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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 2021**

FINANCIAL HIGHLIGHTS

- Revenue of the Group in 2021 were 335,216 million, representing an increase of RMB101,953 million or 43.7% over 2020.
- Profit for the year attributable to equity holders of the Company in 2021 was RMB51,607 million, representing an increase of RMB15,758 million or 44.0% over 2020.
- Basic earnings per share was RMB2.597.
- The Board recommend the payment of: a final dividend in cash of RMB2.54 per share (tax inclusive) or RMB50,466 million (tax inclusive) for the year of 2021.

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 2021 and reported our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2021 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 2021

(Expressed in Renminbi (“RMB”))

	Notes	Year ended 31 December	
		2021	2020
		RMB million	RMB million
Revenue			
Goods and services	4	335,216	233,263
Cost of sales	6	(239,156)	(162,374)
Gross profit		96,060	70,889
Selling expenses		(581)	(555)
General and administrative expenses		(9,119)	(8,948)
Research and development costs		(2,499)	(1,362)
Other gains and losses	9	(955)	(194)
Other income		893	778
Loss allowances, net of reversal	9	(2,561)	(524)
Other expenses		(1,103)	(1,090)
Interest income	7	2,492	1,684
Finance costs	7	(2,583)	(2,263)
Share of results of associates		(874)	947
Profit before income tax		79,170	59,362
Income tax expense	8	(18,161)	(15,378)
Profit for the year	9	61,009	43,984

	Notes	Year ended 31 December	
		2021 RMB million	2020 RMB million
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		292	56
<i>Items that may be reclassified subsequently to profit or loss, net of income tax:</i>			
Exchange differences		(172)	(344)
Share of other comprehensive income of associates		66	(41)
Fair value changes on investments in debt instruments at fair value through other comprehensive income		–	(4)
Other comprehensive income for the year, net of income tax		186	(333)
Total comprehensive income for the year		61,195	43,651
Profit for the year attributable to:			
Equity holders of the Company		51,607	35,849
Non-controlling interests		9,402	8,135
		61,009	43,984
Total comprehensive income for the year attributable to:			
Equity holders of the Company		51,830	35,607
Non-controlling interests		9,365	8,044
		61,195	43,651
Earnings per share			
– Basic/diluted (RMB)	11	2.597	1.803

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	<i>Notes</i>	31 December 2021 RMB million	31 December 2020 RMB million
Non-current assets			
Property, plant and equipment		263,656	238,198
Construction in progress		26,201	39,845
Exploration and evaluation assets		4,000	–
Intangible assets		4,651	3,888
Right-of-use assets		22,240	18,597
Interests in associates		47,708	49,556
Financial assets at fair value through other comprehensive income		2,174	1,845
Other non-current assets		28,089	35,890
Deferred tax assets		3,568	2,856
Total non-current assets		402,287	390,675
Current assets			
Inventories		12,633	12,750
Accounts and bills receivables	12	13,607	11,759
Financial assets at fair value through other comprehensive income		376	–
Prepaid expenses and other current assets		18,514	17,480
Restricted bank deposits		4,479	3,391
Time deposits with original maturity over three months		1,701	11,186
Cash and cash equivalents		156,706	112,880
Assets classified as held for sale		294	2,783
Total current assets		208,310	172,229

	<i>Notes</i>	31 December 2021 RMB million	31 December 2020 RMB million
Current liabilities			
Borrowings		9,917	8,847
Accounts and bills payables	13	35,216	28,980
Accrued expenses and other payables		29,109	18,949
Current portion of lease liabilities		187	242
Current portion of long-term liabilities		1,427	689
Income tax payable		9,028	6,313
Contract liabilities		6,864	5,256
Liabilities associated with assets classified as held for sale		–	217
Total current liabilities		91,748	69,493
Net current assets		116,562	102,736
Total assets less current liabilities		518,849	493,411
Non-current liabilities			
Borrowings		49,193	50,251
Bonds		3,172	3,241
Long-term liabilities		8,025	2,661
Accrued reclamation obligations		6,754	6,169
Deferred tax liabilities		974	896
Lease liabilities		1,510	606
Total non-current liabilities		69,628	63,824
Net assets		449,221	429,587
Equity			
Share capital		19,869	19,890
Reserves		360,169	344,313
Equity attributable to equity holders of the Company		380,038	364,203
Non-controlling interests		69,183	65,384
Total equity		449,221	429,587

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	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	-	-	-	-	-	-	-	51,607	51,607	9,402	61,009
Other comprehensive income for the year	-	-	-	-	(133)	-	356	-	223	(37)	186
Total comprehensive income for the year	-	-	-	-	(133)	-	356	51,607	51,830	9,365	61,195
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	19,869	-	84,766	3,657	(334)	22,425	(14,316)	263,971	380,038	69,183	449,221

Equity attributable to equity holders of the Company

	Share capital <i>RMB million</i>	Treasury shares <i>RMB million</i>	Share premium <i>RMB million</i>	Capital reserve <i>RMB million</i>	Exchange reserve <i>RMB million</i>	Statutory reserves <i>RMB million</i>	Other reserves <i>RMB million</i>	Retained earnings <i>RMB million</i>	Total <i>RMB million</i>	Non-controlling interests <i>RMB million</i>	Total equity <i>RMB million</i>
At 1 January 2020	19,890	-	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218
Profit for the year	-	-	-	-	-	-	-	35,849	35,849	8,135	43,984
Other comprehensive income for the year	-	-	-	-	(257)	-	15	-	(242)	(91)	(333)
Total comprehensive income for the year	-	-	-	-	(257)	-	15	35,849	35,607	8,044	43,651
Dividend declared (Note 10)	-	-	-	-	-	-	-	(25,061)	(25,061)	-	(25,061)
Appropriation of maintenance and production funds	-	-	-	-	-	2,995	-	(2,995)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(6,181)	-	6,181	-	-	-
Purchase of own shares	-	(256)	-	-	-	-	-	-	(256)	-	(256)
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	-	606	606
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(7,950)	(7,950)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	627	627
Others	-	-	-	39	-	(1,696)	-	(507)	(2,164)	(84)	(2,248)
At 31 December 2020	19,890	(256)	85,001	3,657	(201)	20,236	(14,809)	250,685	364,203	65,384	429,587

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Year ended 31 December	
	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Operating activities		
Profit before income tax	79,170	59,362
Adjustments for:		
Depreciation of property, plant and equipment (<i>Note 9</i>)	19,245	17,954
Depreciation of right-of-use assets (<i>Note 9</i>)	725	689
Amortisation of intangible assets (<i>Note 9</i>)	413	400
Amortisation of long-term deferred expenses (<i>Note 9</i>)	1,162	942
(Gains)/losses on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets (<i>Note 9</i>)	(346)	160
Losses on disposal of subsidiaries and associates (<i>Note 9</i>)	9	7
Gains on changes in fair value arising from remeasurement of remaining equity interests after losing control (<i>Notes 9</i>)	–	(1,181)
Gains on disposal of financial assets at FVTPL (<i>Note 9</i>)	–	(449)
Losses on changes in fair value of derivative financial instruments (<i>Note 9</i>)	–	134
Impairment losses on property, plant and equipment (<i>Note 9</i>)	535	605
Impairment losses on construction in progress (<i>Note 9</i>)	376	268
Impairment losses on exploration and evaluation assets (<i>Note 9</i>)	–	505
Impairment losses on intangible assets (<i>Note 9</i>)	11	–
Impairment losses on right-of-use assets (<i>Note 9</i>)	–	3
Impairment losses on assets held for sale (<i>Note 9</i>)	–	87
Impairment losses on goodwill (<i>Note 9</i>)	36	18
Impairment losses on interests in associates (<i>Note 9</i>)	60	–
Reversal of allowance for prepaid expenses (<i>Note 9</i>)	–	(57)
Write-down of inventories (<i>Note 9</i>)	274	94

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*for the year ended 31 December 2021*

	Year ended 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Operating activities (continued)		
Interest income (<i>Note 7</i>)	(2,492)	(1,684)
Share of results of associates	874	(947)
Loss allowances, net of reversal (<i>Note 9</i>)	2,561	524
Interest expenses	2,698	2,334
Exchange gain, net (<i>Note 7</i>)	(115)	(71)
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Operating cash flows before movements in working capital	105,196	79,697
Changes in working capital:		
Increase in inventories	(157)	(909)
Increase in accounts and bills receivables	(2,779)	(2,689)
Increase in prepaid expenses and other assets	(5,027)	(2,609)
Increase in accounts and bills payables	2,326	3,693
Increase in accrued expenses and other liabilities	9,488	15,438
Increase in contract liabilities	1,608	472
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Cash generated from operations	110,655	93,093
Income tax paid	(16,080)	(11,804)
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Net cash generated from operating activities	94,575	81,289
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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*for the year ended 31 December 2021*

	Year ended 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Investing activities		
Additions of property, plant and equipment, intangible assets, exploration and evaluation assets, construction in progress and other non-current assets	(23,236)	(20,030)
Increase in right-of-use assets	(627)	(644)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	900	490
Proceeds from disposal of wealth management products and derivative financial instruments included in prepaid expenses and other current assets	–	33,736
Investments in associates	(736)	(123)
Purchase of non-controlling interests	–	(786)
Net cash received from disposal of subsidiaries	1,389	1,350
Net cash received from disposed of assets classified as held for sale	2,566	–
Net cash received from acquisition of subsidiaries	614	–
Dividend received from associates	1,613	937
Interest received	2,135	1,427
Increase in restricted bank deposits	(1,088)	(3,023)
Placing of time deposits with original maturity over three months	(1,046)	(11,212)
Maturity of time deposits with original maturity over three months	10,531	2,016
Investments in long-term loans included in other non-current assets	–	(1,191)
Disposal of interbank certificate of deposits included in prepaid expenses and other current assets	–	28,621
Collection of other current assets	141	480
Net cash (used in)/generated from investing activities	(6,844)	32,048

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*for the year ended 31 December 2021*

	Year ended 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Financing activities		
Capital element of lease rentals paid	(197)	(250)
Interest element of lease rentals paid	(29)	(37)
Interest paid	(3,214)	(2,530)
Proceeds from borrowings	22,114	9,940
Repayments of borrowings	(21,741)	(13,840)
Repayments of bonds	–	(3,488)
Proceeds from bills discounted	995	996
Purchase of own shares	–	(256)
Contributions from non-controlling shareholders	1,129	606
Distributions to non-controlling shareholders	(6,826)	(8,159)
Dividend paid to equity holders of the Company	(35,962)	(25,061)
Net cash used in financing activities	(43,731)	(42,079)
Net increase in cash and cash equivalents	44,000	71,258
Cash and cash equivalents, at the beginning of the year	112,880	41,827
Effect of foreign exchange rate changes	(174)	(131)
Cash and cash equivalents included in assets classified as held for sale	–	(74)
Cash and cash equivalents, at the end of the year	156,706	112,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

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.

1. PRINCIPAL ACTIVITIES AND ORGANISATION (CONTINUED)

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 Shanghai Stock Exchange.

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 IFRS 16, *Covid-19-Related Rent Concessions beyond 31 December 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform-phase 2*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 31 December 2021 to 31 December 2022.

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<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>
Types of goods or service																
Sales of goods																
Coal	249,509	163,751	-	-	-	-	-	-	-	-	-	-	-	-	249,509	163,751
Power	-	-	56,599	44,321	-	-	-	-	-	-	-	-	-	-	56,599	44,321
Coal chemical products	-	-	-	-	-	-	-	-	-	-	5,277	4,549	-	-	5,277	4,549
Others	6,672	5,446	7,360	5,027	-	-	-	-	-	-	574	616	-	-	14,606	11,089
Total	256,241	169,197	63,959	49,348	-	-	-	-	-	-	5,851	5,165	-	-	326,051	223,710
Transportation and other services																
Railway	-	-	-	-	5,730	4,743	-	-	-	-	-	-	-	-	5,730	4,743
Port	-	-	-	-	-	-	771	525	-	-	-	-	-	-	771	525
Shipping	-	-	-	-	-	-	-	-	1,321	1,747	-	-	-	-	1,321	1,747
Others	-	-	-	-	1,108	1,061	211	449	-	-	-	-	24	1,028	1,343	2,538
Total	-	-	-	-	6,838	5,804	982	974	1,321	1,747	-	-	24	1,028	9,165	9,553
Total	256,241	169,197	63,959	49,348	6,838	5,804	982	974	1,321	1,747	5,851	5,165	24	1,028	335,216	233,263

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<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>
Geographical markets																
Domestic markets	252,481	168,198	56,991	44,623	6,838	5,804	982	974	1,321	1,747	5,851	5,165	24	1,028	324,488	227,539
Overseas markets	3,760	999	6,968	4,725	-	-	-	-	-	-	-	-	-	-	10,728	5,724
Total	256,241	169,197	63,959	49,348	6,838	5,804	982	974	1,321	1,747	5,851	5,165	24	1,028	335,216	233,263
Timing of revenue recognition																
A point in time	256,241	169,197	63,959	49,348	-	-	-	-	-	-	5,851	5,165	-	-	326,051	223,710
Over time	-	-	-	-	6,838	5,804	982	974	1,321	1,747	-	-	24	1,028	9,165	9,553
Total	256,241	169,197	63,959	49,348	6,838	5,804	982	974	1,321	1,747	5,851	5,165	24	1,028	335,216	233,263

The Group's revenue from contracts with customers is RMB335,106 million for the year ended 31 December 2021 (2020: RMB232,155 million).

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<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>
Revenue disclosed in segment information																
External customers	256,241	169,197	63,959	49,348	6,838	5,804	982	974	1,321	1,747	5,851	5,165	24	1,028	335,216	233,263
Inter-segment	36,420	20,832	165	138	33,861	32,919	5,458	5,385	4,874	1,365	-	-	297	825	81,075	61,464
	<u>292,661</u>	<u>190,029</u>	<u>64,124</u>	<u>49,486</u>	<u>40,699</u>	<u>38,723</u>	<u>6,440</u>	<u>6,359</u>	<u>6,195</u>	<u>3,112</u>	<u>5,851</u>	<u>5,165</u>	<u>321</u>	<u>1,853</u>	<u>416,291</u>	<u>294,727</u>
Adjustment and eliminations	(36,420)	(20,832)	(165)	(138)	(33,861)	(32,919)	(5,458)	(5,385)	(4,874)	(1,365)	-	-	(297)	(825)	(81,075)	(61,464)
Revenue	<u>256,241</u>	<u>169,197</u>	<u>63,959</u>	<u>49,348</u>	<u>6,838</u>	<u>5,804</u>	<u>982</u>	<u>974</u>	<u>1,321</u>	<u>1,747</u>	<u>5,851</u>	<u>5,165</u>	<u>24</u>	<u>1,028</u>	<u>335,216</u>	<u>233,263</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 2021 and 2020 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<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	256,241	169,197	63,959	49,348	6,838	5,804	982	974	1,321	1,747	5,851	5,165	335,192	232,235
Inter-segment revenue	36,420	20,832	165	138	33,861	32,919	5,458	5,385	4,874	1,365	-	-	80,778	60,639
Reportable segment revenue	<u>292,661</u>	<u>190,029</u>	<u>64,124</u>	<u>49,486</u>	<u>40,699</u>	<u>38,723</u>	<u>6,440</u>	<u>6,359</u>	<u>6,195</u>	<u>3,112</u>	<u>5,851</u>	<u>5,165</u>	<u>415,970</u>	<u>292,874</u>
Reportable segment profit	<u>58,949</u>	<u>28,992</u>	<u>2,025</u>	<u>6,907</u>	<u>15,723</u>	<u>15,790</u>	<u>2,623</u>	<u>2,487</u>	<u>1,003</u>	<u>226</u>	<u>706</u>	<u>180</u>	<u>81,029</u>	<u>54,582</u>
Including:														
Interest expenses	849	761	1,514	1,341	1,107	869	136	270	-	2	50	90	3,656	3,333
Depreciation and amortisation	8,769	7,413	5,495	5,265	5,094	4,987	1,024	997	313	297	726	844	21,421	19,803
Share of results of associates	345	154	(3)	168	(4)	-	6	4	-	-	-	-	344	326
Loss allowances and impairment of assets	<u>1,140</u>	<u>1,297</u>	<u>69</u>	<u>538</u>	<u>(3)</u>	<u>-</u>	<u>3</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>(2)</u>	<u>1,270</u>	<u>1,840</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 2021 and 2020 are set out below:

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Revenue	415,970	292,874	321	1,853	(81,075)	(61,464)	335,216	233,263
Profit/(loss) before income tax	81,029	54,582	(2,814)	3,927	955	853	79,170	59,362
Interest expenses	3,656	3,333	900	861	(1,963)	(1,933)	2,593	2,261
Depreciation and amortisation	21,421	19,803	124	182	-	-	21,545	19,985
Share of results of associates	344	326	(1,133)	621	(85)	-	(874)	947
Loss allowances and impairment of assets	1,270	1,840	2,583	207	-	-	3,853	2,047

(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.

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

(c) Geographical information (Continued)

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		31 December	
	2021	2020	2021	2020
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Domestic markets	324,488	227,539	377,145	378,504
Overseas markets	10,728	5,724	6,147	7,070
	<u>335,216</u>	<u>233,263</u>	<u>383,292</u>	<u>385,574</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 2021, revenue from the Group's top five major customers of coal and power segments amounted to RMB118,598 million (2020: RMB67,846 million).

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2021 and 2020 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB million		RMB million		RMB million		RMB million		RMB million		RMB million		RMB million		RMB million		RMB million	
Coal purchased	102,865	48,742	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,865	48,742
Cost of coal production	60,899	50,032	-	-	-	-	-	-	-	-	-	-	-	-	(4,904)	(3,019)	55,995	47,013
Cost of coal transportation	58,027	51,557	-	17,460	16,291	3,060	2,947	3,060	1,345	1,238	-	-	-	-	(44,193)	(39,669)	35,586	32,477
Power cost	-	-	55,186	35,877	-	-	-	-	-	-	-	-	-	-	(30,467)	(16,667)	24,719	19,210
Cost of coal chemical production	-	-	-	-	-	-	-	-	-	-	4,186	4,066	-	-	(1,603)	(1,449)	2,583	2,617
Others	3,335	3,042	4,833	2,852	4,560	4,013	395	254	3,673	1,517	568	609	44	28	-	-	17,408	12,315
Total cost of sales	<u>225,126</u>	<u>153,373</u>	<u>60,019</u>	<u>38,729</u>	<u>22,020</u>	<u>20,304</u>	<u>3,342</u>	<u>3,314</u>	<u>5,018</u>	<u>2,755</u>	<u>4,754</u>	<u>4,675</u>	<u>44</u>	<u>28</u>	<u>(81,167)</u>	<u>(60,804)</u>	<u>239,156</u>	<u>162,374</u>
Profit from operations (Note (i))	59,125	29,832	3,010	7,976	16,310	16,636	2,720	2,678	980	209	722	259	(2,951)	1,047	92	(660)	80,008	57,977
Capital expenditures (Note (ii))	20,575	8,151	16,876	7,766	3,979	3,441	1,002	388	55	11	851	564	39	1,202	-	-	43,377	21,523
Total assets (Note (iii))	268,067	222,984	166,654	150,299	139,551	124,113	19,821	21,619	8,065	6,410	8,864	8,938	446,069	424,257	(446,494)	(395,716)	610,597	562,904
Total liabilities (Note (iii))	<u>(120,171)</u>	<u>(106,897)</u>	<u>(134,566)</u>	<u>(110,040)</u>	<u>(56,285)</u>	<u>(50,470)</u>	<u>(6,519)</u>	<u>(6,629)</u>	<u>(514)</u>	<u>(257)</u>	<u>(2,425)</u>	<u>(2,950)</u>	<u>(176,717)</u>	<u>(154,901)</u>	<u>335,821</u>	<u>298,827</u>	<u>(161,376)</u>	<u>(133,317)</u>

Notes:

- (i) 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.
- (ii) Capital expenditures consist of addition in property, plant and equipment, construction in process, exploration and evaluation assets, intangible assets, long-term deferred expense, land use rights and prepayment for mining projects.
- (iii) 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	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Coal purchased	102,865	48,742
Materials, fuel and power	23,696	19,501
Personnel expenses	21,285	16,066
Depreciation and amortisation	18,093	16,647
Repairs and maintenance	10,722	9,124
Transportation charges	18,764	15,076
Taxes and surcharges	16,502	10,926
Other operating costs	27,229	26,292
	239,156	162,374

7. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Interest income from:		
– bank deposits	2,474	1,075
– other loans and receivables	18	609
	<u>2,492</u>	<u>1,684</u>
Total interest income	<u>2,492</u>	<u>1,684</u>
Interest on:		
– borrowings	2,896	2,369
– lease liabilities	29	37
– bonds	130	146
	<u>3,055</u>	<u>2,552</u>
Total finance costs on financial liabilities not at FVTPL	3,055	2,552
Less: amount capitalised	<u>(850)</u>	<u>(602)</u>
	2,205	1,950
Others	105	73
Unwinding of discount	388	311
Exchange gain, net	<u>(115)</u>	<u>(71)</u>
Total finance costs	<u>2,583</u>	<u>2,263</u>
Net finance costs	<u>91</u>	<u>579</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 4.90% (2020: from 1.80% to 6.15%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	<u>Year ended 31 December</u>	
	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Current tax, mainly PRC enterprise income tax	20,260	15,966
Over provision in respect of prior years	(1,465)	(790)
Deferred tax	(634)	202
	<u>18,161</u>	<u>15,378</u>

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:

	<u>Year ended 31 December</u>	
	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Profit before income tax	79,170	59,362
Tax at the PRC income tax rate of 25% (2020: 25%)	19,793	14,841
Tax effects of:		
– different tax rates of branches and subsidiaries	(2,066)	(607)
– non-deductible expenses	890	231
– non-taxable income	–	(296)
– share of results of associates	194	(240)
– utilisation of tax losses and deductible temporary difference previously not recognised	(483)	(224)
– tax losses and deductible temporary difference not recognised	1,298	2,463
– over provision	(1,465)	(790)
Income tax expense	<u>18,161</u>	<u>15,378</u>

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% (2020: 25%) except for subsidiaries and branches operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020.

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

As at 31 December 2021, some of the coal subsidiaries and branches of the Company engaged in coal mining have obtained the approval from the relevant government and tax authorities and are entitled to enjoy the preferential tax rate of 15%. Meanwhile, some other coal subsidiaries of the Group are still in the process of obtaining the approval.

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

	Year ended 31 December	
	2021	2020
	%	%
Australia	30.0	30.0
Indonesia	22.0	25.0
United States	21.0	21.0
Hong Kong, China	<u>8.25/16.5*</u>	<u>8.25/16.5*</u>

During the years ended 31 December 2021 and 2020, there was no significant assessable profit and provision for income tax for the overseas subsidiaries.

* The two-tiered profits tax rates regime is applicable from the year of assessment 2018/19 onwards. The profits tax rate for the first 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)

	<u>Year ended 31 December</u>	
	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Personnel expenses, including	35,499	29,405
– Contributions to defined contribution plans	3,662	2,504
Depreciation of property, plant and equipment	19,264	17,965
Depreciation of right-of-use assets	807	713
Amortisation of intangible assets	413	400
Amortisation of long-term deferred expenses	1,162	946
Depreciation and amortisation charged for the year	21,646	20,024
Less: amount capitalised	101	39
Depreciation and amortisation (<i>Note</i>)	21,545	19,985
Loss allowances		
– Loans receivables and interbank certificate of deposits	–	(2)
– Trade receivables	21	275
– Other receivables and other loans	2,540	251
	2,561	524

9. PROFIT FOR THE YEAR (CONTINUED)

	<u>Year ended 31 December</u>	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Other gains and losses, represent		
– (gains)/losses on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets	(346)	160
– losses on disposal of subsidiaries and associates	9	7
– gains on changes in fair value arising from remeasurement of remaining equity interests after losing control	–	(1,181)
– gains on disposal of financial assets at FVTPL	–	(449)
– losses on changes in fair value of derivative financial instruments	–	134
– impairment losses on property, plant and equipment	535	605
– impairment losses on construction in progress	376	268
– impairment losses on exploration and evaluation assets	–	505
– impairment losses on intangible assets	11	–
– impairment losses on interests in associates	60	–
– impairment losses on right-of-use assets	–	3
– impairment losses on assets held for sale	–	87
– impairment losses on goodwill	36	18
– reversal of allowance for prepaid expenses	–	(57)
– write down of inventories	274	94
	<u>955</u>	<u>194</u>
Carrying amount of inventories sold	186,436	118,657
Operating lease charges relating to short-term leases, leases of low-value assets and variable lease payments	185	218
Auditors' remuneration		
– audit service	<u>33</u>	<u>32</u>

Note:

Cost of sales include an amount of depreciation and amortisation of RMB18,093 million for the year ended 31 December 2021 (2020: RMB16,647 million).

10. DIVIDENDS

	Year ended 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Dividend approved and paid during the year: 2020 final – RMB1.81 (2020: 2019 final – RMB1.26) per ordinary share	35,962	25,061

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of RMB50,466 million, at RMB2.54 per ordinary share (in respect of the year ended 31 December 2020: final dividend RMB35,962 million, at RMB1.81 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 RMB51,607 million (2020: RMB35,849 million) and the weighted average of 19,869 million ordinary shares (2020: 19,888 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December	
	2021	2020
	<i>million</i>	<i>million</i>
Number of shares in issue at 1 January	19,890	19,890
Effect of shares repurchased	(21)	(2)
Weighted average number of shares in issue	19,869	19,888

No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in existence during both years.

12. ACCOUNTS AND BILLS RECEIVABLES

	31 December 2021 <i>RMB million</i>	31 December 2020 <i>RMB million</i>
Accounts receivable		
– China Energy Group and fellow subsidiaries	3,391	2,574
– Associates	256	407
– Third parties	7,888	6,116
	11,535	9,097
Less: allowance for credit losses	(1,277)	(1,299)
	10,258	7,798
Bills receivable		
– China Energy Group and fellow subsidiaries	567	65
– Third parties	2,782	3,896
	3,349	3,961
	13,607	11,759

12. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

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 2021	31 December 2020
	<i>RMB million</i>	<i>RMB million</i>
Less than one year	9,527	6,972
One to two years	143	125
Two to three years	80	84
More than three years	508	617
	10,258	7,798

13. ACCOUNTS AND BILLS PAYABLES

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

	31 December 2021	31 December 2020
	<i>RMB million</i>	<i>RMB million</i>
Less than one year	31,468	24,621
One to two years	888	671
Two to three years	400	459
More than three years	2,460	3,229
	35,216	28,980

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.

CHAIRMAN'S STATEMENT

Dear Shareholders:

As time goes by, we experienced a significant year of 2021. On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to all shareholders for their concern and support in China Shenhua and present you with the 2021 annual report of China Shenhua.

2021 marked the 100th anniversary of the founding of the Communist Party of China (the "Party"). Under the guidance of Xi Jinping's "Thought on Socialism with Chinese Characteristics for a New Era", we studied in-depth the major achievements and historical experience of the Party over the past century, deeply comprehended the determining significance of "Two Confirmations", executed the great call of "Hard Work Making Socialism Realized (社會主義是幹出來的)", implemented the enterprise development strategy of "One Target, Three Models and Five Strategies, and Seven First-class", integrated advancement of the "Six New Opportunities", being green transformation, driving innovation, improving quality and efficiency, improving management, deepening reform, and Party building. We have also completed all targets and missions within the year, ultimately initiating high quality development of China's "14th Five-Year Plan". This year, the Company has achieved RMB51,607 million in profit for the year attributable to owners of the Company and basic earnings per share of RMB2.597. The closing gearing ratio was 26.4%, and the total market capitalization reached USD66.2 billion. In the S&P Global Platts Top 250 Global Energy Company Rankings (全球能源公司2021年度250強) released by S&P Global Platts, the Company ranked 2nd, which is the highest ranked Chinese enterprise.

We tackled the responsibility and challenges of energy security and supply with great determination to protect thousands of families. The Company conscientiously carried out its responsibilities and missions as a listed central state-owned-enterprise, vigorously promoting the principle of "empowering society and boosting the economy", effectively overcoming the volatility of the coal market and impact of extreme weather, making full efforts to stabilize production, price, and expectations, and securing supply, heating, and people's livelihoods. We ensured the increase of coal production and supply, with production of 310 million tonnes, representing an increase of 5.3%, and coal sales of 480 million tonnes, representing an increase of 8%. We also seized opportunities to achieve consecutive material breakthroughs in resources, obtained the exploration rights certificate of the Xinjie Taigemiao Southern Area and achieved rights to high quality resources of the Xinjie Mining Area. The Company also improved the transportation efficiency of the "railway, port and shipping", with an increase of 6.2% in owned railway transportation turnover. We strived to guarantee the stable and maximum generation of power, with an increase of 22.1% in power generation. We strictly implemented the agreed price under long-term cooperation of coal, and ensured the stabilization and security of energy supply.

We accelerated the green and low-carbon transformation and assisted with achieving the Peak Carbon Dioxide Emissions and Carbon Neutrality. We solidly promoted the safe, green, intelligent and efficient development of the coal industry, adhered to the high-end orientation, diversification and low-carbonization of the coal chemical industry, expedited the research and development of coal-based biodegradable materials and other high-end products. We also made full use of our own land, resources and capital to speed up the deployment of new energy industries through multiple channels and forms, cooperated to construct the zero-carbon industrial parks and new energy bases, successively contributed capital to participate in the establishment of new energy industry funds and low-carbon development investment funds, and performed a significant role as pioneer in demonstrating and leading the reform of energy.

With ambitious momentum of innovation development, we empowered mines, power plants, railways, ports and chemical industry with technology in order to strengthen the synergy of industry chain and launched the “Harmony Mining Operating” with large-scale promotion and application of intelligent mines and intelligent coal mining working faces, as well as demonstrations of the driverless heavy truck. The first heavy-haul railway with a mobile blocking system in China commenced operation, and the first autonomous controllable intelligent decentralized control system was successfully applied. The world’s first coal port to achieve intelligent control of the entire process of dumping, stacking, reclaiming and loading was successfully completed and put into operation. The coordinated production and operations scheduling system, emergency command platform and ERP integrated industrial internet platform are fully online and operational, and driven by data in entering a new stage of high-quality development.

With persistent momentum of deepening reform, we fully promoted the establishment of a first-class enterprise, conducted capital operation, strengthened management of market capitalization, and carried out social responsibility. With persistence and caution, we protected the interests of medium to small-sized investors in continuing the distribution of proportional dividends. We continuously strengthened market capitalization management and optimized property rights management. We reinforced the results of poverty alleviation, comprehensively promoted rural revitalization, arranged assistance funds of RMB123 million, and continued to carry out co-development with local enterprises, territorial assistance, and other assistance and donations. We implemented the cooperation deployment of China’s State-owned Assets Supervision and Administration Commission’s (“SASAC”) “central and local hundred pairs of enterprises” to develop the Northeast China, signed a strategic cooperation agreement, actively promoted the organization and implementation of the agreement, which contributed to the vigorous development of the Northeast China. We solidly promoted ESG governance and won the ESG Pioneer 50 Award (ESG 先鋒50), the first batch of China ESG Demonstration Enterprises (首批中國SG示範企業) and the CDP Water Safety Outstanding Performance Award (CDP水安全優秀表現獎).

Looking back to our achievements and gains in 2021, we are grateful to our great motherland, the great era, and every organization and person who contributed to the development of China Shenhua! 2022 is an important year to continue the “14th Five-Year Plan”, and we will closely unite around the Central Party Committee with Comrade Xi Jinping as the core, firmly implement the series of important speeches and important instructions and spirits given by General Secretary Xi Jinping during the inspection of Yulin Chemical of China Energy Group and others. We will adhere to the working general keynote of prudent progress, highlight the working guidance of “prudence, synergy, empowerment and improvement”, coordinate development and safety, accurately grasp the relationship between energy security and green transformation, synergy efficiency and costs reduction and efficiency enhancement, innovation drive and industrial upgrade, intensive development and optimization of deployment, strategy planning and long-term success. We will spare no efforts to ensure energy security, firmly promote green and low-carbon development, enhance enterprise technical innovation, highlight the leading and guarding role of high-quality building of the Party, live up to the investors’ trusts and reliance, accelerate the establishment of a competitive first-class listed energy company in the world, and celebrate the 20th National People’s Congress with practical actions.

Let us advance into the future together!

Chairman Wang Xiangxi
25 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW OF THE COMPANY'S OPERATING RESULTS

Operation Data

		2021	2020	Change %
Commercial coal production	million tonnes	307.0	291.6	5.3
Coal sales	million tonnes	482.3	446.4	8.0
Transportation turnover of selfowned railway	billion tonne km	303.4	285.7	6.2
Loading volume at Huanghua Port	million tonnes	215.0	203.8	5.5
Loading volume at Shenhua Tianjin Coal Dock	million tonnes	46.4	45.4	2.2
Shipping volume	million tonnes	121.2	113.0	7.3
Shipment turnover	billion tonne nm	112.1	93.0	20.5
Gross power generation	billion kWh	166.45	136.33	22.1
Total power output dispatch	billion kWh	156.13	127.65	22.3
Polyethylene sales	thousand tonnes	332.8	356.9	(6.8)
Polypropylene sales	thousand tonnes	315.6	331.2	(4.7)

Financial Indicators

		2021	2020	Change %
Revenue	RMB million	335,216	233,263	43.7
Profit for the year	RMB million	61,009	43,984	38.7
EBITDA	RMB million	101,680	79,018	28.7
Profit for the year attributable to equity holders of the Company	RMB million	51,607	35,849	44.0
Basic earnings per share	RMB/share	2.597	1.803	44.0
Net cash generated from operating activities	RMB million	94,575	81,289	16.3
Net cash generated from operating activities excluding Finance Company	RMB million	94,575	62,690	50.9

Commercial Coal Production Volume

	2021 <i>Million</i> <i>tonnes</i>	2020 <i>Million</i> <i>tonnes</i>	Change %
Total production	307.0	291.6	5.3
By mines			
Shendong Mines	189.2	185.0	2.3
Zhunge'er Mines	66.8	62.2	7.4
Shengli Mines	25.2	21.1	19.4
Baorixile Mines	24.6	21.5	14.4
Baotou Mines	1.2	1.8	(33.3)
By regions			
Inner Mongolia	207.0	195.4	5.9
Shaanxi Province	95.5	93.2	2.5
Shanxi Province	4.5	3.0	50.0

Domestic Coal Sales Volume

	2021 <i>Million</i> <i>tonnes</i>	Proportion of domestic sales %	2020 <i>Million</i> <i>tonnes</i>	Change %
Domestic sales	476.2	100.0	444.3	7.2
By regions				
Northern China	145.5	30.5	137.7	5.7
Eastern China	178.9	37.6	180.4	(0.8)
Central China and Southern China	80.0	16.8	76.6	4.4
Northeast China	41.3	8.7	35.6	16.0
Others	30.5	6.4	14.0	117.9
By usage				
Thermal coal	387.8	81.4	356.3	8.8
Metallurgy	18.5	3.9	23.2	(20.3)
Chemical (including coal slurry)	63.0	13.2	60.2	4.7
Others	6.9	1.5	4.6	50.0

Railway Cargo Transportation Turnover

	2021 billion tonne km	2020 billion tonne km	Change %
Self-owned railways	303.4	285.7	6.2
Baoshen Railway	8.8	8.6	2.3
Shenshuo Railway	53.7	54.1	(0.7)
Ganquan Railway	0.6	1.1	(45.5)
Tahan Railway	–	–	/
Dazhun Railway	29.8	26.9	10.8
Bazhun Railway	2.8	1.7	64.7
Zhunchi Railway	12.2	9.9	23.2
Shuohuang-Huangwan Railway	193.4	183.4	5.5
Huangda Railway	2.1	–	/
State-owned railways	49.8	44.9	10.9
Total railway turnover	353.2	330.6	6.8

Seaborne Coal at Ports

	2021 Million tonnes	2020 <i>Million</i> <i>tonnes</i>	Change %
Self-owned ports	240.1	239.1	0.4
Huanghua Port	194.9	193.9	0.5
Shenhua Tianjin Coal Dock	45.1	45.2	(0.2)
Shenhua Zhuhai Coal Dock	0.1	–	/
Third-party ports	23.5	29.0	(19.0)
Total seaborne coal sales	263.6	268.1	(1.7)

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 outpour dispatch g/kWh	Power tariff RMB/ MWh	Total installed capacity	Increase/ (decrease) in installed capacity	Total installed capacity	Equity Installed capacity
								as at 31 December 2020	as at 31 December 2021	as at 31 December 2021	as at 31 December 2021
							MW	MW	MW	MW	MW
Zhunge'er Power	North China Power Grid	Inner Mongolia	36.3	32.9	5,504	347	299	660	-	660	381
Shandong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	240.3	222.1	4,792	320	323	5,714	(700)	5,014	4,528
Shengli Energy	North China Power Grid	Inner Mongolia	9.4	8.4	712	352	278	-	1,320	1,320	1,320
Cangdong Power	North China Power Grid	Hebei	114.4	108.8	4,539	297	323	2,520	-	2,520	1,285
Dingzhou Power	North China Power Grid	Hebei	117.6	108.8	4,666	304	324	2,520	-	2,520	1,021
Taishan Power	South China Power Grid	Guangdong	267.1	252.4	5,218	307	394	5,120	-	5,120	4,096
Huizhou Thermal	South China Power Grid	Guangdong	38.0	34.3	5,760	307	371	660	-	660	660
Fujian Energy	East China Power Grid	Fujian	171.9	164.6	6,014	294	357	2,810	1,000	3,810	2,378
Jinjie Energy	North China Power Grid	Shaanxi	214.5	198.3	5,765	312	267	3,720	-	3,720	2,604
Shouguang Power	North China Power Grid	Shandong	109.8	104.7	5,434	275	357	2,020	-	2,020	1,212
Jiujiang Power	Central China Power Grid	Jiangxi	120.5	115.0	6,023	276	364	2,000	-	2,000	2,000
Sichuan Energy (coal-fired power)	Central China Power Grid	Henan									
	Sichuan Power Grid	Sichuan	61.0	56.1	3,468	325	424	1,260	2,000	3,260	2,102
Mengjin Power	Central China Power Grid	Henan	48.8	45.6	4,068	303	295	1,200	-	1,200	612
Liuzhou Power	Guangxi Power Grid	Guangxi	40.8	38.7	5,826	314	366	700	-	700	490
"Yongzhou Power	Hunan Power Grid	Hunan	10.6	10.2	664	280	467	-	2,000	2,000	1,600
EMM Indonesia	PLN	Indonesia	17.6	15.5	5,858	365	465	300	-	300	210
Total of coal-fired power plants/weighted average			1,618.6	1,516.4	4,764	305	343	31,204	5,620	36,824	26,499
Other power plants											
Beijing Gas Power	North China Power Grid	Beijing	38.5	37.7	4,057	193	565	950	-	950	950
Sichuan Energy (hydropower)	Sichuan Provincial Local Power Grid	Sichuan	7.4	7.2	5,921	/	224	125	-	125	62

Coal Resources Reserve

Mines	Coal resources (under PRC standard)			Recoverable reserve (under PRC standard)			Marketable reserve (under JORC standard)		
	As at 31	As at 31	Change	As at 31	As at 31	Change	As at 31	As at 31	Change
	December	December		December	December		December	December	
	2021	2020	100 million	2021	2020	100 million	2021	2020	100 million
<i>tonnes</i>	<i>tonnes</i>	<i>%</i>	<i>tonnes</i>	<i>tonnes</i>	<i>%</i>	<i>tonnes</i>	<i>tonnes</i>	<i>%</i>	
Shandong Mines	153.9	156.0	(1.3)	87.2	88.9	(1.9)	42.7	44.4	(3.8)
Zhunge'er Mines	37.2	37.9	(1.8)	29.6	30.2	(2.0)	18.8	19.5	(3.6)
Shengli Mines	19.6	19.9	(1.5)	13.3	13.5	(1.5)	1.5	1.8	(16.7)
Baorixile Mines	13.3	13.5	(1.5)	11.1	11.3	(1.8)	11.3	11.6	(2.6)
Baotou Mines	0.5	0.5	-	0.3	0.3	-	-	-	/
Xinjie Mines	107.6	64.2	67.6	/	/	/	/	/	/
Others	-	4.8	(100.0)	/	/	/	/	/	/
Total of China	332.1	296.8	11.9	141.5	144.2	(1.9)	74.3	77.3	(3.9)
Shenhua	332.1	296.8	11.9	141.5	144.2	(1.9)	74.3	77.3	(3.9)

Shipping Volume

	2021 <i>Million tonnes</i>	2020 <i>Million tonnes</i>	Change <i>%</i>
The Group's internal customers	88.8	43.0	106.5
External customers	32.4	70.0	(53.7)
Total of shipping volume	121.2	113.0	7.3

II. SUMMARY OF OPERATIONS IN 2021

The year 2021 is an extraordinary year in China's history of energy industry. No other year has witnessed more attention from the central government, more intensive adjustment of policies and more volatile changes of the market. In the face of the risky and challenging task of supply guarantee and the complex and austere business situation, the Company resolutely implemented the work requirements of the CPC Central Committee on "Stability in Six Areas" and "Six Priorities", adhered to the mission of "becoming the ballast for energy supply and the pioneer in energy revolution", earnestly fulfilled its political and social responsibilities as a central state-owned enterprise, realised the compatibility and mutual promotion of energy supply and production and operation, and maintain a high level of integrated operation to achieve the annual operation targets in a sound manner.

The Group recorded a profit before tax for the year of RMB79,170 million (2020: RMB59,362 million), representing a year-on-year increase of 33.4%; a profit for the year attributable to equity holders of the Company of RMB51,607 million (2020: RMB35,849 million), and basic earnings per share of RMB2.597/share (2020: RMB1.803/share), representing a year-on-year increase of 44.0%.

		Actual amount for 2021	Target for 2021	Proportion of Completion %	Actual amount for 2020	Year-on-year change (%) %
Commercial coal production	100 million tonnes	3,070	2.84	108.1	2,916	5.3
Coal sales	100 million tonnes	4,823	4.76	101.3	4,464	8.0
Power generation	100 million kWh	1,664.5	1,350	123.3	1,363.3	22.1
Revenue	RMB100 million	3,352.16	2,426	138.2	2,332.63	43.7
Costs	RMB100 million	2,391.56	1,704	140.3	1,623.74	47.3
Sales, General and Administration, R&D fee and net finance costs	RMB100 million	122.90	125	98.3	114.44	7.4
Changes in unit production costs of self-produced coal	/	Year-on-year increase of approximately 7.4%	Year-on-year increase of approximately 5%	/	Year-on-year increase of 3.6%	/

III. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on Principal Business

1. Changes in the Major Items in the Consolidated Statement of Profit or Loss and Consolidated Statement of Cash Flows

Unit: RMB million

Items	2021	2020	Change %
Revenue	335,216	233,263	43.7
Operating costs	(239,156)	(162,374)	47.3
Research and development costs	(2,499)	(1,362)	83.5
Other gains and losses	(955)	(194)	392.3
Credit impairment loss	(2,561)	(524)	388.7
Other income	893	778	14.8
Interest income	2,492	1,684	48.0
Finance costs	(2,583)	(2,263)	14.1
Share of results of associates	(874)	947	(192.3)
Income tax expense	(18,161)	(15,378)	18.1
Net cash inflows from operating activities	94,575	81,289	16.3
Of which: Net cash inflows from operating activities of Finance Company ^{Note}	/	18,599	/
Net cash inflows from operating activities excluding the effect of Finance Company	94,575	62,690	50.9
Net cash (outflows)/inflows in investing activities	(6,844)	32,048	(121.4)
Net cash outflows in financing activities	(43,731)	(42,079)	3.9

Note: As Finance Company provides financial services including deposits and loans for entities other than the Group, the item represents the cash flows of deposits and loans and interest, fees and commission generated from this business from January to August 2020.

2. Revenue and costs

(1) Factors affecting the revenue

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

- ① with strong market demand for coal and rising coal prices, the Group's coal sales volume and average sales price increased by 8.0% and 43.4% year-on-year, respectively;
- ② with the growth in domestic electricity demand, the Group has actively leveraged its integrated operation advantages to ensure the coal supply of power plants, and several new generating units have been put into operation successively from 2021 onwards, resulting in a year-on-year increase of 22.3% in the Group's power output dispatch;
- ③ The Group integrated shipping resources, improved the scale and intensification of shipping business, and ensured effective energy supply. The shipping volume increased by 7.3% year-on-year, and freight rate increased;

- ④ Affected by international oil prices and other factors, the sales prices of polyethylene and polypropylene increased by 21.7% and 13.9% year-on-year, respectively.

Major operating indicators	Unit	2021	2020	Change for 2021 compared with that for 2020 %	2019
(I) Coal					
1. Commercial coal production	Million tonnes	307.0	291.6	5.3	282.7
2. Coal sales	Million tonnes	482.3	446.4	8.0	447.1
Of which: Self-produced coal	Million tonnes	312.7	296.0	5.6	284.8
Purchased coal	Million tonnes	169.6	150.4	12.8	162.3
(II) Transportation					
1. Turnover of self-owned railway	Billion tonne km	303.4	285.7	6.2	285.5
2. Loading volume at Huanghua Port	Million tonnes	215.0	203.8	5.5	199.7
3. Loading volume at Shenhua Tianjin Coal Terminal	Million tonnes	46.4	45.4	2.2	44.7
4. Shipping volume	Million tonnes	121.2	113.0	7.3	109.8
5. Shipment turnover	Billion tonne nautical miles	112.1	93.0	20.5	89.6
(III) Power generation					
1. Gross power generation	Billion kWh	166.45	136.33	22.1	153.55
2. Total power output dispatch	Billion kWh	156.13	127.65	22.3	144.04
(IV) Coal chemical					
1. Sales of polyethylene	Thousand tonnes	332.8	356.9	(6.8)	319.0
2. Sales of polypropylene	Thousand tonnes	315.6	331.2	(4.7)	302.3

(2) *Analysis of costs*

The operating costs of the Group in 2021:

- ① The main reasons for the year-on-year increase in the cost of purchased coal: the year-on-year increase in the sales volume of purchased coal and the unit purchase cost;
- ② The main reasons for the year-on-year increase in raw materials, fuel and power costs: the increase in power generation and coal purchase price;
- ③ The main reasons for the year-on-year increase in labor costs: the increase in the number of production personnel and the increase in salary and social security contributions;
- ④ The main reasons for the year-on-year increase in repair and maintenance costs: the Group carried out track replacement overhaul for some railway sections and postponed the construction of some maintenance projects affected by the epidemic in the same period of last year
- ⑤ The main reasons for the year-on-year increase in transportation costs: the increase in vessel rental charges in shipping business;
- ⑥ The main reasons for the year-on-year increase in taxes and surcharges: the increase in income and the increase of resource tax rates.

Unit: RMB million

Breakdown of cost items	Amount for 2021	Percentage to operating costs for 2021 %	Amount for 2020	Percentage to operating costs for 2020 %	Year-on- year change in amount %
Cost of purchased coal	102,865	43.0	48,742	30.0	111.0
Raw materials, fuel and power	23,696	9.9	19,501	12.0	21.5
Personnel expenses	21,285	8.9	16,066	9.9	32.5
Repair and maintenance	10,722	4.5	9,124	5.6	17.5
Depreciation and amortization	18,093	7.6	16,647	10.3	8.7
Transportation charges	18,764	7.8	15,076	9.3	24.5
Tax and surcharge	16,502	6.9	10,926	6.7	51.0
Others	27,229	11.4	26,292	16.2	3.6
Total operating costs	<u>239,156</u>	<u>100.0</u>	<u>162,374</u>	<u>100.0</u>	<u>47.3</u>

Unit: RMB million

**Operating costs by business segment
(before elimination on consolidation)**

By business segment	Breakdown of cost items	2021	2020	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	225,126	153,373	46.8
Power	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other operating costs, and taxes and surcharges	60,019	38,729	55.0
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	22,020	20,304	8.5
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	3,342	3,314	0.8

By business segment	Breakdown of cost items	2021	2020	Change %
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	5,018	2,755	82.1
Coal chemical	Raw materials, fuel and power, Personnel expenses, repairs and maintenance, depreciation and amortisation, other costs, other operating costs, and taxes and surcharges	4,754	4,675	1.7

(3) *Principal business by industry 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 gains (before elimination on consolidation) from operations of coal, power, transportation and coal chemical segments of the Group were 71%, 4%, 24% and 1% in 2021 respectively (2020: 52%, 14%, 34% and 0%).

Major business by industry segments in 2021 (before eliminations on consolidation)

Business segment	Revenue <i>RMB million</i>	Operating costs <i>RMB million</i>	Gross profit margin %	Increase/ decrease in revenue as compared with previous year %	Increase/ decrease in operating costs as compared with previous year %	Increase/ decrease in gross profit margin as compared with previous year
Coal	292,661	(225,126)	23.1	54.0	46.8	Increased by 3.8 percentage points
Power generation	64,124	(60,019)	6.4	29.6	55.0	Decreased by 15.3 percentage points
Railway	40,699	(22,020)	45.9	5.1	8.5	Decreased by 1.7 percentage points
Port	6,440	(3,342)	48.1	1.3	0.8	Increased by 0.2 percentage point
Shipping	6,195	(5,018)	19.0	99.1	82.1	Increased by 7.5 percentage points
Coal chemical	5,851	(4,754)	18.7	13.3	1.7	Increased by 9.2 percentage points

(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 volume %	Year-on-year increase/decrease in sales volume %	Year-on-year increase/decrease in inventory %
Coal	million tonnes	307.0	482.3	24.3	5.3	8.0	23.4
Power	billion kWh	166.45	156.13	/	22.1	22.3	/

(5) *Major customers*

In 2021, the total revenue from the top five customers of the Group amounted to RMB135,554 million, accounting for 40.4% of the total revenue of the Group, including the revenue of the Group from its largest customer of RMB107,461 million, accounting for 32.1% of the total revenue of the Group. The largest customer of the Group was China Energy and its subsidiaries, the controlling shareholder of the Company. The Group mainly sells coal products and provides coal transportation service to the 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 interest 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 2021, the total procurement from the top five suppliers of the Group amounted to RMB37,394 million, accounting for 16.8% (less than 30%) of the total procurement for the year, among which, the procurement from its largest supplier amounted to RMB20,614 million, representing 9.3% of the total procurement for the year.

3. *Expenses and other items of income statement*

- (1) 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.
- (2) Other gains and losses during the reporting period were aggregated as losses, mainly: as at the end of the reporting period, certain coal subsidiaries conducted impairment assessment on production equipment and spare tools and spare parts with indications of impairment, and made provision for impairment according to the impairment assessment results.
- (3) The credit impairment losses during the reporting period, are mainly: as at the end of the reporting period, the Group conducted impairment test on the receivables with long ages and made provision test according to the impairment assessment results.
- (4) 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.
- (5) The main reasons for the year-on-year increase in interest income: an increase in the average balance of deposits of the Group in financial institutions other than Finance Company; and deconsolidation of Finance Company, the interest income deposited by the Group in the Finance Company would no longer be offset on a consolidated basis.
- (6) The main reasons for the year-on-year increase in financial costs: deconsolidation of Finance Company, the interest expenses of the Finance Company would no longer be offset by the Group; and the increase in the average loan balance of the Group led to an increase in interest expenses.
- (7) The main reason for the year-on-year decrease in share of results of associates: the year-on-year decrease in the Company's investment income from power associates.
- (8) The main reason for the year-on-year increase in income tax: the increase of pre-tax profit of the Group this year.

4. *Research and development expenditure*

(1) *Research and development expenditure*

Unit: RMB million

Expensed research and development expenditure in the period	2,499
Capitalised research and development expenditure in the period	848
Total research and development expenditure	3,347
Percentage of total research and development expenditure to revenue (%)	1.0
Ratio of capitalised research and development expenditure (%)	25.3

In 2021, the research and development expenditure of the Group amounted to RMB3,347 million (2020: RMB2,149 million), representing a year-on-year increase of 55.7%; the ratio of research and development expenditure to revenue was 1.0% (2020: 0.9%), representing a year-on-year increase of 0.1 percentage point. This was mainly due to the focus on three major areas of green coal development, clean coal utilisation and clean coal transformation under the guidance of the innovation-driven development strategy, the Group increased its research and development expenditure, enhanced its technological innovation capability and actively carried out the collaborative innovation of “industry-university-research-application” to help with the Company’s upgrade and transform.

During the reporting period, the R&D projects carried out by the Group mainly include: research on technologies and equipment related to smart mines; demonstration project of high-efficiency and low-emission coal-fired boiler, CO₂ capture and storage project after combustion in coal-fired power plant, research and application of key technology innovation of smart power plant based on CPS, and research on the detection and application of heavy-haul railway based on geographic spatio-temporal big data technology, research on the expanding test and engineering application research project of mobile blocking of heavy-haul railway, research on the key technologies of all-weather automatic control of stacking and reclaiming under complex working conditions in coal port, etc..

(2) *Research and development personnel*

Number of research and development personnel in the Group	2,619
Ratio of research and development personnel to the total number of persons in the Group (%)	3.4

Educational structure of research and development personnel

Category of educational structure	Number of educational structure
Doctoral candidate	34
Master degree candidate	286
Undergraduate	1,819
Junior college	404
High School and below	76

Age structure of research and development personnel

Category of age structure	Number of age structure
Under 30 years old (excluding 30 years old)	394
30–40 years old (including 30 years old, excluding 40 years old)	1,110
40–50 years old (including 40 years old, excluding 50 years old)	567
50–60 years old (including 50 years old, excluding 60 years old)	548
60 years old and above	0

The Company is committed to highlighting scientific research practice, building a career platform, introducing and training a group of leading scientific and technological talents, young scientific and technological backbones, high-level innovation teams and outstanding engineers. The Company has 1 national key laboratory, 1 academician expert workstation, 6 post-doctoral expert workstations, and takes the lead in undertaking 7 national key R&D projects.

5. *Cash flow*

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

- (1) Net cash inflow from operating activities: net cash inflow in 2021 was RMB94,575 million (net cash inflows in 2020: RMB81,289 million), representing a year-on-year increase of 16.3%; excluding the influence of Finance Company, the net cash inflow generated from operating activities of the Group increased by 50.9% year-on-year, mainly due to the increase of cash inflow caused by the increase of revenue.
- (2) Net cash outflow in investing activities: net cash outflow in 2021 was RMB6,844 million (net cash inflow in 2020: RMB32,048 million), representing a year-on-year change of 121.4%, which was mainly attributable to the due recovery of bank financial products held by the Company in the previous year and the increase in cash expenditure for the construction of long-term assets, such as fixed assets, intangible assets, etc. in 2021.
- (3) Net cash outflow in financing activities: net cash outflow in 2020 was RMB43,731 million (net cash outflow in 2020: RMB42,079 million), representing a year-on-year increase of 3.9%, which was mainly attributable to the increase in dividends paid by the Group and the increase in borrowings obtained.

(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

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	Percentage of total assets at the end of the previous year %	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	263,656	43.2	238,198	43.7	10.7	The completion of and operation of Huangda Railway and certain power generation projects
Construction in progress	26,201	4.3	39,845	6.1	(34.2)	The completion of and operation of Huangda Railway and certain power generation projects, transferring to property, plant and equipment
Exploration and evaluation expenses	4,000	0.7	0	0.0	N/A	The obtaining of the coal investigation and exploration permit by Taigemiao South Area of Xinjie Mining Area
Intangible assets	4,651	0.8	3,888	0.7	19.6	The purchase of coal capacity replacement indicators made by the Group and the increase in intangible assets made by the Group
Right-of-use assets	22,240	3.6	18,597	3.3	19.6	The increase of land use right assets relating to Huangda Railway and the increase in equipment leasing of the Group
Other non-current assets	28,089	4.6	35,890	6.4	(21.7)	The obtaining of the coal investigation and exploration permit by Taigemiao South Area of Xinjie Mining Area, and the transfer of relevant prepayment of resources to exploration and evaluation assets for accounting

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	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Deferred tax assets	3,568	0.6	2,856	0.5	24.9	Provision for credit impairment loss and asset impairment loss for relevant assets
Accounts and bills receivable	13,607	2.2	11,759	2.1	15.7	Increase in coal and electricity sales receivables
Restricted bank deposits	4,479	0.7	3,391	0.6	32.1	Increase in provision for mine environmental treatment and restoration fund
Time deposits with original maturity over three months	1,701	0.3	11,186	2.0	(84.8)	Maturity of certain time deposits
Cash and cash equivalents	156,706	25.7	112,880	20.1	38.8	Increase in net cash inflow generated from operating activities; maturity of certain time deposits
Assets classified as held for sale	294	0.0	2,783	0.5	(89.4)	The completion of equity delivery of Fuping Thermal Power; mainly are assets classified as held for sale related to the new Watermark project during the reporting period
Accounts and bills payables	35,216	5.8	28,980	5.1	21.5	Increase in project funds, equipment and materials payable of power plants under construction
Accrued expenses and other current liabilities	29,109	4.8	18,949	3.4	53.6	Increase in taxes payable such as resource tax and value-added tax; increase in the payroll payable
Income tax payable	9,028	1.5	6,313	1.1	43.0	Provision for unpaid enterprise income tax

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	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Contract liabilities	6,864	1.1	5,256	0.9	30.6	Increase in provision in advance coal payments due to the increase in coal sales and average sale price
Long-term liabilities	8,025	1.3	2,661	0.5	201.6	The recognition of long-term payables for mining rights after reassessment of the mining rights of certain mines
Lease liabilities	1,510	0.2	606	0.1	149.2	Increase in equipment leasing

2. *Offshore assets*

As of 31 December 2021, the total offshore assets of the Group (including Hong Kong, Macau and Taiwan) amounted to RMB26,795 million, representing 4.4% 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 RMB5,294 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 recovery fund amounted to RMB4,479 million in total; other restricted assets mainly consisted of fixed assets secured and guaranteed for acquiring bank borrowings.

4. *Distributable reserves to shareholders*

As of 31 December 2021, the distributable reserves of the Company to shareholders were RMB179,811 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 2021, the Group continuously optimised the production organisation and operation, further strengthened the safety and environmental management of coal mines, ensured stable and high output of coal mines, and fully guaranteed the coal supply. The annual output of commercial coal was 307.0 million tonnes (2020: 291.6 million tonnes), representing a year-on-year increase of 5.3%. The roadway development at underground mines reached 444 thousand meters (2020: 426 thousand meters), representing a year-on-year increase of 4.2%, of which, the roadway development at Shendong Mines was 428 thousand meters.

The approval of land acquisition for coal mining carried out in an orderly manner. The approval for grassland acquisition and occupation of 667 hectares of continuous production land of Beidian Shengli No. 1 open-cut mine has been obtained; the pre-approvals of construction land for Baorixile open-cut mine's 600 hectares, Heidaigou open-cut mine's 321 hectares and Haerwusu open-cut mine's 289 hectares of continuation land for excavation site have been obtained.

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

The Group has independently operated railway transportation for collection and distribution channels. These channels are centralised and 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 railways for blending to produce different kinds and levels of coal products and sell them to external customers. The Group implemented specialised division management. 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 2021, the Group made full use of the advantages of the integrated industrial chain, actively organised purchased coal sources, coordinated transportation and inventory management, and ensured supply and increased supply for customers. During the year, sales volume of coal of the Group reached 482.3 million tonnes (2020: 446.4 million tonnes), representing a year-on-year increase of 8.0%. Of them, the sales volume of domestic seaborne coal was 262.9 million tonnes, accounting for 31.1% of the coal transportation volume of 845 million tonnes in national key ports; the sales volume for the top five external coal customers was 191.3 million tonnes, accounting for 39.7% of the total coal sales volume; in particular, the sales volume of China Energy Group, the largest customer, was 167.2 million tonnes, representing 34.7% of the total coal sales volume. The top five external coal customers are mainly electrical, chemical and coal trading companies.

In 2021, as the coal market demand was strong and coal prices rose, the average coal sales price of the Group was RMB588/tonne (exclusive of tax, the same below) (2020: RMB410/tonne), representing a year-on-year increase of 43.4%.

The production and sales of each kind of coal of the Group in 2021 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	307.0	482.3	283,722	206,929	76,793
Others ^{Note}	/	0.0	12	12	0
Total	<u>307.0</u>	<u>482.3</u>	<u>283,734</u>	<u>206,941</u>	<u>76,793</u>

Note: The Group sold 9,300 tonnes of coking coal in 2021.

As coal products were in great variety with a large sales volume, and some of self-produced coal products were transported and sold together with purchased coal, the Group cannot present the revenue, cost of sales and gross profit by source of coal (self-produced coal and purchased coal).

The coal sales of the Group in 2021 is set out below:

① By contract pricing mechanisms

	2021			2020			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales <i>%</i>	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales <i>%</i>	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>%</i>	Price (exclusive of tax) <i>%</i>
I. Sales through Trading Group	458.7	95.1	605	430.1	96.3	419	6.6	44.4
1. Annual long-term contracts	207.9	43.1	456	190.0	42.5	380	9.4	20.0
2. Monthly long-term contracts	196.2	40.7	765	163.5	36.6	465	20.0	64.5
3. Spot commodity	54.6	11.3	599	76.6	17.2	418	(28.7)	43.3
II. Direct sales from pit head	23.6	4.9	263	16.3	3.7	176	44.8	49.4
Total sales volume/average price(exclusive of tax)	<u>482.3</u>	<u>100.0</u>	<u>588</u>	<u>446.4</u>	<u>100.0</u>	<u>410</u>	<u>8.0</u>	<u>43.4</u>

Note: The above is the summary of the sales of coal products with different calorific values of the Group.

② By internal and external customers

	2021			2020			Changes	
	Proportion Sales volume <i>Million tonnes</i>	Price (exclusive of tax) <i>RMB/ tonne</i>	Price (exclusive of tax) <i>RMB/ tonne</i>	Proportion Sales volume <i>Million tonnes</i>	Price (exclusive of tax) <i>RMB/ tonne</i>	Price (exclusive of tax) <i>RMB/ tonne</i>	Sales volume <i>Million tonnes</i>	Price (exclusive of tax) <i>RMB/ tonne</i>
Sales to external customers	416.8	86.4	599	394.0	88.2	416	5.8	44.0
Sales to internal power segment	61.2	12.7	532	47.7	10.7	374	28.3	42.2
Sales to internal coal chemical segment	4.3	0.9	366	4.7	1.1	322	(8.5)	13.7
Total sales volume/average price(exclusive of tax)	<u>482.3</u>	<u>100.0</u>	<u>588</u>	<u>446.4</u>	<u>100.0</u>	<u>410</u>	<u>8.0</u>	<u>43.4</u>

③ By sales regions

	2021			2020			Changes	
	Proportion Sales volume <i>Million tonnes</i>	Price (exclusive of tax) <i>RMB/ tonne</i>	Price (exclusive of tax) <i>RMB/ tonne</i>	Proportion Sales volume <i>Million tonnes</i>	Price (exclusive of tax) <i>RMB/ tonne</i>	Price (exclusive of tax) <i>RMB/ tonne</i>	Sales volume <i>Million tonnes</i>	Price (exclusive of tax) <i>RMB/ tonne</i>
I. Domestic sales	476.2	98.8	588	444.3	99.5	410	7.2	43.4
(I) Self-produced coal and purchased coal	450.8	93.5	585	429.5	96.2	411	5.0	42.3
1. Direct arrival	187.9	39.0	442	162.1	36.3	317	15.9	39.4
2. Seaborne	262.9	54.5	687	267.4	59.9	468	(1.7)	46.8
(II) Sales of domestic trading coal	12.3	2.6	795	9.7	2.2	353	26.8	125.2
(III) Sales of imported coal	13.1	2.7	509	5.1	1.1	418	156.9	21.8
II. Export sales	0.7	0.1	850	0.7	0.2	556	0.0	52.9
III. Overseas sales	5.4	1.1	589	1.4	0.3	435	285.7	35.4
Total sales volume/average price (exclusive of tax)	<u>482.3</u>	<u>100.0</u>	<u>588</u>	<u>446.4</u>	<u>100.0</u>	<u>410</u>	<u>8.0</u>	<u>43.4</u>

(3) *Production safety*

In 2021, the Group took multiple measures to ensure coal mine production safety. The Group fully carried out the three-year special rectification action for production safety to ensure generally stable situation of production safety, conducted safety supervision to ensure the implementation of the safety system, as well as upgrading the equipment and facilities of the emergency rescue base to improve safety guarantee capability. In 2021, the fatality rate per million tonnes of raw coal output in the coal mines of the Group was 0.00597, which was below the national average of 0.044.

Efforts in ensuring production safety of coal mines are detailed in the 2021 ESG Report of the Company.

(4) *Coal resources*

As at 31 December 2021, under the PRC Standard, the Group had coal reserves amounting to 33.21 billion tonnes, representing an increase of 3.53 billion tonnes as compared with that of the end of 2020, mainly due to the acquisition of detailed coal exploration permit in Taigemiao South Area of Xinjie Mine; and recoverable coal reserve amounting to 14.15 billion tonnes, representing a decrease of 0.27 billion tonnes as compared with that of the end of 2020. The Group's marketable coal reserve amounted to 7.43 billion tonnes under the JORC Standard, representing a decrease of 300 million tonnes as compared with that of the end of 2020.

In 2021, the Group's coal exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB4.001 billion (2020: RMB0.022 billion), which was mainly attributable to the acquisition of detailed coal exploration permit in Taigemiao South Area of Xinjie Mine; the Group's relevant capital expenditure of coal mine development and exploration amounted to approximately RMB12.717 billion (2020: RMB3.152 billion), which was mainly attributable to the reassessment of mining rights in Shengli and Baorixile mining areas, and the construction expenditure of the second panel project in Guojiawan coal mine.

Unit: 100 million tonnes

Mines	Coal reserve (under the PRC Standard)	Recoverable coal reserve (under the PRC Standard)	Proved reserve (under the PRC Standard)	Marketable coal reserve (under the JORC Standard)
Shendong Mines	153.9	87.2	17.8	42.7
Zhunge'er Mines	37.2	29.6	12.7	18.8
Shengli Mines	19.6	13.3	0.2	1.5
Baorixile Mines	13.3	11.1	2.3	11.3
Baotou Mines	0.5	0.3	0.1	0.0
Xinjie Mines	107.6	/	/	/
Total	<u>332.1</u>	<u>141.5</u>	<u>33.1</u>	<u>74.3</u>

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

No.	Mines	Major types coal	Calorific value of major commercial coal products kcal/kg	Sulphur Content %	Ash content average, %
1	Shendong Mines	Long flame coal/ non-caking coal	5,000–5,800	0.2–0.6	5–48
2	Zhunge'er Mines	Long flame coal	4,000–5,300	0.4–0.5	17–33
3	Shengli Mines	Lignite	2,500–3,100	0.7–1.5	17–38
4	Baorixile Mines	Lignite	3,300–3,500	0.1–0.3	13–17
5	Baotou Mines	Long flame coal/ non-caking coal	3,800–5,000	0.3–1.0	20–45

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

(5) Operating results

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

		2021	2020	Change %	Main reasons for changes
Revenue	RMB million	292,661	190,029	54.0	Increase in coal sales volume and average sales price
Operating costs	RMB million	(225,126)	(153,373)	46.8	
Gross profit margin	%	23.1	19.3	Increased by 3.8 percentage points	Increase in the sales volume and unit production cost of self-produced coal; increase in the sales volume and unit purchase cost of purchased coal
Profit from operations	RMB million	59,125	29,832	98.2	
Profit margin from operations	%	20.2	15.7	Increased by 4.5 percentage points	

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

	2021				2020			
	Revenue <i>RMB million</i>	Costs <i>RMB million</i>	Gross profit <i>RMB million</i>	Gross profit margin %	Revenue <i>RMB million</i>	Costs <i>RMB million</i>	Gross profit <i>RMB million</i>	Gross profit margin %
Domestic	279,974	203,561	76,413	27.3	182,082	139,976	42,106	23.1
Export and overseas	3,760	3,380	380	10.1	999	828	171	17.1
Total	<u>283,734</u>	<u>206,941</u>	<u>76,793</u>	<u>27.1</u>	<u>183,081</u>	<u>140,804</u>	<u>42,277</u>	<u>23.1</u>

③ Unit production cost of self-produced coal

Unit: RMB/tonne

	2021	2020	Change %	Main reasons for changes
Unit production cost of self-produced coal	149.9	139.6	7.4	
Raw materials fuel and power	28.2	27.1	4.1	Rising electricity prices in West Inner Mongolia Region lead to the rise of electricity charge
Personnel expenses	36.6	27.8	31.7	Increase in the number of employees; increase in salary and social security contributions
Repairs and maintenance	10.1	9.4	7.4	Increase in daily repair and maintenance costs and overhaul of some equipment of open-cut mines
Depreciation and amortisation	22.2	18.8	18.1	Increase in purchase of coal mine production equipment
Other costs	52.8	56.5	(6.5)	

Other costs consist of the following three components: (1) expenses directly related to production, including coal preparation and processing expenses, and mining engineering expenses, etc., accounting for 63%; (2) auxiliary production expenses, accounting for 18%; (3) land requisition and surface subsidence compensation, environmental protection expenses and tax, accounting for 19%.

④ Cost of coal purchased from third parties

The coal purchased from third parties and sold by the Company includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal.

In 2021, the sales volume of purchased coal by the Group was 169.6 million tonnes (2020: 150.4 million tonnes), representing a year-on-year increase of 12.8%, accounting for 35.2% of the Group's total sales volume (2020: 33.7%). The costs of coal purchased from third parties for the year were RMB102,865 million (2020: RMB48,742 million), representing a year-on-year increase of 111.0%.

2. Power segment

(1) Production and operations

In 2021, the Group made every effort to ensure the coal supply of coal-fired power plants, strictly controlled the number of non-stop units and ensured the safety and stability of power supply. The Group accelerated the construction and operation of new units with large capacity, high parameters and ultra-low emissions, and further optimized the layout of power business. The Group realised a total power output dispatch of 156.13 billion kWh throughout the year, accounting for 1.9% of 8,312.8 billion kWh¹ of the total power consumption of the society in the corresponding period, of which the market-based trading power reached 98.06 billion kWh, accounting for 62.8% of the total power output dispatch.

The Group promoted the development of its new energy business by participating in the establishment of industrial investment funds and developing new energy projects. The Beijing Guoneng New Energy Industrial Investment Fund and the Beijing Guoneng Green and Low-carbon Development Investment Fund, which the Company has participated in, have successively invested in wind power and photovoltaic projects in Shanxi, Jiangsu, Zhejiang, Hubei and Hunan. The Company has entered into a strategic cooperation agreement with the Hohhot Municipal Government and other partners to participate in the development and construction of new energy projects, such as photovoltaic, wind power and geothermal energy in the “zero carbon” industrial parks and “zero carbon” urban construction in Hohhot. Open-pit Dump Disposal Photovoltaic Project (150 MW) of Beidian Shengli, a subsidiary of the Group, and distributed photovoltaic power generation projects located in Guangdong, Fujian and Shandong are currently progressing in an orderly manner.

¹ Source: China Electricity Council

(2) Power consumption and power tariffs

Power type/ operation location	Power generation (billion KWh)			Power output dispatch (billion kWh)			Power tariff (RMB/MWh)		
	2021	2020	Change %	2021	2020	Change %	2021	2020	Change %
(I) coal-fired power	161.86	131.85	22.8	151.64	123.27	23.0	343	327	4.9
Hebei	23.20	22.84	1.6	21.76	21.43	1.5	323	320	0.9
Shaanxi	32.29	26.07	23.9	29.66	23.88	24.2	274	277	(1.1)
Guangdong	30.52	21.68	40.8	28.67	20.21	41.9	391	365	7.1
Fujian	17.19	14.34	19.9	16.46	13.74	19.8	357	347	2.9
Inner Mongolia	8.86	7.59	16.7	8.01	6.90	16.1	301	224	34.4
Henan	4.88	4.41	10.7	4.56	4.12	10.7	295	301	(2.0)
Sichuan	6.10	3.96	54.0	5.61	3.60	55.8	424	382	11.0
Chongqing	8.89	5.64	57.6	8.50	5.40	57.4	372	360	3.3
Shandong	10.98	10.21	7.5	10.47	9.72	7.7	357	343	4.1
Guangxi	4.08	3.20	27.5	3.87	3.04	27.3	366	309	18.4
Jiangxi	12.05	10.33	16.7	11.50	9.86	16.6	364	363	0.3
Hunan	1.06	/	/	1.02	/	/	467	/	/
Indonesia (overseas)	1.76	1.58	11.4	1.55	1.37	13.1	465	523	(11.1)
(II) Gas-fired power	3.85	3.84	0.3	3.77	3.75	0.5	565	563	0.4
Beijing	3.85	3.84	0.3	3.77	3.75	0.5	565	563	0.4
(III) Hydropower	0.74	0.64	15.6	0.72	0.63	14.3	224	232	(3.4)
Sichuan	0.74	0.64	15.6	0.72	0.63	14.3	224	232	(3.4)
Total	166.45	136.33	22.1	156.13	127.65	22.3	348	334	4.2

(3) *Installed capacity*

At the end of the reporting period, the total installed capacity of power generation of the Group reached 37,899MW, among which, the total installed capacity of coal-fired power generators was 36,824MW, accounting for 2.8% of the total installed capacity of thermal power generators of the society (being 1.3 billion kW¹).

Unit: MW

Power type	Total installed capacity as at 31 December 2020	Installed capacity increased/ (decreased) during the reporting period	Total installed capacity as at 31 December 2021
Coal-fired power	31,204	5,620	36,824
Gas-fired power	950	0	950
Hydro power	125	0	125
Total	32,279	5,620	37,899

In 2021, the changes of the Group's installed capacity for coal-fired power generating units are as follows:

Unit	Location	Increase/ (decrease) of installed capacity MW	Description
Unit 1 and Unit 2 of Sichuan Energy Jiangyou Coal Reserves Power Generation Integration Project	Sichuan	2,000	The operation of new units
Unit 1 and Unit 2 of Yongzhou Power	Hunan	2,000	The operation of new units
Unit 1 and Unit 2 of Inner Mongolia Shengli Power Plant of Shengli Energy Phase I project	Inner Mongolia	1,320	The operation of new units
Unit 1 of Fujian Energy Luoyuanwan Port Power Generation & Storage Project	Fujian	1,000	The operation of new units
Fuping Thermal Power of Shendong Power	Shaanxi	(700)	Equity transfer
Total	-	5,620	-

¹ Source: China Electricity Council

As of the end of 2021, the generating units under construction and approved but not yet constructed by the Group are as follows:

Project	Location	Planned installed capacity
Fujian Luoyuanwan Port Power Generation & Storage Project	Fujian	2 × 1,000MW
Guangxi Beihai Thermal Power Plant Project	Guangxi	2 × 1,000MW
Guangdong Qingyuan Power Plant Phase I	Guangdong	2 × 1,000MW
Huizhou Phase II Gas-fired Cogeneration Unit Project	Guangdong	2 × 400MW
Hunan Yueyang Power Plant Project	Hunan	2 × 1,000MW

(4) *Utilisation rate of power generation equipment*

The average utilisation hours of coal-fired generators of the Group reached 4,764 hours for the year of 2021, representing a year-on-year increase of 352 hours and 178 hours more than the national average utilisation hours (being 4,586 hours¹) of coal-fired generating units with the installed capacity of 6,000KW and above.

Power type	Average utilisation hours (Hour)			Power consumption rate of power plant (%)		
	2021	2020	Change %	2021	2020	Change
Coal-fired power (includes gangue-fired power plants)	4,764	4,412	8.0	5.48	5.73	Decreased by 0.25 percentage point
Gas-fired power	4,057	4,045	0.3	1.50	1.67	Decreased by 0.17 percentage point
Hydro power	5,921	5,124	15.6	0.28	0.30	Decreased by 0.02 percentage point
Weighted average	4,749	4,403	7.9	5.37	5.59	Decreased by 0.22 percentage point

¹ Source: China Electricity Council

(5) *Market transaction of power*

	2021	2020	Change %
Total volume of power in market-based transactions (billion kWh)	98.06	67.54	45.2
Total volume of on-grid power (billion kWh)	156.13	127.65	22.3
Percentage of the power in market-based transactions (%)	62.8	52.9	Increased by 9.9 percentage points

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

In 2021, the Group owns three power sales companies located in Shandong, Jiangsu and Guangdong, respectively. The principal operation model is to make profit through the price difference between sales and purchase of electricity. The value-added services mainly include transformer preventive testing, insulation testing, energy-saving diagnosis, electricity data collection, etc.. The power output dispatch of purchased electricity sold by the above three power sales companies throughout the year was 20.97 billion kWh, and the corresponding electricity sales revenue and electricity purchase cost of the purchased electricity are RMB7,241 million and RMB7,467 million, respectively.

No.	Province of the power sales companies	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>	
		2021	2020	2021	2020	2021	2020
1	Shandong	4.58	0.69	346	339	339	339
2	Guangdong	4.28	1.06	363	371	404	379
3	Jiangsu	12.11	4.76	339	367	346	342

In November 2021, the Company transferred all its shares in Jiangsu Power Sales Company, and Jiangsu Power Sales Company was no longer consolidated to the consolidated financial statements of the Group.

(7) *Capital Expenditure*

In 2021, the total capital expenditure of the power segment was RMB16,876 million, mainly for the following items:

Unit: RMB Million

No.	Name of Project	The investing amount for the reporting period	Percentage of accumulative amount in project to the total budget as of the end of the reporting period %
1	Hunan Yongzhou Project Phase I (2×1,000MW)	4,298	93
2	Construction of Inner Mongolia Shengli Power Plant Phase I (2×660MW)	3,077	86
3	Fujian Luoyuanwan Port Power Generation & Storage Project Construction (2×1,000MW)	2,727	71
4	Guangxi Beihai Power Plant Project (2×1,000MW)	2,520	48
5	Sichuan Jiangyou Coal Reserves & Power Generation Project (2×1,000MW)	1,637	92

(8) *Operation results*

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

		2021	2020	Change %	Main reasons for changes
Revenue	RMB million	64,124	49,486	29.6	Increase in power output dispatch
Operating costs	RMB million	(60,019)	(38,729)	55.0	Increase in coal purchase price; increase in power output dispatch
Gross profit margin	%	6.4	21.7	Decreased by 15.3 percentage points	
Profit from operations	RMB million	3,010	7,976	(62.3)	
Profit margin from operations	%	4.7	16.1	Decreased by 11.4 percentage points	

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				
	2021	2020	Change %	2021	Percentage to total costs of power output dispatch in 2021 %	2020	Percentage to total costs of power output dispatch in 2020 %	Change in 2021 over 2020 %
Coal-fired power	54,458	42,188	29.1	52,066	95.8	33,084	93.9	57.4
Gas-fired power	2,132	2,111	1.0	2,165	4.0	2,074	5.9	4.4
Hydro power	162	146	11.0	109	0.2	88	0.2	23.9
Total	<u>56,752</u>	<u>44,445</u>	<u>27.7</u>	<u>54,340</u>	<u>100.0</u>	<u>35,246</u>	<u>100.0</u>	<u>54.2</u>

The Group's costs of sale of power output dispatch is mainly comprised of such costs as 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 2021 was RMB348/MWh (2020: RMB276/MWh), representing a year-on-year increase of 26.1%, mainly due to the rise of coal purchase price.

The power segment consumed a total of 59.8 million tonnes of China Shenhua's coal, accounting for 83.8% of the total coal consumption (being 71.4 million tonnes), representing a year-on-year increase of 1.2 percentage points, primarily due to the Group's integrated operation advantages to ensure the coal supply of power plants.

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

	2021		2020		Change in cost %
	Costs <i>RMB</i> <i>million</i>	Percentage %	Costs <i>RMB</i> <i>million</i>	Percentage %	
Raw materials, fuel and power	39,944	76.7	23,103	69.9	72.9
Personnel expenses	3,195	6.1	2,265	6.8	41.1
Repairs and maintenance	1,688	3.2	1,989	6.0	(15.1)
Depreciation and amortisation	4,932	9.5	4,742	14.3	4.0
Others	2,307	4.5	985	3.0	134.2
Total cost of power output dispatch of coal-fired power plants	<u>52,066</u>	<u>100.0</u>	<u>33,084</u>	<u>100.0</u>	<u>57.4</u>

The cost of power output dispatch of coal-fired power plant increased by 57.4% year-on-year. Among them, the year-on-year growth of materials, fuel and power was mainly due to the increase in the purchase price of coal and the increase of power output dispatch, while the increase in labor costs was mainly due to the continuous operation of a number of newly-added generating unit and the increase in power production personnel since 2021, and the increase in salary and social security payment.

3. *Railway segment*

(1) Production and operations

In 2021, the railway segment of the Group closely cooperated with coal production and transportation, and optimised the transportation organization to ensure efficient and smooth transportation channels; maximised the railway transportation capacity by adding 20,000 tonne trains, reducing the turnover time and opening special lines.

During the year, the turnover volume of self-owned railways reached 303.4 billion tonne km (2020: 285.7 billion tonne km), representing a year-on-year increase of 6.2%. The railway logistics business has become more abundant, and the utilisation rate and efficiency of dead-head haulage have been continuously improved. During the year, the transportation volume of non-coal goods such as iron ore, manganese ore and chemicals reached 18.7 million tonnes, and the reverse transportation volume reached 16.3 million tonnes. The Company accelerated the cultivation of capacity of Huangda Railway, opened three temporary loading and unloading lines in Binzhou Logistics Park, and achieved interconnection between Dispatching Railways connecting Dongying, Yiyang Railway and Dalailong Railway. Huangda Railway has a transportation capacity of over 15 million tonnes, and has completed 11.1 million tonnes of coal transportation volume throughout the year.

(2) *Operation results*

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

		2021	2020	Change %	Main reasons for changes
Revenue	RMB million	40,699	38,723	5.1	Increase in railway transportation turnover
Operating costs	RMB million	(22,020)	(20,304)	8.5	Increase in railway transportation turnover; increase in repair and maintenance costs due to track replacement overhaul for some railway sections and postponed construction of some maintenance projects affected by the pandemic in the same period of last year
Gross profit margin	%	45.9	47.6	Decreased by 1.7 percentage points	
Profit from operations	RMB million	16,310	16,636	(2.0)	
Profit margin from operations	%	40.1	43.0	Decreased by 2.9 percentage points	

In 2021, the unit transportation cost in the railway segment was RMB0.068/tonne km (2020: RMB0.066/tonne km), representing a year-on-year increase of 3.0%.

4. Port segment

(1) Production and operations

In 2021, the Group's port segment maintained stable and efficient operation, providing a strong guarantee for the increase in coal production and supply, and accelerated the transformation to safe, efficient and green modern coal ports, with the intelligent level of the port and the efficiency of car dumping and ship loading, clean operating technologies such as dust control in the port area, and the sewage treatment and recycling capabilities, etc. all ranking among the leaders in the industry. During the year, the accumulated loading volume of coal at Huanghua Port and Shenhua Tianjin Coal Terminal was 261.4 million tonnes (2020: 249.2 million tonnes), representing a year-on-year increase of 4.9%, both reaching the highest level in history. Among them, the seaborne coal volume of Huanghua Port has ranked first in China's ports for three consecutive years, and the total labor productivity and other indicators led in the country.

(2) Operation results

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

		2021	2020	Change %	Main reasons for changes
Revenue	RMB million	6,440	6,359	1.3	Increase in operating volume at ports
Operating costs	RMB million	(3,342)	(3,314)	0.8	
Gross profit margin	%	48.1	47.9	Increased by 0.2 percentage points	
Profit from operations	RMB million	2,720	2,678	1.6	
Profit margin from operations	%	42.2	42.1	Increased by 0.1 percentage points	

The unit transportation cost in the port segment was RMB10.7/tonne in 2021 (2020: RMB10.1/tonne), representing a year-on-year increase of 5.9%, mainly due to the increase in personnel expenses, repair and maintenance costs.

5. Shipping segment

(1) Production and operations

In 2021, the domestic coal transportation demand was strong, but the transportation capacity of the shipping market was relatively scarce. The shipping segment of the Group aimed at ensuring supply and creating efficiency, took advantage of the synergy of the industrial chain, and improved the turnover efficiency of ship loading and unloading, optimized the allocation of transport capacity and route layout, and made every effort to ensure the transportation of power plants.

The shipping volume of the Group for the year was 121.2 million tonnes (2020: 113.0 million tonnes), representing a year-on-year increase of 7.3% while shipment turnover amounted to 112.1 billion tonne nautical miles (2020: 93.0 billion tonnes nautical miles), representing a year-on-year increase of 20.5%.

(2) Operation results

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

		2021	2020	Change %	Main reasons for changes
Revenue	RMB million	6,195	3,112	99.1	Increase in shipping volume and average freight rates
Operating costs	RMB million	(5,018)	(2,755)	82.1	Increase in shipping volume; increase in vessel rental charges
Gross profit margin	%	19.0	11.5	Increased by 7.5 percentage points	
Profit from operations	RMB million	980	209	368.9	
Profit margin from operations	%	15.8	6.7	Increased by 9.1 percentage points	

In 2021, the unit transportation cost of the shipping segment was RMB0.045/tonne nautical mile (2020: RMB0.030/tonne nautical mile), representing a year-on-year increase of 50.0%, mainly due to the increase in vessel rental charges.

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 minor byproducts including industrial sulfur, mixed C5, industrial propane, mixed C4, industrial methanol, etc..

In 2021, the international oil price continued to rise, driving the price of domestic polyolefin products to fluctuate upward. The price rise of upstream raw materials such as coal and methanol led to an increase in the production cost of polyolefin products. Baotou Coal Chemical made overall arrangements for production, scientifically allocated product plans, continuously improved process technology, planned to promote the development of new products, and achieved good business performance. Throughout the year, the coal-to-olefins facilities had maintained stable and consecutive operation for 7,904 hours, and the annual accumulative excellent product rates of polyethylene and polypropylene products reached 95.19% and 99.12% respectively; due to annual overhaul of production equipment as planned, the output of polyolefin products reached 644.5 thousand tonnes (2020: 700.5 thousand tonnes), representing a year-on-year decrease of 8.0%; the operating profits of coal chemical segment reached RMB722 million, representing a year-on-year increase of 178.8%.

The green operation level of coal-to-olefins facilities continued to improve. In 2021, the discharge of waste water, waste gas and waste residue has reached the standard, and the comprehensive energy consumption per unit of polyolefin has reached the lowest level since the operation of the facilities.

The environmental impact report of Baotou coal-to-olefins upgrade and demonstration project has been approved by the Ministry of Ecology and Environment, and other preliminary work has been proceeding in an orderly manner.

The sales of polyethylene and polypropylene products of the Group in 2021 are as follows:

	2021		2020		Change	
	Sales volume <i>Thousand tonnes</i>	Price <i>RMB/ tonne</i>	Sales volume <i>Thousand tonnes</i>	Price <i>RMB/ tonne</i>	Sales volume %	Price %
Polyethylene	332.8	6,641	356.9	5,459	(6.8)	21.7
Polypropylene	315.6	6,853	331.2	6,015	(4.7)	13.9

(2) *Operation results*

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

		2021	2020	Change %	Main reasons for changes
Revenue	RMB million	5,851	5,165	13.3	Increase in the price of polyolefin products
Operating costs	RMB million	(4,754)	(4,675)	1.7	
Gross profit margin	%	18.7	9.5	Increased by 9.2 percentage points	
Profit from operations	RMB million	722	259	178.8	
Profit margin from operations	%	12.3	5.0	Increased by 7.3 percentage points	

(3) *Unit production cost of major products*

	2021		2020		Change	
	Production	Unit	Production	Unit	Production	Unit
	volume	production	volume	production	volume	production
	<i>Thousand</i>	<i>RMB/</i>	<i>Thousand</i>	<i>RMB/</i>		
	<i>tonnes</i>	<i>tonne</i>	<i>tonnes</i>	<i>tonne</i>	<i>%</i>	<i>%</i>
Polyethylene	332.0	5,447	360.4	5,079	(7.9)	7.2
Polypropylene	312.5	5,320	340.1	4,970	(8.1)	7.0

The main reason for the year-on-year decrease in the Group's polyolefin products production in 2021 was that the coal-to-olefins facilities of Baotou Coal Chemical were overhauled for over a month as planned, resulting in a decrease in production. The year-on-year increase in the unit production costs of polyethylene and polypropylene was mainly due to the increase in the purchase price of raw coal, and the increase in the unit fixed cost led by the decrease in production.

In 2021, the coal of a total of 4.3 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

	2021	2020	Change %
Foreign transaction revenue from domestic market	324,488	227,539	42.6
Foreign transaction revenue from overseas market	10,728	5,724	87.4
Total	<u>335,216</u>	<u>233,263</u>	<u>43.7</u>

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 electricity, railway, port and fleet transportation, coal-to-olefins and other businesses in China. In 2021, the foreign transaction revenue from the domestic market was RMB324,488 million, accounting for 96.8% of the Group's revenue; the foreign transaction revenue from overseas markets was RMB10,728 million, representing an increase of 87.4% year-on-year, mainly due to the increase of coal re-export and the increase of the income of Indonesia's South Sumatra No.1 Project.

In 2021, the Group steadily carried out international operation. EMM Indonesia and Indonesia Java have scientifically and effectively responded to the epidemic, overcome adverse factors such as shortage of production personnel and unstable fuel supply, safely organized production and realized no reduction of unit load; Indonesia's South Sumatra No.1 actively communicated the project progress with Indonesia's State Grid Corporation, strived to overcome the impact of the epidemic and promoted the project construction. The two units are expected to be put into operation by 2023 and 2024 respectively.

(VI) Analysis on Investments

In 2021, the equity investments of the Company amounted to RMB8,829 million (2020: RMB3,400 million), representing a year-on-year increase of 159.7%, mainly due to the increase of capital for the Company's subsidiaries in coal, power and transportation segments, the acceleration of project construction, the establishment of new energy companies and the participation in the establishment of new energy industrial investment funds, and the acceleration of the development of new energy business.

1. *Material investment in equity interest*

Applicable Not applicable

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-trading equity investments that have no significant impact on the investees and bank acceptance bill that are planned to be discounted or endorsed.

Unit: RMB million

Name of items	Opening balance at the beginning of the period	Closing balance at the end of the period	Change for the current period	Change of profit for the current period
Other investments in equity instruments	1,845	2,174	329	0
financing receivables	/	376	376	0
Total	1,845	2,550	705	0

(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	Total	Net	Net profit attributable to the equity holders of the parent company			Main reasons for changes
		capital As at 31 December	assets December	assets 2021	2021	2020	Change %	
1	Shendong Coal	4,989	46,235	32,468	19,967	10,528	89.7	Increase in sales volume and average price of coal
2	Shuohuang Railway	15,231	43,959	35,330	7,755	7,668	1.1	
3	Jinjie Energy	2,278	13,116	10,132	3,827	2,959	29.3	Increase in sales volume and average price of coal, and increase in power output dispatch
4	Zhunge'er Energy	7,102	46,957	37,156	2,499	1,291	93.6	Increase in sales volume and average price of coal
5	Trading Group	1,889	32,570	10,128	2,273	1,835	23.9	Increase in sales volume of coal
6	Baorixile Energy	1,169	11,934	6,091	1,655	790	109.5	Increase in sales volume and average price of coal
7	Huanghua Harbour Administration	6,790	13,817	11,300	1,586	1,542	2.9	
8	Beidian Shengli	2,925	10,006	6,194	1,415	743	90.4	Increase in sales volume and average price of coal
9	Yulin Energy	2,420	6,618	4,965	1,410	522	170.1	Increase in sales volume and average price of coal
10	Baotou Energy	2,633	8,765	7,046	1,235	515	139.8	Increase in average price of coal

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. The data have not been audited or reviewed.
- (2) Shendong Coal recorded a revenue of RMB84,288 million and a profit from operations of RMB26,673 million in 2021.
- (3) Shuohuang Railway recorded a revenue of RMB22,008 million and a profit from operations of RMB10,420 million in 2021.

(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 2021 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. Accordingly, the management of the Group have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. For details, please refer to the 2021 ESG Report of the Company.

In 2021, there was no material dispute between the Group and its stakeholders.

(XII) Scientific and Technological Innovation

Under the guidance of the innovation-driven development strategy, the Group focuses on the three major areas of green coal development, clean coal utilisation and clean coal transformation, and develops technologies for intelligent and efficient coal mining, green and environmental protection of coal mines, smart transportation, smart and green ports and clean, efficient and smart power generation, resulting in remarkable achievements in scientific and technological innovation.

Intelligent and efficient in coal mining. The Group's coal mining technology and equipment are in a leading position in the industry. In recent years, China Shenhua has implemented 27 key scientific and technological innovation projects of "Smart Mines", and has mastered key core technologies such as integrated intelligent management and control platforms, intelligent coal mining, intelligent tunneling, self-driving mining trucks, coal mining robots, visual remote control and mobile inspection. As of the end of the reporting period, the Group has built 26 intelligent long-wall working faces, 4 smart roadway development working faces, 6 intelligent coal preparation plants, 2 self-driving truck projects in open-cut mines, and has developed and applied more than 140 coal mining robots of 21 kinds in five categories. Baode Mine has adopted new-generation information technologies such as 5G and industrial Internet to build intelligent unmanned mines, intelligent coal mining working face, intelligent and rapid tunneling working face, unattended fixed positions, and only more than ten employees working in a single shift. Shangwan Coal Preparation Plant has realised the functions of unattended designated areas and big data intelligent analysis of operation status. The Harmony OS Mining Operating System was jointly built with Huawei, which can realize functions such as safe storage of coal mine production data, real-time interconnection of equipment, whole-process collection of massive data and centralised intelligent storage. The Heidaigou Open-cut Mine has realised a total of 18 self-driving trucks in 3 working faces to operate in groups at the same time. The Baorixile Coal Mine has built the world's first 5G+ self-driving truck marshalling demonstration project in the extreme cold condition in open-cut mine. The smartness of coal mines has greatly improved the production safety level and operational efficiency of coal mines of the Group.

Green and environmental protection technology in coal mines. The Group actively explored the coordinated development path of coal production and resources and environmental protection, and mainly conducted researches on the protection and comprehensive utilization of water resources, the reduction and restoration of surface ecology, and the recovery of co-associated resources. A series of problems such as storage, supply and safety of underground water in coal mines have been solved by the application of underground coal mine reservoir technology. Currently, 35 underground reservoirs have been built in Shendong Mines with 90 million m³ of supplied water for the year. The Group has established the ecological restoration technology system for large-scale coal-fired power generation base in the eastern grassland area and the demonstration projects in Baorixile and Beidian Shengli, with comprehensive restoration area of dumping site reaching more than 22,540 mu and the vegetation coverage increasing by more than 37%, which ensures the ecological security of coal-fired power generation base in eastern grassland area.

Heavy-haul railway technology. The Group has introduced in a mobile blocking solution for heavy-haul railways based on LTE-R (Railroad Broadband Wireless Communication Technology), which greatly increases the operating density of trains, shortens the interval between consecutive departures of 10,000-tonne trains and improves the transportation capacity of the railway. The Group has developed an intelligent locomotive driving system suitable for heavy-haul railways, which comprehensively improves the safety of heavy-haul train transportation, the efficiency of line transportation and the response efficiency for emergency, and forms a completely independent intellectual property system. The Group has also carried out research on hydrogen powered equipment for heavy-haul railways, and developed the first high-power hydrogen powered shunting locomotive and catenary operating vehicle in China.

Smart and green port. Through technological innovation and intelligent development, the ports owned by the Group have accelerated their transformation into modern coal ports featuring safety, efficiency and green. Huanghua Port has built the world's first coal port with intelligent management and control of the whole process equipment of "dumping, stacking, reclaiming and loading", and the loading and unloading efficiency has been significantly improved. Huanghua port has developed and applied clean production technologies such as the complete set of dust suppression technology, the automatic control system of water content in the discharge of car dumpers and the intelligent green ecological system for bulk cargo ports. In 2021, the average total suspended particulate concentration (TSP) in Huanghua Port was only 90.7 $\mu\text{g}/\text{m}^3$, representing a year-on-year decrease of 16.7%. Huanghua Port won the title of "Asia Pacific Green Port" under the 2021 Asia Pacific Green Port Award Scheme (GPAS). Tianjin Coal

Terminal has built the world's first intelligent loading system for bulk materials based on ship-shore digital twin technology, and the average berth time for a single ship reduced by 8%. The Group has further implemented the upgrading of the water system, which significantly improves the sewage treatment capacity and increases the amount of recycled sewage. Zhuhai Port has realized the unmanned operation of the single machine in the coal yard, and completed the transformation of the remote operation for the ship loader.

Treatment of flue gas in coal-fired power plants. The technology of carbon capture, utilization and storage of coal power flue gas (CCUS technology) includes two parts: carbon capture and utilization and storage. Relying on No. 1600MW subcritical coal-fired generation units of Jinjie Energy, the Group has built the largest whole-flow demonstration project of carbon capture and storage after combustion in coal-fired power plant in China. The CO₂ capture rate of the project is greater than 90%. The purity of the CO₂ product is more than 99.5%. After liquefaction, the CO₂ variables are around -19 °C and 2.1MPa, and all the key indicators meet the design requirements.

(XIII) Donations

During the reporting period, the Group made external donations of approximately RMB389 million.

IV. THE COMPANY'S OUTLOOK FOR FUTURE DEVELOPMENT

(I) Industry Structure and Trend

2022 will be a very important year in China's development process, with more risks and challenges facing development, but the fundamentals of a long-term economic upturn will not change. The Chinese government will aim for a GDP growth rate of around 5.5%, insist on stability and seek progress while maintaining stability, continue to implement sound and effective macro policies, continue to stimulate the vitality of the main market, focus on the smooth circulation of the national economy, and take multiple measures to keep the economy running within a reasonable range.

For the coal industry, economic growth will support a slight increase in coal consumption, which is still dominated by electricity. The coal supply capacity will increase on a year-on-year basis, coal imports are expected to remain basically stable, and coal supply can meet the needs of domestic consumption. Affected by seasonal fluctuations, emergencies and other factors, coal supply in some regions and some periods of time would be tight. With the stricter supervision on medium-and long-term coal contracts, the coverage ratio of coal under long-term contracts will be further increased. It is expected that the coal market will be stabilized in 2022, the average price will be decreased with narrow fluctuations within a reasonable range.

For the power industry, the electricity consumption of the whole country is expected to continue to grow in 2022, and the power supply pattern will be further optimized under the transformation of clean and low-carbon energy. The installed capacity of non-fossil energy will maintain a relatively rapid growth, and the development of thermal power will be cleaner and more flexible. The electricity market will still focus on medium and long-term transactions and actively carry out spot electricity pilot projects. The on-grid price of coal-fired power will fluctuate within a wide range along with the changes in the market supply and demand and the coal price.

(II) Development Strategy of the Company

In 2021, coal power supply in China highlighted the importance of energy security. 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. In the long run, the national goal of realizing the peak of carbon emission and carbon neutrality has put forward new and higher requirements for the high-quality development of the energy industry. The Group had heavy coal and coal-fired power assets, and large carbon dioxide emissions from thermal power plants and coal chemical enterprises with high-intensity made the Group face 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.

The Group will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, stick to the new development concept, fully implement the new strategy of “Four Revolutions and One Cooperation” for energy security, and implement the national “1+N” policy system for realizing the peak of carbon emission and carbon neutrality, earnestly carry out the comprehensive development strategy of “One Target, Three Models and Five Strategies, and Seven First-class”, accelerate the construction of a clean, low-carbon, safe and efficient modern energy system, 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 to 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 2022

1. Business targets for 2022

Item	Unit	Target of 2022	Actual amount in 2021	Increase/ (decrease) %
Commercial coal production	100 million tonnes	2,978	3,070	(3.0)
Coal sales	100 million tonnes	4,029	4,823	(16.5)
Gross power generation	100 million kWh	1,805	1,664.5	8.4
Revenue	RMB100 million	2,966	3,352.16	(11.5)
Operating costs	RMB100 million	2,048	2,391.56	(14.4)
Selling, general and administrative, and R&D expenses and net finance costs	RMB100 million	132	122.90	7.4
Percentage change of unit production cost of the self-produced coal	/	Year-on-year increase of approximately 10%	Year-on-year increase of 7.4%	/

The above business targets are subject to factors including changes in scope of consolidated financial statements, risks, uncertainties and assumptions. The actual outcome may differ materially from these statements. 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 2022

Unit: RMB100 million

	Target of 2022	Actual amount in 2021
1.Coal segment	61.57	205.75
2.Power segment	171.86	168.76
Of which: new energy business	50.22	0.33
3.Transportation segments	80.69	50.36
Of which: Railway	64.87	39.79
Port	15.38	10.02
Shipping	0.44	0.55
4.Coal chemical segment	4.83	8.51
5.Others	7.16	0.39
Total	<u>326.11</u>	<u>433.77</u>

Total capital expenditure of the Group in 2021 amounted to RMB433.77 billion, which were mainly used for the expenses in the payment of the mining rights and the purchase for the mining equipment; the power generation projects under construction, such as Phase I of Hunan Yongzhou Project and Phase I of Inner Mongolia Shengli Power Plant; the purchase of general and special railway equipment and construction of Huangda Railway; and coal-to-olefin upgrading demonstration project, Baotou Coal Chemical wastewater desalination standard discharge transformation and other technical transformation projects.

Based on the principles of strict control of investment and focusing on quality and efficiency, the Board of the Company approved a total planned capital expenditure of 2022 of RMB32.611 billion (excluding equity investment), including:

- (1) Among the capital expenditures of the coal segment, RMB1.670 billion will be used in new construction as well as renovation and expansion projects (including the purchase of infrastructure-related equipment); RMB1.264 billion will be used in technical renovation for equipment purchase; RMB3.035 billion will be used in technical renovation for non-equipment purchases. The major investment projects include: technical transformation projects of various mines in Shendong Mines, production system optimization project of Shengli No. 1 open-pit coal mine, preliminary preparation of Xinjie No. 1 well in Taigemiao Area of Xinjie Mining Area, etc.

- (2) Among the capital expenditure of the power segment, RMB9.682 billion will be used in new construction projects (including the purchase of related equipment); RMB0.319 billion will be used in technical renovation in environmental protection; RMB2.085 billion will be used in technical renovation in non-environmental protection. The major investment projects include: Guangdong Qingyuan Power Plant Phase I Project, Guangxi Beihai Power Plant Project, Guohua Hunan Yueyang Power Plant Project, etc.

The capital expenditure of new energy business will be mainly used for the photovoltaic power generation project of Shengli Energy Open-pit dump in Xilinhote, Inner Mongolia, distributed photovoltaic power generation projects built in mining areas, along railways and ports, and the investment reserves of new energy projects of branches in Guangxi and Guangdong.

- (3) The capital expenditure of the railway segment will be mainly used for the purchase of railway locomotives, Shenshuo 300 million tonnes capacity expansion and reconstruction project, etc.
- (4) The capital expenditure of port business will be mainly used for Guangxi Beihai No. 1 and No. 2 Wharf projects, Huanghua Port coal port No. 3 and No. 4 general bulk cargo wharf projects and ore loading projects, etc.
- (5) The capital expenditure of the coal chemical segment will be mainly used for Baotou coal-to-olefin upgrading demonstration project, Bayannaer 1.2 million tonnes of tamping coke and comprehensive utilization project.

The capital expenditure plans of the Group in 2022 are subject to the development of business plans (including potential acquisitions), progress of capital projects, market conditions, outlook for future operation environment and the obtaining of the requisite permissions and approval documents. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, and other debt and equity financing.

(IV) Major Risks Faced 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

The Group has established the production safety targets of preventing major production safety accidents as well as effectively curbing general accidents to achieve “zero deaths”. Although the Group has been sustaining stable performance in safe production for its coal mines, there are uncertainties in the course of production safety. Given the facts that national policies on energy-saving and environmental protection have been further tightened, that operating costs of enterprises are increased due to the levy of environmental tax, and that the demand for better ecological environment puts more stringent requirements on the development and operation of enterprises, the constraints on energy-saving, emission reduction and environmental protection are further imposed on the Group.

To cope with the risks of production safety for coal mines, the Group will strengthen the implementation of the safety production risk prevention and control management system, inspections and treatments and assessment of significant risks, reinforce the safety production training and emergency rescue management, put into full play the advantages of informatisation, innovate the mechanism of safety supervision, promote the safety management ability, and consolidate the production safety fundamentals.

To cope with the risks of environmental protection, the Group continues to strengthen environmental monitoring, strictly adheres to the ecological red line, vigorously promotes the construction of green mines, focuses on the strategy of clean energy development, and takes the efficient use of clean coal as the core. The Group spares no efforts in constructing ecological civilization through continuously strengthening its soft and hard power of environmental protection and the brand image building of ultra-low emissions in coal power on an on-going basis. The Group continues to identify hidden environmental dangers, further improves the environmental management system and

strengthens the remediation of potential issues and environmental emergency management, actively adapt to the new policy, new requirements and new indicators of “Dual Control” of total energy consumption and energy intensity in order to achieve energy-saving and emission reduction targets as well as to prevent severe environmental pollution incidents.

2. *Risk of market competition*

In 2021, the energy supply was tight, the industry concentration continued to increase, the market fluctuated at a high level, and the market competition intensified. As reforms of the electricity market accelerated, the proportion of power transactions continued to increase; the market competition intensified, and the transaction scale and price were uncertain. The country has increased the construction of cross-provincial and cross-region coal transportation railway channels, and local coal transportation railways have been putting into operation or under expansion. The coal transportation capacity will be gradually released, and the transportation formats 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, strictly implement long-term contracts, enhance quality control, optimize the structure of coal products, increase brand advantage on an ongoing basis, strengthen the development of new markets, maintenance of existing markets and construction of interchange bases, and deepen the comprehensive coordination of production, transportation, sales, storage and use. The Group will also further conduct quality improvement and efficiency enhancement in the power industry and conduct risk prevention and control, ensure production safety and participate in power market transactions in compliance with laws and regulations. The Company will actively participate in investment in coal transportation channels through national railways, increase the collection and distribution capacity of self-owned railways and keep improving the core competitiveness of transportation of the Company. The Group will also deepen synergy and efficiency improvement, promote model innovation, enhance customer service capabilities, increase market share, further consolidate integration advantages, and maximize the competitive advantages of the Company.

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. Some investment projects may have design defects and unclear follow-up operation plans. There are uncertainties in factors such as market and policy, 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 political risk, efficiency, environmental protection, procedures and accountability of project investment, highlight the risk management and control of major projects, and strengthen on-site investigation of key 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. *Risk of project management*

The overall progress of the Group's existing projects is stable. However, there are uncertainties to a certain extent in the construction of specific projects, which includes risks arising from safety incidents due to the inadequate fulfillment of safety responsibilities and the lack of safety awareness of some of the construction workers; risks of prolonged construction period, excessive changes, delayed construction period and increased investment due to insufficient project risk prediction and insufficient capacity of the design unit.

To cope with the risk of project management, the Group continuously strengthens its construction safety management, enforces its administration in safety emergency plans and eliminates major and more severe safety incidents. Strict control of project design and settlement will be implemented, and construction cost control at the early stage will be strengthened. The Group keeps track timely, monitors the construction of project construction, and formulates effective measures to reduce or eliminate the impact of the prolong of construction period.

5. *Risk of international operations*

The international political situation is increasingly complicated, and the world is entering a period of turbulence and change. Different countries have complex political, economic and social environments, diverse legal systems, religious beliefs and cultural customs. Affected by fluctuations in exchange rates, stricter environmental protection requirements, and intensified trade conflicts among certain countries, the future international trades and economic situations may experience ups and downs as well as fluctuations. Together with the highly competitive energy market worldwide and the continuous spread of the COVID-19 pandemic around the world, the uncertainties in the Group's international operations may have an impact on its overseas business.

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 actively respond to the impact of the COVID-19 pandemic on overseas business, 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 situation.

6. *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, and due to the impact of the COVID-19 pandemic and various uncertain factors, the year-on-year growth rate of major indicators such as industrial added value, investment in fixed asset and social retail consumption continues to decline, and the economic downward pressure is still relatively large. 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, constantly strengthen the core advantages of integrated operation based on the basic national conditions where coal is in a dominant position, vigorously promote technological innovation, advance 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 energy storage, hydrogen energy, pumped storage and biomass energy, and promote the high-quality and sustainable development of the Company.

7. *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 take an array of measures based on production safety, 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.

8. *Policy risk*

The business activities of the Group are affected by the national industrial control policies. Establishing the goal of “carbon peak and carbon neutrality”, the country has put forward new and higher requirements for the high-quality development of the energy industry. The Group will continue to deepen the supply-side structural reform of the coal industry, actively promote the elimination of outdated production capacity in the coal industry, accelerate the release of high-quality production capacity, and realize the transformation of old and new development drivers. The above policies may objectively affect the Company’s industrial layout, the approval of new expansion projects, and the reform of operation and management mode.

To cope with the risk of changes 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, correctly understand and grasp the requirements of carbon peak and carbon neutrality. The gradual withdrawal of traditional energy should be based on the safe and reliable replacement of new energy. The Group will reasonably match the investment scale of each sector, accelerate the development of renewable energy while firmly promoting the clean and efficient utilization of coal, and promote industrial upgrading and structural adjustment.

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 and the Guideline on Encouragement of Cash Dividend Distribution of Listed Companies announced 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 2019 AGM of the Company and in line with the Article of Association, the profit distributed by the Company in cash from 2019 to 2021 shall not be less than 50% of the net profit attributable to shareholders of the Company realized 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 2021

Net profit attributable to equity holders of the Company for 2021 under the China Accounting Standards for Business Enterprises amounted to RMB50,269 million, with basic earnings per share of RMB2.530/share; profit attributable to equity holders of the Company for 2021 under the International Financial Reporting Standards amounted to RMB51,607 million, with basic earnings per share of RMB2.597/share. As at 31 December 2021, the profit available for distribution to shareholders of the Company under the China Accounting Standards for Business Enterprises amounted to RMB179,811 million.

The Board proposed the payment of a final dividend in cash of RMB2.54 per share (inclusive of tax) for the year 2021 based on the total share capital registered on the equity registration date of implementing equity distribution. According to the total share capital of 19,868,519,955 shares of the Company as at 31 December 2021, the final dividend totals RMB50,466 million (inclusive of tax), accounting for 97.8% of the profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards, or 100.4% of the net profit for the year attributable to the 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 share s (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 <i>%</i>
Final dividend for the year 2021 (Proposed)	25.4	50,466	50,269	100.4
Final dividend for the year 2020	18.1	35,962	39,170	91.8
Final dividend for the year 2019	12.6	25,061	43,250	57.9

2. The above final dividend plan for the year 2021 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 2021, the Board has attended to and considered the opinions and concerns of the shareholders of the Company. The Company will hold the 2021 annual general meeting on Friday, 24 June 2022 to consider the relevant resolutions, including the above dividend plans as proposed by the Board.
3. The final dividend for the year 2021, 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 according to the exchange rate based on the average benchmark rate of RMB against HKD, as published by the Bank of China five business days preceding the date of declaration of such dividend.

In accordance with the preliminary arrangement of profit distribution plan for year 2021 and the 2021 annual general meeting of the Company, the final dividend for the year 2021 for the Company's H shareholders is estimated to be distributed on or about 24 August 2022.

4. Pursuant to the Articles of Association:

- (1) After the SSE is closed in the afternoon on Tuesday, 21 June 2022, 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 2021 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 2021 to holders of A shares after the 2021 annual general meeting to determine the record date, ex-rights date and dividend distribution date for the distribution of final dividend for the year 2021 to holders of A shares.

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

Temporary closure of the register of members					
No.	Corresponding Rights	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 2021 annual general meeting	Tuesday, 21 June 2022	Friday, 24 June 2022	4:30 p.m. on Monday, 20 June 2022	Computershare Hong Kong Investor Services Limited
2	Entitled to the final dividend for the year 2021	Friday, 1 July 2022	Friday, 8 July 2022	4:30 p.m. on Monday, 30 June 2022	Computershare Hong Kong Investor Services Limited

- 6.** In accordance with the 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 nonresident 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 2021 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 8 July 2022.

7. According to Guo Shui Han [2011] No. 348 issued by the State Taxation Administration, the Company shall withhold and pay individual income tax for dividend payable to the individual shareholders of H shares. 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 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 8 July 2022 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 2021 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 30 June 2022 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 on Tax Policies for Shanghai Hong Kong Stock Connect Pilot Programme” (Cai Shui [2014] No. 81) and the “Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme” (Cai Shui [2016] No. 127), 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. For 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, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. 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 2021, 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 Committee	Wang Xiangxi (Chairman), Jia Jinzhong
Audit Committee	Chen Hanwen (Chairman), Yuen Kwok Keung, Bai Chong-En
Remuneration Committee	Yuen Kwok Keung (Chairman), Chen Hanwen, Xu Mingjun
Nomination Committee	Bai Chong-En (Chairman), Chen Hanwen, Xu Mingjun
Safety, Health and Environment Committee	Yang Rongming, Wang Xingzhong

(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 Committee*

The principal duties of the Strategy Committee are to conduct researches and submit proposals regarding the long-term development strategies and material investment decisions of the Company; to conduct researches and submit proposals regarding material investments and financing plans which require approval of the Board; to conduct researches and submit proposals regarding material capital operations and assets operation projects which require approval from the Board; to conduct researches and submit proposals regarding other material matters that may affect the Company's development; to examine the implementation of the above matters; and other matters as authorized by the Board.

In 2021, the Strategy Committee of the Board held 2 meetings by way of consideration in writing. All proposals at the meetings were approved and all members attended the meetings.

Date	Meeting content	Important opinions and suggestions
20 August 2021	To consider the proposal on the formulation of Measures for the Administration of Strategic Planning of China Shenhua Energy Company Limited (Trial)	Agreed
27 December 2021	To consider the proposal on the adjustment to the Company's investment plan for the year 2021	Agreed

2. *Audit Committee*

The principal duties of the Audit Committee were to supervise and assess the work of the external audit institutions; to propose to employ or replace the external auditor; to supervise and evaluate the internal audit work; to coordinate the internal audit and the external audit; to audit the financial information and its disclosure of the Company; to supervise and evaluate the internal control of the Company; and other matters authorized by laws and regulations, the Articles of Association and the Board.

During the reporting period, the Audit Committee fulfilled its duties strictly in accordance with the Rules of Procedure of Meetings of the Committee, and Rules on Work of Annual Reports of the Company.

In 2021, the Audit Committee convened 6 meetings. All proposals at the meetings were approved and all members attended all meetings in person.

Convening date	Meeting content	Important opinions and suggestions
16 March 2021	To consider the proposals on the Company's 2020 financial report (draft), 2020 internal control evaluation report (draft), etc.	Agreed
23 March 2021	(1) To consider the proposals on the Company's 2020 internal control audit report, 2020 internal control evaluation report, 2020 financial report, 2020 ESG report, 2020 profit distribution plan, the report of performance of duties of the Audit Committee of the Board for 2020, the key points of the Company's internal audit for 2021, the capital budget and debt financing plan for 2021, and the entering into the Financial Service Agreement for 2021 to 2023 between the Company and China Energy Finance Co., Ltd.;	Agreed. China Shenhua shall maintain the principles of fairness and full disclosure during the implementation of the Financial Services Agreement; and shall consider the future sustainable development and strategic planning of the Company while safeguarding the interests of minority shareholders when formulating profit distribution plans.
	(2) To review the internal audit report of the Company for 2020;	
	(3) To listen to the Company's report on the implementation of the continuing connected transaction agreement for 2020 and the annual audit work by the auditor KPMG;	

Convening date	Meeting content	Important opinions and suggestions
21 April 2021	<p>(1) To consider the proposals on the Company's financial report for the first quarter of 2021, the renewal of the external auditor for 2021, the changes in accounting policies, the external donation budget for 2021, etc.;</p> <p>(2) To listen to the Company's report on the independent financial adviser's opinion letter on the Financial Services Agreement and KPMG's report on the 2020 management proposal</p>	Agreed
18 June 2021	To review the Company's interim review work plan for the year 2021	Agreed
24 August 2021	<p>(1) To consider the proposals on the Company's semi-annual financial report for 2021, the signing of the Mutual Coal Supply Agreement for 2021 to 2023 and the Mutual Supplies and Services Agreement for 2021 to 2023, entered into between the Company and China Energy, participating in the investment in the establishment of the Guoneng Green and Low-Carbon Development Investment Fund, and the work plan for internal control evaluation for 2021;</p> <p>(2) To review the internal audit report of the Company for the first half of 2021;</p> <p>(3) To listen to KPMG's report on the interim review</p>	Agreed. It is recommended that China Shenhua establish a management system related to fund investments to effectively prevent risks in fund operations.
18 October 2021	<p>(1) To consider the proposals on the Company's financial report for the third quarter of 2021 and the capital increase to China Energy Xinshuo Railway Co., Ltd.;</p> <p>(2) To listen to the Company's reports on important accounting estimates and judgments, the supervision and implementation of matters reflected in the 2020 management proposal, the evaluation of the Company's internal control, and KPMG's report on the 2021 audit work plan</p>	Agreed. China Shenhua shall do a good job of asset evaluation for the part that the debtor repays with assets, so as to be scientifically sound and to ensure the interests of the Company to the maximum extent.

The Audit Committee has performed required procedures for the preparation of the 2021 annual report and internal control report of the Company:

- (1) On 24 August 2021, the Audit Committee reviewed the internal control assessment plan for the year 2021. On 18 October 2021, the Audit Committee reviewed the Company's plans for the audit work for the year 2021.
- (2) The Audit Committee reviewed the draft internal control assessment report and financial statements for 2021. On 16 March 2022, the Audit Committee reviewed the 2021 Assessment Report on Internal Control (Draft) and 2021 Financial Statements (Draft) of China Shenhua prepared by the Company.
- (3) On 22 March 2022, the Audit Committee listened to KPMG's report on the audit work in 2021, and discussed the scope of audit work and audit procedures, key audit matters and key concerns, auditor independence, and other matters that require management attention; reviewed the 2021 financial statements, and assessed the effectiveness of the internal control over financial statements, and reviewed the report on internal control and the ESG report for the year 2021 and agreed to submit such reports to the Board for consideration.

- (4) During the process of reappointing auditors for 2021 and 2022, the Audit Committee carefully considered the relevant resolutions, evaluated KPMG's performance of duties in 2020 and 2021, and reviewed relevant integrity records and qualification certificates. The Audit Committee believes that KPMG has the professional ability, experience and qualifications to provide audit services for the Company, has the corresponding investor protection ability and independence, maintains an independent, objective and prudent professional attitude in the audit work, has standardized and effective audit procedures, which enables to meet the Company's annual audit work requirements. The Audit Committee agreed that KPMG continues to serve as the auditor of the Company, and recognized the annual audit fee.

The Audit Committee discussed separately with the external auditors and no inconsistency was found in the briefings by the management.

3. *Remuneration Committee*

The principal duties of the Remuneration Committee are 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 approved by the Board from time to time; to exercise the following duties as authorized 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; 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; 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; to make recommendations to the Board on the remuneration of the Non-Executive Directors; to ensure that none of the Directors or any of their associates determines their own remunerations; and to execute other matters as authorized by the Board.

In 2021, the Remuneration Committee held 1 meeting by way of consideration in writing. All proposals at the meeting were approved and all members attended the meeting. During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for Directors, Supervisors and senior management for the relevant period. The Remuneration Committee is of the view that the Company has established a relatively complete remuneration management system, which embodies the value concept of listed companies centered on economic benefits as well as the political, social and economic responsibilities of state-owned holding companies. The Remuneration Committee agrees to various remuneration management system of the Company.

Date	Meeting content	Important opinions and suggestions
15 March 2021	To consider proposals on the remuneration of Directors, Supervisors and senior management of the Company for the year 2020 and the performance of duties of the Remuneration Committee of the Board for the year 2020	Agreed

4. *Nomination Committee*

The principal duties of the Nomination Committee are 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 draw up criteria, procedures and systems for the selection of Directors, General Manager and other senior management, taking into account the Company's corporate strategy and the skills, knowledge, experience and diversity mix required in the future, and make recommendations to the Board to extensively seek for qualified candidates of Directors, Chief Executive Officer and other senior management; to examine the aforementioned candidates 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; 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 Manager and other senior management and on succession planning; and to carry out any other matters as authorized by the Board.

In 2021, the Nomination Committee held 3 meetings by way of consideration in writing. All proposals at the meetings were approved and all members attended all meetings.

Date	Meeting content	Important opinions and suggestions
23 March 2021	To consider the proposals on the appointment of Li Zhiming as Deputy General Manager of the Company and the nomination of Yang Rongming as the candidate for Non-executive Director of the fifth session of the Board of the Company	Agreed
23 August 2021	To consider the proposal on the nomination of members of the Safety, Health and Environment Committee of the fifth session of the Board	Agreed
27 December 2021	To consider the proposals on the appointment of Lv Zhiren as the General Manager of the Company and the nomination of Lv Zhiren as the candidate for Executive Director of the fifth session of the Board of the Company	Agreed

5. *Safety, Health and Environment Committee*

The principal duties of the Safety, Health and Environment Committee are to supervise the implementation of safety, health and environmental protection and ESG work 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 work 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 Environmental, Social Responsibility and Governance (“**ESG**”) report; to review the Statement of the Board Governance 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 activities and the progress of related objectives; and other issues as authorized by the Board.

In 2021, the Safety, Health and Environment Committee held 2 meetings by way of consideration in writing. All proposals at the meetings were approved and all members attended all meetings.

Date	Meeting content	Important opinions and suggestions
23 March 2021	To consider the proposal on the amendments to the Rules of Procedures of Meetings of the Safety, Health and Environmental Committee of the Board of China Shenhua Energy Company Limited and the proposal on the 2020 ESG Report of China Shenhua Energy Company Limited	Agreed
24 May 2021	To consider the proposals on ESG work of the Company and key points of work for the year 2021	Agreed

OTHERS

For the year ended 31 December 2021, 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 HUAZHEN LLP AND KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, KPMG Huazhen LLP and KPMG, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by KPMG Huazhen LLP and KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG Huazhen LLP and KPMG on this announcement.

ANNUAL REPORT

The 2021 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2021 annual report, which contains consolidated financial statements for the year ended 31 December 2021, 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

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

China Shenhua/ the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy	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	Shenhua Beidian Shengli Energy Co., Ltd.
Shuohuang Railway	China Energy Shuohuang Railway Development Co., Ltd.
Railway Equipment	China Energy Railway Equipment Co., Ltd.
Trading Group	China Energy Trading Group Limited
Huanghua Harbour Administration	China Energy Huanghua Harbour Administration Co., Ltd.

Baoshen Railway	China Energy Baoshen Railway Group Co., Ltd.
Baotou Energy	China Energy Baotou Energy Co., Ltd.
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
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.
Shouguang Power	Shenhua Guohua 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

Jiangsu Power Sales Company	China Energy Jiangsu New Energy Technology Development Co., Ltd. (formerly Shenhua Guohua Jiangsu Power Sales Co., Ltd.)
Finance Company	China Energy Finance Co., Ltd.
The deconsolidation of Finance Company's financial statements	On September 2020, the transaction that China Energy Subscribed additional registered capital of RMB7.5 billion in Finance Company at a consideration of RMB13,270 million in cash was completed and the direct and indirect shareholding ratio of the Company in the Finance Company fell to 40%, and the Finance Company was no longer included in the scope of the consolidated statements of the Company
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on SSE
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the HKEx
China Accounting Standards for Business Enterprises	The latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Board
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
EBITDA	Profit for the 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

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

Beijing, 25 March 2022

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