	4,000
Intangible assets		4,059	4,651
Right-of-use assets		24,023	22,240
Interests in associates		49,714	47,708
Equity instruments at fair value through other comprehensive income		2,386	2,174
Other non-current assets		28,905	28,089
Deferred tax assets		4,877	3,568
Total non-current assets		414,128	402,062
Current assets			
Inventories		12,096	12,633
Accounts and bills receivables	12	12,100	13,607
Financial assets at fair value through other comprehensive income		502	376
Prepaid expenses and other current assets		15,849	18,514
Restricted bank deposits		6,357	4,479
Time deposits with original maturity over three months		32,688	1,701
Cash and cash equivalents		131,458	156,706
Assets classified as held for sale		–	294
Total current assets		211,050	208,310

	<i>Notes</i>	31 December 2022 <i>RMB million</i>	31 December 2021 (Restated) <i>RMB million</i>
Current liabilities			
Borrowings		12,630	9,917
Accounts and bills payables	13	38,972	35,216
Accrued expenses and other payables		34,724	29,109
Current portion of lease liabilities		297	187
Current portion of long-term liabilities		674	1,427
Income tax payable		5,510	9,028
Contract liabilities		5,597	6,864
Total current liabilities		98,404	91,748
Net current assets		112,646	116,562
Total assets less current liabilities		526,774	518,624
Non-current liabilities			
Borrowings		38,438	49,193
Bonds		3,453	3,172
Long-term liabilities		10,613	8,025
Accrued reclamation obligations		9,005	6,754
Deferred tax liabilities		1,098	974
Lease liabilities		1,445	1,510
Total non-current liabilities		64,052	69,628
Net assets		462,722	448,996
Equity			
Share capital		19,869	19,869
Reserves		377,068	359,984
Equity attributable to equity holders of the Company		396,937	379,853
Non-controlling interests		65,785	69,143
Total equity		462,722	448,996

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Equity attributable to equity holders of the Company							Non-controlling interests RMB million	Total equity RMB million
	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	Exchange reserve RMB million	Statutory reserves RMB million	Other reserves RMB million	Retained earnings RMB million		
At 31 December 2021	19,869	84,766	3,657	(334)	22,425	(14,316)	263,971	69,183	449,221
Impact on initial application of amendments to IAS 16, <i>Property, plant and equipment</i> : <i>Proceeds before intended use</i>	-	-	-	-	-	-	(185)	(40)	(225)
At 1 January 2022 (Restated)	19,869	84,766	3,657	(334)	22,425	(14,316)	263,786	69,143	448,996
Profit for the year	-	-	-	-	-	-	72,903	12,454	85,357
Other comprehensive income for the year	-	-	-	705	-	554	-	181	1,440
Total comprehensive income for the year	-	-	-	705	-	554	72,903	12,635	86,797
Dividend declared (<i>Note 10</i>)	-	-	-	-	-	-	(50,466)	-	(50,466)
Appropriation of maintenance and production funds	-	-	-	-	6,006	-	(6,006)	-	-
Utilisation of maintenance and production funds	-	-	-	-	(2,649)	-	2,649	-	-
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	(6,698)	-	(3,306)	(10,004)
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	1,936	1,936
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	(14,629)	(14,629)
Others	-	-	-	-	-	45	41	6	92
At 31 December 2022	19,869	84,766	3,657	371	25,782	(20,415)	282,907	65,785	462,722

Equity attributable to equity holders of the Company

	Share capital RMB million	Treasury shares RMB million	Share premium RMB million	Capital reserve RMB million	Exchange reserve RMB million	Statutory reserves RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
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 year (Restated)	-	-	-	-	-	-	-	51,422	51,422	9,362	60,784
Other comprehensive income for the year	-	-	-	-	(133)	-	356	-	223	(37)	186
Total comprehensive income for the year	-	-	-	-	(133)	-	356	51,422	51,645	9,325	60,970
Dividend declared (Note 10)	-	-	-	-	-	-	-	(35,962)	(35,962)	-	(35,962)
Appropriation of maintenance and production funds	-	-	-	-	-	5,581	-	(5,581)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(3,392)	-	3,392	-	-	-
Cancellation of repurchased own shares	(21)	256	(235)	-	-	-	-	-	-	-	-
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	-	1,646	1,646
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(6,739)	(6,739)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(227)	(227)
Others	-	-	-	-	-	-	137	(170)	(33)	(246)	(279)
At 31 December 2021 (Restated)	19,869	-	84,766	3,657	(334)	22,425	(14,316)	263,786	379,853	69,143	448,996

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB million	(Restated) RMB million
Operating activities		
Profit before income tax	99,654	78,945
Adjustments for:		
Depreciation of property, plant and equipment <i>(Note 9)</i>	20,626	19,245
Depreciation of right-of-use assets <i>(Note 9)</i>	849	725
Amortisation of intangible assets <i>(Note 9)</i>	486	413
Amortisation of long-term deferred expenses <i>(Note 9)</i>	1,287	1,162
Gains on disposal of property, plant and equipment, intangible assets and non-current assets <i>(Note 9)</i>	(188)	(346)
Losses on disposal of subsidiaries and associates <i>(Note 9)</i>	–	9
Impairment losses on property, plant and equipment <i>(Note 9)</i>	2,151	535
Impairment losses on construction in progress <i>(Note 9)</i>	86	376
Impairment losses on intangible assets <i>(Note 9)</i>	348	11
Impairment losses on right-of-use assets <i>(Note 9)</i>	201	–
Impairment losses on goodwill <i>(Note 9)</i>	56	36
Impairment losses on interests in associates <i>(Note 9)</i>	–	60
Reversal of allowance for prepaid expenses <i>(Note 9)</i>	(6)	–
Impairment losses on other non-current assets <i>(Note 9)</i>	47	–
Write-down of inventories <i>(Note 9)</i>	489	274

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB million	(Restated) RMB million
Operating activities (continued)		
Interest income (<i>Note 7</i>)	(3,071)	(2,492)
Share of results of associates	(2,223)	874
Loss allowances, net of reversal (<i>Note 9</i>)	1,337	2,561
Interest expenses	3,338	2,698
Exchange loss/(gain), net (<i>Note 7</i>)	564	(115)
Other income from debt restructuring	(176)	—
Operating cash flows before movements in working capital	125,855	104,971
Changes in working capital:		
Decrease/(increase) in inventories	48	(157)
Decrease/(increase) in accounts and bills receivables	523	(2,779)
Increase in prepaid expenses and other assets	(319)	(5,027)
Increase in accounts and bills payables	2,794	2,326
Increase in accrued expenses and other liabilities	1,100	9,488
(Decrease)/increase in contract liabilities	(1,267)	1,608
Cash generated from operations	128,734	110,430
Income tax paid	(19,000)	(16,080)
Net cash generated from operating activities	109,734	94,350

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB million	(Restated) RMB million
Investing activities		
Additions of property, plant and equipment, intangible assets, exploration and evaluation assets, construction in progress and other non-current assets	(26,865)	(23,011)
Increase in right-of-use assets	(1,819)	(627)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	1,236	900
Investments in associates	(519)	(736)
Net cash received from disposal of subsidiaries	–	1,389
Net cash received from disposal of assets classified as held for sale	294	2,566
Net cash received from acquisition of subsidiaries	–	614
Dividend received from associates	1,075	1,613
Interest received	2,796	2,135
Increase in restricted bank deposits	(1,878)	(1,088)
Placing of time deposits with original maturity over three months	(38,998)	(1,046)
Maturity of time deposits with original maturity over three months	8,011	10,531
Collection of other current assets	82	141
Net cash used in investing activities	(56,585)	(6,619)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
		(Restated)
	RMB million	RMB million
Financing activities		
Capital element of lease rentals paid	(238)	(197)
Interest element of lease rentals paid	(43)	(29)
Interest paid	(2,925)	(3,214)
Proceeds from borrowings	27,653	22,114
Repayments of borrowings	(36,424)	(21,741)
Redemption of bonds	(77)	—
Proceeds from bills discounted	1,040	995
Consideration for acquisition of non-controlling interest in subsidiaries	(10,004)	—
Contributions from non-controlling shareholders	1,669	1,129
Distributions to non-controlling shareholders	(8,919)	(6,826)
Dividend paid to equity holders of the Company (Note 10)	(50,466)	(35,962)
Net cash used in financing activities	(78,734)	(43,731)
(Decrease)/increase in cash and cash equivalents	(25,585)	44,000
Cash and cash equivalents, at the beginning of the year	156,706	112,880
Effect of foreign exchange rate changes	337	(174)
Cash and cash equivalents, at the end of the year	131,458	156,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. PRINCIPAL ACTIVITIES AND ORGANISATION

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.

Organisation

The Company was established in the PRC on 8 November 2004 as a joint stock limited company as part of the Restructuring (as defined below) of Shenhua Group, a state-owned enterprise under the direct supervision of the State Council of the PRC.

Effective on 31 December 2003, the coal production and power generation operations previously operated by various entities wholly-owned or controlled by Shenhua Group were restructured and managed separately (the “**Restructuring**”), and those assets and liabilities related to the operations and businesses that were transferred to the Company were revalued by China Enterprise Appraisal Co., Ltd., an independent valuer registered in the PRC, as at 31 December 2003 as required by the PRC rules and regulations.

On 8 November 2004, in consideration for Shenhua Group transferring the coal mining and power generating assets and liabilities to the Company, the Company issued 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each to Shenhua Group. The shares issued to Shenhua Group represented the entire registered and paid-up share capital of the Company at that date.

In 2005, the Company issued 3,089,620,455 H shares with a par value of RMB1.00 each, at a price of Hong Kong Dollars (“**HKD**”) 7.50 per H share by way of a global initial public offering. In addition, 308,962,045 domestic state-owned ordinary shares of RMB1.00 each owned by Shenhua Group were converted into H shares. A total of 3,398,582,500 H shares were listed on The Stock Exchange of Hong Kong Limited.

In 2007, the Company issued 1,800,000,000 A shares with a par value of RMB1.00 each, at a price of RMB36.99 per A share in the PRC. The A shares were listed on the SSE.

2. 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 and consolidated statement of profit or loss and other comprehensive income at 31 December 2021, which was prepared in accordance with IFRSs, is as follows: Property, plant and equipment decreased by RMB225 million, total equity decreased by RMB225 million, revenue increased by RMB424 million, cost of sales increased by RMB649 million, and profit for the year 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (the “**IASB**”). They are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest million (RMB’ million) except when otherwise indicated. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance (“**CO**”).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which have been measured at fair value at the end of each reporting period.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. REVENUE FROM GOODS AND SERVICES

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

Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
				(Restated)												(Restated)
Types of goods or service																
Sales of goods																
Coal	230,050	249,569	-	-	-	-	-	-	-	-	-	-	-	-	230,050	249,569
Power	-	-	77,767	57,023	-	-	-	-	-	-	-	-	-	-	77,767	57,023
Coal chemical products	-	-	-	-	-	-	-	-	-	-	5,777	5,277	-	-	5,777	5,277
Others	6,255	6,672	6,574	7,360	-	-	-	-	-	-	602	574	-	-	13,431	14,606
	<u>236,305</u>	<u>256,241</u>	<u>84,341</u>	<u>64,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,379</u>	<u>5,851</u>	<u>-</u>	<u>-</u>	<u>327,025</u>	<u>326,475</u>
Transportation and other services																
Railway	-	-	-	-	11,618	5,730	-	-	-	-	-	-	-	-	11,618	5,730
Port	-	-	-	-	-	-	1,677	771	-	-	-	-	-	-	1,677	771
Shipping	-	-	-	-	-	-	-	-	2,089	1,321	-	-	-	-	2,089	1,321
Others	-	-	-	-	1,805	1,108	282	211	37	-	-	-	-	24	2,124	1,343
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,423</u>	<u>6,838</u>	<u>1,959</u>	<u>982</u>	<u>2,126</u>	<u>1,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>17,508</u>	<u>9,165</u>
Total	<u>236,305</u>	<u>256,241</u>	<u>84,341</u>	<u>64,383</u>	<u>13,423</u>	<u>6,838</u>	<u>1,959</u>	<u>982</u>	<u>2,126</u>	<u>1,321</u>	<u>6,379</u>	<u>5,851</u>	<u>-</u>	<u>24</u>	<u>344,533</u>	<u>335,640</u>

4. REVENUE FROM GOODS AND SERVICES (CONTINUED)

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

Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
(Restated)																
Geographical markets																
Domestic markets	230,421	252,481	77,945	57,415	13,423	6,838	1,959	982	2,126	1,321	6,379	5,851	-	24	332,253	324,912
Overseas markets	5,884	3,760	6,396	6,968	-	-	-	-	-	-	-	-	-	-	12,280	10,728
Total	<u>236,305</u>	<u>256,241</u>	<u>84,341</u>	<u>64,383</u>	<u>13,423</u>	<u>6,838</u>	<u>1,959</u>	<u>982</u>	<u>2,126</u>	<u>1,321</u>	<u>6,379</u>	<u>5,851</u>	<u>-</u>	<u>24</u>	<u>344,533</u>	<u>335,640</u>
Timing of revenue recognition																
A point in time	236,305	256,241	84,341	64,383	-	-	-	-	-	-	6,379	5,851	-	-	327,025	326,475
Over time	-	-	-	-	13,423	6,838	1,959	982	2,126	1,321	-	-	-	24	17,508	9,165
Total	<u>236,305</u>	<u>256,241</u>	<u>84,341</u>	<u>64,383</u>	<u>13,423</u>	<u>6,838</u>	<u>1,959</u>	<u>982</u>	<u>2,126</u>	<u>1,321</u>	<u>6,379</u>	<u>5,851</u>	<u>-</u>	<u>24</u>	<u>344,533</u>	<u>335,640</u>

The Group's revenue from contracts with customers is RMB344,456 million for the year ended 31 December 2022 (2021: RMB335,530 million as restated).

4. REVENUE FROM GOODS AND SERVICES (CONTINUED)

Set out below is the reconciliation of the revenue with the amounts disclosed in the segment information.

Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
				(Restated)												(Restated)
Revenue disclosed in segment information																
External customers	236,305	256,241	84,341	64,383	13,423	6,838	1,959	982	2,126	1,321	6,379	5,851	-	24	344,533	335,640
Inter-segment	41,169	36,420	184	165	28,774	33,861	4,482	5,458	3,925	4,874	-	-	529	297	79,063	81,075
	<u>277,474</u>	<u>292,661</u>	<u>84,525</u>	<u>64,548</u>	<u>42,197</u>	<u>40,699</u>	<u>6,441</u>	<u>6,440</u>	<u>6,051</u>	<u>6,195</u>	<u>6,379</u>	<u>5,851</u>	<u>529</u>	<u>321</u>	<u>423,596</u>	<u>416,715</u>
Adjustment and eliminations	(41,169)	(36,420)	(184)	(165)	(28,774)	(33,861)	(4,482)	(5,458)	(3,925)	(4,874)	-	-	(529)	(297)	(79,063)	(81,075)
Revenue	<u>236,305</u>	<u>256,241</u>	<u>84,341</u>	<u>64,383</u>	<u>13,423</u>	<u>6,838</u>	<u>1,959</u>	<u>982</u>	<u>2,126</u>	<u>1,321</u>	<u>6,379</u>	<u>5,851</u>	<u>-</u>	<u>24</u>	<u>344,533</u>	<u>335,640</u>

4. REVENUE FROM GOODS AND SERVICES (CONTINUED)

The Group produces and sells coal and coal chemical products to customers at spot market. For sales of coal and coal chemical products, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location. According to the Group's historical experiences, there was no significant exchange or return of coal and coal chemical products occurred. There is no sales-related warranties associated with coal and coal chemical products.

For sales of power, revenue is recognised upon the transmission of electric power to the power grid companies. Power could not be returned or exchanged and there is also no warranties associated with power sales.

The Group provides railway transportation services, shipment transportation services as well as port loading and storage services to customers. Such services are recognised as a performance obligation satisfied over time as the Group rendering the services. Revenue is recognised for these services based on the stage of completion of the performance obligation using output method.

All performance obligations of sales of coal, power and coal chemical products, railway and shipment transportation services, and port loading and storage services are part of contracts with an original expected duration of one year or less, and as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. SEGMENT AND OTHER INFORMATION

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment based on profit before income tax ("**reportable segment profit**"). Reportable segment profit represents the profit earned by each segment without allocation of head office and corporate items. Inter-segment sales are primarily charged at prevailing market rate which are the same as those charged to external customers.

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Revenue from external customers	236,305	256,241	84,341	64,383	13,423	6,838	1,959	982	2,126	1,321	6,379	5,851	344,533	335,616
Inter-segment revenue	41,169	36,420	184	165	28,774	33,861	4,482	5,458	3,925	4,874	-	-	78,534	80,778
Reportable segment revenue	<u>277,474</u>	<u>292,661</u>	<u>84,525</u>	<u>64,548</u>	<u>42,197</u>	<u>40,699</u>	<u>6,441</u>	<u>6,440</u>	<u>6,051</u>	<u>6,195</u>	<u>6,379</u>	<u>5,851</u>	<u>423,067</u>	<u>416,394</u>
Reportable segment profit	73,536	58,949	7,969	1,800	12,742	15,723	2,268	2,623	706	1,003	538	706	97,759	80,804
Including:														
Interest expenses	1,252	849	1,656	1,514	772	1,107	154	136	-	-	34	50	3,868	3,656
Depreciation and amortisation	8,954	8,769	6,702	5,495	5,357	5,094	1,057	1,024	288	313	776	726	23,134	21,421
Share of results of associates	883	345	322	(3)	4	(4)	4	6	-	-	-	-	1,213	344
Loss allowances and impairment of assets	<u>1,595</u>	<u>1,140</u>	<u>1,097</u>	<u>69</u>	<u>753</u>	<u>(3)</u>	<u>62</u>	<u>3</u>	<u>(31)</u>	<u>-</u>	<u>12</u>	<u>61</u>	<u>3,488</u>	<u>1,270</u>

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

- (b) Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the years ended 31 December 2022 and 2021 are set out below:

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	(Restated)						(Restated)	
	<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>
Revenue	423,067	416,394	529	321	(79,063)	(81,075)	344,533	335,640
Profit/(loss) before income tax	97,759	80,804	1,468	(2,814)	427	955	99,654	78,945
Interest expenses	3,868	3,656	1,100	900	(1,734)	(1,963)	3,234	2,593
Depreciation and amortisation	23,134	21,421	114	124	-	-	23,248	21,545
Share of results of associates	1,213	344	851	(1,133)	159	(85)	2,223	(874)
Loss allowances and impairment of assets	3,488	1,270	1,221	2,583	-	-	4,709	3,853

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

(c) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, exploration and evaluation assets, intangible assets, right-of-use assets, interests in associates, certain non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, construction in progress and right-of-use assets, and the location of operations, in the case of exploration and evaluation assets, intangible assets, other non-current assets and interests in associates.

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		Year ended 31 December	
	2022	2021	2022	2021
		(Restated)		(Restated)
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Domestic markets	332,253	324,912	385,779	376,920
Overseas markets	12,280	10,728	6,119	6,147
	<u>344,533</u>	<u>335,640</u>	<u>391,898</u>	<u>383,067</u>

(d) Major customers

Revenue from any individual customer of the Group does not exceed 10% of the Group's revenue. Certain of the Group's customers are entities, which controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities") and collectively considered as the Group's major customers. During the year ended 31 December 2022, revenue from the Group's top five major customers of coal and power segments amounted to RMB137,050 million (2021: RMB118,598 million).

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2022 and 2021 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<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>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>	
Coal purchased	65,079	102,865	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,079	102,865
Cost of coal production	70,535	60,899	-	-	-	-	-	-	-	-	-	-	-	-	(6,854)	(4,904)	63,681	55,995
Cost of coal transportation	50,094	58,027	-	-	16,022	17,460	2,646	2,947	1,526	1,345	-	-	-	-	(37,181)	(44,193)	33,107	35,586
Power cost	-	-	69,534	55,835	-	-	-	-	-	-	-	-	-	-	(33,170)	(30,467)	36,364	25,368
Cost of coal chemical production	-	-	-	-	-	-	-	-	-	-	4,876	4,186	-	-	(1,746)	(1,603)	3,130	2,583
Others	7,045	3,335	3,957	4,833	9,019	4,560	910	395	3,688	3,673	617	568	27	44	-	-	25,263	17,408
Total cost of sales	192,753	225,126	73,491	60,668	25,041	22,020	3,556	3,342	5,214	5,018	5,493	4,754	27	44	(78,951)	(81,167)	226,624	239,805
Profit from operations																		
(Note (i))																		
Capital expenditures																		
(Note (ii))																		
Total assets (Note (iii))	10,638	20,575	11,103	16,876	6,740	3,979	2,868	1,002	167	55	333	851	96	39	-	-	31,945	43,377
Total liabilities (Note (iii))	294,056	268,067	150,402	166,429	124,906	139,551	19,831	19,821	7,417	8,065	8,646	8,864	489,271	446,069	(469,551)	(446,494)	625,178	610,372
Total liabilities (Note (iii))	(127,971)	(120,171)	(131,620)	(134,566)	(53,172)	(56,285)	(7,931)	(6,519)	(424)	(514)	(3,206)	(2,425)	(201,295)	(176,717)	363,163	335,821	(162,456)	(161,376)

Notes:

- Profit from operations is calculated as revenue minus cost of sales, selling expenses, general and administrative expenses, research and development costs, loss allowances and impairment of assets.
- Capital expenditures consist of addition in property, plant and equipment, construction in process, exploration and evaluation assets, intangible assets, long-term deferred expenses, land use rights and prepayment for mining projects.
- Unallocated items of total assets include deferred tax assets and other unallocated corporate assets. Unallocated items of total liabilities include deferred tax liabilities and other unallocated corporate liabilities.

6. COST OF SALES

	Year ended 31 December	
	2022	2021
		(Restated)
	<i>RMB million</i>	<i>RMB million</i>
Coal purchased	65,079	102,865
Materials, fuel and power	33,365	24,318
Personnel expenses	25,663	21,285
Depreciation and amortisation	19,237	18,093
Repairs and maintenance	10,715	10,731
Transportation charges	18,930	18,764
Taxes and surcharges	19,972	16,502
Other operating costs	33,663	27,247
	226,624	239,805

7. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Interest income from:		
– bank deposits	3,053	2,474
– other loans and receivables	18	18
Total interest income	<u>3,071</u>	<u>2,492</u>
Interest on:		
– borrowings	2,560	2,896
– lease liabilities	43	29
– bonds	135	130
Total finance costs on financial liabilities not at fair value through profit and loss	2,738	3,055
Less: amount capitalised	<u>(497)</u>	<u>(850)</u>
	2,241	2,205
Others	132	105
Unwinding of discount	993	388
Exchange loss/(gain), net	<u>564</u>	<u>(115)</u>
Total finance costs	<u>3,930</u>	<u>2,583</u>
Net finance costs	<u>859</u>	<u>91</u>

Note:

Borrowing costs capitalised during the year arose on the general borrowing pools and were calculated by applying a capitalisation rate from 1.80% to 4.41% (2021: from 1.80% to 4.90%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Current tax, mainly PRC enterprise income tax	18,295	20,260
Over provision in respect of prior years	(2,813)	(1,465)
Deferred tax	(1,185)	(634)
	14,297	18,161

The tax charge for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	(Restated) <i>RMB million</i>
Profit before income tax	99,654	78,945
Tax at the PRC income tax rate of 25% (2021: 25%)	24,914	19,736
Tax effects of:		
– different tax rates of branches and subsidiaries	(8,229)	(2,066)
– non-deductible expenses	1,074	890
– share of results of associates	(585)	194
– utilisation of tax losses and deductible temporary difference previously not recognised	(346)	(483)
– tax losses and deductible temporary difference not recognised	282	1,355
– over provision in respect of prior years	(2,813)	(1,465)
Income tax expense	14,297	18,161

8. INCOME TAX EXPENSE (CONTINUED)

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 qualified to be entitled to a preferential tax rate of 15% from 2021 to 2030.

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

	Year ended 31 December	
	2022	2021
	%	%
Australia	30.0	30.0
Indonesia	22.0	22.0
United States	21.0	21.0
Hong Kong, China	8.25/16.5*	8.25/16.5*

During the years ended 31 December 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 Hong Kong Dollars (“**HK\$**”) 2,000,000 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%.

9. PROFIT FOR THE YEAR

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

	Year ended 31 December	
	2022	2021
		(Restated)
	RMB million	RMB million
Personnel expenses, including	42,157	35,499
– Contributions to defined contribution plans	4,225	3,662
Depreciation of property, plant and equipment	20,632	19,264
Depreciation of right-of-use assets	910	807
Amortisation of intangible assets	486	413
Amortisation of long-term deferred expenses	1,288	1,162
Depreciation and amortisation charged for the year	23,316	21,646
Less: amount capitalised	68	101
Depreciation and amortisation (<i>Note</i>)	23,248	21,545
Loss allowances		
– Trade receivables	(55)	21
– Other receivables and other loans	1,392	2,540
	1,337	2,561

9. PROFIT FOR THE YEAR (CONTINUED)

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Other gains and losses, represent		
– gains on disposal of property, plant and equipment, intangible assets and non-current assets	(188)	(346)
– losses on disposal of subsidiaries and associates	–	9
– impairment losses on property, plant and equipment	2,151	535
– impairment losses on construction in progress	86	376
– impairment losses on Intangible assets	348	11
– impairment losses on Interests in associates	–	60
– impairment losses on right-of-use assets	201	–
– impairment losses on goodwill	56	36
– reversal of allowance for prepaid expenses	(6)	–
– impairment losses on other non-current assets	47	–
– write down of inventories	489	274
	<u>3,184</u>	<u>955</u>
Carrying amount of inventories sold	168,743	186,436
Operating lease charges relating to short-term leases, leases of low-value assets and variable lease payments	272	185
Auditors' remuneration		
– audit service	37	33
	<u><u>37</u></u>	<u><u>33</u></u>

Note:

Cost of sales include an amount of depreciation and amortisation of RMB19,237 million for the year ended 31 December 2022 (2021: RMB18,093 million).

10. DIVIDENDS

	Year ended 31 December	
	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Dividend approved and paid during the year: 2021 final – RMB2.54 (2021: 2020 final – RMB1.81) per ordinary share	50,466	35,962

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of RMB50,665 million, at RMB2.55 per ordinary share (in respect of the year ended 31 December 2021: final dividend RMB50,466 million, at RMB2.54 per ordinary share) has been proposed by the Directors and is subject to approval by the shareholders in the following general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB72,903 million (2021(Restated): RMB51,422 million) and the weighted average of 19,869 million ordinary shares (2021: 19,869 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December	
	2022 <i>million</i>	2021 <i>million</i>
Number of shares in issue at 1 January	19,869	19,890
Effect of shares repurchased	–	(21)
Weighted average number of shares in issue	19,869	19,869

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in existence during both years.

12. ACCOUNTS AND BILLS RECEIVABLES

	31 December 2022 RMB million	31 December 2021 RMB million
Accounts receivable		
– China Energy Group and fellow subsidiaries	2,472	3,391
– Associates	31	256
– Third parties	9,686	7,888
	12,189	11,535
Less: allowance for credit losses	(1,221)	(1,277)
	10,968	10,258
Bills receivable		
– China Energy Group and fellow subsidiaries	36	567
– Third parties	1,096	2,782
	1,132	3,349
	12,100	13,607

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:

	31 December 2022 RMB million	31 December 2021 RMB million
Less than one year	10,578	9,527
One to two years	155	143
Two to three years	27	80
More than three years	208	508
	10,968	10,258

13. ACCOUNTS AND BILLS PAYABLES

The following is an aging analysis of accounts and bills payables, presented based on invoice date.

	31 December 2022 <i>RMB million</i>	31 December 2021 <i>RMB million</i>
Less than one year	34,476	31,468
One to two years	1,804	888
Two to three years	874	400
More than three years	1,818	2,460
	<hr/>	<hr/>
	38,972	35,216
	<hr/>	<hr/>

14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors proposed a final dividend, the details of which are disclosed in Note 10.

BOARD'S STATEMENT

Dear Shareholders:

2022 was a crucial year in the history of the Party and the PRC, during which the 20th National Congress of the CPC was successfully convened, marking a new move towards the Chinese-style modernization. Energy industry in the PRC entered a new stage in which the pressure to secure stable supply and price was undiminished and market operation mode was adjusted, withstood superimposed tests of “highest temperature, minimum hydropower and maximum load”. China Shenhua strictly upheld the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, studied in-depth, propagated, and implemented the guiding principles of the 20th National Congress of the CPC. We followed through the decisions and plans made by the Central Party Committee and the State Council, positively responded to the changing situation, actively fulfilled our commitments, and fully accomplished all targets and tasks for the year, maintained a good momentum for high-quality development. We recorded RMB72.9 billion in profit for the year attributable to owners of the Company and basic earnings per share of RMB3.669. The closing gearing ratio was 26.0%, with the total market capitalisation amounting to USD75.2 billion. In the S&P Global Platts Top 250 Global Energy Company Rankings (全球能源公司2022年度250強) in 2022 released by S&P Global Platts, we ranked 13th, which was 3rd among the Chinese enterprises in the list.

We strived to be the cornerstone for energy supply with integrated operation as our core. We vigorously promoted the mission of “empowering social development and boosting economic growth”, strictly carried out the work requirements on “securing safety of energy with coal and ensuring stability of electricity with coal-fired power”, and conscientiously performed our duties and mission as a listed central state-owned enterprise. We took effective steps to cope with the impact of negative factors such as public health incidents, shortage in resources, market fluctuation, extreme weather, etc.. While ensuring safety, we formulated an efficient production for the main mines, with average monthly output for self-produced commercial coal of over 26 million tonnes. The transportation segments fully released their transportation capacities, and maintained high-level of turnover volume for self-owned railways and shipping. Electricity power units were operated for more and full load power generation, with power generation increasing by 14.9% year-on-year. The Company improved its overall production and organisation capacity in the industry, successfully completed the task of supply guarantee at each stage, strictly followed policies of stabilizing the market and price, which was highly recognised by all parties.

We targeted value creation, and continued to improve development quality and efficiency. The industrial chain became more resilient. We completed the renewal and division of the exploration rights in Taigemiao North Area, obtained the exploration rights permit for Xinjie No. 1 Mine and No. 2 Mine, and obtained reply from the National Mine Safety Administration on increase in production capacity of Huangyuchuan, Qinglongsi, Shenshan coal mines of 4.6 million tonnes per annum in aggregate. Luoyuanwan Power Plant and Beihai Power Phase I were completed and put into operation, and construction began on Huizhou Thermal Power Plant Phase II. The “three types of technical reforms” of coal-fired power units were implemented in an orderly manner. The Phase I of 70,000-tonne two-way waterway project in Huanghua Port passed the acceptance, the 300 million tonnes capacity expansion project of Shenshuo Railway was implemented smoothly, with 2 dedicated special railway lines being set up. The prevention and control of material risks achieved satisfactory results. Under the high-intensity continuous operation, we identified and addressed safety hazards, and maintained the overall stability of safety operation. We improved management and control on funds, with overall external interest-bearing liabilities decreasing by nearly 13% as compared with the beginning of the year. We strengthened capital operation, and completed the acquisition of minority interests of enterprises such as Jinjie Energy, improving profits for the year attributable to equity holders of the Company and return on net assets.

We strived to be the vanguard of green transformation with the carbon peak and carbon neutralization goals as our direction. We firmly implemented the goals and tasks of carbon peak and carbon neutrality, optimised and adjusted the “14th Five-Year Plan” of the Company, prepared the action plan of carbon peak for the Company to improve the top-level design for transformation and development. We strengthened strategic cooperation with internal and external enterprises of China Energy Group and local governments to explore new energy investment opportunities in various ways. As at the end of the reporting period, the subsidiaries and branches of the Company had put into production 105.5 MW of photovoltaic projects. We accelerated the implementation of energy-saving and environmental protection transformation of existing equipment, and the comprehensive energy consumption intensity was reduced by 0.28 tonne standard coal/RMB10,000 year-on-year. The Company continued to promote the comprehensive air pollution management and the efficient use of water resources as a whole, strengthened the ecological restoration and biodiversity protection of key enterprises in the Yellow River and Yangtze River basins and led the green mine production capacity in China. Huanghua Harbour Administration was awarded the “China Environment Excellence Award”(中華環境優秀獎), making itself the first port enterprise in China to receive the award.

We are motivated by reform and innovation to fully stimulate new growth drivers of enterprises. The three-year reform of state-owned enterprises was successfully completed, and the cadre and personnel, labor, and distribution system have been continuously improved. Based on the actual research, we formulated the implementation plan and formed a roadmap to speed up the construction of a world-class comprehensive energy listed company with remarkable achievements in scientific and technological innovation. Focusing on the national key research and development plan, we took the lead in organising the research on ammonia-doped combustion technology of coal-fired power generation boilers. A number of key scientific research projects, including enterprise-class 5G core network and high-power hydrogen shunting locomotive, achieved landmark results. 900 patents were granted throughout the year, of which 208 were invention patents, with a year-on-year increase of 61.5% in R&D investment. We accelerated the digital transformation. The target of “five 100%” in intelligent construction of coal mines was completed, Daliuta Mine passed the acceptance of the first batch of national intelligent demonstration coal mines and the driverless marshalling project of Baorixile Energy strip mine passed the national acceptance. The railway dispatching information system was completed and put into operation which realised interconnection between the general dispatching room and the dispatching centers of various railway companies and stations.

We strived to be the model of listed companies by taking governance demonstration enterprises as the starting point. We explored and promoted the construction of the modern enterprise system with Chinese characteristics, unified strengthening the leadership of the Party and improving corporate governance, improved the list of decision-making matters, revised the rules of procedure of “the general meeting, the Board and the Board of Supervisors and the management” (三會一層) to give full play to the function of the Board of Directors, further promoted the tenure system and contractual management of members at the management level. The Company participated in the formulation of group standards including ESG Disclosure Guide for Enterprises (企業ESG披露指南) and ESG Report Preparation Guide for Enterprises (企業ESG報告編製指南), and was selected into Central State-owned Enterprises ESG Pioneer 50 Index (央企ESG先鋒50指數), the Fortune China ESG Influence List (《財富》中國ESG影響力榜單), the Forbes China ESG50 List (福布斯中國ESG50榜單), etc. ESG governance of the Company continued to lead the industry. We consolidated a good image and fulfilled the responsibilities as the central state-owned enterprise, continued to implement a large proportion of cash dividends to realise the vision of common prosperity. We actively participated in social welfare and charity, and were selected as the “Best Practice Case of Rural Revitalization of Listed Companies” (上市公司鄉村振興最佳實踐案例). It was the first time for the Company to participate in the “2022 China Brand Value Evaluation Information” (2022中國品牌價值評價信息), ranking fourth in the field of energy and chemical industry and first in the listed energy companies.

Under the guidance of the Party building, we strived to cement the “root” and “spirit” of high-quality development. We strengthened the leadership of the Party, and took solid steps to ensure the study, propagation and implementation of the guiding principles of the 20th National Congress of the CPC. We also fully implemented the First Issue System, and developed new method of “one main line, two guarantees, three combinations and three leads” for the central group of the Party Committee, which was disseminated and promoted by the State-owned Assets Supervision and Administration Commission and China Energy Group. The Group adhered to the “Two Consistency” and continues to improve and revise the decision-making and management measures of “Three Importance and One Significance”. We dynamically improved the list of major business management matters discussed by the Party Committee in advance and give full play to the Party Committee’s role in steering the direction, controlling the overall situation and facilitating implementation. The Group set up a working system of “responsibility coordination mechanism in four aspects and the first responsibility in demonstration” for strict governance over the Party, develop new ways of establishing a working mechanism of “Two Routines, and all departments making concerted efforts (兩常態一到底)” to regulate the Party and continually improve the coordination mechanism of the leading group for Party building. The Group carried out in-depth actions to promote the construction activity of “Hard Work Making Socialism Realised (社會主義是幹出來的)”, deepened the creation activities of “One Branch, One Brand, One Brand, One Characteristic” with the “Five Standards” measures to continuously enhance the leadership of the Party Committee, the combat effectiveness of party branches and the executive ability of the cadres, so as to provide a strong political guarantee for the reform and development of the enterprise.

Long as the journey is, we will reach our destination if we stay the course; difficult as the task is, we will get the job done if we keep working at it. The year 2023 will kick off our efforts to put all the guiding principles of the 20th National Congress of the CPC into action. It is a crucial year for continuing to implement the “14th Five-Year Plan”. We will uphold the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the guiding principles of the 20th National Congress of the CPC, follow the leadership of the Party and improve the Party building. Moreover, we will fully implement the requirements for ensuring energy security and carbon peak and carbon neutrality. By upholding the principles of steady growth and sustainable development, we will make new breakthroughs in securing energy supply, green and low-carbon development, upgrading of corporate governance and efficiency enhancement through technological innovation. By making these efforts, we can obtain fresh progress and deliver solid outcomes in high-quality development, and build us into a world-class integrated energy listed company.

Firstly, we will implement the responsibility systems for safety production, strengthen control from the source, and identify and address safety hazards, to fulfill our responsibility of securing energy supply under higher standards of safety.

Secondly, we will continue to consolidate the competitive advantage of integrated industrial chains, give priority to preliminary formalities of Xinjie No. 1 Mine and No. 2 Mine and Baotou Olefin Phase II Project, and speed up the change of mining rights of key coal mines, capacity expansion of Shenshuo and Shuohuang Lines and the construction of Jiujiang Power Phase II and other key projects, in a bid to provide strong support for energy security.

Thirdly, we are committed to the philosophy of green development and clean and low-carbon development direction, and spare no effort to advance the construction of green mines. We will continue to advance the “three types of technical reforms” of existing coal-fired power, build regional energy service complex and apply clean energy to transportation systems. We will implement the carbon peak action plan, push forward a number of key new energy and energy storage projects, and deeply study the investment opportunities in energy storage, hydrogen energy and other strategic emerging industries, promoting the complementary development of new energy and coal chemical industry.

Fourthly, by focusing on clean and efficient use of coal, we will carry out scientific research and tackle key problems in major technical fields, such as the development and use of wind energy, solar energy, hydrogen energy and energy storage, green and safe mining of coal mines, intelligent railway, clean and efficient coal-fired power, coal-based biodegradable materials, and increase R&D inputs, shaping new edge for industry development.

Fifthly, in accordance with the quality requirements for listed companies, we will look to improve our quality internally and shape our image externally, deepen corporate reform, regulate corporate governance, strengthen compliance and risk control, and strive to keep value-creating ability in line with value-realising ability, so as to improve the sustainable development ability and the comprehensive corporate strength.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW OF THE COMPANY'S OPERATING RESULTS

Operation Data

	Unit	2022	2021	Change %
Commercial coal production	million tonnes	313.4	307.0	2.1
Coal sales	million tonnes	417.8	482.3	(13.4)
Transportation turnover of selfowned railway	billion tonne km	297.6	303.4	(1.9)
Loading volume at Huanghua Port	million tonnes	205.2	215.0	(4.6)
Loading volume at Tianjin Coal Dock	million tonnes	45.2	46.4	(2.6)
Shipping volume	million tonnes	136.3	121.2	12.5
Shipment turnover	billion tonne nm	133.6	112.1	19.2
Gross power generation	billion kWh	191.28	166.45	14.9
Total power output dispatch	billion kWh	179.81	156.13	15.2
Polyethylene sales	thousand tonnes	358.4	332.8	7.7
Polypropylene sales	thousand tonnes	340.6	315.6	7.9

Financial Indicators

	Unit	2022	2021 (Restated)	Change %
Revenue	RMB million	344,533	335,640	2.6
Profit for the year	RMB million	85,357	60,784	40.4
EBITDA	RMB million	121,536	101,455	19.8
Profit for the year attributable to equity holders of the Company	RMB million	72,903	51,422	41.8
Basic earnings per share	RMB/share	3.669	2.588	41.8
Net cash generated from operating activities	RMB million	109,734	94,350	16.3

Commercial Coal Production Volume

	2022 <i>Million tonnes</i>	2021 <i>Million tonnes</i>	Change %
By mines			
Shendong Mines	187.6	189.2	(0.8)
Zhunge'er Mines	69.5	66.8	4.0
Shengli Mines	27.1	25.2	7.5
Baorixile Mines	27.4	24.6	11.4
Baotou Mines	1.8	1.2	50.0
By regions			
Inner Mongolia	215.9	207.0	4.3
Shaanxi Province	92.5	95.5	(3.1)
Shanxi Province	5.0	4.5	11.1
Total production	313.4	307.0	2.1

Domestic Coal Sales Volume

	2022 <i>Million tonnes</i>	Proportion of domestic sales %	2021 <i>Million tonnes</i>	Change %
By regions				
Northern China	141.7	34.4	145.5	(2.6)
Eastern China	135.5	32.9	178.9	(24.3)
Central China and Southern China	58.6	14.2	80.0	(26.8)
Northeast China	41.1	10.0	41.3	(0.5)
Others	35.3	8.5	30.5	15.7
By usage				
Thermal coal	316.1	76.7	387.8	(18.5)
Metallurgy	14.9	3.6	18.5	(19.5)
Chemical (including coal slurry)	65.1	15.8	63.0	3.3
Others	16.1	3.9	6.9	133.3
Total domestic sales	412.2	100.0	476.2	(13.4)

Railway Cargo Transportation Turnover

	2022 <i>billion tonne km</i>	2021 <i>billion tonne km</i>	Change %
Self-owned railways	297.6	303.4	(1.9)
Baoshen Railway	9.2	8.8	4.5
Shenshuo Railway	51.8	53.7	(3.5)
Ganquan Railway	1.6	0.6	166.7
Tahan Railway	–	–	/
Dazhun Railway	28.8	29.8	(3.4)
Bazhun Railway	2.7	2.8	(3.6)
Zhunchi Railway	12.9	12.2	5.7
Shuohuang-Huangwan Railway	187.2	193.4	(3.2)
Huangda Railway	3.4	2.1	61.9
State-owned railways	49.3	49.8	(1.0)
Total railway turnover	346.9	353.2	(1.8)

Seaborne Coal at Ports

	2022 <i>Million tonnes</i>	2021 <i>Million tonnes</i>	Change %
Self-owned ports	191.6	240.1	(20.2)
Huanghua Port	150.8	194.9	(22.6)
Tianjin Coal Dock	40.7	45.1	(9.8)
Zhuhai Coal Dock	0.1	0.1	–
Third-party ports	15.5	23.5	(34.0)
Total seaborne coal sales	207.1	263.6	(21.4)

Power Business

Power plants	Power grid	Location	Gross power generation 100 million kWh	Total power output dispatch 100 million kWh	Average utilization hours	Standard coal consumption for power output dispatch g/kWh	Power tariff RMB/MWh	Total installed capacity as at 31 December 2021 MW	Increase/ (decrease) in installed capacity for 2022 MW	Total installed capacity as at 31 December 2022 MW	Equity installed capacity as at 31 December 2022 MW
Zhunge'er Power	North China Power Grid	Inner Mongolia	37.3	33.6	5,649	337	378	660	-	660	381
Shendong Power (coal-fired power)	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	249.7	231.4	4,981	317	388	5,014	-	5,014	4,528
Shengli Energy	North China Power Grid	Inner Mongolia	54.2	49.9	4,106	330	311	1,320	-	1,320	1,320
Cangdong Power	North China Power Grid	Hebei	116.1	110.7	4,609	297	425	2,520	-	2,520	1,285
Dingzhou Power	North China Power Grid	Hebei	122.1	112.8	4,844	304	421	2,520	-	2,520	1,021
Taishan Power (coal-fired power)	South China Power Grid	Guangdong	283.9	269.0	5,546	306	448	5,120	-	5,120	4,096
Huizhou Thermal	South China Power Grid	Guangdong	40.0	36.2	6,057	302	431	660	-	660	660
Fujian Energy (coal-fired power)	East China Power Grid	Fujian	228.9	218.8	5,168	295	452	3,810	1,000	4,810	3,378
Jinjie Energy	North China Power Grid	Shaanxi	191.9	177.5	5,159	311	326	3,720	-	3,720	2,604
Shouguang Power (coal-fired power)	North China Power Grid	Shandong	98.4	93.6	4,873	274	427	2,020	-	2,020	1,212
Jiujiang Power	Central China Power Grid	Jiangxi	117.4	112.0	5,870	277	425	2,000	-	2,000	2,000
Mengjin Power	Central China Power Grid	Henan	50.3	47.0	4,190	298	391	1,200	-	1,200	612
Sichuan Energy (coal-fired power)	Sichuan Power Grid	Sichuan	120.9	113.9	3,708	304	432	3,260	(660)	2,600	1,666
Liuzhou Power	Guangxi Power Grid	Guangxi	37.8	35.8	5,396	316	446	700	-	700	490
Beihai Power	Guangxi Power Grid	Guangxi	9.2	8.6	3,457	300	356	-	2,000	2,000	2,000
Yongzhou Power	Hunan Power Grid	Hunan	93.7	89.5	4,676	284	477	2,000	-	2,000	1,604
EMM Indonesia	PLN	Indonesia	15.4	13.3	5,122	366	555	300	-	300	210
Total of coal-fired power plants/weighted average			1,867.2	1,753.6	4,951	303	416	36,824	2,340	39,164	29,067

Power plants	Power grid	Location	Gross power generation 100 million kWh	Total power output dispatch 100 million kWh	Average utilization hours	Standard coal consumption for power output dispatch g/kWh	Power tariff RMB/MWh	Total installed capacity as at 31 December 2021 MW	Increase/ (decrease) in installed capacity for 2022 MW	Total installed capacity as at 31 December 2022 MW	Equity installed capacity as at 31 December 2022 MW
Other power plants											
Beijing Gas Power	North China Power Grid	Beijing	38.5	37.6	4,054	193	564	950	-	950	950
Sichuan Energy (hydropower)	Sichuan Power Grid	Sichuan	6.7	6.5	5,340	/	226	125	-	125	62
Fujian Energy (photovoltaic)	East China Power Grid	Fujian	0.3	0.3	941	/	477	-	34	34	15
Shouguang Power (photovoltaic)	North China Power Grid	Shandong	0.1	0.1	714	/	348	-	6	6	4
Taishan Power (photovoltaic)	South China Power Grid	Guangdong	0.0	0.0	255	/	194	-	16	16	13
Shendong Power (photovoltaic)	North China Power Grid	Shaanxi	0.0	0.0	161	/	333	-	6	6	6

Coal Resources Reserve

Mines	Coal resources (under PRC standard)			Recoverable reserve (under PRC standard)			Marketable reserve (under JORC standard)		
	31 December 2022 100 million tonnes	31 December 2021 100 million tonnes	Change %	31 December 2022 100 million tonnes	31 December 2021 100 million tonnes	Change %	31 December 2022 100 million tonnes	31 December 2021 100 million tonnes	Change %
Shandong Mines	151.6	153.9	(1.5)	85.7	87.2	(1.7)	65.5	42.7	53.4
Zhunge'er Mines	36.5	37.2	(1.9)	29.0	29.6	(2.0)	21.3	18.8	13.3
Shengli Mines	19.4	19.6	(1.0)	13.1	13.3	(1.5)	2.4	1.5	60.0
Baorixile Mines	13.1	13.3	(1.5)	10.8	11.1	(2.7)	8.6	11.3	(23.9)
Baotou Mines	0.4	0.5	(20.0)	0.3	0.3	-	0.2	-	/
Xinjie Mines	108.0	107.6	0.4	/	/	/	/	/	/
Total	329.0	332.1	(0.9)	138.9	141.5	(1.8)	98.0	74.3	31.9

Shipping Volume

	2022 <i>Million tonnes</i>	2021 <i>Million tonnes</i>	Change %
The Group's internal customers	84.5	88.8	(4.8)
External customers	51.8	32.4	59.9
Total of shipping volume	136.3	121.2	12.5

II. SUMMARY OF OPERATIONS IN 2022

In the year of 2022, the Group proactively implemented the national energy supply policy by ensuring energy security with coal and power stability with coal power, and put emphasis on the work orientation of stability, coordination, empowerment and quality improvement, enhanced the integrated operation, while continuously deepening reformation, promoting technological innovation and green transformation development. As such, the Group managed to achieve the annual operation targets in a sound manner. The Company has taken various measures to deal with public health incidents in a timely and safe manner to ensure the safe and orderly production. The performance of the Company has not been significantly affected.

The Group recorded profit before income tax of RMB99,654 million for the year (2021: RMB78,945 million, restated), representing a year-on-year increase of 26.2%; profit for the year attributable to equity holders of the Company of RMB72,903 million (2021: RMB51,422 million, restated), representing a year-on-year increase of 41.8%; and basic earnings per share of RMB3.669/share (2021: RMB2.588/share, restated), representing a year-on-year increase of 41.8%.

		Actual amount for 2022	Target for 2022	Proportion of Completion %	Actual amount for 2021 (restated)	Year-on- year change %
Commercial coal production	100 million tonnes	3,134	2,978	105.2	3,070	2.1
Coal sales volume	100 million tonnes	4,178	4,029	103.7	4,823	(13.4)
Power generation	100 million kWh	1,912.8	1,805	106.0	1,664.5	14.9
Revenue	RMB100 million	3,445.33	2,966	116.2	3,356.40	2.6
Costs	RMB100 million	2,266.24	2,048	110.7	2,398.05	(5.5)
Sales, general and administration expenses, and R&D expenses and net finance costs	RMB100 million	149.21	132	113.0	122.90	21.4
Changes in unit production costs of self-produced coal	/	Year-on-year increase of 10.9%	Year-on-year increase of approximately 10%	/	Year-on-year increase of 7.4%	/

III. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on Principal Businesses

1. Analysis on changes in the major items in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows

Unit: RMB million

Items	2022	2021 (Restated)	Change %
Revenue	344,533	335,640	2.6
Cost of sales	(226,624)	(239,805)	(5.5)
General and administrative expenses	(9,930)	(9,119)	8.9
Research and development costs	(3,722)	(2,499)	48.9
Other gains and losses	(3,184)	(955)	233.4
Loss allowances, net of reversal	(1,337)	(2,561)	(47.8)
Other income	1,100	893	23.2
Other expenses	(2,136)	(1,103)	93.7
Interest income	3,071	2,492	23.2
Finance costs	(3,930)	(2,583)	52.1
Share of results of associates	2,223	(874)	(354.3)
Income tax expense	(14,297)	(18,161)	(21.3)
Net cash generated from operating activities	109,734	94,350	16.3
Net cash used in investing activities	(56,585)	(6,619)	754.9
Net cash used in financing activities	(78,734)	(43,731)	80.0

2. Analysis on revenue and costs

(1) Factors affecting the revenue

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

- ① several new generating units have been put into operation, resulting in a year-on-year increase of 15.2% in the Group's power output dispatch; benefiting from the national electricity price adjustment, the Group's average price of electricity sold increased by 20.1% year-on-year.
- ② subject to the supply-demand relationship in the coal market, the average coal sales price of the Group increased by 9.5% year-on-year.
- ③ the sales volume of polyethylene and polypropylene increased by 7.7% and 7.9% year-on-year, respectively.

Major operating indicators	Unit	2022	2021	Change for 2022 compared with that for 2021 %	2020
(I) Coal					
1. Commercial coal production	Million tonnes	313.4	307.0	2.1	291.6
2. Coal sales <i>Note</i>	Million tonnes	417.8	482.3	(13.4)	446.4
Of which: Self-produced coal	Million tonnes	316.2	312.7	1.1	296.0
Purchased coal	Million tonnes	101.6	169.6	(40.1)	150.4
(II) Transportation					
1. Transportation turnover of self-owned railway	Billion tonne km	297.6	303.4	(1.9)	285.7
2. Loading volume at Huanghua Port	Million tonnes	205.2	215.0	(4.6)	203.8
3. Loading volume at Tianjin Coal Port	Million tonnes	45.2	46.4	(2.6)	45.4
4. Shipping volume	Million tonnes	136.3	121.2	12.5	113.0
5. Shipment turnover	Billion tonne nautical miles	133.6	112.1	19.2	93.0
(III) Power generation					
1. Gross power generation	Billion kWh	191.28	166.45	14.9	136.33
2. Total power output dispatch	Billion kWh	179.81	156.13	15.2	127.65
(IV) Coal chemical					
1. Sales of polyethylene	Thousand tonnes	358.4	332.8	7.7	356.9
2. Sales of polypropylene	Thousand tonnes	340.6	315.6	7.9	331.2

Note: The coal sales refer to the sales volume corresponding to the audited revenue from selling coals.

(2) Analysis of costs

Unit: RMB million

Breakdown of cost items	Amount for 2022	Percentage to cost of sales for 2022 %	Amount for 2021 (restated)	Percentage to cost of sales for 2021 (restated) %	Year-on-year change in amount %
Cost of purchased coal	65,079	28.7	102,865	42.9	(36.7)
Raw materials, fuel and power	33,365	14.7	24,318	10.1	37.2
Personnel expenses	25,663	11.3	21,285	8.9	20.6
Repair and maintenance	10,715	4.7	10,731	4.5	(0.1)
Depreciation and amortization	19,237	8.5	18,093	7.5	6.3
Transportation charges	18,930	8.4	18,764	7.8	0.9
Tax and surcharge	19,972	8.8	16,502	6.9	21.0
Others	33,663	14.9	27,247	11.4	23.5
Total cost of sales	<u>226,624</u>	<u>100.0</u>	<u>239,805</u>	<u>100.0</u>	<u>(5.5)</u>

Of the cost of sales of the Group in 2022:

- ① the main reasons for the year-on-year decrease in the cost of purchased coal: the decreases in the sales volume of purchased coal and purchase cost;
- ② the main reasons for the year-on-year increase in raw materials, fuel and power costs: the increases in power generation and coal purchase price;
- ③ the main reasons for the year-on-year increase in labor costs: the increased employee headcount, the increased policy-related social security contributions, as well as the increased employee performance-based salaries and bonuses due to surpassing business targets;
- ④ the main reasons for the year-on-year increase in taxes and surcharges: the year-on-year increase in resource taxes as a result of the increase in income from the sale of self-produced coal; and
- ⑤ the main reasons for the year-on-year increase in other costs: the increases in mining engineering expenses, expenditures on coal mining services and coal washing and processing fee, etc..

Unit: RMB million

Cost of sales by business segment in 2022 (before elimination on consolidation)				
By business segment	Breakdown of cost items	2022	2021 (restated)	change %
Coal	Cost of purchased coal, raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, transportation charges, other operating costs, and taxes and surcharges	192,753	225,126	(14.4)
Power generation	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other operating costs, and taxes and surcharges	73,491	60,668	21.1
Railway	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), cost of external transportation business, other operating costs, and taxes and surcharges	25,041	22,020	13.7
Port	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, and other expenses), cost of external transportation business, other operating costs, and taxes and surcharges	3,556	3,342	6.4
Shipping	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), cost of external transportation business, and taxes and surcharges	5,214	5,018	3.9
Coal chemical	Raw materials, fuel and power, Personnel expenses, repairs and maintenance, depreciation and amortisation, other costs, other operating costs, and taxes and surcharges	5,493	4,754	15.5

(3) Principal businesses by business segment

The major business model of the Group is the integrated coal industry chain: i.e. coal production → coal transportation (railway, port and shipping) → conversion of coal (power generation and coal chemical), and there are business intercourses between each segment. The percentages of profit before income tax (before elimination on consolidation) of coal, power, transportation and coal chemical segments of the Group in 2022 were 75%, 8%, 16% and 1%, respectively (2021: 73%, 2%, 24% and 1%, restated).

The following revenue, cost of sales and others of business segments are the data before elimination on consolidation of each segment. For details of costs by business segment, please refer to “Operation results by business segment” in this section and the table of operating results overview in this report.

Principal businesses by business segment in 2022 (before elimination on consolidation)

Business segment	Revenue <i>RMB million</i>	Cost of sales <i>RMB million</i>	Gross profit margin %	Increase/ decrease in revenue as compared with previous year %	Increase/ decrease in cost of sales as compared with previous year %	Increase/decrease in gross profit margin as compared with previous year
Coal	277,474	(192,753)	30.5	(5.2)	(14.4)	Increased by 7.4 percentage points
Power generation	84,525	(73,491)	13.1	30.9	21.1	Increased by 7.1 percentage points
Railway	42,197	(25,041)	40.7	3.7	13.7	Decreased by 5.2 percentage points
Port	6,441	(3,556)	44.8	0.0	6.4	Decreased by 3.3 percentage points
Shipping	6,051	(5,214)	13.8	(2.3)	3.9	Decreased by 5.2 percentage points
Coal chemical	6,379	(5,493)	13.9	9.0	15.5	Decreased by 4.8 percentage points

Note: The revenue, cost of sales and gross profit margin have been restated.

(4) Analysis of the production and sales volume of major products

Major products	Unit	Production	Sales volume	Inventory at the end of the period	Year-on-year increase/decrease in production %	Year-on-year increase/decrease in sales volume %	Increase/decrease in inventory as compared with the beginning of the year %
	Million						
Coal	tonnes	313.4	417.8	22.3	2.1	(13.4)	(8.2)
Power	billion kWh	191.28	179.81	/	14.9	15.2	/

(5) Major customers

In 2022, the total revenue from the top five customers of the Group amounted to RMB141,901 million, accounting for 41.2% of the total revenue of the Group, including the revenue of the Group from its largest customer of RMB113,201 million, accounting for 32.9% of the total revenue of the Group. The largest customer of the Group was China Energy (the controlling shareholder of the Company) and its subsidiaries. The Group mainly sells coal products and provides coal transportation service to China Energy Group.

Except for the above, as far as the Board of the Company is aware, none of the Directors of the Company, their close associates or shareholders holding more than 5% of shares of the Company has any interests in the top five customers of the Group. The Group has maintained long-term cooperative relationship with the top five customers. The Company is of the view that such cooperative relationship would not cause material risk to the business of the Group.

(6) Major suppliers

In 2022, the total procurement from the top five suppliers of the Group amounted to RMB31,539 million, accounting for 16.6% of the total procurement for the year, among which, the procurement from its largest supplier amounted to RMB17,610 million, representing 9.2% of the total procurement for the year.

3. *Expenses and other items of income statement*

- (1) The main reason for year-on-year increase in general and administrative expenses: the year-on-year increase in personnel expenses.
- (2) The main reason for the year-on-year increase in R&D expenses: the increase in R&D expenses of projects such as smart mines and smart railways.
- (3) Other gains and losses were aggregated as losses during the reporting period, which is mainly due to the following reasons: the Group conducted impairment tests on production equipment and spare tools and spare parts with indications of impairment, and made provision for impairment according to the impairment test results.
- (4) The loss allowance during the reporting period are mainly due to: the Group conducted impairment test on the receivables with long ages, and made bad debt provision according to the impairment test results.
- (5) The main reason for the year-on-year increase in other income: the increase in government subsidies related to daily activities obtained by the Group.
- (6) The main reasons for the year-on-year increase in other expenses: the increase in special rectification expenses for coal and external donation expenses, etc..
- (7) The main reason for the year-on-year increase in interest income: the increase in the average balance of time deposits of the Group with financial institutions.
- (8) The main reason for the year-on-year increase in financial costs: the year-on-year increase in exchange loss due to the effect of exchange rate fluctuations; and the increase in discounted costs of decommissioning costs of coal segment.
- (9) During the reporting period, the share of results of associates was aggregated as gains, the main reason for the year-on-year increase of which is: the year-on-year increase in the Group's investment income from coal, power and railway associates and finance companies.
- (10) The main reasons for the year-on-year decrease in income tax and 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 policy, and the overpaid tax in previous years was offset against the current income tax.

4. Research and development expenditure

(1) Research and development expenditure

Unit: RMB million

Expensed research and development expenditure in the period	3,722
Capitalised research and development expenditure in the period	1,682
Total research and development expenditure	5,404
Percentage of total research and development expenditure to revenue (%)	1.6
Ratio of capitalised research and development expenditure (%)	31.1

In 2022, the research and development expenditure of the Group amounted to RMB5,404 million (2021: RMB3,347 million), representing a year-on-year increase of 61.5%; the research and development expenditure accounted for 1.6% of the revenue (2021: 1.0%, restated), representing a year-on-year increase of 0.6 percentage point, which was mainly because the Group thoroughly implemented the innovation-driven development strategy, increased research and development expenditure and strengthened joint scientific research efforts with industry authoritative research institutes to promote the integration and transformation of scientific and technological innovation and value creation, supporting the Group in achieving safe, efficient, clean, green and intelligent development.

During the reporting period, the R&D projects carried out by the Group mainly include: research on technologies and equipment related to smart mines; research on demonstration project of high-efficiency and low-emission coal-fired boiler, research on technology of Carbon Dioxide resources and energy utilization in coal-fired power plant; research on relevant technologies and equipment of smart railways and research on hydrogen power equipment of heavy-haul railway; development of and research on the application of new resin material technology, etc.. During the reporting period, the Group was granted one China Patent Gold Award and 58 provincial-level science and technology awards, as well as a total of 900 licensed patents, including 208 invention patents.

(2) Research and development personnel

Number of research and development personnel in the Group	2,940
Ratio of research and development personnel to the number of total staff (%)	3.5

Educational structure of research and development personnel

Category of educational structure	Number Person
Doctoral candidate	66
Master degree candidate	398
Undergraduate	2,022
Junior college	394
High School and below	60

Age structure of research and development personnel

Category of age structure	Number Person
Under 30 years old (excluding 30 years old)	474
30-40 years old (including 30 years old, excluding 40 years old)	1,190
40-50 years old (including 40 years old, excluding 50 years old)	659
50-60 years old (including 50 years old, excluding 60 years old)	617
60 years old and above	0

As at the end of 2022, the Group had one national key laboratory, and set up one national scientific research platform, and it took the leading role (participated in) in undertaking 11 national key R&D projects (topics).

5. *Cash flow*

The Group formulated capital management policies that aimed to achieve maximised interests for the shareholders and maintained a sound capital structure while reducing the costs of capital under the premise of safeguarding the operation on an on-going basis, and made investments in accordance with the policy of the Company.

- (1) Net cash generated from operating activities: net cash inflow in 2022 was RMB109,734 million (net cash inflow in 2021: RMB94,350 million, restated), representing a year-on-year increase of 16.3%, mainly due to the increase of cash inflow from the increase of income.
- (2) Net cash used in investing activities: net cash outflow in 2022 was RMB56,585 million (net cash outflow in 2021: RMB6,619 million, restated), representing a year-on-year increase of 754.9%, which was mainly attributable to the increase in time deposits placed with financial institutions and the increase in cash expenditure for the construction of long-term assets.
- (3) Net cash used in financing activities: net cash outflow in 2022 was RMB78,734 million (net cash outflow in 2021: RMB43,731 million), representing a year-on-year increase of 80.0%, which was mainly attributable to the increase in paid dividends and repayment of borrowings by the Group.

(II) Explanation on Significant Change of Profit Caused by Non-principal Business

☐ Applicable ☒ Not applicable

(III) Analysis on Assets and Liabilities

1. Assets and liabilities

Unit: RMB million

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year (Restated)	Percentage of total assets at the end of the previous year (Restated) %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Property, plant and equipment	274,103	43.8	263,431	43.2	4.1	Some power generation projects were completed and put into operation
Construction in progress	20,843	3.3	26,201	4.3	(20.4)	Some power generation projects were completed and put into operation and transferred to property, plant and equipment
Right-of-use assets	24,023	3.8	22,240	3.6	8.0	The increase in equipment lease of the railway segment of the Group
Deferred tax assets	4,877	0.8	3,568	0.6	36.7	Provision for loss allowances and asset impairment loss for relevant assets
Interests in associates	49,714	8.0	47,708	7.8	4.2	Gains on investment in associates were recognised
Accounts and bills receivable	12,100	1.9	13,607	2.2	(11.1)	The decrease in coal sales receivable
Financial assets at fair value through other comprehensive income	502	0.1	376	0.1	33.5	The increase in bank acceptances used for discounting or endorsement
Prepaid expenses and other current assets	15,849	2.5	18,514	3.0	(14.4)	The decrease in prepaid coal payments
Restricted bank deposits	6,357	1.0	4,479	0.7	41.9	The increase in the balance of the special account for the Group's mine geographical environment governance recovery fund

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year (Restated)	Percentage of total assets at the end of the previous year (Restated) %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Time deposits with original maturity over three months	32,688	5.2	1,701	0.3	1,821.7	The increase in bank time deposits
Cash and cash equivalents	131,458	21.0	156,706	25.7	(16.1)	The increase in bank time deposits
Assets classified as held for sale	0	0.0	294	0.0	(100.0)	Disposal of assets of Watermark Project
Short-term borrowings	12,630	2.0	9,917	1.6	27.4	Increase in current portion of long-term borrowings
Current portion of long-term liabilities	674	0.1	1,427	0.2	(52.8)	Payment of long-term liabilities due already
Income tax payable	5,510	0.9	9,028	1.5	(39.0)	The decrease in average income tax rate of the Group
Long term borrowings	38,438	6.1	49,193	8.1	(21.9)	Optimising the use of internal funds and increased repayment of long-term borrowings from external financial institutions during the reporting period
Long-term liabilities	10,613	1.7	8,025	1.3	32.2	The recognition of long-term payables for mining rights after reassessment of the mining rights of certain mines
Accrued reclamation obligations	9,005	1.4	6,754	1.1	33.3	The increase in the provision of mine geographical environment governance recovery fund

2. Offshore assets

As at 31 December 2022, the total offshore assets of the Group (including Hong Kong, Macau and Taiwan, China) amounted to RMB30,843 million, representing 4.9% of total assets, which were mainly composed of the power generation assets in Indonesia, and assets from U.S. dollar-denominated bonds issued in Hong Kong, the PRC.

3. Restrictions on main assets

The Group is free from seizure and detention of main assets. As at the end of the reporting period, the balance of the restricted assets of the Group was RMB7,183 million, among which, security deposits for bank acceptance bills, relevant deposits related to port operations, deposit for letter of credit and mine geographical environment governance and restoration fund amounted to RMB6,357 million in total; other restricted assets mainly consisted of fixed assets secured and guaranteed for acquiring bank borrowings.

4. Distributable reserves to shareholders

As at 31 December 2022, the distributable reserves of the Company to shareholders were RMB195,903 million.

(IV) Operation Results by Business Segment

1. Coal segment

(1) Production, operation and construction

The majority of the coal products produced and sold by the Group were thermal coal. In 2022, the Group strengthened production organisation, adhered to the production safety bottom line, and ensured safe and stable supply of coal. The annual output of commercial coal was 313.4 million tonnes (2021: 307.0 million tonnes), representing a year-on-year increase of 2.1%. The total footage of advancing tunnels at underground mines was 446 thousand meters (2021: 444 thousand meters), representing a year-on-year increase of 0.5%, among which, Shendong Mines recorded footage of advancing tunnels of 426 thousand meters.

The Group promoted the continuation of resources, increment in reserves and production, handling of permits and increasing of production capacity. The Overall Plan for the Xinjie Taigemiao Mine, Inner Mongolia (Revised) has obtained approval from the National Development and Reform Commission; the renewal and division of the exploration rights in the North Area has been completed; both the Xinjie Mine 1 and Xinjie Mine 2 have obtained exploration permits and their production capacity replacement plans have been approved by the National Energy Administration; the acquisition of blank areas and deep resources of Shangwan Colliery and Bulianta Colliery was carried out in an orderly manner; the lands in Heidaigou and Haerwusu strip mines of a total of 811 hectares have obtained the approval from the Ministry of Natural Resources of China for continuing production use; the total production capacity of Huangyuchuan, Qinglongsi and Shenshan collieries increased by 4.6 million tonnes/year have been approved by the State Administration of Mine Safety; and the preparatory work of increasing coal production capacity of Lijiahao Colliery was carried out in an orderly manner.

The Group has consolidated and improved the achievements of intelligent construction in coal mines, and promoted the comprehensive application of intelligent and digital technologies. By the end of 2022, the Group had built 35 intelligent coal mining working faces, 63 intelligent tunneling working faces and 18 intelligent coal preparation plants.

The Group has independently operated railway transportation channels for collection and distribution. These channels are mainly distributed in the rim of self-owned core mines, and can satisfy the transportation needs in the core mines.

(2) Sales of coal

The coal sold by the Group is mainly self-produced coal. 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 along railway lines for blending to produce different kinds and levels of coal products and sell them to external customers. The Group implemented specialised division management. In particular, production enterprises are responsible for production of coal, the railway, port and shipping companies of the Company are mainly responsible for transportation of coal, and the 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 2022, the Group coordinated the coal supply guarantee, production and operation, strictly implemented the national policy on coal price. Relying on the advantages of the integrated industrial chain, it has optimised the coal sources system, and continuously improved its operation and effectiveness. During the year, sales volume of coal of the Group reached 417.8 million tonnes (2021: 482.3 million tonnes), representing a year-on-year decrease of 13.4%. The sales volume for the top five external coal customers was 184.6 million tonnes, accounting for 44.2% of the total coal sales volume; in particular, the coal sold to China Energy Group, the largest customer, was 161.3 million tonnes, representing 38.6% of the total coal sales volume. The top five external coal customers are mainly electrical, chemical and coal trading companies.

In 2022, coal prices rose due to supply-demand relationship in the coal market, and the average coal sales price of the Group was RMB644/tonne (exclusive of tax, the same below) (2021: RMB588/tonne), representing a year-on-year increase of 9.5%.

The production and sales of each kind of coal of the Group in 2022 are set out below:

Types of coal	Production <i>Million tonnes</i>	Sales volume <i>Million tonnes</i>	Sales income <i>RMB million</i>	Sales cost <i>RMB million</i>	Gross profit <i>RMB million</i>
Thermal coal	313.4	417.7	268,874	(167,497)	101,377
Others	/	0.1	122	(127)	(5)
Total	<u>313.4</u>	<u>417.8</u>	<u>268,996</u>	<u>(167,624)</u>	<u>101,372</u>

The coal sales of the Group in 2022 is set out below:

① By types of coal source

Types of source of coal	Sales volume <i>Million tonnes</i>	2022 Percentage to total sales volume <i>%</i>	Price (exclusive of tax) <i>RMB/tonne</i>
I. Self-produced coal	316.2	75.7	597
II. Purchased coal	<u>101.6</u>	<u>24.3</u>	<u>789</u>
Total sales volume/average price (exclusive of tax)	<u>417.8</u>	<u>100.0</u>	<u>644</u>

The purchased coal sold by the Company includes purchased coal in the vicinity of its own mines and along the railway lines, coal for domestic trade and coal for import and transit trade.

In 2022, the purchased coal sales volume of the Group was 101.6 million tonnes (2021: 169.6 million tonnes), representing a year-on-year decrease of 40.1%, accounting for 24.3% of the total coal sales volume of the Group (2021: 35.2%), which was mainly due to the significant increase in the proportion of sales in domestic market under medium to long-term contracts and the decrease in the resources of purchased coal available to the Group.

② By contract pricing mechanism

	2022			2021			Changes	
	Sales volume	Percentage to total sales	Price (exclusive of tax)	Sales volume	Percentage to total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>%</i>	<i>%</i>
I. Sales through Trading Group	395.0	94.5	662	458.7	95.1	605	(13.9)	9.4
1. Annual long-term contract	221.5	53.0	515	207.9	43.1	456	6.5	12.9
2. Monthly long-term contract	133.5	32.0	873	196.2	40.7	765	(32.0)	14.1
3. Spot commodity	40.0	9.5	776	54.6	11.3	599	(26.7)	29.5
II. Direct sales at the coal mine pit	22.8	5.5	329	23.6	4.9	263	(3.4)	25.1
Total sales volume/average price (exclusive of tax)	417.8	100.0	644	482.3	100.0	588	(13.4)	9.5

Note: The above is a summary of the sales of the coal products with different calorific value of the Group, including thermal coal and other coals.

③ By internal and external customers

	2022			2021			Changes	
	Sales volume	Percentage to total sales	Price (exclusive of tax)	Sales volume	Percentage to total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>%</i>	<i>%</i>
Sales to external customers	346.8	83.0	664	416.8	86.4	599	(16.8)	10.9
Sales to internal power segment	66.3	15.9	555	61.2	12.7	532	8.3	4.3
Sales to internal coal chemical segment	4.7	1.1	451	4.3	0.9	366	9.3	23.2
Total sales volume/average price (exclusive of tax)	417.8	100.0	644	482.3	100.0	588	(13.4)	9.5

④ By sales regions

	2022			2021			Changes	
	Sales volume	Percentage to total sales	Price (exclusive of tax)	Sales volume	Percentage to total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>%</i>	<i>%</i>
I. Domestic sales	412.2	98.7	638	476.2	98.8	588	(13.4)	8.5
(I) Self-produced coal and purchased coal	394.8	94.5	632	450.8	93.5	585	(12.4)	8.0
1. Direct arrival	188.1	45.0	475	187.9	39.0	442	0.1	7.5
2. Seaborne	206.7	49.5	775	262.9	54.5	687	(21.4)	12.8
(II) Sales of domestic trading coal	11.9	2.9	725	12.3	2.6	795	(3.3)	(8.8)
(III) Sales of imported coal	5.5	1.3	920	13.1	2.7	509	(58.0)	80.7
II. Export sales	0.4	0.1	1,191	0.7	0.1	850	(42.9)	40.1
III. Overseas coal sales	5.2	1.2	1,035	5.4	1.1	589	(3.7)	75.7
Total sales volume/average price (exclusive of tax)	417.8	100.0	644	482.3	100.0	588	(13.4)	9.5

(3) Coal resources

As at 31 December 2022, under the PRC Standard, the Group had coal reserves amounting to 32.90 billion tonnes, representing a decrease of 0.31 billion tonnes as compared with that of the end of 2021; and recoverable coal reserve amounting to 13.89 billion tonnes, representing a decrease of 0.26 billion tonnes as compared with that of the end of 2021. The Group's marketable coal reserve amounted to 9.8 billion tonnes under the JORC Standard, representing an increase of 2.37 billion tonnes as compared with that of the end of 2021, mainly due to the fact that the Group engaged an external professional organisation in 2022 to reassess the Group's marketable coal reserves under the JORC standard.

In 2022, the Group's coal exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB1.218 billion (2021: RMB4.001 billion), which was mainly used for the preliminary expenses of Xinjie Taigemiao Mine; the Group's relevant capital expenditure of coal mine development and exploration amounted to RMB7.008 billion (2021: RMB12.717 billion), which was mainly attributable to the payment of the transfer proceeds for mining right for Wanli No.1 Mine, the coal resource of Shangwan Colliery and Bulianta Colliery, as well as land use rights and project construction expenditure of Shengli Mines, among others.

Unit: 100 million tonnes

Mines	Coal reserve (under the PRC Standard)	Recoverable coal reserve (under the PRC Standard)	Trusted reserves (under the PRC Standard)	Proved reserve (under the PRC Standard)	Marketable coal reserve (under the JORC Standard)
Shandong Mines	151.6	85.7	40.2	17.5	65.5
Zhunge'er Mines	36.5	29.0	7.3	12.2	21.3
Shengli Mines	19.4	13.1	5.2	0.2	2.4
Baorixile Mines	13.1	10.8	5.8	1.8	8.6
Baotou Mines	0.4	0.3	0.0	0.1	0.2
Xinjie Mines	108.0	/	/	/	/
Total	<u>329.0</u>	<u>138.9</u>	<u>58.5</u>	<u>31.8</u>	<u>98.0</u>

Note: Trusted reserve and proved reserve are calculated based on the Classifications for Mineral Resources and Mineral Reserves (GB/T 17766-2020).

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

No.	Mines	Major types of coal	Calorific value of major commercial coal products kcal/kg	Sulphur Content %	Ash content %
1	Shendong Mines	Long flame coal/non-caking coal	4,828-5,873	0.2-0.6	7-21
2	Zhunge'er Mines	Long flame coal	4,498-4,726	0.4-0.7	26-30
3	Shengli Mines	Lignite	2,921	1	27
4	Baorixile Mines	Lignite	3,587	0.2	14
5	Baotou Mines	Long flame coal/non-caking coal	4,033-4,510	0.5-0.6	12-19

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

(4) Operating results

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

		2022	2021	Change %	Main reasons for changes
Revenue	RMB million	277,474	292,661	(5.2)	Decrease in the sales volume of purchased coal
Cost of sales	RMB million	(192,753)	(225,126)	(14.4)	Decrease in the sales volume of purchased coal
Gross profit margin	%	30.5	23.1	Increased by 7.4 percentage point	Decrease in sales volume of purchased coal with relatively lower gross profit margins and its proportion in total sales volume of coal correspondingly
Profit before income tax	RMB million	73,536	58,949	24.7	

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

	2022				2021			
	Revenue <i>RMB</i> <i>million</i>	Costs <i>RMB</i> <i>million</i>	Gross profit <i>RMB</i> <i>million</i>	Gross profit margin %	Revenue <i>RMB</i> <i>million</i>	Costs <i>RMB</i> <i>million</i>	Gross profit <i>RMB</i> <i>million</i>	Gross profit margin %
Domestic	263,112	(162,133)	100,979	38.4	279,974	(203,561)	76,413	27.3
Export and overseas	5,884	(5,491)	393	6.7	3,760	(3,380)	380	10.1
Total	<u>268,996</u>	<u>(167,624)</u>	<u>101,372</u>	<u>37.7</u>	<u>283,734</u>	<u>(206,941)</u>	<u>76,793</u>	<u>27.1</u>

- ③ Gross profit from sales of coal products by coal source before elimination on the Group's consolidation

Unit: RMB million

Coal source	2022		
	Sales revenue	Sales cost	Gross profit
Self-produced coal	188,818	(89,997)	98,821
Purchased coal	<u>80,178</u>	<u>(77,627)</u>	<u>2,551</u>
Total	<u>268,996</u>	<u>(167,624)</u>	<u>101,372</u>

Note: The sales cost 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

	2022	2021	Change %	Main reasons for changes
Unit production cost of self-produced coal	166.3	149.9	10.9	
Raw materials, fuel and power	30.7	28.2	8.9	Increase in material costs and electricity costs
Personnel expenses	44.8	36.6	22.4	Increases in employee headcount, policy-related social security contributions, and employee performance-based salaries and bonuses
Repairs and maintenance	10.1	10.1	0.0	
Depreciation and amortisation	22.8	22.2	2.7	Increase in the purchase of coal production equipment
Other costs	57.9	52.8	9.7	Increases 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 coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 62%; (2) auxiliary production expenses, accounting for 20%; and (3) land requisition and surface subsidence compensation, environmental protection expenses and tax, accounting for 18%.

2. *Power segment*

(1) Production and operation

In 2022, the Group insisted on safeguarding electricity stability with coal electricity and maintaining stable and efficient generation of power units; and promoted the construction of high-efficient clean coal power units, putting Unit 2 Luoyuanwan Project as well as Unit 1 and Unit 2 Beihai Power Phase I Project into operation successively. The Group realised a total power output dispatch of 179.81 billion kWh throughout the year, accounting for 2.1% of 8,637.2 billion kWh¹ of the total power consumption of the society in the corresponding period, of which the market-based trading power reached 162.92 billion kWh, accounting for 90.6% of the total power output dispatch. The Group promoted the implementation of the electricity price reform policy and actively strived to increase the electricity price. The average electricity selling price of the Group in 2022 was RMB418/MWh (2021: RMB348/MWh), representing a year-on-year increase of 20.1%.

The Group insists on the scaling of clean energy and the cleanliness of conventional energy, and vigorously promoted the “linkage of three reforms” of coal-fired power units. The Group actively carried out the flexible upgrade of coal-fired power generating units including Jinjie Energy, Shouguang Power and Taishan Power to further enhance the peak-shaving operation capacity; the Group implemented the heat supply renovation of units including Mengjin Power and Dianta Power Plant (owned by Shendong Power) and the energy-saving transformation of units including Taishan Power and Jinjie Energy in an orderly manner. In 2022, the average standard coal consumption of coal-fired power generation units of the Group was 296.7 g/kWh (2021: 298.5 g/kWh), a decrease of 1.8 g/kWh as compared with the same period of last year.

The Group accelerated the construction of the new energy power generation projects, and actively acquired new energy construction quota. As at the end of 2022, 35 new energy power generation projects with a total installment capacity of 105.5 MW was put into operation, among which, the external commercial operation in Fujian Energy, Shouguang Power, etc. amounted to 62 MW. Beijing Guoneng New Energy Industry Investment Fund and Beijing Guoneng Green and Low-Carbon Development Investment Fund, jointly established by the Company, have continuously invested in wind power and photovoltaic projects in Shanxi, Jiangsu, Zhejiang, Hunan, Hubei and other provinces.

¹ Source: China Electricity Council

(2) Power consumption and power price

Operation location/ power type	Power generation <i>billion KWh</i>			Power output dispatch <i>billion kWh</i>			Power price <i>RMB/MWh</i>		
	2022	2021	Change %	2022	2021	Change %	2022	2021	Change %
(I) Coal-fired power	186.72	161.86	15.4	175.36	151.64	15.6	416	343	21.3
Guangdong	32.39	30.52	6.1	30.52	28.67	6.5	446	391	14.1
Shaanxi	30.27	32.29	(6.3)	27.79	29.66	(6.3)	341	274	24.5
Hebei	23.82	23.20	2.7	22.35	21.76	2.7	423	323	31.0
Fujian	22.89	17.19	33.2	21.88	16.46	32.9	452	357	26.6
Inner Mongolia	13.34	8.86	50.6	12.16	8.01	51.8	349	301	15.9
Sichuan	12.09	6.10	98.2	11.39	5.61	103.0	432	424	1.9
Jiangxi	11.74	12.05	(2.6)	11.20	11.50	(2.6)	425	364	16.8
Shandong	9.84	10.98	(10.4)	9.36	10.47	(10.6)	427	357	19.6
Chongqing	9.70	8.89	9.1	9.29	8.50	9.3	416	372	11.8
Hunan	9.38	1.06	784.9	8.95	1.02	777.5	477	467	2.1
Henan	5.03	4.88	3.1	4.70	4.56	3.1	391	295	32.5
Guangxi	4.69	4.08	15.0	4.44	3.87	14.7	429	366	17.2
Indonesia (overseas)	1.54	1.76	(12.5)	1.33	1.55	(14.2)	555	465	19.4
(II) Gas-fired power	3.85	3.85	0.0	3.76	3.77	(0.3)	564	565	(0.2)
Beijing	3.85	3.85	0.0	3.76	3.77	(0.3)	564	565	(0.2)
(III) Hydropower	0.67	0.74	(9.5)	0.65	0.72	(9.7)	226	224	0.9
Sichuan	0.67	0.74	(9.5)	0.65	0.72	(9.7)	226	224	0.9
(IV) Photovoltaic power	0.04	/	/	0.04	/	/	444	/	/
Fujian	0.03	/	/	0.03	/	/	477	/	/
Shandong	0.01	/	/	0.01	/	/	348	/	/
Guangdong	0.00	/	/	0.00	/	/	194	/	/
Shaanxi	0.00	/	/	0.00	/	/	333	/	/
Total	191.28	166.45	14.9	179.81	156.13	15.2	418	348	20.1

Notes: In 2022, the power generation and output dispatch of the photovoltaic power stations of the Group in Guangdong was 2.08 million kWh and 2.07 million kWh, respectively, and that of the photovoltaic power station in Shaanxi was 0.97 million kWh and 0.91 million kWh, respectively.

(3) Installed capacity

At the end of the reporting period, the total installed capacity of power generation of the Group reached 40,301MW, among which, the total installed capacity of coal-fired power generators was 39,164MW, accounting for 2.9% of the total installed capacity of thermal power generators of the society (being 1.33 billion kW¹).

Unit: MW

Power type	Total installed capacity as at 31 December 2021	Installed capacity increased/ (decreased) during the reporting period	Total installed capacity as at 31 December 2022
Coal-fired power	36,824	2,340	39,164
Gas-fired power	950	0	950
Hydropower	125	0	125
Photovoltaic power	/	62	62
Total	37,899	2,402	40,301

In 2022, the changes of the Group's installed capacity for coal-fired power generating units are as follows:

Company	Location	Increase/ (decrease) of Installed capacity MW	Description
Beihai Power	Guangxi	2,000	The operation of new units
Guoneng (Lianjiang) Port Power Co., Ltd.	Fujian	1,000	The operation of new units
China Energy Sichuan Energy Co., Ltd. Jiangyou Power Plant	Sichuan	(660)	The unit was closed due to expiration
Total	—	2,340	—

¹ Source: China Electricity Council

As at the end of 2022, the major generating units under construction and approved but not yet constructed by the Group are as follows:

Project	Location	Planned installed capacity
Hunan Yueyang Power Plant Project	Hunan	2×1,000MW
Guangdong Qingyuan Power Plant Phase I	Guangdong	2×1,000MW
Guangdong Qingyuan Power Plant Phase II Expansion Project	Guangdong	2×1,000MW
Huizhou Thermal Power Phase II Gas-fired Cogeneration Unit Project	Guangdong	2×400MW
Jiujiang Power Phase II Expansion Project	Jiangxi	2×1,000MW
Beihai Power Phase II Expansion Project	Guangxi	2×1,000MW

(4) Utilisation rate of power generation equipment

The average utilisation hours of coal-fired generators of the Group reached 4,951 hours for the year of 2022, representing a year-on-year increase of 187 hours and 357 hours more than the national average utilisation hours (being 4,594 hours¹) of coal-fired generating units with the installed capacity of 6,000KW and above.

Power type	Average utilisation hours (Hours)			Power consumption rate of power plant (%)		
	2022	2021	Change %	2022	2021	Change
Coal-fired power (includes gangue-fired power plants)	4,951	4,764	3.9	5.24	5.48	Decreased by 0.24 percentage point
Gas-fired power	4,054	4,057	(0.1)	1.57	1.50	Increased by 0.07 percentage point
Hydropower	5,340	5,921	(9.8)	0.42	0.28	Increased by 0.14 percentage point
Photovoltaic power	725	/	/	/	/	/
Weighted average	4,925	4,749	3.7	5.15	5.37	Decreased by 0.22 percentage point

¹ Source: China Electricity Council

(5) Market transaction of power

	2022	2021	Change %
Total volume of power in market-based transactions (<i>billion kWh</i>)	162.92	98.06	66.1
Total volume of on-grid power (<i>billion kWh</i>)	179.81	156.13	15.2
Percentage of the power in market-based transactions (%)	90.6	62.8	Increased by 27.8 percentage points

(6) Operation results of the power sales business

In 2022, the Group owns two companies engaged in power sales and located in Shandong and Guangdong, respectively. The principal operation model is to make profit through the price difference between sales and purchase of electricity, by providing value-added services such as procurement and sales of power, incremental distribution grid business, power equipment management and comprehensive energy utilisation. The power output dispatch of purchased electricity sold by the above two power sales companies throughout the year was 7.75 billion kWh, and the corresponding electricity sales revenue and electricity purchase cost of the purchased electricity were RMB3,308 million and RMB3,391 million, respectively.

No.	Province	Power output dispatch		Average selling price of power (exclusive of tax)		Unit electricity purchase cost (exclusive of tax)	
		<i>Billion kWh</i>		<i>RMB/MWh</i>		<i>RMB/MWh</i>	
		2022	2021	2022	2021	2022	2021
1	Shandong	5.82	4.58	420	346	417	339
2	Guangdong	1.93	4.28	449	363	501	404

(7) Capital Expenditure

In 2022, the total capital expenditure of the power generation segment was RMB11,103 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 at the end of the reporting period %
1	Guangxi Beihai Power Plant Phase I Project (2×1,000MW)	2,670	83
2	Hunan Yueyang Power Plant Project (2×1,000MW)	1,561	25
3	Guangdong Qingyuan Power Plant (Phase I) Project (2×1,000MW)	1,376	24
4	Fujian Luoyuanwan Port Power Generation & Storage Integration Project Power Plant Construction (2×1,000MW)	703	80

(8) Operation results

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

		2022	2021 (Restated)	Change %	Main reasons for changes
Revenue	RMB million	84,525	64,548	30.9	Increases in the power output dispatch and the average power output dispatch price
Cost of sales	RMB million	(73,491)	(60,668)	21.1	Increase in coal purchase price; increase in power generation
Gross profit margin	%	13.1	6.0	Increase by 7.1 percentage point	
Profit before income tax	RMB million	7,969	1,800	342.7	

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

Unit: RMB million

Power type	Revenue from power output dispatch			Cost of power output dispatch				
	2022	2021 (Restated)	Change %	2022	Percentage to total costs of power output dispatch in 2022 %	2021 (Restated)	Percentage to total costs of power output dispatch	Change in 2022 over 2021 %
							in 2021 (Restated) %	
Coal-fired power	75,658	54,882	37.9	66,124	96.6	52,715	95.9	25.4
Gas-fired power	2,119	2,132	(0.6)	2,201	3.2	2,165	3.9	1.7
Hydropower	148	162	(8.6)	109	0.2	109	0.2	0.0
Photovoltaic power	17	/	/	10	0.0	/	/	/
Total	<u>77,942</u>	<u>57,176</u>	<u>36.3</u>	<u>68,444</u>	<u>100.0</u>	<u>54,989</u>	<u>100.0</u>	<u>24.5</u>

The Group's cost of sale of power output dispatch is mainly comprised of raw materials, fuel and power, personnel expenses, repair and maintenance, depreciation and amortisation and other costs. The unit cost of power output dispatch of the Group in 2022 was RMB380.7/MWh (2021: RMB352.2/MWh, restated), representing a year-on-year increase of 8.1%, mainly due to the rise of coal purchase price for coal-fired power plant.

The power segment consumed a total of 66.0 million tonnes of China Shenhua's coal, representing an increase of 10.4% year-on-year, mainly due to the year-on-year increase in power generation and the Group's integrated operation advantages to ensure the coal supply for power plants. The coal consumption of China Shenhua accounted for 78.2% of the total coal consumption of power segment, which was 84.4 million tonnes.

③ Costs of power output dispatch of coal-fired power plants of the Group before elimination on consolidation

	2022		2021 (Restated)		Change
	Costs	Percentage	Costs	Percentage	in costs
	<i>RMB</i>		<i>RMB</i>		
	<i>million</i>	%	<i>million</i>	%	%
Raw materials, fuel and power	51,919	78.5	40,566	76.9	28.0
Personnel expenses	3,733	5.6	3,195	6.1	16.8
Repairs and maintenance	1,854	2.8	1,697	3.2	9.3
Depreciation and amortisation	5,858	8.9	4,932	9.4	18.8
Others	2,760	4.2	2,325	4.4	18.7
Total cost of power output dispatch of coal-fired power plant	<u>66,124</u>	<u>100.0</u>	<u>52,715</u>	<u>100.0</u>	<u>25.4</u>

The cost of power output dispatch of coal-fired power plant increased by 25.4% year-on-year. Among them, the year-on-year growth of raw materials, fuel and power was mainly due to the increase in the purchase price of coal and the increase in output dispatch; the year-on-year increase in labor costs was mainly due to a number of newly-added generating units of the Group put into operation, which resulting the increase in related power production personnel, and the increase in salary and social security payment; the year-on-year increase in depreciation and amortisation was mainly due to the commissioning of several new units of the Group and the increases in the depreciation and amortisation of the long-term assets of the power segment; and the increase in other costs was mainly attributable to the increase in transaction costs of power rights, among others.

3. Railway Segment

(1) Production and operations

In 2022, the railway segment of the Group was well organised to maintain transportation channels in an efficient and unimpeded manner and ensured safe transportation of coal. During the year, the transportation turnover of self-owned railway reached 297.6 billion tonnes km (2021: 303.4 billion tonnes km), representing a year-on-year decrease of 1.9%. As the Group actively promoted the development of railway large-scale logistics business, the transportation volume of non-coal goods such as iron ore, manganese ore and chemicals reached 19.6 million tonnes, of which the reverse transportation volume reached 12.1 million tonnes during the year.

By strengthening technology innovation as well as empowered by smart transportation, Baoshen Railway's first HXN6 petrol-electric hybrid locomotive was launched and had a pilot run; Shuohuang Railway has made a phase achievement in the automatic driving test of loaded trains; China Energy Xinsuo Railway Co., Ltd. has participated in the development of the first high-power hydrogen powered shunting locomotive in China and has completed the pilot operation successfully.

(2) Operation results

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

		2022	2021	Change %	Main reasons for changes
Revenue	RMB million	42,197	40,699	3.7	
Cost of sales	RMB million	(25,041)	(22,020)	13.7	Increases in transportation charges, personnel expenses and other costs
Gross profit margin	%	40.7	45.9	Decreased by 5.2 percentage points	
Profit before income tax	RMB million	12,742	15,723	(19.0)	

In 2022, the unit transportation cost in the railway segment was RMB0.076/tonne km (2021: RMB0.068/tonne km), representing a year-on-year increase of 11.8%, which was mainly due to the increase in transportation charges, personnel expenses and other costs and the increase in unit transportation cost as a result of the year-on-year decrease in self-owned railway transportation turnover.

4. Port segment

(1) Production and operations

The Group's port segment continued to enhance operation efficiency to ensure efficient and smooth ship loading of coal, and the seaborne coal volume of Huanghua Port has ranked first in China's ports for four consecutive years. However, as affected by factors such as insufficient supply of purchased coal and the decline in arrival resources, the accumulated loading volume of coal at Huanghua Port and Tianjin Coal Dock for the year was 250.4 million tonnes (2021: 261.4 million tonnes), representing a year-on-year decrease of 4.2%.

The port large-scale logistics business was promoted steadily. This year, the port segment completed the transportation volume of 7.7 million tonnes of non-coal cargo such as crude oil and chemical fertilizer. The Huanghua Port 3 and 4 general bulk cargo terminals have been put into operation successfully.

The Company strives to build smart and green ports. The Group will vigorously promote the application of shore power at ship terminals, speeds up the construction of information infrastructure and research and development of intelligent production and operation operating systems. Huanghua Harbour Administration actively promoted the construction of pollution and carbon emission project and won the "China Environment Excellence Award" and other important awards.

(2) Operation results

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

		2022	2021	Change %	Main reasons for changes
Revenue	RMB million	6,441	6,440	0.0	
Cost of sales	RMB million	(3,556)	(3,342)	6.4	Increases in fuel costs, dredging fee and others
Gross profit margin	%	44.8	48.1	Decreased by 3.3 percentage points	
Profit before income tax	RMB million	2,268	2,623	(13.5)	

The unit transportation cost in the port segment was RMB12.0/tonne in 2022 (2021: RMB10.7/tonne), representing a year-on-year increase of 12.1%, mainly due to the increases in fuel costs, dredging fee and others.

5. Shipping segment

(1) Production and operations

In 2022, the shipping division of the Group continued to do a good job in ship safety management and supervision, exercising its full strength to meet the coal transportation needs. The Group also fully took advantage of the no-load capacity of the return vessels owned by itself to actively explore the cargo resources in the market, so the volume of non-coal commodities continued to grow and the volume of foreign trade cargo increased significantly. The shipping volume of the Group for the year was 136.3 million tonnes (2021: 121.2 million tonnes), representing a year-on-year increase of 12.5% while shipment turnover amounted to 133.6 billion tonne nautical miles (2021: 112.1 billion tonnes nautical miles), representing a year-on-year increase of 19.2%.

(2) Operation results

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

		2022	2021	Change %	Main reasons for changes
Revenue	RMB million	6,051	6,195	(2.3)	Decrease in average shipping price
Cost of sales	RMB million	(5,214)	(5,018)	3.9	Increase in shipping volume
Gross profit margin	%	13.8	19.0	Decreased by 5.2 percentage points	
Profit before income tax	RMB million	706	1,003	(29.6)	

In 2022, the unit transportation cost of the shipping segment was RMB0.039/tonne nautical mile (2021: RMB0.045/tonne nautical mile), representing a year-on-year decrease of 13.3%, mainly due to the decrease in the unit transportation cost resulted from the increase in shipping volume.

6. Coal chemical segment

(1) Production and operations

The coal chemical business of the Group comprises the coal-to-olefins project of Baotou Coal Chemical (Phase I). 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 certain byproducts including industrial sulfur, mixed C5, industrial propane, mixed C4, industrial methanol and refined methanol, etc..

In 2022, the coal-to-olefins facilities had maintained consecutive and stable operation for 8,760 hours with both average production load and production pass rates of polyolefin products reaching 100%. The Group took the initiative to address the increase in price of raw materials, adjusted the polyolefin product structure timely and increased the production of refined methanol, fabrics and other high value-added products to maximise the economic benefit. In 2022, the sales volume of polyolefin products reached 693.7 thousand tonnes (2021: 644.5 thousand tonnes), representing a year-on-year increase of 7.6%.

The preliminary work of the Baotou coal-to-olefin upgrade demonstration project has been primarily completed, which includes obtaining the quota for energy and water consumption and application for use right of construction land.

The sales of polyethylene and polypropylene products of the Group in 2022 are as follows:

	2022		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 %	Price %
Polyethylene	358.4	6,765	332.8	6,641	7.7	1.9
Polypropylene	340.6	6,613	315.6	6,853	7.9	(3.5)

(2) Operation results

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

		2022	2021	Change %	Main reasons for changes
Revenue	RMB million	6,379	5,851	9.0	Increase in sales volume of polyolefin products
Cost of sales	RMB million	(5,493)	(4,754)	15.5	Increase in the price of coal; increase in sales volume of polyolefin products
Gross profit margin	%	13.9	18.7	Decreased by 4.8 percentage points	
Profit before income tax	RMB million	538	706	(23.8)	

(3) Unit production cost of major products

	2022		2021		Change	
	Production volume <i>Thousand tonnes</i>	Unit production cost <i>RMB/ tonne</i>	Production volume <i>Thousand tonnes</i>	Unit production cost <i>RMB/tonne</i>	Production volume %	Unit production cost %
Polyethylene	353.4	5,812	332.0	5,447	6.4	6.7
Polypropylene	340.3	5,788	312.5	5,320	8.9	8.8

The main reason for the year-on-year increase in the Group's polyolefin products production in 2022 was that the coal-to-olefins facilities were shutdown for overhauling as planned during September to October 2021 resulting in lower base. The increase in the unit production cost of polyolefin products was mainly due to the increase in the coal purchase price.

In 2022, the coal of a total of 4.8 million tonnes consumed by the coal chemical segment was all the coal sold within the Group (including China Shenhua self-produced coal and purchased coal).

(V) Operations by Region

Unit: RMB million

	2022	2021 (restated)	Change %
Foreign transaction revenue from domestic market	332,253	324,912	2.3
Foreign transaction revenue from overseas market	12,280	10,728	14.5
Total	344,533	335,640	2.6

Note: the revenue from foreign transactions is divided by the location of customers receiving services and purchasing 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 2022, the foreign transaction revenue from domestic market was RMB332,253 million, accounting for 96.4% of the Group's revenue. The foreign transaction revenue from overseas market was RMB12,280 million, representing a year-on-year increase of 14.5%, 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 and such revenue was recognised pursuant to the relevant provisions of the Concession Agreement.

In 2022, the Group responded to the impact of public health incidents on our overseas business by making emergency plans to ensure the normal operation of overseas business. The generators of South Sumatra EMM and Pembangkitan Jawa operated steadily with further improved reliability. Stable progress has been made in South Sumatra No. 1 Project.

(VI) Analysis on Investments

In 2022, the equity investments of the Company amounted to RMB26,701 million (2021: RMB10,945 million), representing a year-on-year increase of 144.0%, mainly due to the increase of capital for the Company's subsidiaries in coal, power and transportation segments, and the acceleration of project construction.

1. Material investment in equity interest

On 15 December 2022, the Company acquired 30% equity interests in Jinjie Energy held by Ducheng Weiye Group Co., Ltd. through bidding, which was transferred through public listing on the Beijing Equity Exchange, at a listing reserve price of RMB9,965.1557 million. Upon completion of the transaction, the Company's shareholding in Jinjie Energy increased from 70% to 100%.

2. Material investment in non-equity interest

☐ Applicable ☒ Not applicable

3. Financial assets at fair value

During the reporting period, the financial assets at fair value held by the Group were mainly 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.

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 reporting period	Change of profit for the reporting period
Other investments in equity instruments	2,174	2,386	212	0
Financing receivables	376	502	126	0
Total	<u>2,550</u>	<u>2,888</u>	<u>338</u>	<u>0</u>

(VII) Disposal of Material Assets and Equity Interest

☐ Applicable ☒ Not applicable

(VIII) Analysis on Major Holding and Associated Companies

1. Major subsidiaries

Unit: RMB million

No.	Company	Registered capital As at 31 December 2022	Total assets	Net assets	Net profit attributable to the equity holders of the parent company 2022	2021	Change %	Main reasons for changes
1	Shendong Coal	4,989	51,418	42,087	29,248	19,967	46.5	Increase in average coal sales price; decrease in average income tax rate
2	Shuohuang Railway	15,231	43,948	29,016	6,507	7,755	(16.1)	Year-on-year decrease in railway freight turnover and year-on-year increase in labor costs, maintenance costs and others
3	Jinjie Energy	3,802	13,685	11,083	5,145	3,827	34.4	Increase in average coal sales price, and increase in power output dispatch and average price of electricity sold
4	Zhunge'er Energy	7,102	49,914	41,026	3,707	2,499	48.3	Increase in average coal sales price
5	Baoxile Energy	1,169	12,772	5,315	3,256	1,655	96.7	Increase in sales volume of coal and average coal sales price
6	Beidian Shengli	2,925	12,512	7,301	2,588	1,415	82.9	Increase in sales volume of coal and average coal sales price
7	Trading Group	1,889	29,443	11,862	1,671	2,273	(26.5)	Decrease in sales volume of purchased coal
8	Huanghua Harbour Administration	6,790	13,644	10,059	1,482	1,586	(6.6)	
9	Yulin Energy	2,420	6,928	3,831	1,349	1,410	(4.3)	
10	Pembangkitan Jawa	2,540	15,678	6,314	1,134	956	18.6	Commercial operation of single machine in the first half of 2021; commercial operation of two generating units in 2022

Notes:

- (1) The financial information of the major subsidiaries in the above table was prepared in accordance with the China Accounting Standards for Business Enterprises.
- (2) Shendong Coal recorded a revenue of RMB97,225 million and a profit from operations of RMB29,837 million in 2022.
- (3) Shuohuang Railway recorded a revenue of RMB21,663 million and a profit from operations of RMB8,823 million in 2022.

2. Major companies in which the Company has invested

Please refer to the section headed “Material Related/Connected Transactions” of this report for details of Financial Company.

(IX) Structured Vehicle Controlled by the Company

☐ Applicable ☒ Not applicable

(X) Compliance with Relevant Laws and Regulations

So far as the Board and management of the Company are aware, the Group has complied in all material aspects with the relevant laws and regulations that are related to the business and operation of the Group. In 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

(XI) Relationship with Stakeholders

The Group attaches great emphasis on good relationships with stakeholders such as customers, suppliers and other business partners to achieve its long-term goals. For details, please refer to the 2022 ESG Report of the Company.

In 2022, there was no material dispute between the Group and its stakeholders.

(XII) Donations

During the reporting period, the Group made external donations of RMB531 million.

IV. THE COMPANY'S OUTLOOK FOR FUTURE DEVELOPMENT

(I) Industry Structure and Trend

In 2023, although the external circumstances are complex and severe, the risk of global economy falling into stagflation increases and the recovery basis for domestic economy is unstable, the economy in China has strong resilience, huge potential and sufficient vitality and its long-term good prospects remain unchanged. As various policies are continuously implemented in detail, it's expected that the production and life order will recover quickly, and the endogenous power of economic growth will be gathered and be stronger. The overall economy in China will be better in 2023.

For the coal industry, the expected growth for economic recovery will boost the demand of coal. The coal consumption is expected to keep growing in 2023. The effect of policy of increasing production of coal to ensure supply continues to release, and the coal supply is anticipated to increase slightly, the coverage ratio of medium and long-term contract for thermal coal will be further increased. The coal import is expected to experience an increase. Generally, the supply and demand relationship in coal market in 2023 is expected to be improved, and the price median of coal may remain stable at a reasonable range. As affected by seasonal fluctuations, emergencies and other factors, tight supply may occur in some areas and during some periods.

For the power industry, it is expected that the growth rate of power consumption demand in 2023 will be higher than that in 2022. Driven by the rapid development of new energy power generation, the installed capacity of non-fossil energy power generation will hit a new high, accounting for over 50% of the total installed capacity. In view of the uncertainties such as economic growth, exports, weather and wind and solar energy resources, it is expected that the overall power supply and demand in China will be tight and balanced in 2023, and the power supply and demand in some regions will be tight during peak hours. With the further development of market-based electricity, electricity trading mechanism and market price formation mechanism will be gradually improved.

(II) Development Strategy of the Company

In 2022, the Party's 20th National Congress drew up a grand blueprint for comprehensively building a modern socialist country, and higher requirements were put forward for the energy industry to accelerate the green transformation of development mode, work actively and prudently toward the goals of reaching peak carbon emissions and carbon neutrality and ensure energy and resource security. Currently, although China's critical battle against energy supply has become routine, it is necessary to give full play to the role of coal in ensuring the energy supply and the role of coal power in ensuring the basic guarantee and systematic adjustment in the construction of a new power system. Given the Group's large proportion of high-carbon assets including coal and coal power, the Group faces not only the pressure of transformation and upgrading of the traditional coal-based energy industry, but also the enormous challenges brought by technological breakthroughs in the new energy industry when actively fulfilling its responsibility of ensuring energy security.

The Group will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the guiding principles of the Party's 20th National Congress and put in place the new strategy of "Four Revolutions and One Cooperation" for energy security, and the goal of carbon peak and carbon neutrality, earnestly carry out the comprehensive development strategy of "One Target, Three Models and Five Strategies, and Seven First-class" and the work orientation of "Stability, Coordination, Empowerment and Quality Improvement", accelerate the construction of a clean, low-carbon, safe and efficient modern energy system, pursue steady and high-quality development, and constantly give back to investors. During the "14th Five-Year Plan" period, the Group will continue to consolidate the core advantages of integrated operation, ensure the safe and stable supply of energy, and promote the construction of green mines, green transportation, green power plants and green chemicals facilities. The Group will speed up the clean and efficient mining and utilization of coal to improve the comprehensive efficiency of energy utilization, build clean and high-efficient generating units and strengthen the transformation of heating, energy saving and flexibility, focus on the research and development and application of intelligent heavy-haul railway transportation technology and intelligent integrated operation technology to develop large-scale logistics business and improve the safe, sophisticated and efficient management level and comprehensive profitability level in the transportation segment, and promote the high-end, diversified and low-carbon development of coal chemical industry to develop high value-added products such as new coal-based materials. It will also leverage the advantages of high-level platform and strong financial position as a listed company, strengthen the cooperation with local government and enterprises, give play to the role of industrial funds, promote the steady and sustainable development of new energy business, and study investment opportunities in strategic emerging industries such as energy storage, hydrogen energy, biomass energy projects and venture capital, so as to lay a solid foundation for the industrial upgrading and transformation of the Company.

(III) Business Plan for 2023

1. Business targets for 2023

Item	Unit	Target of 2023	Actual amount in 2022	Increase/ (decrease) %
Commercial coal production	100 million tonnes	3,094	3,134	(1.3)
Coal sales	100 million tonnes	4,358	4,178	4.3
Gross power generation	100 million kWh	2,039	1,912.8	6.6
Revenue	RMB100 million	3,500	3,445.33	1.6
Cost of sales	RMB100 million	2,510	2,266.24	10.8
Selling, general and administrative and R&D expenses and net finance costs	RMB100 million	155	149.21	3.9
Percentage change of unit production cost of the self-produced coal	/	Year-on-year increase of approximately 10%	Year-on-year increase of 10.9%	/

The above business targets are subject to factors including changes in scope of consolidated financial statements, risks, uncertainties and assumptions. The annual actual outcome may differ materially from the targets. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks.

2. Capital expenditure plan for 2023

Unit: RMB100 million

	Target of 2023	Actual amount in 2022
(1) Coal segment	73.77	106.38
(2) Power segment	180.80	111.03
(3) Transportation segments	95.61	97.75
Of which: Railway	82.84	67.40
Port	12.03	28.68
Shipping	0.74	1.67
(4) Coal chemical segment	5.61	3.33
(5) Others	5.73	0.96
Total	<u>361.52</u>	<u>319.45</u>

Total capital expenditure of the Group in 2022 amounted to RMB31.945 billion, which were mainly used for the purchase of mining equipment; the preliminary preparation of Xinjie No. 1 Mine and No. 2 Mine in Taigemiao Area of Xinjie Mining Area; the power generation projects under construction, such as Beihai Power Phase I, Hunan Yueyang power plant, Guangdong Qingyuan Power Plant Phase I and photovoltaic power stations; the purchase of railway equipment and capacity expansion and renovation of railways; and coal-to-olefin upgrading demonstration project.

The Board of the Company approved a total planned capital expenditure of 2023 of RMB36.152 billion (excluding equity investment), including:

- (1) Among the capital expenditure of the coal segment, RMB5.712 billion will be used in new construction as well as renovation and expansion projects (including the purchase of infrastructure-related equipment); RMB1.221 billion will be used in technical renovation for equipment purchase; RMB0.444 billion will be used in technical renovation for non-equipment purchases. The major investment projects include: purchasing of mining equipment for various mines in Shendong Mines, preliminary preparation of Xinjie No. 1 Mine and No. 2 Mine in Taigemiao Area of Xinjie Mining Area, etc.

- (2) Among the capital expenditure of the power segment, RMB15.558 billion will be used in new construction projects (including the purchase of related equipment); RMB0.33 billion will be used in technical renovation in environmental protection; RMB2.007 billion will be used in technical renovation in non-environmental protection. The major investment projects include: Hunan Yueyang power plant project, Guangdong Qingyuan Power Plant Phase I Project and Jiangxi Jiujiang Phase II renovation and expansion project, etc.

The capital expenditure of new energy business of RMB1.969 billion will be mainly used for the construction of new energy projects of branches in Guangdong and Jiangxi and distributed photovoltaic projects in power plant of Shendong Power, etc.

- (3) The capital expenditure of the railway segment will be mainly used for the construction of special coal transportation lines, purchase of railway locomotives, railway capacity expansion and reconstruction projects, etc.
- (4) The capital expenditure of port business will be mainly used for the construction of bulk cargo terminal of Gaolan Port in Zhuhai Port, etc.
- (5) The capital expenditure of the coal chemical segment will be mainly used for coal-to-olefin upgrading demonstration project, etc.

The capital expenditure plans of the Group in 2023 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.

(IV) Major Risks and Countermeasures

Investors should be aware that although the Company has reviewed and listed 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.

1. Risk of safety production and environmental protection

Although the Group has been sustaining stable performance in safety production for its coal mines, there are many safety risks intertwined and the task securing energy supply is still severe. Given that further stringent national policies are made on energy-saving and environmental protection, the Group faces more constraints on energy-saving, emission reduction and environmental protection.

The Group has established the safety production target of preventing major safety production accidents to achieve “zero death”. To cope with the risks of safety production, the Group will continue to improve the dual prevention mechanism of safety risk grading control and potential risks investigation and response, hold the leader of safety production accountable, reinforce the development of emergency management system and safety production training, take effective approaches to improve emergency response ability, take advantage of information, develop new ways to formulate safety supervision mechanism, improve safety supervision capability and cement the foundation of safety production.

To cope with the risks of environmental protection, the Group will continue to strengthen environmental monitoring, strictly adhere to the ecological red line, vigorously promote the construction of green mines, green smart heavy-haul railway and green ports, accelerate green and low-carbon transformation. The Group will keep strengthening the brand image building of ultra-low emissions in coal power on an on-going basis. The Group will continue to further improve the environmental management system and strengthen the remediation of potential issues and environmental emergency management, actively adapt to requirements of “Dual Control” of total energy consumption and energy intensity in order to achieve energy-saving and emission reduction targets as well as to prevent severe environmental pollution incidents.

2. Risk of market competition

As there is still some room for improvement for domestic coal production capacity and the international energy market tends to ease, the price of coal faces increased uncertainty. With the speed-up of reform in power market and the establishment of new energy system and new power system, the landscape of market competition is evolving at a faster pace, and the scale and price of transactions are uncertain. The country has increased the construction of cross-provincial and cross-region coal transportation railway channels. The coal transportation capacity will be gradually released, and the structure of transportation tends to be diversified.

In response to the risks of market competition, the Group will improve the accuracy of the pre-judgment to coal market, formulate coal purchase and sale mechanism and price policy in different areas and at different times, optimise the structure of coal products, increase brand advantage on an ongoing basis, strengthen the development of new markets and the maintenance of existing markets, take coordinated measures to ensure product and production capacity reserve, focus on coal transfer and consumption markets, take active and prudent approaches to design coal reserve bases and deepen the comprehensive coordination of production, transportation, sales, storage and use of coal. The Group will step up efforts to increase revenue and efficiency of the power market and power business and conduct risk prevention and control to ensure safety production. The Company will continue to increase the collection and distribution capacity of self-owned railways, promote the construction of dedicated railway lines for coal core areas, accelerate the transformation of capacity expansion

of railway lines and further expand “Large-scale Logistics” business to 2,7increase the transportation volume of non-coal goods. The Group will also deepen synergy and efficiency improvement, promote model innovation, enhance customer service capabilities, further strengthen and increase market share, and further consolidate integration advantages.

3. *Investment risk*

The ecological and environmental constraints are tightening, and the policy of carbon peak and carbon neutrality are forcing deep energy conservation and clean and low-carbon development. New energy will usher in extraordinary and leapfrog development, and investment efforts and scale will continue to increase. There are uncertainties in market and policy and other factors, which may affect the investment returns of the projects.

To cope with investment risks, the Group will continue to optimise its investment management system, strengthen the quality management in the early stage of projects, strictly control the investment decisions of projects, highlight the risk management and control of major projects; continue to focus on investment plans, expand effective investment, reasonably control the pace of project investment, and strengthen the investigation and supervision of the implementation of investment plans; actively, orderly and standardly carry out post-project evaluation work to improve the efficiency and benefits of investment.

4. *Compliance risk*

The Group is large in asset size and has a long industrial chain. It is difficult to identify and prevent risks, which may trigger contract disputes and regulatory penalties. Changes in the international political and economic situation may lead to the legal compliance risks in the construction and operation of overseas projects.

To cope with the compliance risk, the Group will optimise the legal compliance risk prevention system on a continuous basis, carry out compliance risk identification and early warning in different levels and categories, and use information technology to improve the effectiveness of compliance management. The Group will promote the “standardization of main business contracts”, proceed the “layered listing supervision” mechanism for major cases, and improve the prevention and response capabilities for major legal cases. The Group will strengthen the compliance management of coal-fired power projects, such as project approval and licensing, and standardise the construction and operation of projects. The Group will enhance the follow-up research on legal systems of the countries where the projects are located, monitor overseas compliance risks that overseas projects may face in a regular manner, and implement risk prevention and control measures.

5. *Risk of project management*

The overall progress of the Group's existing projects is stable. However, there are certain uncertainties in the construction of specific projects. For example, insufficient project risk prediction, insufficient capacity of the design unit and other factors, which may lead to the risks of prolonging construction period, delaying construction time and increase in investment; failure to fully implement safety responsibility, weak safety awareness of part of the construction workers, failure to effectively implement the project safety management system, which may lead to the risk of safety accidents.

The Group will continue to strengthen the unified management of the construction plan, technology, technical economics, safety and quality of projects, improve the functional management of construction, project early management and construction team management and strictly control project design, budget and settlement. It will also enhance the project cost control, track and monitor project construction immediately, and timely formulate effective measures to reduce or eliminate the impact of extension of time. The Group will strengthen its construction safety management, enforce its administration in safety emergency plans and eliminate major and more severe safety incidents.

6. *Risk of international operations*

The international political situation is increasingly complicated. Affected by major-country relationship, and sagging global economy and energy crisis, the future international trades and economic situations may experience fluctuations. Together with the highly competitive energy market worldwide, there are certain uncertainties in the Group's international operations.

To cope with the risk of international operations, the Group 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 strengthen overseas risk screening, regularly monitor the overseas legal compliance risks, and take multiple measures to prevent and resolve 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 situations.

7. *Risk of macroeconomic fluctuations*

The industry in which the Group operates is closely correlated to the prosperity of the macro economy. Currently, China's economic development is facing the triple pressure of demand contraction, supply shock and weakening expectations, coupled with volatile external environment, which exerts a huge impact on China's economy. Besides, the reform and innovation in the energy sector will have a significant impact on the Group's development strategy.

To cope with the risk of macroeconomic fluctuations, the Group will further strengthen the studies on macro-control policy and relevant industrial trends, vigorously promote technological innovation to ensure the clean and efficient utilisation of coal, explore and develop high-end, diversified and low-carbon coal chemical products, promote the optimal combination of coal and new energy, accelerate the large-scale development of new energy, study and deploy the development of industries such as new energy storage, hydrogen energy, pumped storage and biomass energy, and promote the high-quality and sustainable development of the Company.

8. *Risk of integrated operations*

The Group's advantages in integrated operation of coal, power, transportation and coal chemical come along with the risks arising from the interruption of individual parts of the entire integrated chain. In case of poor organisation or coordination or a discontinuation of any part, the balance and high efficiency of integrated operations will be affected and the impact may adversely affect the Group's business results.

To cope with the risk of integrated operations, the Group will continue to strengthen its core advantage of integrated operations in view of the basic national realities that China's primary energy mix is still dominated by coal. The Group will take an array of measures based on safety production, including focusing on the comprehensive coordination and balance of integrated operations, paying close attention to the resources continuation, strengthening scientific scheduling and plan management, improving railway collection and distribution system, strengthening the coordination of power grid, and strengthening the production and operation management, expanding the coverage of integrated operations as much as possible, and continuously enhancing the resilience of integrated industrial chain, value chain and supply chain.

9. *Policy risk*

The business activities of the Group are affected by the national industrial control policies. The goal of “carbon peak and carbon neutrality” has put forward new and higher requirements for the high-quality development of the energy industry. China has rolled out multiple policies to deepen supply-side structural reform of the coal industry, which may to some extent affect the Company’s industrial layout, the approval of new and expansion projects, and the reform of operation and management mode.

To cope with the risk in industrial policies, the Group 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, promote resource continuity, increase reserves and production, facilitate colliery construction, license application and the increase of authorised production capacity to improve the ability to take control independently. It will also focus on its principal business, and prudently advance the goal of carbon peak and carbon neutrality. The gradual withdrawal from traditional energy should be based on the safe and reliable replacement of new energy. The Group will reasonably match the investment scale of each segment, accelerate the development of renewable energy while firmly promoting the clean and efficient utilization of coal, and promote industrial upgrading and green and low-carbon transformation. The Group will also refine carbon emission standards of all segments, and strengthen the management of carbon assets, so as to promote the green electricity and green certificate trading in a well-coordinated way.

PROFIT DISTRIBUTION PLAN

(I) Formulation, Implementation or Adjustment of Cash Dividend Policy

In accordance with the requirements of the relevant laws and regulations and the Articles of Association, the profit distribution policy of the Company shall maintain continuity and stability and take full consideration of achieving reasonable returns for investors. The Company shall give priority to profit distribution in cash dividends. The profit distribution policy of the Company complies with the Opinions of the State Council on Further Improving the Quality of Listed Companies (《國務院關於進一步提高上市公司質量的意見》) and the Guideline on Encouragement of Cash Dividend Distribution of Listed Companies promulgated by the CSRC.

Pursuant to the Articles of Association, the profit distribution of the Company shall be made based on the profit for the year attributable to equity holders of the Company in the consolidated financial statements prepared under the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, whichever is lower. Annual profit distribution in cash shall be no less than 35% of the net profit for the year attributable to equity holders of the Company subject to the relevant conditions.

In order to implement the Securities Law of the PRC, strengthen the protection of investors' legitimate rights and interests, and respond to the demands of investors, especially minority shareholders, as approved on the 2022 first extraordinary general meeting of the Company and in line with the Article of Association, the profit distributed by the Company in cash from 2022 to 2024 shall not be less than 60% of the net profit attributable to shareholders of the Company realised in that year.

(II) Special Description for Cash Dividend Policy

Whether it complies with the provisions of the Articles of Association or the requirements of the proposals of the general meeting	Yes
Whether the criteria and percentage of dividends are clear and unambiguous	Yes
Whether the relevant decision procedures and mechanism are complete	Yes
Whether independent directors have performed their duties and responsibilities and played their full role	Yes
Whether small and medium shareholders have adequate opportunities to express the opinions and concerns, and whether their legitimate rights are fully protected	Yes

(III) Cash Dividend Scheme/Plan

1. Cash dividend scheme for 2022

Net profit attributable to equity holders of the Company for 2022 under the China Accounting Standards for Business Enterprises amounted to RMB69,626 million, with basic earnings per share of RMB3.504/share; profit attributable to equity holders of the Company for 2022 under the International Financial Reporting Standards amounted to RMB72,903 million, with basic earnings per share of RMB3.669/share. As at 31 December 2022, the profit available for distribution to shareholders of the Company under the China Accounting Standards for Business Enterprises amounted to RMB195,903 million.

The Board proposed the payment of a final dividend in cash of RMB2.55 per share (inclusive of tax) for the year 2022 based on the total share capital registered on the equity registration date of implementing equity distribution. Calculated based on the total share capital of 19,868,519,955 shares of the Company as at 31 December 2022, the final dividend totals RMB50,665 million (inclusive of tax), accounting for 69.5% of the profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards, or 72.8% of the net profit for the year attributable to equity holders of the Company under the China Accounting Standards for Business Enterprises.

Profit distribution scheme/plan for the recent three years (including the reporting period)				
	Dividend per 10 shares (inclusive of tax) <i>RMB</i>	Amount of cash dividend (inclusive of tax) <i>RMB million</i>	Net profit attributable to equity holders of the Company in the consolidated financial statements of the respective dividend year in accordance with China Accounting Standards for Business Enterprises <i>RMB million</i>	Percentage to the net profit attributable to equity holders of the Company in the consolidated financial statements %
Final dividend for the year 2022 (Proposed)	25.5	50,665	69,626	72.8
Final dividend for the year 2021	25.4	50,466	50,269	100.4
Final dividend for the year 2020	18.1	35,962	39,170	91.8

2. The above final dividend plan for the year 2022 is in compliance with the requirement of the Articles of Association and endorsed by the independent directors and approved by the Board. When recommending the plan for the year 2022, the Board has attended to and considered the opinions and concerns of the shareholders of the Company. The Company will hold the 2022 annual general meeting on Friday, 16 June 2023 to consider the relevant resolutions, including the above dividend plans as proposed by the Board.
3. The final dividend for the year 2022, which is denominated and declared in RMB, will be paid in RMB to holders of the Company's A shares, including holders of the Company's A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect, hereinafter referred to as the "Northbound Shareholders", and holders of the Company's H shares through the Southbound Trading Link (including Shanghai and Shenzhen markets, hereinafter referred to as the "Southbound Shareholders"). Dividends to holders of the Company's H shares, except the Southbound Shareholders, are paid in HKD. The dividend paid in HKD is calculated as the average benchmark rate of RMB against HKD of five business days preceding the date of declaration of such dividend, as published by the Bank of China.

In accordance with the preliminary arrangement of profit distribution plan for year 2022 and the 2022 annual general meeting of the Company, the final dividend for the year 2022 for the Company's H shareholders is estimated to be distributed on or about 16 August 2023.

4. Pursuant to the Articles of Association:

- (1) After the SSE is closed in the afternoon on Tuesday, 13 June 2023, the shareholders of A shares of the Company and its proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2022 annual general meeting of the Company;
- (2) According to the relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement on implementation of equity distribution in respect of the distribution of final dividend for the year 2022 to holders of A shares after the 2022 annual general meeting to determine the record date, ex-rights date and dividend distribution date for the distribution of final dividend for the year 2022 to holders of A shares.

5. The arrangement of temporary closure of the register of members of H shares of the Company:

No.	Corresponding Rights	Temporary closure of the register of members			
		First Day (inclusive)	Last Day (inclusive)	The last day for registering members	The Company's share registrar for H shares
1	Attending and voting at the 2022 annual general meeting	Tuesday, 13 June 2023	Friday, 16 June 2023	4:30 p.m. on Monday, 12 June 2023	Computershare Hong Kong Investor Services Limited
2	Entitled to the final dividend for the year 2022	Saturday, 24 June 2023	Friday, 30 June 2023	4:30 p.m. on Friday, 23 June 2023	Computershare Hong Kong Investor Services Limited

6. In accordance with the provision of Enterprise Income Tax Law of the PRC and its implementation regulations and the State Taxation Administration of the PRC (Guo Shui Han [2008] No. 897), the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends. The Company shall withhold and pay enterprise income tax in respect of the final dividend for the year 2022 of the Company for the non-resident enterprise shareholders whose name would appear on the register of members for H shares of the Company on 30 June 2023.

7. According to Guo Shui Han [2011] No. 348 issued by the State Taxation Administration, the Company shall distribute cash dividends to the individual shareholders whose names appear on the register of members for H shares, and has obligations to withhold and pay individual income tax for dividend payable. The individual shareholders of H shares are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements entered into between their countries of residence and China or the tax arrangements between China's mainland and Hong Kong (Macau).

If the individual shareholders of the H shares who are Hong Kong or Macau residents or residents of the countries which have an agreed tax rate of 10% with China, the Company shall withhold individual income tax at a rate of 10%. If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of less than 10% with China, the Company shall withhold individual income tax on behalf of them in accordance with relevant provisions required by the Announcement of the State Taxation Administration in relation to the Administrative Measures on Preferential Treatment Entitled by Non-resident Taxpayers under Tax Treaties (No. 35 Announcement of the State Taxation Administration in 2019). If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of over 10% but less than 20% with China, the Company shall withhold the individual income tax on behalf of them at the agreed actual rate. In case the individual shareholders of the H shares are residents of countries which have not entered into any tax agreement with China, or the agreed tax rate with China is 20% or otherwise, the Company shall withhold the individual income tax at a rate of 20%.

The Company shall use the registered address (hereinafter referred to as "registered address") as recorded in the register of members of H shares on 30 June 2023 as the criterion in determining the residence of the individual shareholders of H shares who are entitled to receive the final dividend for the year 2022 of the Company, and withhold and pay individual income tax accordingly. If the residence of the individual shareholders of H shares is inconsistent with the registered address, such shareholders shall notify the Company's share registrar for H shares at or before 4:30 p.m. on 23 June 2023 with the relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

8. With respect to the Southbound Shareholders, according to the relevant requirements of China Securities Depository and Clearing Corporation Limited, China Securities Depository and Clearing Corporation Limited Shanghai Branch and Shenzhen Branch shall receive cash dividends distributed by the Company as the nominee of the Southbound Shareholders for Shanghai market and Shenzhen market, respectively and distribute such cash dividends to the relevant Southbound Shareholders through its depository and clearing system.

According to the relevant provisions under the “Notice of MOF, SAT and CSRC on the Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme” (Cai Shui [2014] No. 81) and the “Notice of MOF, SAT and CSRC on the Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme” (Cai Shui [2016] No. 127) under the Ministry of Finance, State Administration of Taxation of China and CSRC, the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by individual investors in China’s mainland for investing in H-shares listed on the HKEx through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The dividends and bonuses earned by securities investment funds in China’s mainland investing in shares listed on the HKEx through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect shall be withheld on a individual income tax basis. The Company is not required to withhold income tax on dividends derived by enterprise investors in China’s mainland, and such enterprises shall report the income and make tax payment by themselves. The record date and the relevant arrangements of dividend distribution for Southbound Shareholders are the same as that of the Company’s shareholders of H shares

- 9.** The Company assumes no responsibility arising from any delayed or inaccurate determination of the status of the shareholders or any dispute over the mechanism of withholding. Shareholders should consult their tax advisers regarding China’s mainland, Hong Kong and other tax implications of owning and disposing of the Company’s H shares.
- 10.** Pursuant to the Articles of Association, the Company is entitled to forfeit the dividends which have been declared for more than six years but yet to be claimed, subject to compliance with relevant Chinese laws and administrative regulations. Shareholders are advised to collect the dividends distributed by the Company in a timely manner.

CORPORATE GOVERNANCE

The Company has been in compliance with the requirements of corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules to establish its own system of corporate governance. During the year ended 31 December 2022, the Company has been in full compliance with the provisions of principle and codes and most of the recommended best practices as specified therein.

Performance of Duties of the Committees under the Board during the Reporting Period

(I) Composition of the committees

As at the end of the reporting period, the Company has established five committees under the Board, and the details are as follows:

The fifth session of the Board committees

Strategy and Investment Committee	Lv Zhiren, Jia Jinzhong
Audit and Risk Management Committee	Chen Hanwen (Chairman), Yuen Kwok Keung, Bai Chong-En
Remuneration and Assessment Committee	Yuen Kwok Keung (Chairman), Chen Hanwen, Xu Mingjun
Nomination Committee	Bai Chong-En (Chairman), Chen Hanwen, Xu Mingjun
Safety, Health , Environment and ESG Working Committee	Lv Zhiren, Yang Rongming, Liu Xiaolei

(II) The duties and performance of duties of the committees

During the reporting period, each committee under the Board did not express any dissenting views in performing their duties. The performance of duties of each committee is set out as follows:

1. *Strategy and Investment Committee*

(1) Major duties of the Strategy and Investment Committee

Studying the company's long-term development strategic planning and annual comprehensive plan; studying the adjustment of the principal business, negative list of investment projects, major investment and financing, asset restructuring, transfer of property rights, capital operation, reform and restructuring and other major issues that require decisions by the Board of Directors, and submit consideration opinions to the Board of Directors; and other authorities as conferred by the Board.

(2) Work summary for the year

In 2022, the Strategy and Investment Committee held 4 meetings by way of consideration resolutions in writing, including "14th Five-Year Plan" of the Company and the policy of carbon peak. All proposals were approved.

(3) *Attendance of committee meetings by each committee member*

① Directors in office as at the end of the reporting period

Name of Director	Independent director or not	Required attendance at the committee meeting	Attendance in Person	Attendance by correspondence	Attendances by proxy	Absences	Attendance rate
Lv Zhiren	No	2	2	2	0	0	2/2
Jia Jinzhong	No	4	4	4	0	0	4/4

Note: Attendance by correspondence includes the number of written meetings. Same as below.

② Directors resigned during the reporting period

Name of Director	Independent director or not	Required attendance at the committee meeting	Attendance in Person	Attendance by correspondence	Attendance by proxy	Absence	Attendance rate
Wang Xiangxi	No	2	2	2	0	0	2/2

(4) *Convening committee meetings*

Convening Date	Meeting content	Key opinions and suggestions
25 January 2022	To consider the Proposal on the Implementation of the 2021 Comprehensive Plan of China Shenhua Energy Company Limited and the Comprehensive Plan Arrangement for 2022	Agreed
21 March 2022	To consider the Proposal on the Amendments to the Rules of Procedure for the Strategy Committee of China Shenhua Energy Company Limited and the Proposal on the Amendments to the Administrative Measures for Strategic Planning of China Shenhua Energy Company Limited (Trial)	Agreed
19 August 2022	To consider the Proposal on the Amendments to the 14th Five-Year Development Plan of China Shenhua Energy Company Limited	Agreed
21 December 2022	To consider the Proposal on Reviewing the Carbon Peaking Action Plan of China Shenhua Energy Company Limited	Agreed

2. *Audit and Risk Management Committee*

(1) Major duties of the Audit and Risk Management Committee

Supervising and assessing the work of the external auditors; proposing to employ or replace the external auditors; supervising and evaluating the internal audit work; coordinating the internal audit and the external audit; auditing the financial information of the Company and its disclosure; supervising and evaluating the internal control of the Company; and other matters authorised by laws and regulations, the Articles of Association and the Board.

(2) Work Summary for the year

In 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, the Rules on Work of the Audit and Risk Management Committee of the Board of Directors and the Rules on Work of the Annual Report of the Audit and Risk Management Committee of the Board of Directors of the Company. A total of ten meetings were held, of which two were written meetings and eight were on-site meetings. All resolutions were approved.

① Financial statements

The Audit and Risk Management Committee fulfilled its mandatory duties to review the 2021 financial report. Before conducting formal review on the results for the year 2021, the Audit and Risk Management Committee previewed the 2021 financial report (draft) by way of written resolution at a meeting and the 2021 Financial Report of China Shenhua Energy Company Limited (Draft) was approved on 16 March 2022. On 22 March 2022, the Audit and Risk Management Committee listened to the annual report of audit work by the auditors, KPMG Huazhen LLP and KPMG (collectively known as “KPMG”), reviewed the audit report on internal control, confirmed the efficiency of internal control over the annual financial report, and convened separate meetings with KPMG to further discuss on the findings of annual auditing, the independence of auditors and other matters. the Audit and Risk Management Committee considered and approved the Proposal of the 2021 Financial Report of the China Shenhua Energy Company Limited fully based on sufficient consideration of the auditors’ opinions on the annual audit from KPMG.

The Audit and Risk Management Committee conducted the necessary process to review the interim financial report of 2022. On 22 June 2022, the Audit and Risk Management Committee considered and approved the 2022 Interim Review Plan of China Shenhua Energy Company Limited by way of written resolution at a meeting, which agreed the auditors, KPMG to conduct the interim review depending on the review plan. On 23 August 2022, the Audit and Risk Management Committee listened to KPMG's work report on the 2022 interim review of China Shenhua and had communication with them on noteworthy items in the review. The Audit and Risk Management Committee considered and approved the Proposal of the Interim Financial Report of 2022 of the China Shenhua Energy Company Limited fully based on sufficient consideration of the auditors' opinions on the annual audit from KPMG.

The Audit and Risk Management Committee carefully considered the first and third quarterly financial reports of 2022 of the Company, and considered and approved relevant proposals.

In addition, the Audit and Risk Management Committee listened to KPMG's report on 2022 audit plan of the Company and made requirements on 25 October 2022.

② External auditors

During the process of reappointing auditors for 2022, the Audit and Risk Management Committee carefully considered the relevant resolutions, evaluated performance of duties of KPMG in 2021, and reviewed relevant integrity records and qualification certificates. The Audit and Risk Management Committee believes that KPMG has the professional ability, experience and qualifications to provide audit services for the Company and possesses the corresponding investor protection ability and independence, along with a well proved credit record in the past three years, which enables it to meet the Company's annual audit work requirements. The Audit and Risk Management Committee agreed that KPMG continues to serve as the auditors of the Company, and recognised the annual audit fee.

③ Internal review

On 22 March 2022, the Audit and Risk Management Committee reviewed and unanimously passed the relevant resolutions such as the 2021 internal audit work report and 2022 internal audit work points of the Company, and put forward requirements for the internal audit work in 2022. On 23 August 2022, the Audit and Risk Management Committee reviewed the Internal Audit Work Report of China Shenhua Energy Company Limited for the First Half of 2022 and agreed to revise the Company's internal audit management regulations.

④ Risk management and internal control

During the reporting period, the Audit and Risk Management Committee reviewed the basic rules for internal control and risk management, guided the construction and operation of internal control and risk management system, approved the internal evaluation plan of the Company, reviewed the annual internal evaluation report and other Material Matters related to internal control and risk management of the Company, and completed the work related to the supervision and guidance of internal control and risk management delegated by the Board to give advice on the construction of internal control and risk management system, and communicate with the management.

In order to perform its review duties on the internal control evaluation report, the Audit and Risk Management Committee, by way of written resolution at a meeting on 16 March 2022, pre-reviewed the 2021 Internal Control Evaluation Report of China Shenhua Energy Company Limited (Draft). On 22 March 2022, the Proposal on the 2021 Internal Control Evaluation Report of China Shenhua Energy Company Limited was reviewed again and passed unanimously. On 23 August 2022, the Audit and Risk Management Committee reviewed and approved the Company's improvement and implementation plan for the internal control and risk management system and the 2022 internal control evaluation plan, and put forward work requirements for improving internal control and risk management capabilities and internal control evaluation quality. On 25 October 2022, the Audit and Risk Management Committee reviewed and approved the formulation of the Company's internal control and risk management regulations and the revision of the Company's internal control evaluation methods, and emphasised the need to do a good job in system training and implementation.

In terms of financial monitoring, the Audit and Risk Management Committee, by considering proposals, reviewed and unanimously passed the Company's proposals on 2021 budget implementation and 2022 budget arrangements, 2021 profit distribution plan, 2022 capital budget and debt financing plan, accounting policy changes and other matters. In terms of operation monitoring, the Audit and Risk Management Committee reviewed and approved related proposals on daily related/continuing related transactions, revision of the "Financial Service Agreement" with Finance Company, risk assessment of Finance Company, shareholder return planning, and other matters. It also put forward requirements for the disclosure of relevant proposals. In terms of compliance monitoring, the Audit and Risk Management Committee reviewed and passed several proposals on revising important systems such as guarantee management, external donations, and debt financing management methods.

In 2022, the Audit and Risk Management Committee did not receive any reports or complaints about its inappropriateness to the Company from the Company's employees and other stakeholders (such as customers, suppliers) by any ways.

(3) Attendance of committee meetings by each committee member

Name of Director	Independent director or not	Required attendance at the committee meeting	Attendance in Person	Attendance by correspondence	Attendance by proxy	Absence	Attendance
Chen Hanwen	Yes	10	10	7	0	0	10/10
Yuan Guoqiang	Yes	10	10	10	0	0	10/10
Bai Chong'en	Yes	10	9	5	1	0	10/10

(4) Convening of committee meetings

Convening date	Meeting content	Key opinions and suggestions
25 January 2022	To consider the Proposal on the Implementation of the 2021 Budget and the Budget Arrangement for 2022 of China Shenhua Energy Company Limited	Agreed
16 March 2022	To consider the Proposal on the 2021 Financial Report of China Shenhua Energy Company Limited (draft) and the Proposal on the 2021 Internal Control Evaluation Report of China Shenhua Energy Company Limited (draft)	Agreed
22 March 2022	1. To listen to the auditors KPMG's report on annual audit work and on the implementation of the Company's continuing connected transactions agreement for 2021; 2. To consider 19 proposals on the Company's financial report for the year 2021, internal control audit report, environmental, social responsibility and corporate governance report, and reappointment of external auditors for the year 2022.	Agreed. It is recommended that the Company should: 1. fully assess and control the reasonableness of the fees for re-engagement of accounting firms. 2. attach great importance to and keep track of the risks of the Finance Company, and further strengthen the risk management and control of the Finance Company.

Convening date	Meeting content	Key opinions and suggestions
22 April 2022	<ol style="list-style-type: none"> 1. To listen to the independent financial adviser's report on the preparation of the letter revising the annual cap for certain daily related party transactions; 2. To consider proposals on the Company's financial report for the first quarter of 2022, changes in accounting policies, and amendments to the Rules on Work of the Audit Committee of the Board of China Shenhua Energy Company Limited and the Rules on Work of Annual Reports of the Audit Committee of the Board of China Shenhua Energy Company Limited. 	Agreed
22 June 2022	To consider the Interim Review Work Plan for 2022 of China Shenhua Energy Company Limited	Agreed
23 August 2022	<ol style="list-style-type: none"> 1. To listen to KPMG's report on the interim review work of the Company in 2022 and the proposals to be submitted to the Board of Directors and the general meeting for consideration; 2. To consider 8 proposals, including the Company's 2022 semi-annual financial report, the Finance Company's continuous risk assessment report and the 2022 internal control evaluation work plan. 	<p>Agreed.</p> <p>It is recommended that the Company should:</p> <ol style="list-style-type: none"> 1. improve the continuous risk assessment report on the Finance Company and provide sufficient evidence to support. 2. consider and understand the risk management items from different risk perspectives and pay attention to the actual implementation of the plan.
20 September 2022	To consider 4 proposals, including the risk assessment report of Finance Company Limited and the risk disposal plan for the related deposit and loan business between the Company and Finance Company	<p>Agreed.</p> <p>It is recommended that the Company should communicate with the stock exchange and relevant departments.</p>
25 October 2022	<ol style="list-style-type: none"> 1. To listen to the report on the proposed acquisition of 30% equity interest in Jinjie Energy and the KPMG's report on the audit work plan of the Company for the year 2022; 2. To consider 4 proposals on the financial report of the Company for the third quarter of 2022 and the formulation of the internal control risk management regulations of Company. 	<p>Agreed.</p> <p>It is recommended that the Company should:</p> <ol style="list-style-type: none"> 1. ensure the fair price of related party transactions and follow the rules on information disclosure of related party transaction of the stock exchanges at two places. 2. strengthen the training on internal control risk management.

Convening date	Meeting content	Key opinions and suggestions
30 November 2022	To consider the Proposal on Acquisition of 30% Equity Interests of Guoneng Jinjie Energy Co., Ltd. and the Proposal on Capital Increase to China Energy Finance Co., Ltd.	<p>Agreed.</p> <p>Regarding the proposal of the Company to acquire 30% equity interests of Jinjie Energy, it is recommended that the Company should:</p> <ol style="list-style-type: none"> 1. comply with relevant systems and regulations to ensure compliance throughout the process; relevant processes and documents shall be designed and managed strictly. 2. focus on the communication and information disclosure with shareholders; after the completion of the acquisition, the management control system shall be revised and supplemented in a timely manner to ensure the completeness of the internal control system and relevant systems.
30 December 2022	To consider 3 proposals on external donation	Agreed

On 21 March 2023, the Audit and Risk Management Committee listened to KPMG's report on the audit work in 2022, and discussed the scope of audit work and audit procedures, key audit matters and key concerns, auditors' independence and other matters that require management attention; reviewed the financial statements for the year 2022 and internal control audit report, and assessed the effectiveness of the internal control over financial statements; reviewed the report on internal control and the ESG report and agreed to submit such reports to the Board for consideration.

3. *Remuneration and Assessment Committee*

(1) The principal duties of the Remuneration and Assessment Committee

To make recommendations to the Board on formulation of the remuneration plan or proposal for Directors, Supervisors, Chief Executive Officer and other senior management, including but not limited to the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; to study the assessment standards for Directors, Supervisors, Chief Executive Officer and other senior management, and examine the performance of duties by Directors, Supervisors, Chief Executive Officer and other senior management of the Company and carry out annual performance assessment on them; to supervise the implementation of the remuneration system of the Company, review and approve the remuneration determined by performance in accordance with the Company's objectives determined by the Board; to exercise the following duties as authorised by the Board: to determine the specific remuneration of all the Executive Directors, Supervisors, Chief Executive Officer and other senior management, including non-monetary benefits, pension rights and compensation (including the compensation for the loss or termination of their duties or appointment); to review and approve the payment of compensation to Executive Directors, Supervisors, Chief Executive Officer and other senior management in relation to the loss or termination of their duties or appointment, so as to ensure that such compensation is determined in accordance with the related terms of the contract; or otherwise, such compensation shall be fair and reasonable and does not impose an undue burden on the Company; to review and approve the compensation arrangements involved in the dismissal or removal of Directors due to their improper conduct, so as to ensure that such arrangements are determined in accordance with the related terms of the contract; or otherwise, such arrangements shall be reasonable and appropriate; to make recommendations to the Board on the remuneration of the Non-Executive Directors (factors to be considered include remuneration packages offered by comparable companies, time commitment and responsibilities of each Director, employment conditions for other positions of the Group and whether the remuneration should be based on performance, etc.); to ensure that none of the Directors or any of their associates determines their own remunerations; and to execute other matters as authorised by the Board.

(2) *Work summary for the year*

In 2022, the Remuneration and Assessment Committee held 3 meetings. All proposals at the meeting were approved and all members attended the meeting.

The remuneration and assessment committee shall assess, for Director's annual remuneration of 2022, the performance of Executive Directors who hold management position in the Company based on the remuneration policy for management and makes recommendation on remuneration. It's proposed that the Company shall not pay compensation to Non-executive Directors and the proposed remuneration for Independent Non-executive Directors is RMB300,000 per year. The remuneration and assessment committee will make recommendations to the Board on the Director's remuneration scheme developed by it. The Company entered into a service contract with Lv Zhiren during the reporting period.

The remuneration and assessment committee adopted the mode (ii) as set out under the rule E.1.2(c) of the Corporate Governance Code, which is to make recommendations to the Board on the remuneration packages of individual Executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

(3) *Attendance of committee members*

Name of Directors	Independent director	The number of required attendance	The number of attendance in person	The Number of participations by correspondence	The Number of attendance by proxy	The Number of absences	Attendance rate
Yuen Kwok Keung	Yes	3	3	3	0	0	3/3
Chen Hanwen	Yes	3	3	1	0	0	3/3
Xu Mingjun	No	3	3	1	0	0	3/3

(4) *Convening of the committee meeting*

Convening date	Meeting content	Key opinions and suggestions
25 January 2022	To consider the Proposal on the Recommended Index of the 2022 Annual Business Performance Appraisal of the Management of China Shenhua Energy Company Limited	Agreed
22 March 2022	To consider 5 proposals including the 2021 remuneration of the Company's Directors, Supervisors and senior management, amendments to the Rules of Procedures for the Remuneration and Assessment Committee of the Board of Directors of China Shenhua Energy Company Limited, and formulate the Management Measures for the Business Performance Appraisal of the Management of China Shenhua Energy Company Limited (Trial)	Agreed
23 August 2022	To consider the Proposal on Amending the Employment Agreement, Annual Business Performance Responsibility Letter and Tenure Business Performance Responsibility Letter of the Management Members	Agreed

4. *Nomination Committee*

(1) The principal duties of the Nomination Committee

To formulate the Board diversity policy, regularly review the structure, size and diversity of the Board, and to make recommendations to the Board with regard to any proposed changes; to assess and verify the independence of independent Non-Executive Directors; to develop standards, procedures and systems for selection of Directors, Chief Executive Officer and other senior management, and make recommendations to the Board, taking into account the Company's corporate strategy and the combination of skills, knowledge, experience and diversity needed in the future; to extensively seek for qualified candidates of Directors, Chief Executive Officer and other senior management; to examine the candidates of Directors, Chief Executive Officer and other senior management and make recommendations; to nominate candidates for members of the Board Committees (other than members of the Nomination Committee and the Chairman of any Board Committee); to draft development plans for Chief Executive Officer, other senior management and key reserve talents taking into account the Company's corporate strategy and the combination of skills, knowledge, experience and diversity needed in the future; to review the board diversity policy where appropriate, and review the quantitative objectives set up by the Board to implement the Board diversity policy and their progress of achievement, as well as to disclose the results of review in the Corporate Governance Report annually; to make recommendations to the Board on the appointment or re-appointment of Directors, general managers and other senior management and succession planning; and to carry out any other matters as authorised by the Board.

(2) Work summary for the year

In 2022, the Nomination Committee held 2 meetings by way of written resolution. All proposals at the meetings were approved. The Nomination Committee extensively seeks for qualified candidates for Directors, and has taken full account of his skills, experience and diversity requirements in the nomination of Director.

The Nomination Committee shall disclose the Board diversity in the corporate governance report of the Company annually and monitor the implementation of the Board diversity policy. The Nomination Committee is of the view that (1) the Board diversity policy of the Company complies with the relevant requirements of the place of listing which can meet the development needs of the Company; (2) the structure of the Board of the Company is reasonable and the implementation of the diversity policy is effective.

(3) *Attendance of committee members*

Name of Directors	Independent director	The number of required attendance	The number of attendance in person	The Number of participations by correspondence	The Number of attendance by proxy	The Number of absences	Attendance rate
Bai Chong-En	Yes	2	2	2	0	0	2/2
Chen Hanwen	Yes	2	2	2	0	0	2/2
Xu Mingjun	No	2	2	2	0	0	2/2

(4) *Convening of the committee meeting*

Convening Date	Meeting content	Key opinions and suggestions
21 March 2022	To consider the Proposal on the Amendments to the Rules of Procedures of the Nomination Committee of the Board of Directors of China Shenhua Energy Company Limited, Proposal on the Formulation of the Management Measures for the Selection and Appointment of the Management of China Shenhua Energy Company Limited (Trial)	Agreed
23 August 2022	To consider the Proposal on the Appointment of Song Jinggang as the Chief Accountant of China Shenhua Energy Company Limited	Agreed

5. *Safety, Health, Environment and ESG Working Committee*

(1) *The principal duties of the Safety, Health, Environment and ESG Working Committee*

To supervise the implementation of safety, health, environmental protection and ESG working plans of the Company; to make recommendations to the Board or the Chief Executive Officer on material issues in respect of safety, health, environmental protection and ESG working of the Company, including but not limited to employee development, climate change, biodiversity and water resources management; to inquire into the material incidents and responsibilities regarding the Company's production, operations, property assets, staff or other facilities, as well as to review and supervise the resolution of such incidents; to review the Company's annual ESG report; to review the Statement of Governance of the Board disclosed in the Company's annual ESG report; to supervise and review the identification, evaluation and management process of the matters related to the Company's ESG governance activities and the progress of related objectives including but not limited to employee development, climate change, biodiversity and water resources management; and other issues as authorised by the Board.

(2) *Work summary for the year*

In 2022, the Safety, Health, Environment and ESG Working Committee held 3 meetings by way of consideration in writing, which further improved ESG governance mechanism of the Company. All proposals at the meetings were approved.

(3) *Attendance of committee members*

① Directors in office at the end of the reporting period

Name of Directors	Independent director	The number of required attendance	The number of attendance in person	The Number of participations by correspondence	The Number of attendance by proxy	The Number of absences	Attendance rate
Lv Zhiren	No	1	1	1	0	0	1/1
Yang Rongming	No	3	3	3	0	0	3/3
Liu Xiaolei	No	1	1	1	0	0	1/1

② Directors resigned during the reporting period

Name of Directors	Independent director	The number of required attendance	The number of attendance in person	The Number of participations by correspondence	The Number of attendance by proxy	The Number of absences	Attendance rate
Wang Xingzhong	No	2	2	2	0	0	2/2

(4) Convening of the committee meeting

Convening date	Meeting content	Key opinions and suggestions
17 March 2022	To consider 3 proposals including the amendments to the Rules of Procedures of the Safety, Health and Environment Protection Working Committee of the Board of Directors of China Shenhua Energy Company Limited, the performance in 2021 and the key points of work in 2022 of the Company in the environmental, social responsibility and corporate governance, and the 2021 Environmental, Social Responsibility and Corporate Governance Report of China Shenhua Energy Company Limited	Agreed
8 August 2022	To consider the Proposal on Formulating the Management Measures on Environmental, Social and Corporate Governance (ESG) for Suppliers of China Shenhua Energy Company Limited (Trial)	Agreed
23 December 2022	To consider the Proposal on the Assessment Results of the Importance of Environmental, Social Responsibility and Corporate Governance of China Shenhua Energy Company Limited in 2022	Agreed

OTHERS

For the year ended 31 December 2022, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

THE SCOPE OF WORK OF KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated financial statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

ANNUAL REPORT

The 2022 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2022 annual report, which contains consolidated financial statements for the year ended 31 December 2022, with an unqualified auditors' report, will be despatched to shareholders as well as made available on the Company's website at <http://www.csec.com>.

DEFINITIONS

China Shenhua/the Company	China Shenhua Energy Company Limited
the Group	the Company and its subsidiaries
China Energy	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司)
China Energy Group	China Energy and its subsidiaries (excluding the Group)
Shendong Coal	China Energy Shendong Coal Group Co., Ltd.
Shendong Power	Shenhua Shendong Power Co., Ltd.
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.
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.
Shipping Corporation	Guoneng Yuanhai Shipping Co., Ltd.
Baoshen Railway	China Energy Baoshen Railway Group Co., Ltd.
Yulin Energy	China Energy Yunlin Energy Co., Ltd.
Baotou Coal Chemical	China Energy Baotou Coal Chemical Co., Ltd.
Sichuan Energy	China Energy Sichuan Energy Co., Ltd.
Fujian Energy	Shenhua (Fujian) Energy Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy
Shenmu Power	China Energy Shaanxi Shenmu Power Co., Ltd.
Taishan Power	China Energy Yudean Taishan Power Co., Ltd.
Cangdong Power	China Energy Hebei Cangdong Power Co., Ltd.

Jinjie Energy	China Energy Jinjie Energy Co., Ltd.
Dingzhou Power	China Energy Hebei Dingzhou Power Generation Co., Ltd.
Mengjin Power	China Energy Mengjin Thermal Power Co., Ltd.
Jiujiang Power	China Energy Shenhua Jiujiang Power Co., Ltd.
Huizhou Thermal	China Energy (Huizhou) Thermal Power Co., Ltd.
Beijing Gas-fired Power	China Energy Guohua (Beijing) Gas-fired Power Co., Ltd.
Shouguang Power	China Energy Shouguang Power Generation Company Limited
Liuzhou Power	China Energy Guangtou (Liuzhou) Power Generation Co., Ltd.
Pembangkitan Jawa	PT. Shenhua Guohua Pembangkitan Jawa Bali
Yongzhou Power	China Energy Group Yongzhou Power Co., Ltd.
Shengli Energy	Shengli Energy Branch of the Company
Beihai Power	China Energy Guangtou (Beihai) Power Generation Co., Ltd.
Finance Company	China Energy Finance Co., Ltd.
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
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 year + net financial costs + income tax + depreciation and amortization – share of profits and losses of associates
Gearing ratio	Total liabilities/total assets
Shanghai-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between SSE and HKEx

Shenzhen-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between Shenzhen Stock Exchange and HKEx
RMB	Renminbi unless otherwise specified
reporting period	January to December 2022

By order of the board
China Shenhua Energy Company Limited
Lv Zhiren
Executive Director and Chief Executive Officer

Beijing, 24 March 2023

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.