



**中国神华能源股份有限公司**  
CHINA SHENHUA ENERGY COMPANY LIMITED

SHENHUA  
**2021 INTERIM REPORT**  
A

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

**Stock Code: 01088**



Hang Seng Corporate  
Sustainability Index  
Series Member 2020-2021



## IMPORTANT NOTICE

- I. The Board, supervisory committee and directors, supervisors and senior management of the Company warrant that this interim report does not contain any misrepresentations, misleading statements or material omissions, and are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this report.
- II. This report was approved at the eighth meeting of the fifth session of the Board of the Company. Nine directors were eligible to attend the meeting and nine directors attended the meeting in person.
- III. This interim financial statements of this report is unaudited. KPMG has issued a review report on the Company's 2021 Interim Financial Statements prepared under IAS 34 Interim Financial Reporting Standard.
- IV. Wang Xiangxi, Chairman of the Company, Xu Shancheng, Chief Financial Officer, and Yu Yanling, person-in-charge of the accounting department, warrant the authenticity, accuracy and completeness of the financial statements contained in this interim report.
- V. The proposal of distribution of profit or the transfer of capital reserve to equity for the reporting period considered by the board of directors : Not Applicable
- VI. Disclaimer of forward-looking statements: the forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policies and economic conditions, which are subject to risks, uncertainties and assumptions, may differ materially from the actual outcome. 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 risks of investment.
- VII. Is there any situation of non-operating appropriation of funds by controlling shareholder(s) and its related parties?: No
- VIII. Is there any situation of violation of decision-making procedures for external guarantee provision?: No
- IX. Warning on Major Risks: Investors please note that the Company has disclosed risks including safety and environmental protection, international operation, etc. in the section headed "Management Discussion and Analysis".

## Contents

|              |   |            |
|--------------|---|------------|
| Section I    | Definitions   | <b>2</b>   |
| Section II   | Company Profile and Major Financial Indicators                    | <b>5</b>   |
| Section III  | Chairman's Statement  | <b>9</b>   |
| Section IV   | Management Discussion and Analysis                                | <b>18</b>  |
| Section V    | Company Governance and Corporate Governance                       | <b>53</b>  |
| Section VI   | Environmental and Social Responsibilities                         | <b>57</b>  |
| Section VII  | Significant Events  | <b>68</b>  |
| Section VIII | Changes in Ordinary Share Capital and Particulars of Shareholders | <b>81</b>  |
| Section IX   | Investor Relations  | <b>86</b>  |
| Section X    | Report on Review of Condensed Consolidated Financial Statements   | <b>88</b>  |
| Section XI   | Documents Available for Inspection                                | <b>130</b> |

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

## Section I Definitions (Continued)

|   |   |
|---|---|
| Java, Indonesia                                       | PT. Shenhua Guohua Pembangkitan Jawa Bali   |
| Shenmu Power  | CLP Guohua Shenmu Power Co., Ltd.   |
| Taishan Power   | Guangdong Guohua Yudean Taishan Power Co., Ltd.   |
| Cangdong Power  | Hebei Guohua Cangdong Power Co., Ltd.   |
| Jinjie Energy   | Shaanxi Guohua Jinjie Energy Co., Ltd.  |
| Dingzhou Power  | Hebei Guohua Dingzhou Power Generation Co., Ltd.  |
| Mengjin Power   | Shenhua Guohua Mengjin Power Generation Co., Ltd.   |
| Jiujiang Power  | Shenhua Guohua Jiujiang Power Co., Ltd.   |
| Huizhou Thermal                                       | Guohua Huizhou Thermal Power Branch of China Shenhua  |
| Beijing Gas-fired Power                               | China Energy Guohua (Beijing) Gas-fired Power Co., Ltd.   |
| Shouguang Power                                       | Shenhua Guohua Shouguang Power Generation Company Limited   |
| Liuzhou Power   | Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.  |
| Beidian Shengli                                       | Shenhua Beidian Shengli Energy Co., Ltd.  |
| Shenhua Lease Company                                 | Shenhua (Tianjin) Finance Lease Co., Ltd.   |
| JORC  | Australasian Code for Reporting of Mineral Resources and Ore Reserves   |
| Beijing GD Power                                      | Beijing GD Power Co., Ltd.  |
| Finance Company                                       | China Energy Finance Co., Ltd.  |
| Capital Increase Transaction of Finance Company       | The Transaction that China Energy Group subscribed additional registered capital of RMB7.5 billion in Shenhua Finance Company at a consideration of RMB13,273.716 million in cash (for details, please refer to the H Share announcement on 27 March 2020 and A Share announcement on 28 March 2020 of the Company) |
| Deconsolidation of Finance Company                    | On 1 September 2020, transaction of capital increase in Finance Company was completed and the Company decreased its shareholding in Finance Company to 40%, and Finance Company will no longer be consolidated into the consolidated financial statements of the Company  |
| Completion of Equity Transfer of Fuping Thermal Power | The transfer of 100% equity of China Energy Shaanxi Fuping Thermal Power Co., Ltd. to China Energy Guoyuan Power Co., Ltd. by Shendong Power, a subsidiary of the Company, which was completed on 7 January 2021  |

## Section I Definitions (Continued)

|   |   |
|---|---|
| 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 Committee  |
| Articles of Association                             | Articles of Association of China Shenhua Energy Company Limited   |
| EBITDA  | Profit for the period + net finance cost + income tax + depreciation and amortization – share of results of associates  |
| Gearing ratio                                       | Total liabilities/total assets  |
| Total debt to equity ratio                          | $\frac{\text{Long-term interest bearing debt} + \text{short-term interest bearing debt (including notes payable)}}{\text{Long-term interest bearing debt} + \text{short-term interest bearing debt (including notes payable)} + \text{total shareholders' equity}}$ |
| RMB   | Renminbi unless otherwise specified   |

## Section II Company Profile and Major Financial Indicators

### I. INFORMATION OF THE COMPANY

|   |                                      |
|---|--------------------------------------|
| Chinese Name of the Company   | 中國神華能源股份有限公司                         |
| Abbreviation of Chinese Name of the Company                                 | 中國神華                                 |
| English Name of the Company   | China Shenhua Energy Company Limited |
| Abbreviation of English Name of the Company                                 | CSEC/China Shenhua                   |
| Legal Representative of the Company   | Wang Xiangxi                         |
| Authorised Representatives of the Company under the Hong Kong Listing Rules | Wang Xiangxi, Huang Qing             |

### II. CONTACTS AND CONTACT DETAILS

|         | Secretary to the Board   | Representative of Securities Affairs   |
|---------|--|--|
| Name    | Huang Qing   | Sun Xiaoling   |
| Address | 22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011) | 22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011) |
| Tel     | (8610) 5813 3399   | (8610) 5813 3355   |
| Fax     | (8610) 5813 1814/1804  | (8610) 5813 1814/1804  |
| E-mail  | 1088@csec.com  | ir@csec.com  |
|         | Board Office of the Company  | Hong Kong Office of the Company  |
| Address | 22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011) | Room B, 60th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong   |
| Tel     | (8610) 5813 1088/3399/3355   | (852) 2578 1635  |
| Fax     | (8610) 5813 1814/1804  | (852) 2915 0638  |

### III. PARTICULARS

|  |  |
|--|--|
| Registered Address of the Company                | 22 Andingmen Xibinhe Road, Dongcheng District, Beijing |
| Postal Code of Registered Address of the Company | 100011   |
| Office Address of the Company                    | 22 Andingmen Xibinhe Road, Dongcheng District, Beijing |
| Postal Code of Office Address of the Company     | 100011   |
| Company Website                                  | www.csec.com or www.shenhuachina.com                   |
| E-mail   | ir@csec.com  |

## Section II Company Profile and Major Financial Indicators (Continued)

**IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENT INSPECTION**

|   |   |
|---|---|
| Designated newspaper for information disclosure | China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily |
| Internet website for publishing interim report  | www.sse.com.cn and www.hkexnews.hk  |
| Interim report is available at                  | SSE, Board Office of the Company and Hong Kong Office of the Company                      |

**V. BASIC INFORMATION ON SHARES**

| Type    | Stock Exchange | Abbreviation  | Stock Code |
|---------|----------------|---------------|------------|
| A Share | SSE            | China Shenhua | 601088     |
| H Share | HKEx           | China Shenhua | 01088      |

**VI. OTHER INFORMATION**

|  |                  |   |
|--|------------------|---|
| Accounting firm engaged by the Company (A Share)             | Name             | KPMG Huazhen LLP  |
|  | Office Address   | 8th, Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing  |
|  | Signing Auditors | Zhang Nan, Wang Xia   |
| Accounting firm engaged by the Company (H Share)             | Name             | KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance) |
|  | Office Address   | 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong  |
| Share Registrar and Transfer Office of the Company (A Share) | Name             | China Securities Depository and Clearing Corporation Limited Shanghai Branch                                  |
|  | Office Address   | 188 Yanggao South Road, Pudong New Area, Shanghai   |
| Share Registrar and Transfer Office of the Company (H Share) | Name             | Computershare Hong Kong Investor Services Limited   |
|  | Office Address   | Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong                       |

## Section II Company Profile and Major Financial Indicators (Continued)

**VII. MAJOR ACCOUNTING DATA OF THE COMPANY**

| Major accounting data  | Unit        | The first<br>half of 2021        | The first<br>half of 2020    | Change<br>%                        |
|--|-------------|----------------------------------|------------------------------|------------------------------------|
| Revenue  | RMB million | <b>143,979</b>                   | 105,016                      | 37.1                               |
| Profit for the period  | RMB million | <b>31,767</b>                    | 24,784                       | 28.2                               |
| Profit for the period attributable to equity holders of the Company                    | RMB million | <b>26,500</b>                    | 20,370                       | 30.1                               |
| Basic earnings per share   | RMB/share   | <b>1.334</b>                     | 1.024                        | 30.3                               |
| Net cash generated from operating activities   | RMB million | <b>40,219</b>                    | 53,720                       | (25.1)                             |
| Net cash generated from operating activities excluding the effect from Finance Company | RMB million | <b>40,219</b>                    | 32,175                       | 25.0                               |
| Return on total assets as at the end of the period                                     | %           | <b>5.3</b>                       | 4.3                          | Increased by 1.0 percentage point  |
| Return on net assets as at the end of the period                                       | %           | <b>7.5</b>                       | 5.8                          | Increased by 1.7 percentage points |
| EBITDA   | RMB million | <b>47,317</b>                    | 41,142                       | 15.0                               |
|  | Unit        | As at<br><b>30 June<br/>2021</b> | As at<br>31 December<br>2020 | Change<br>%                        |
| Total assets   | RMB million | <b>603,395</b>                   | 562,904                      | 7.2                                |
| Total liabilities  | RMB million | <b>178,055</b>                   | 133,317                      | 33.6                               |
| Total equity   | RMB million | <b>425,340</b>                   | 429,587                      | (1.0)                              |
| Equity attributable to equity holders of the Company                                   | RMB million | <b>354,821</b>                   | 364,203                      | (2.6)                              |
| Total share capital as at the end of the period  | RMB million | <b>19,869</b>                    | 19,890                       | (0.1)                              |
| Equity attributable to equity holders per share  | RMB/share   | <b>17.86</b>                     | 18.33                        | (2.6)                              |
| Gearing ratio  | %           | <b>29.5</b>                      | 23.7                         | Increased by 5.8 percentage points |
| Total debt to equity ratio   | %           | <b>12.9</b>                      | 13.4                         | Decreased by 0.5 percentage point  |

## Section II Company Profile and Major Financial Indicators (Continued)

## VIII. DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

*Unit: RMB million*

|   | Net profit attributable to equity holders of the Company |                        | Net assets attributable to equity holders of the Company |                        |
|---|--|------------------------|--|------------------------|
|   | The first half of 2021                                   | The first half of 2020 | As at 30 June 2021                                       | As at 31 December 2020 |
| Under China Accounting Standards for Business Enterprises                       | <b>26,026</b>  | 20,658                 | <b>351,165</b>   | 360,189                |
| Adjustments for:  |  |                        |  |                        |
| Simple production maintenance, safety production and other related expenditures | <b>474</b>   | (288)                  | <b>3,656</b>   | 4,014                  |
| Under International Financial Reporting Standards                               | <b>26,500</b>  | 20,370                 | <b>354,821</b>   | 364,203                |

Explanation on differences in domestic and overseas accounting standards:

Pursuant to the relevant regulations of the related government authorities in the PRC, the Group accrued provisions for simple production maintenance, safety production and other related expenditures, recognised as expenses in profit or loss and separately recorded as a specific reserve in shareholders' equity under China Accounting Standards for Business Enterprises. On utilisation of the specific reserve as fixed assets within the stipulated scope, the full amount of accumulated depreciation is recognised at the same time when the cost of the relevant assets is recorded. Under International Financial Reporting Standards, these expenses are recognised in profit or loss as and when incurred. Relevant capital expenditure is recognised as property, plant and equipment and depreciated according to the relevant depreciation method. The effect on deferred tax arising from such difference is also reflected.

## Section III Chairman's Statement

### DEAR SHAREHOLDERS,

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

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

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

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

## Section III Chairman's Statement (Continued)

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

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

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

## Section III Chairman's Statement (Continued)

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

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



A handwritten signature in black ink, consisting of three characters: 王 辉 俊.

*Chairman*

27 August 2021

# Overview of China Shenhua's Operating Results for the First Half of 2021

**Table 1 Status of Completion of Operation Target**

|   | Target for 2021                            | Completed in the first half of 2021 | Percentage Of completion % |      |
|---|--|-------------------------------------|----------------------------|------|
| Commercial coal production  | 100 million tonnes                         | 2.84                                | 1,524                      | 53.7 |
| Coal sales  | 100 million tonnes                         | 4.76                                | 2,408                      | 50.6 |
| Power generation  | 100 million kWh                            | 1,350                               | 770.4                      | 57.1 |
| Revenue   | RMB100 million                             | 2,426                               | 1,439.79                   | 59.3 |
| Cost of sales   | RMB100 million                             | 1,704                               | 1,027.77                   | 60.3 |
| Selling, general and administrative expenses, R&D costs and net finance costs | RMB100 million                             | 125                                 | 43.49                      | 34.8 |
| Change in unit production cost of self-produced coal                          | Increased by approximately 5% year-on-year | Increased by 4.3% year-on-year      |                            |      |

**Table 2 Financial Indicators**

|  | The first half of 2021 | The first half of 2020 | Change % |
|--|------------------------|------------------------|----------|
| Revenue  | RMB million 143,979    | 105,016                | 37.1     |
| Profit for the period  | RMB million 31,767     | 24,784                 | 28.2     |
| EBITDA   | RMB million 47,317     | 41,142                 | 15.0     |
| Profit for the period attributable to equity holders of the Company    | RMB million 26,500     | 20,370                 | 30.1     |
| Basic earnings per share   | RMB/share 1.334        | 1.024                  | 30.3     |
| Net cash generated from operating activities                           | RMB million 40,219     | 53,720                 | (25.1)   |
| Net cash generated from operating activities excluding Finance Company | RMB million 40,219     | 32,175                 | 25.0     |

**Table 4 Operation Data**

|   | The first half of 2021            | The first half of 2020 | Change % |
|---|-----------------------------------|------------------------|----------|
| Commercial coal production                    | million tonnes 152.4              | 145.6                  | 4.7      |
| Coal sales                                    | million tonnes 240.8              | 205.3                  | 17.3     |
| Transportation turnover of self-owned railway | billion tonne km 150.0            | 133.3                  | 12.5     |
| Loading volume at Huanghua Port               | million tonnes 109.4              | 93.7                   | 16.8     |
| Loading volume at Tianjin Coal Dock           | million tonnes 22.8               | 21.5                   | 6.0      |
| Shipping volume                               | million tonnes 59.3               | 51.3                   | 15.6     |
| Shipping turnover                             | billion tonne nautical miles 53.0 | 42.9                   | 23.5     |
| Gross power generation                        | billion kWh 77.04                 | 62.82                  | 22.6     |
| Total power output dispatch                   | billion kWh 72.04                 | 58.76                  | 22.6     |
| Sales of polyethylene                         | thousand tonnes 190.2             | 182.0                  | 4.5      |
| Sales of polypropylene                        | thousand tonnes 180.9             | 164.2                  | 10.2     |

**Table 5 Commercial Coal Production Volume**

|                   | The first half of 2021 | The first half of 2020 | Change % |
|-------------------|------------------------|------------------------|----------|
| Total production  | million tonnes 152.4   | 145.6                  | 4.7      |
| <b>By mines</b>   |                        |                        |          |
| Shendong Mines    | 94.5                   | 93.2                   | 1.4      |
| Zhunge'er Mines   | 33.0                   | 31.0                   | 6.5      |
| Shengli Mines     | 12.7                   | 9.4                    | 35.1     |
| Baoxile Mines     | 11.5                   | 11.2                   | 2.7      |
| Baotou Mines      | 0.7                    | 0.8                    | (12.5)   |
| <b>By regions</b> |                        |                        |          |
| Inner Mongolia    | 103.2                  | 97.3                   | 6.1      |
| Shaanxi           | 47.4                   | 46.7                   | 1.5      |
| Shanxi            | 1.8                    | 1.6                    | 12.5     |

**Table 9 Domestic Coal Sales Volume**

|                                  | The first half of 2021 | Proportion of domestic sales % | The first half of 2020 | Change % |
|----------------------------------|------------------------|--------------------------------|------------------------|----------|
| Domestic sales                   | 238.0 million tonnes   | 100.0                          | 204.0                  | 16.7     |
| <b>By regions</b>                |                        |                                |                        |          |
| Northern China                   | 75.9                   | 31.9                           | 61.3                   | 23.8     |
| Eastern China                    | 93.7                   | 39.3                           | 81.9                   | 14.4     |
| Central China and Southern China | 39.2                   | 16.5                           | 35.3                   | 11.0     |
| Northeast China                  | 19.5                   | 8.2                            | 18.6                   | 4.8      |
| Others                           | 9.7                    | 4.1                            | 6.9                    | 40.6     |
| <b>By usage</b>                  |                        |                                |                        |          |
| Thermal coal                     | 189.9                  | 79.8                           | 162.2                  | 17.1     |
| Metallurgy                       | 10.8                   | 4.5                            | 12.5                   | (13.6)   |
| Chemical (including coal slurry) | 34.9                   | 14.7                           | 26.2                   | 33.2     |
| Others                           | 2.4                    | 1.0                            | 3.1                    | (22.6)   |

**Table 10 Status of Completion of Capital Expenditure**

|                        | Plan for 2021        | Completion in the first half of 2021 |
|------------------------|----------------------|--------------------------------------|
| Coal segment           | RMB100 million 74.48 | 66.73                                |
| Power segment          | 147.99               | 45.35                                |
| Transportation segment | 92.06                | 12.48                                |
| Including: Railway     | 79.29                | 9.33                                 |
| Port                   | 12.45                | 3.15                                 |
| Shipping               | 0.32                 | 0.00                                 |
| Coal chemical segment  | 30.81                | 2.58                                 |
| Others                 | 10.48                | 0.01                                 |
| <b>Total</b>           | <b>355.82</b>        | <b>127.15</b>                        |

**Table 12 Coal Sales Price**

|   | The first half of 2021      |                                    |   | The first half of 2020      |                                    |   | Change         |                                 |
|---|-----------------------------|------------------------------------|---|-----------------------------|------------------------------------|---|----------------|---------------------------------|
|   | Sales volume million tonnes | Percentage to total sales volume % | Average price (excluding tax) RMB/tonne | Sales volume million tonnes | Percentage to total sales volume % | Average price (excluding tax) RMB/tonne | Sales volume % | Average price (excluding tax) % |
| <b>Total sales volume/average price (excluding tax)</b> | <b>240.8</b>                | <b>100.0</b>                       | <b>499</b>                              | <b>205.3</b>                | <b>100.0</b>                       | <b>398</b>                              | <b>17.3</b>    | <b>25.4</b>                     |
| <b>I. Classify by contract pricing mechanism</b>        |                             |                                    |   |                             |                                    |   |                |                                 |
| (I) Sales through Trading Group                         | 229.6                       | 95.3                               | 512                                     | 197.7                       | 96.3                               | 407                                     | 16.1           | 25.8                            |
| 1. Annual long-term agreement                           | 99.2                        | 41.2                               | 412                                     | 88.3                        | 43.0                               | 382                                     | 12.3           | 7.9                             |
| 2. Monthly long-term agreement                          | 103.1                       | 42.8                               | 614                                     | 73.7                        | 35.9                               | 441                                     | 39.9           | 39.2                            |
| 3. Spot commodity                                       | 27.3                        | 11.3                               | 489                                     | 35.7                        | 17.4                               | 397                                     | (23.5)         | 23.2                            |
| (II) Direct sales at the coal mine pit                  | 11.2                        | 4.7                                | 231                                     | 7.6                         | 3.7                                | 179                                     | 47.4           | 29.1                            |
| <b>II. Classify by internal and external customers</b>  |                             |                                    |   |                             |                                    |   |                |                                 |
| (I) Sales to external customers                         | 212.1                       | 88.0                               | 506                                     | 181.9                       | 88.6                               | 403                                     | 16.6           | 25.6                            |
| (II) Sales to internal power segment                    | 26.4                        | 11.0                               | 458                                     | 21.1                        | 10.3                               | 364                                     | 25.1           | 25.8                            |
| (III) Sales to internal coal chemical segment           | 2.3                         | 1.0                                | 322                                     | 2.3                         | 1.1                                | 354                                     | -              | (9.0)                           |

**Table 3 Segment Results**

|                                       | Coal                   |                        | Power                  |                        | Railway                |                        | Port                   |                        | Shipping               |                        | Coal chemical          |                        | Unallocated items      |                        | Eliminations           |                        | Total                  |                        |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                                       | The first half of 2021 | The first half of 2020 | The first half of 2021 | The first half of 2020 | The first half of 2021 | The first half of 2020 | The first half of 2021 | The first half of 2020 | The first half of 2021 | The first half of 2020 | The first half of 2021 | The first half of 2020 | The first half of 2021 | The first half of 2020 | The first half of 2021 | The first half of 2020 | The first half of 2021 | The first half of 2020 |
| Revenue from external customers       | 109,882                | 75,288                 | 27,148                 | 22,568                 | 2,649                  | 2,736                  | 399                    | 468                    | 617                    | 783                    | 3,260                  | 2,409                  | 24                     | 764                    | -                      | -                      | 143,979                | 105,016                |
| Inter-segment revenue                 | 13,514                 | 8,913                  | 32                     | 36                     | 17,335                 | 15,452                 | 2,898                  | 2,466                  | 2,170                  | 523                    | -                      | -                      | 108                    | 530                    | (36,057)               | (27,920)               | -                      | -                      |
| Sub-total of segment revenue          | 123,396                | 84,201                 | 27,180                 | 22,604                 | 19,984                 | 18,188                 | 3,297                  | 2,934                  | 2,787                  | 1,306                  | 3,260                  | 2,409                  | 132                    | 1,294                  | (36,057)               | (27,920)               | 143,979                | 105,016                |
| Segment cost of sales                 | (99,187)               | (66,104)               | (23,377)               | (16,970)               | (9,866)                | (8,843)                | (1,693)                | (1,512)                | (2,132)                | (1,201)                | (2,423)                | (2,407)                | (8)                    | (17)                   | 35,909                 | 27,097                 | (102,777)              | (69,957)               |
| Segment profit/(loss) from operations | 21,506                 | 15,569                 | 3,421                  | 4,831                  | 9,399                  | 8,857                  | 1,451                  | 1,293                  | 570                    | 28                     | 741                    | (75)                   | (107)                  | 1,014                  | (148)                  | (823)                  | 36,833                 | 30,694                 |
| As at 30 June 2021                    | 251,435                | 222,984                | 159,746                | 150,299                | 133,607                | 124,113                | 20,750                 | 21,619                 | 7,182                  | 6,410                  | 9,214                  | 8,938                  | 453,800                | 424,257                | (432,339)              | (395,716)              | 603,395                | 562,904                |
| As at 31 December 2020                | (116,763)              | (106,897)              | (116,014)              | (110,040)              | (52,585)               | (50,470)               | (6,524)                | (6,629)                | (543)                  | (257)                  | (2,556)                | (2,950)                | (214,029)              | (154,901)              | 330,959                | 298,827                | (178,055)              | (133,317)              |

**Table 6 Power Business**

| Power plants   | Power grid   | Location       | Gross power generation | Total power output | Average utilization | Standard coal consumption | Power tariff | Total installed capacity as at 31 December 2020 | Increase/(decrease) in installed capacity for the first half of 2021 | Total installed capacity as at 30 June 2021 | Equity installed capacity as at 30 June 2021 |
|--|--|----------------|------------------------|--------------------|---------------------|---------------------------|--------------|---|--|---|--|
| Zhunge'er Power  | North China Power Grid                                     | Inner Mongolia | 17.4                   | 16.0               | 2,642               | 346                       | 247          | 660   | -  | 660   | 381  |
| Shendong Power   | Northwest/North China/ Shaanxi Provincial Local Power Grid | Inner Mongolia | 126.6                  | 117.3              | 2,523               | 319                       | 301          | 5,714   | (700)  | 5,014                                       | 4,527  |
| Cangdong Power   | North China Power Grid                                     | Hebei          | 55.7                   | 53.1               | 2,211               | 298                       | 312          | 2,520   | -  | 2,520                                       | 1,285  |
| Dingzhou Power   | North China Power Grid                                     | Hebei          | 56.0                   | 51.8               | 2,223               | 307                       | 311          | 2,520   | -  | 2,520                                       | 1,021  |
| Taishan Power  | South China Power Grid                                     | Guangdong      | 111.9                  | 105.5              | 2,185               | 308                       | 388          | 5,120   | -  | 5,120                                       | 4,096  |
| Huizhou Thermal  | South China Power Grid                                     | Guangdong      | 21.3                   | 19.2               | 3,221               | 306                       | 372          | 660   | -  | 660   | 660  |
| Fujian Energy  | East China Power Grid                                      | Fujian         | 81.5                   | 76.1               | 2,901               | 238                       | 351          | 2,810   | -  | 2,810                                       | 1,406  |
| Jinjie Energy  | North China Power Grid                                     | Shaanxi        | 96.4                   | 89.0               | 2,592               | 313                       | 263          | 3,720   | -  | 3,720                                       | 2,604  |
| Shouguang Power  | North China Power Grid                                     | Shandong       | 44.5                   | 42.5               | 2,205               | 277                       | 341          | 2,020   | -  | 2,020                                       | 1,212  |
| Jiujiang Power   | Central China Power Grid                                   | Jiangxi        | 62.8                   | 60.0               | 3,139               | 277                       | 350          | 2,000   | -  | 2,000                                       | 2,000  |
| Sichuan Energy (coal-fired power)                        | Sichuan Power Grid   | Sichuan        | 27.5                   | 25.0               | 2,181               | 338                       | 378          | 1,260   | -  | 1,260                                       | 604  |
| Mengjin Power  | Central China Power Grid                                   | Henan          | 22.5                   | 21.0               | 1,876               | 301                       | 279          | 1,200   | -  | 1,200                                       | 612  |
| Liuzhou Power  | Guangxi Power Grid   | Guangxi        | 19.2                   | 18.2               | 2,740               | 314                       | 344          | 700   | -  | 700   | 490  |
| EMM Indonesia  | PLN  | Indonesia      | 8.5                    | 7.5                | 2,827               | 385                       | 453          | 300   | -  | 300   | 210  |
| <b>Total of coal-fired power plants/weighted average</b> |  |                | <b>751.8</b>           | <b>702.2</b>       | <b>2,464</b>        | <b>300</b>                | <b>328</b>   | <b>31,204</b>                                   | <b>(700)</b>   | <b>30,504</b>                               | <b>21,108</b>                                |
| <b>Other power plants</b>                                |  |                |                        |                    |                     |                           |              |   |  |   |  |
| Beijing Gas-fired Power                                  | North China Power Grid                                     | Beijing        | 15.5                   | 15.2               | 1,632               | 184                       | 570          | 950   | -  | 950   | 950  |
| Sichuan Energy (hydropower)                              | Sichuan Provincial Local Power Grid                        | Sichuan        | 3.1                    | 3.0                | 2,502               | -                         | 250          | 125   | -  | 125   | 48   |

**Table 13 Coal Resources Reserves**

| Mines                         | Coal resources (under PRC standard) |                        |             | Recoverable reserve (under PRC standard) |                        |              | Marketable reserve (under JORC standard) |                        |              |
|-------------------------------|-------------------------------------|------------------------|-------------|--|------------------------|--------------|--|------------------------|--------------|
|                               | As at 30 June 2021                  | As at 31 December 2020 | Change      | As at 30 June 2021                       | As at 31 December 2020 | Change       | As at 30 June 2021                       | As at 31 December 2020 | Change       |
|                               | 100 million tonnes                  | 100 million tonnes     | %           | 100 million tonnes                       | 100 million tonnes     | %            | 100 million tonnes                       | 100 million tonnes     | %            |
| Shendong Mines                | 154.9                               | 156.0                  | (0.7)       | 87.8                                     | 88.9                   | (1.2)        | 43.5                                     | 44.4                   | (2.0)        |
| Zhunge'er Mines               | 37.5                                | 37.9                   | (1.1)       | 29.9                                     | 30.2                   | (1.0)        | 19.2                                     | 19.5                   | (1.5)        |
| Shengli Mines                 | 19.7                                | 19.9                   | (1.0)       | 13.4                                     | 13.5                   | (0.7)        | 1.6                                      | 1.8                    | (11.1)       |
| Baoxile Mines                 | 13.4                                | 13.5                   | (0.7)       | 11.2                                     | 11.3                   | (0.9)        | 11.4                                     | 11.6                   | (1.8)        |
| Baotou Mines                  | 0.5                                 | 0.5                    | -           | 0.3                                      | 0.3                    | -            | -  | -                      | /            |
| Xinjie Mines                  | 107.6                               | 64.2                   | 67.6        | /  | /                      | /            | /  | /                      | /            |
| Others                        | /                                   | 4.8                    | /           | /  | /                      | /            | /  | /                      | /            |
| <b>Total of China Shenhua</b> | <b>333.6</b>                        | <b>296.8</b>           | <b>12.4</b> | <b>142.6</b>                             | <b>144.2</b>           | <b>(1.1)</b> | <b>75.7</b>                              | <b>77.3</b>            | <b>(2.1)</b> |

**Table 7 Cost of Sales of Coal Segment**

|                               | The first half of 2021 | The first half of 2020 | Change %    |
|-------------------------------|------------------------|------------------------|-------------|
| Cost of coal purchased        | 41,522                 | 19,111                 | 117.3       |
| Materials, fuel and power     | 3,894                  | 3,743                  | 4.0         |
| Personnel expenses            | 3,968                  | 3,346                  | 18.6        |
| Repairs and maintenance       | 1,604                  | 1,359                  | 18.0        |
| Depreciation and amortization | 2,863                  | 2,642                  | 8.4         |
| Cost of transportation        | 28,699                 | 23,587                 | 21.7        |
| Other costs                   | 10,634                 | 7,864                  | 35.2        |
| Taxes and surcharges          | 6,003                  | 4,452                  | 34.8        |
| <b>Total cost of sales</b>    | <b>99,187</b>          | <b>66,104</b>          | <b>50.0</b> |

**Table 8 Cost of Sales of Power Segment**

|                               | The first half of 2021 |                       |           | The first half of 2020 |                       |           | Change in unit cost |
|-------------------------------|------------------------|-----------------------|-----------|------------------------|-----------------------|-----------|---------------------|
|                               | Cost                   | Power output dispatch | Unit cost | Cost                   | Power output dispatch | Unit cost |                     |
| Cost of power output dispatch | 21,882                 | 720.4                 | 303.8     | 15,815                 | 587.6                 | 269.1     | 12.9                |
| Materials, fuel and power     | 16,382                 | 720.4                 | 227.4     | 11,186                 | 587.6                 | 190.4     | 19.4                |
| Personnel expenses            | 1,355                  | 720.4                 | 18.8      | 820                    | 587.6                 | 14.0      | 34.3                |
| Repairs and Maintenance       | 734                    | 720.4                 | 10.2      | 789                    | 587.6                 | 13.4      | (23.5)              |
| Depreciation and amortization | 2,501                  | 720.4                 | 34.7      | 2,477                  | 587.6                 | 42.2      | (17.8)              |
| Others                        | 910                    | 720.4                 | 12.7      | 543                    | 587.6                 | 9.1       | 39.6                |
| Other operating costs         | 1,100                  | /                     | /         | 857                    | /                     | /         | /                   |
| Taxes and surcharges          | 395                    | /                     | /         | 298                    | /                     | /         | /                   |
| <b>Total cost of sales</b>    | <b>23,377</b>          |                       |           | <b>16,970</b>          |                       |           |                     |

**Table**



### 煤礦 COAL MINE

|   |                              |                           |
|---|------------------------------|---------------------------|
| A1. 神東礦區<br>Shendong Mines  | A2. 准格爾礦區<br>Zhunge'er Mines | A3. 勝利礦區<br>Shengli Mines |
| A4. 寶日希勒礦區<br>Baorixile Mines   | A5. 包頭礦區<br>Baotou Mines     |                           |
| A6. 新街台格廟勘查區 (前期工作階段)<br>Xinjie Taigemiao Exploration Area (preliminary work in progress) |                              |                           |

### 電廠 POWER

|                               |                             |                             |                             |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| B1. 滄東電力<br>Cangdong Power    | B2. 定州電力<br>Dingzhou Power  | B3. 准能電力<br>Zhunge'er Power | B4. 神東電力<br>Shendong Power  |
| B5. 北京燃氣<br>Beijing Gas Power | B6. 錦界能源<br>Jinjie Energy   | B7. 台山電力<br>Taishan Power   | B8. 惠州熱電<br>Huizhou Thermal |
| B9. 孟津電力<br>Mengjin Power     | B10. 四川能源<br>Sichuan Energy | B11. 福建能源<br>Fujian Energy  | B12. 南蘇EMM<br>EMM Indonesia |
| B13. 壽光電力<br>Shouguang Power  | B14. 柳州電力<br>Liuzhou Power  | B15. 九江電力<br>Jiujiang Power | B16. 爪哇7號<br>Java 7         |

### 鐵路 RAILWAY

|                              |                               |                              |
|------------------------------|-------------------------------|------------------------------|
| C1. 神朔鐵路<br>Shenshuo Railway | C2. 朔黃鐵路<br>Shuohuang Railway | C3. 黃萬鐵路<br>Huangwan Railway |
| C4. 大准鐵路<br>Dazhun Railway   | C5. 包神鐵路<br>Baoshen Railway   | C6. 巴准鐵路<br>Bazhun Railway   |
| C7. 甘泉鐵路<br>Ganquan Railway  | C8. 准池鐵路<br>Zhunchi Railway   |                              |
| C9. 黃大鐵路<br>Huangda Railway  | C10. 塔神鐵路<br>Tahan Railway    |                              |

### 港口 PORT

|                                |
|--------------------------------|
| D1. 黃驊港<br>Huanghua Port       |
| D2. 天津煤碼頭<br>Tianjin Coal Dock |
| D3. 珠海煤碼頭<br>Zhuhai Coal Dock  |

註: ① 於2021年6月30日之分佈圖, 僅做示意  
② 以審圖號GS(2016)1600號地圖為基礎編制  
Note: ① This map as at 30 June 2021 is for illustrative purpose only.  
② Prepared on the basis of the map with the approval number of GS(2016)1600.

### 航運 SHIPPING

|   |
|---|
| E1. 神華中海航運<br>Shenhua Zhonghai Shipping Company |
|---|

### 煤化工 COAL CHEMICAL

|                                   |
|-----------------------------------|
| F1. 包頭煤化工<br>Baotou Coal Chemical |
|-----------------------------------|



### 圖例 Legend

- 省界線 Provincial Boundary
- 國有或地方鐵路線 State-owned or Local Railway
- 自有運營鐵路 Self-owned Railway (in operation)
- 自有礦區 Self-owned mines
- 准班輪航線 Quasi-liner Shipping Route

## Section IV Management Discussion and Analysis

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

#### (I) Competition and Development Trend in the Industry<sup>1</sup>

##### 1. Macroeconomic Environment

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

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

##### 2. Coal Market Environment

###### (1) China's Thermal Coal Market

###### *Review of the first half of 2021*

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

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

## Section IV Management Discussion and Analysis (Continued)

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

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

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

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

*Outlook for the second half of the year*

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

## Section IV Management Discussion and Analysis (Continued)

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

#### *Review of the first half of 2021*

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

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

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

#### *Outlook for the second half of the year*

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

## Section IV Management Discussion and Analysis (Continued)

### 3. Power Market Environment

#### *Review of the first half of 2021*

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

In the first half of this year, power generation by national and international power plants in China totalled 3,870 billion kWh, representing a year-on-year increase of 13.7%. Among them, due to the rapid growth of power consumption and the slow growth of hydropower generation, the coal-fired power totalled 2,830 billion kWh, representing a year-on-year increase of 15.0%, accounting for 73.0% of the total power generation; Hydropower generation increased by 1.4%; nuclear power generation increased by 13.7% year-on-year, the full-calibre on-grid wind power and on-grid solar power generation increased by 44.6% and 24.0% year-on-year, respectively. In the first half of 2021, average utilization hours of national power generation equipment reached 1,853 hours, representing a year-on-year increase of 119 hours. Among them, the utilization hours of coal-fired power generation equipment reached 2,186 hours, representing a year-on-year increase of 231 hours (the utilization hours of coal power reached 2,257 hours, representing a year-on-year increase of 254 hours).

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

The power system reforms continued to be pushed deeper, the pilot scope of power spot commodity extended and new energy participated in market trading of power in an orderly manner. In the first half of the year, the national inter-regional power transmission amounted to 295.6 billion kWh, representing a year-on-year increase of 13.0%, whilst the national inter-provincial power transmission was 721.8 billion kWh, representing a year-on-year increase of 13.7%. Power trading centers across China organized and completed a total of 1,702.3 billion kWh of market transactions, representing a year-on-year increase of 41.6%, of which the total medium and long-term direct transaction volume of power was 1,377.3 billion kWh, representing a year-on-year increase of 43.4%, constituting 35% of total power consumption in the whole society, with an increase of 6.4 percentage points year on year.

## Section IV Management Discussion and Analysis (Continued)

### ***Outlook for the second half of the year***

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

### **(II) Principal Businesses and Operation Model of the Company During the Reporting Period**

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

The Group owns high-quality coal resources in Shendong Mines, Zhunge'er Mines, Shengli Mines and Baorixile Mines, etc. As at 30 June 2021, the Company had coal reserves of 33.36 billion tonnes and recoverable coal reserves of 14.26 billion tonnes under the PRC Standard; In the first half of 2021, the Group realized commercial coal production volume of 152.4 million tonnes and the sales volume of coal of 240.8 million tonnes. The Group controls and operates high capacity clean coal-fired power generators with great parameters, the Group controls and operates power generators with an installed capacity of 31,579 MW by the end of June 2021, with a total power output dispatch of 72.04 billion kWh in the first half of 2021. The Group controls and operates completion of a network of concentric transportation railways around the major coal production bases in western Shanxi, northern Shaanxi and southern Inner Mongolia as well as "Shenshuo – Shuohuang Line", a major channel for coal transportation from western to eastern China, and Huanghua-Dajiawa Railway, a new energy channel in Bohai Sea, with a total length of railways of 2,408 km. The transportation turnover of the self-owned railway reached 150.0 billion tonnes km in the first half of 2021. The Group also controls and operates a number of ports and docks (approximately 270 million tonnes/year vessel loading capability in aggregate), such as Huanghua Port, possesses the shipping transportation team comprising its own vessels with approximately 2.18 million tonnes of loading capacity and conducts coal-to-olefins businesses with approximately 0.6 million tonnes/year of operation and production capacity. The Group's technology in coal exploitation and production safety has secured a leading position in the global market, and that of clean coal-fired power generation and heavy-loaded railway transportation has secured a leading position in the domestic market.

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

## Section IV Management Discussion and Analysis (Continued)

### II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

### III. DISCUSSION AND ANALYSIS ON OPERATION RESULTS

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

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

The status of completion of 2021 business targets of the Group is as follows:

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

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

## Section IV Management Discussion and Analysis (Continued)

## IV. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

## (I) Analysis on principal business

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

Unit: RMB million

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

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

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

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

- ① Sales volume of coal and the average coal sales price of the Group recorded a year-on-year increase of 17.3% and 25.4%, respectively, due to strong coal demand in the coal market and rise in coal price with the steady recovery of China's economy;

## Section IV Management Discussion and Analysis (Continued)

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

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

## Section IV Management Discussion and Analysis (Continued)

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

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

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

- ① The year-on-year increase in cost of coal purchased was mainly driven by the strong demand in the coal market and rise in coal price, the Group's sales volume and unit procurement cost of purchased increased by 39.7% and 55.5% year on year, respectively.
- ② The year-over-year increase in the cost of raw materials, fuel and power was mainly due to the increase in power generation volume and the increase in price of coal purchased.
- ③ The year-on-year increase in personnel expenses was mainly due to the impact of the adjustment of the employee performance salary accrual cycle, which resulted in higher employee salary accrual in this reporting period as compared with the same period of the previous year, as well as the increase in social security contributions due to the increase in employee salary.
- ④ The year-on-year increase in repairs and maintenance costs was mainly due to the postponement of certain maintenance works of the Group's railway and coal segments due to the pandemic in the same period of the previous year, resulting in less repairs and maintenance costs incurred.
- ⑤ The year-on-year increase in transportation expenses was mainly due to the increase in ship chartering fees in the shipping business.

## Section IV Management Discussion and Analysis (Continued)

- ⑥ The year-on-year increase in tax and surcharge was mainly attributable to the rise in revenue and the increase in resources tax rates in Shaanxi Province.

### **(3) Other items of profit and loss statement**

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

## Section IV Management Discussion and Analysis (Continued)

### (4) Items of cash flow statement

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

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

### (5) Research and development expenses

---

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

---

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

## Section IV Management Discussion and Analysis (Continued)

### 2. Explanation on material changes in the business model, composition of profit or source of profit of the Company

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

During the reporting period, the Company made no significant change in the business model, composition of profit or source of profit.

### (II) Explanation on the material changes in profit incurred from non-principal business

Applicable     Not applicable

### (III) Analysis on Assets and Liabilities

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

| Item   | As at 30 June 2021    |                                    | As at 31 December 2020 |                                    | Change of the amount % | Main reasons for changes   |
|--|-----------------------|------------------------------------|------------------------|------------------------------------|------------------------|--|
|  | Amount<br>RMB million | Percentage<br>of total assets<br>% | Amount<br>RMB million  | Percentage<br>of total assets<br>% |                        |  |
| Intangible assets                                      | 4,378                 | 0.7                                | 3,888                  | 0.7                                | 12.6                   | Increase in Baorixile, Xinjie mining rights  |
| Inventories  | 14,975                | 2.5                                | 12,750                 | 2.3                                | 17.5                   | Increase in coal inventory   |
| Accounts and bills receivables                         | 12,624                | 2.1                                | 11,759                 | 2.1                                | 7.4                    | Relatively low base of account receivables at the end of the previous year as a result of the intensified efforts of the Group on collection of accounts receivables, and the increase in receivables for coal sales and receivables for electricity sales during the reporting period |
| Restricted bank deposits                               | 2,820                 | 0.5                                | 3,391                  | 0.6                                | (16.8)                 | Usage of the mine environment treatment and restoration funds under regulations  |
| Time deposits with original maturity over three months | 1,357                 | 0.2                                | 11,186                 | 2.0                                | (87.9)                 | Maturity of time deposits with original maturity over three months in the end of last year   |
| Cash and cash equivalents                              | 157,082               | 26.0                               | 112,880                | 20.1                               | 39.2                   | Increase of net cash generated from operating activities   |

## Section IV Management Discussion and Analysis (Continued)

| Item   | As at 30 June 2021           |                                    | As at 31 December 2020       |                                    | Change of the amount % | Main reasons for changes   |
|--|------------------------------|------------------------------------|------------------------------|------------------------------------|------------------------|--|
|  | Amount<br><i>RMB million</i> | Percentage<br>of total assets<br>% | Amount<br><i>RMB million</i> | Percentage<br>of total assets<br>% |                        |  |
| Assets classified as held for sale                             | 0                            | 0.0                                | 2,783                        | 0.5                                | (100.0)                | The completion of equity delivery of Fuping Thermal Power  |
| Short-term borrowings  | 6,719                        | 1.1                                | 8,847                        | 1.6                                | (24.1)                 | Repayments of certain short-term borrowings upon maturity  |
| Accrued expenses and other payables                            | 62,094                       | 10.3                               | 18,949                       | 3.4                                | 227.7                  | Unpaid final dividend of 2020 as of the end of the reporting period  |
| Current portion of long-term liabilities                       | 379                          | 0.1                                | 689                          | 0.1                                | (45.0)                 | Repayments of certain long-term liabilities during the reporting period  |
| Income tax payable   | 3,118                        | 0.5                                | 6,313                        | 1.1                                | (50.6)                 | Final settlement of corporate income tax of the previous year during the reporting period                        |
| Contract liabilities   | 6,928                        | 1.1                                | 5,256                        | 0.9                                | 31.8                   | Increase in advance coal payments due to the increase in coal sales and average sale price                       |
| Liabilities associated with assets classified as held for sale | 0                            | 0.0                                | 217                          | 0.0                                | (100.0)                | The completion of equity transfer of Fuping Thermal Power  |
| Long-term liabilities  | 6,244                        | 1.0                                | 2,661                        | 0.5                                | 134.6                  | The recognition of long-term payables for mining rights after reassessment of the mining rights of certain mines |

## Section IV Management Discussion and Analysis (Continued)

### 2. Explanation on offshore assets

As of 30 June 2021, the total offshore assets of the Group (including Hong Kong, Macau and Taiwan, China) amounted to RMB26,670 million, representing 4.4% to total assets, which are mainly composed of the power generation assets in Indonesia and the assets from U.S. dollar-denominated bonds issued in Hong Kong, the PRC.

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

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

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

## (IV) Operation results by business segment

### 1. Coal segment

#### (1) Production and operations

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

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

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

## Section IV Management Discussion and Analysis (Continued)

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

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

### **(2) Sales of coal**

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

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

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

## Section IV Management Discussion and Analysis (Continued)

## ① By contract pricing mechanisms

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

## ② By internal and external customers

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

## Section IV Management Discussion and Analysis (Continued)

## ③ By sales regions

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

## (3) Coal resources

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

Unit: 100 million tonnes

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

## Section IV Management Discussion and Analysis (Continued)

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

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

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

### (4) Operation results

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

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

## Section IV Management Discussion and Analysis (Continued)

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

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

③ *Unit production cost of self-produced coal**Unit: RMB/tonne*

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

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

④ *Cost of coal purchased from third parties*

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

## Section IV Management Discussion and Analysis (Continued)

### 2. Power segment

#### (1) Production and operations

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

#### (2) Power output dispatch and power tariffs

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

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

## Section IV Management Discussion and Analysis (Continued)

**(3) Installed capacity**

At the end of the reporting period, the total installed capacity of power generating units of the Group reached 31,579 MW, among which, the total installed capacity of the coal-fired power generators is 30,504 MW, which is 96.6% of the total installed capacity of the Group.

*Unit: MW*

| <b>Power type</b> | Gross installed capacity as at 31 December 2020 | Installed capacity                                 | <b>Gross installed capacity as at 30 June 2021</b> |
|-------------------|---|--|--|
|                   |   | increased/ (decreased) during the reporting period |  |
| Coal-fired power  | 31,204  | (700)  | <b>30,504</b>                                      |
| Gas-fired power   | 950   | 0  | <b>950</b>   |
| Hydropower        | 125   | 0  | <b>125</b>   |
| <b>Total</b>      | <b>32,279</b>                                   | <b>(700)</b>                                       | <b>31,579</b>                                      |

During the reporting period, the equity delivery of Fuping Thermal Power was completed and the installed capacity of coal-fired power generators was reduced by 700 MW.

**(4) Utilisation rate of power generation equipment**

In the first half of 2021, average utilisation hours of coal-fired generators of the Group reached 2,464 hours, representing an increase of 433 hours as compared to 2,031 hours of the same period of last year, which was 207 hours higher than the national average utilisation hours of 2,257 hours<sup>1</sup> for coal-fired generating equipment.

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

<sup>1</sup> Data source: China Electricity Council

## Section IV Management Discussion and Analysis (Continued)

### (5) Market Transaction of Power

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

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

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

### (7) Capital Expenditure

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

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

## Section IV Management Discussion and Analysis (Continued)

**(8) Operation results**

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

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

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

*Unit: RMB million*

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

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

## Section IV Management Discussion and Analysis (Continued)

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

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

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

3. **Railway segment****(1) Production and operations**

In the first half of 2021, the railway segment of the Group made full use of the coordinated production and operations scheduling system, optimized the "skylight" arrangement, adjusted the freight rate mechanism, and significantly improved operational efficiency and benefits. It continued to promote the development of large-scale logistics business, actively developed the non-coal transportation business in Shandong area along the Huangda Railway, and build 5 non-coal loading and unloading sites such as Yanjiata along the Shenshuo Railway, and achieved the transportation volume of non-coal commodities of 9.8 million tonnes and reverse transportation of 6.4 million tonnes by railway segment in the first half of the year. It continued to promote the development of railway transportation technology and intelligence, and the Group's first heavy-haul railway mobile blocking technology was applied to the Shuohuang Railway, and intelligent improvement projects such as intelligent driving technology for freight locomotives steadily advanced.

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

## Section IV Management Discussion and Analysis (Continued)

**(2) Operation results**

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

|                               |             | <b>The first<br/>half of<br/>2021</b> | The first<br>half of<br>2020 | Change<br>%                       | Main reasons<br>for changes   |
|-------------------------------|-------------|---------------------------------------|------------------------------|-----------------------------------|---|
| Revenue                       | RMB million | <b>19,984</b>                         | 18,188                       | 9.9                               | Increase in transportation turnover of railways   |
| Cost of sales                 | RMB million | <b>(9,866)</b>                        | (8,843)                      | 11.6                              | Increase in transportation turnover of railways; a year-on-year increase in repair costs during the reporting period due to the postpone of certain maintenance projects in the same period last year |
| Gross profit margin           | %           | <b>50.6</b>                           | 51.4                         | Decreased by 0.8 percentage point |   |
| Profit from operations        | RMB million | <b>9,399</b>                          | 8,857                        | 6.1                               |   |
| Profit margin from operations | %           | <b>47.0</b>                           | 48.7                         | Decreased by 1.7 percentage point |   |

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

**4. Port segment****(1) Production and operations**

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

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

## Section IV Management Discussion and Analysis (Continued)

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

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

### (2) Operation results

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

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

## 5. Shipping segment

### (1) Production and operations

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

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

## Section IV Management Discussion and Analysis (Continued)

**(2) Operation results**

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

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

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

**6. Coal chemical segment****(1) Production and operations**

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

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

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

## Section IV Management Discussion and Analysis (Continued)

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

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

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

### (2) Operation results

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

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

## Section IV Management Discussion and Analysis (Continued)

**(3) Unit production cost of main products**

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

The coal consumed by the coal chemical segment was all from the coal from the internal sales of the Group. In the first half of 2021, a total of 2.3 million tonnes was consumed, which was the same as that in the same period of the previous year.

**(V) Regional operation analysis**

Unit: RMB million

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

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

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

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

## Section IV Management Discussion and Analysis (Continued)

**(VI) Analysis on investments****1. Overall analysis of external equity investments**

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

**2. Material investment in equity interest**

Applicable     N/A

**3. Material investment in non-equity interest**

Applicable     N/A

**4. Completion of Capital Expenditures Plans for 2021**

*Unit: RMB100 million*

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

## Section IV Management Discussion and Analysis (Continued)

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

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

### 5. Financial assets at fair value

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

*Unit: RMB million*

| Name of items                           | Opening<br>balance at<br>the beginning<br>of the period | Closing<br>balance at<br>the end of<br>the period | Change for<br>the current<br>period | Change of profit<br>for the current<br>period |
|---|---|---|-------------------------------------|---|
| Other investments in equity instruments | 1,845   | 1,915   | 70                                  | 0   |
| <b>Total</b>                            | 1,845   | 1,915   | 70                                  | 0   |

### 6. Derivatives investment

Applicable     N/A

## (VII) Disposal of material assets and equity interest

The Group had no material acquisition or disposal in relation to subsidiaries, associates or joint ventures during the reporting period.

## Section IV Management Discussion and Analysis (Continued)

**(VIII) Analysis on major holding and associated companies****1. Major subsidiaries***Unit: RMB million*

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

- Notes:*
- The financial information of the major subsidiaries disclosed in the above table (unassessed and unadjusted before consolidation) was prepared in accordance with the China Accounting Standards for Business Enterprises. The data has not been audited or reviewed.
  - Shandong Coal recorded a revenue of RMB31,539 million and a profit from operations of RMB9,893 million in the first half of 2021.
  - Shuohuang Railway recorded a revenue of RMB10,720 million and a profit from operations of RMB5,592 million in the first half of 2021.

## Section IV Management Discussion and Analysis (Continued)

## 2. Finance Company

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

## (1) Major Financial Indicators of Finance Company

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

  

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

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

## (2) Major Risk Indicators of Finance Company

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

## Section IV Management Discussion and Analysis (Continued)

### (IX) Structured Entities Controlled by the Company

Applicable     N/A

### V. POTENTIAL RISKS

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

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

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

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

## Section IV Management Discussion and Analysis (Continued)

1. In safe production and environmental protection, the Company will further improve the production safety management and control system, strengthen the works of safety training, hidden danger detection and control and emergency management, give full play to the advantages of informatisation, and effectively improve the level of safety management and control. The Company will focus on the development direction of clean energy, constantly build the brand of “ultra-low emission” of coal power and comprehensively promote ecological progress, with a core of the efficient development, utilisation and conversion of clean coal. The Company will be in compliance with laws and regulations and prioritise the protection, strictly defend the ecological red line, vigorously promote green mine construction, accelerate environmental governance in water, gas, noise and slag, and continue to strengthen environmental monitoring. The Company will carry out special rectification actions to strengthen safety production and the investigation and management of hidden environmental danger.
2. In marketing and sales, the Company will fully and accurately grasp market conditions and formulate the reasonable marketing policies; the Company will also optimise the structure of coal products for further enhancing the brand advantages, increasing the development of new market and the maintenance of old market as well as balancing arrangements for transportation and sales, further improve the quality and efficiency of power business development, and participate in power market transactions in accordance with laws and regulation. We will improve the collection, distribution and transportation networks, promote the construction of special lines in coal core areas, accelerate the expansion and upgrading of railway lines, and improve the transportation capacity of trunk railway lines.
3. In international operation, the Company will further strengthen the collection, analysis and research of information before the decision-making of investment in overseas projects to ensure the economic and technical feasibility of projects. Actively responding to the impact of COVID-19 on overseas business, the Company will strengthen overseas risk screening and take multiple measures to prevent and defuse risks, and strengthen the competence of internationalization to provide a strong guarantee for “going out”.
4. In terms of legal risk, the Company will optimize the legal risk prevention system on a continuous basis, and use information technology to realize the informatization of case management and in-depth integration of compliance management and business. The Company will proceed the “layered listing supervision” mechanism for major cases, and improve the prevention and response capabilities for major legal cases. The Company will strengthen the compliance management of coal-fired power projects, such as project approval and licensing, and standardize the construction and operation of projects.
5. In project management, the Company will strengthen the awareness of project risk management, strengthen standardised site construction, strengthen project construction organisation and site management, and ensure the progress of the project.
6. In policy risk, the Company will comprehensively track policy trends for accelerating the policy changes and solving the problems left over from history. The Company will focus on organising breakthroughs in related problems affecting production and operation. The Company will enhance policy coordination, actively promote industrial upgrading and green transformation, and actively implement the “carbon peak and carbon neutrality” goals.

## Section V Company Governance and Corporate Governance

### I. CORPORATE GOVERNANCE

The Board is responsible for implementing good corporate governance of the Company. 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.

The convening, voting and disclosure procedures of board meetings of the Company, rules of procedures of the Board and procedures for nomination and appointment of Directors are in compliance with relevant requirements. Being a standing decision-making body of the Company, the Board is accountable to the shareholders' general meeting, and exercises function and power in accordance with the requirements of article 136 of the Articles of Association and relevant applicable regulatory requirements. Being a standing executive body of the Company, operating management comprising senior management including the Chief Executive Officer, is accountable to the Board and exercises function and power in accordance with the requirements of article 156 of the Articles of Association and relevant applicable regulatory requirements. The Articles of Association set out the respective duties of the Chairman of the Board and the Chief Executive Officer in detail. The Chairman of the Board and the chief executive officer are held by different personnel.

During the six months ended 30 June 2021, the Company has been in full compliance with the provisions of principle and codes set out in Corporate Governance Code and most of the recommended best practices as specified therein. For the terms of functions and powers of the Board and the Board Committees under the Corporate Governance Code, please refer to the Articles of Association, Rules of Procedures of the Board and the Board Committees, which have been published on the websites of the stock exchanges where the Company is listed and on the Company's website. During the reporting period, the Company has made one amendment to the Articles of Association. For details, please refer to the H Share Announcements of the Company dated 25 June 2021 and the A Share Announcements of the Company dated 26 June 2021.

The Board of the Company has set out the board diversity policy for members of the Board, which was set out in the terms of reference of the nomination committee of the Board of the Company and has been disclosed. When selecting the candidates in accordance with the board diversity policy of the Company, the Board will use a series of diversified terms, including but not limited to gender, age, culture and educational background, race, skills, knowledge and professional experience as standard, and will determine in conjunction with the characteristics and role of the personnel. As at the end of the reporting period, the Board of the Company consisted of 9 Directors, including 3 Executive Directors, 2 Non-executive Director and 3 Independent Non-Executive Directors and 1 Employee Director. Directors are from various domestic and overseas industries, and the composition of the members features diversity. Each Director's knowledge base and field of expertise are professional and complementary in the overall board structure, which guarantees the scientific decision-making of the Board.

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

## Section V Company Governance and Corporate Governance (Continued)

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

The securities transactions of the directors of the Company have been carried out in accordance with the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules. The Model Code is also applicable to the supervisors and senior management of the Company. The directors, supervisors or senior management have confirmed that they have fully complied with the Model Code in the first half of 2021 or during their respective terms of office.

### II. GENERAL MEETINGS

| Meetings                                | Date         | Inquiry index on the designated website for publishing the voting results | Date of disclosure of the voting results | Resolutions of the meeting   |
|---|--------------|---|--|--|
| 2020 Annual General Meeting             | 25 June 2021 | The website of the SSE  | 26 June 2021                             | The 2020 Annual General Meeting considered and approved all 10 resolutions by means of open ballot at the on-site combined with online voting            |
|   |              | The website of the HKEx   | 25 June 2021                             |  |
| 2021 First A Shareholders Class Meeting | 25 June 2021 |   |  | The 2021 First A Shareholders Class Meeting considered and approved the Resolution on the General Mandate for the Board to Repurchase H Shares by voting |
| 2021 First H Shareholders Class Meeting | 25 June 2021 |   |  | The 2021 First H Shareholders Class Meeting considered and approved the Resolution on the General Mandate for the Board to Repurchase H Shares by voting |

#### 1. Request for convening of extraordinary general meeting by preference shareholders with recovered voting rights

Applicable     Not applicable

## Section V Company Governance and Corporate Governance (Continued)

### 2. Particulars of general meetings

The Company convened the 2020 Annual General Meeting, the 2021 First A Shareholders Class Meeting and the 2021 First H Shareholders Class Meeting on 25 June 2021, and all the resolutions reviewed at the meeting were passed. The resolutions of the meetings were disclosed on the website of the HKEx on 25 June 2021, and on the website of the SSE on 26 June 2021.

The Company accepted registration of shareholders' attendance, and arranged a special session for the shareholders' effective consideration of proposals at the meeting. Shareholders actively participated in the meeting and were entitled to exercise their various rights, such as the right to know, the right of speech, the right to question and the right to vote. Directors, supervisors and senior management of the Company attended the meeting. Arranging special Q&A session in the meeting enabled interactions between shareholders and the management.

The Company's shareholders' representative, supervisors' representative, witness lawyers and the representative of Computershare Hong Kong Investor Services Limited acted as scrutineer at the general meeting. The PRC legal advisor of the Company issued the legal opinion.

### III. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF THE COMPANY

| Name          | Position                 | Changes     |
|---------------|--------------------------|-------------|
| Yang Rongming | Non-Executive Director   | Election    |
| Li Zhiming    | Executive Vice President | Appointment |

On 25 June 2021, the 2020 Annual General Meeting of the Company elected Yang Rongming as a Non-executive Director of the fifth session of the Board of the Company with the term of office from the day of election at the general meeting to the expiry of the term of the fifth session of the Board (28 May 2023).

On 26 March 2021, the sixth meeting of the fifth session of the Board of the Company reviewed and approved the appointment of Mr. Li Zhiming as the Executive Vice President of China Shenhua Energy Company Limited. The term of office shall be three years from the date of approval by the Board, renewable upon reappointment after the term of office expires.

## Section V Company Governance and Corporate Governance (Continued)

**IV. THE PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL****(I) Proposal of profit distribution and transfer of capital reserve to share capital for the interim reporting period**

|   |   |
|---|---|
| Whether to make profit distribution or transfer of capital reserve to share capital             | No  |
| Description of proposal of profit distribution or transfer of capital reserve to share capital: | The Company has no plan to declare or pay interim dividends (including cash dividends). |

**(II) The execution of or adjustment to the profit distribution plan during the reporting period**

On 25 June 2021, the 2020 Annual General Meeting of the Company approved the distribution of the 2020 final dividend of RMB1.81 per share (tax included) to all shareholders, totaling RMB35,962 million (tax included). As of the date of disclosure of the report, the above dividends have been distributed. The distribution of the 2020 final dividend meets the requirements of the Articles of Association of the Company and the resolutions of the general meeting.

**V. THE SPECIFIC IMPLEMENTATION OF SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE SCHEME**

Applicable     Not applicable

## Section VI Environmental and Social Responsibilities

### I . ENVIRONMENT INFORMATION

#### (1). Environmental protection information of the companies and their significant subsidiaries classified as the key pollutant discharge units as published by the competent environmental protection authorities

##### 1. Information on pollutant discharge

As at 30 June 2021, 24 subsidiaries of the Group were categorized as national major pollution source under supervision (among which 22 were waste gas exhausting enterprises, 5 were wastewater discharging enterprises (among which, 2 were also waste gas exhausting enterprises, 1 was also waste gas exhausting and hazardous solid waste discharging enterprise), and 1 was hazardous solid waste discharging enterprise (which was also waste gas exhausting, wastewater discharging enterprise)), which mainly are coal-fired power plants, coal chemical plants and coal preparation plants, etc. located in places including Inner Mongolia, Shaanxi, Hebei, Fujian and Guangdong.

The main pollutants emitted by waste gas exhausting enterprises are sulfur dioxide, nitrogen oxides and soot, which are emitted to the atmosphere through the chimneys. Waste gas exhausting enterprises are mainly public thermal power plants, coal-to-chemical captive power plants, heating boilers for mines and coking plants, etc. Emission standards implemented include Emission Standards for Air Pollutants Produced by Thermal Plants (GB13223-2011), Emission Standards for Air Pollutants Produced by Boilers (GB13271-2014) and Emission Standards for Pollutants Produced by Coking Chemical Industry (GB16171-2012).

The main pollutants discharged by wastewater discharging enterprises are chemical oxygen demand (COD), which are discharged to the surface water through the sewage outfall of the enterprises. Wastewater enterprises are mainly coal mining and coal-to-chemical enterprises and wastewater treatment plants. The emission standards implemented were the Comprehensive Emission Standards for Sewage (GB8978-1996), Emission Standards for Pollutants from Coal Industry (GB20426-2006) and Emission Standards for Pollutants Produced by Municipal Sewage Treatment Plants (GB18918-2002).

## Section VI Environmental and Social Responsibilities (Continued)

In the first half of 2021, the emissions from enterprises under the State's key supervision and control of pollution sources (waste gas) under the Group are as follows:

| Unit name   | Major pollutant | Total Emissions<br><i>tonne</i> | Average emission concentration<br><i>mg/Nm<sup>3</sup></i> | Total Verified emissions<br><i>tonne/year</i> | Number of discharge ports | Distribution of discharge ports   | Discharge method           | Excessive emissions<br><i>hour</i> | Operation rate of pollution prevention facilities<br><i>%</i> |
|---|-----------------|---------------------------------|--|---|---------------------------|---|----------------------------|------------------------------------|---|
| Power Plant of Shenhua Yili Energy Co., Ltd.              | SO <sub>2</sub> | 409                             | 51.85  | 3,200   | 4                         | One discharge port per unit   | Organised                  | 1                                  | 99.9  |
|   | NO <sub>x</sub> | 1,016                           | 128.72   | 3,200   |                           |   | continuous                 | 0                                  | 100   |
|   | Soot            | 47                              | 5.98   | 480   |                           |   | discharge                  | 0                                  | 100   |
| Jinjie Energy (Power Plant)                               | SO <sub>2</sub> | 605                             | 14.76  | 2,458   | 3                         | Every 2 units share one discharge port  | Organised                  | 0                                  | 100   |
|   | NO <sub>x</sub> | 1,134                           | 29.28  | 4,422.18                                      |                           |   | continuous                 | 0                                  | 100   |
|   | Soot            | 129                             | 3.12   | 884.45  |                           |   | discharge                  | 0                                  | 100   |
| Taishan Power   | SO <sub>2</sub> | 683                             | 16.18  | 4,780   | 6                         | Units 1-2 share one discharge port; Units 3-7 each have one discharge port  | Organised                  | 0                                  | 100   |
|   | NO <sub>x</sub> | 1,174                           | 28.9   | 9,560   |                           |   | continuous                 | 0                                  | 100   |
|   | Soot            | 54                              | 1.33   | 1,620   |                           |   | discharge                  | 0                                  | 100   |
| Shenhua Funeng Coal-fired Power Generation Co., Ltd       | SO <sub>2</sub> | 463                             | 21.62  | 3,675   | 2                         | One discharge port per unit   | Organised                  | 0                                  | 100   |
|   | NO <sub>x</sub> | 1,167                           | 34.28  | 3,675   |                           |   | continuous                 | 0                                  | 99.76   |
|   | Soot            | 85                              | 4.18   | 309   |                           |   | discharge                  | 0                                  | 100   |
| Baotou Coal Chemical Coal-fired Power Generation Co. Ltd. | SO <sub>2</sub> | 140                             | 9.21   | 2,674   | 3                         | The flue gas of the thermoelectric boiler system shares a discharge port, and a separate discharge port for the tail gas of the sulfur recovery device. | Organised                  | 0                                  | 100   |
|   | NO <sub>x</sub> | 311                             | 28.15  | 1,337   |                           |   | Continuous or intermittent | 0                                  | 100   |
|   | Soot            | 48                              | 8.55   | 401   |                           |   | discharge                  | 0                                  | 100   |
| Cangdong Power  | SO <sub>2</sub> | 258                             | 11.66  | 1,842.65                                      | 2                         | Every 2 units share one discharge port  | Organised                  | 0                                  | 100   |
|   | NO <sub>x</sub> | 511                             | 22.46  | 2,632.36                                      |                           |   | continuous                 | 0                                  | 100   |
|   | Soot            | 42                              | 1.82   | 292.06  |                           |   | discharge                  | 0                                  | 100   |
| Dingzhou Power  | SO <sub>2</sub> | 233                             | 10.66  | 1,826.55                                      | 2                         | Every 2 units share one discharge port  | Organised                  | 0                                  | 100   |
|   | NO <sub>x</sub> | 425                             | 22.15  | 2,609.32                                      |                           |   | continuous                 | 0                                  | 100   |
|   | Soot            | 29                              | 1.42   | 521.86  |                           |   | discharge                  | 0                                  | 100   |

## Section VI Environmental and Social Responsibilities (Continued)

| Unit name   | Major pollutant | Total Emissions<br><i>tonne</i> | Average emission concentration<br><i>mg/Nm<sup>3</sup></i> | Total Verified emissions<br><i>tonne/year</i> | Number of discharge ports | Distribution of discharge ports                  | Discharge method     | Excessive emissions<br><i>hour</i> | Operation rate of pollution prevention facilities<br><i>%</i> |
|---|-----------------|---------------------------------|--|---|---------------------------|--|----------------------|------------------------------------|---|
| Sichuan Energy Jiangyou Power Plant                         | SO <sub>2</sub> | 131                             | 40.32  | 2,427   | 1                         | The units share a discharge port.                | Organised            | 0                                  | 100   |
|   | NO <sub>x</sub> | 286                             | 88.12  | 1,320   |                           |  | continuous discharge | 6                                  | 99.89   |
|   | Soot            | 34                              | 10.44  | 383   |                           |  | discharge            | 0                                  | 100   |
| Shandong Power Chongqing Wanzhou Port Power Co., Ltd.       | SO <sub>2</sub> | 381                             | 20.1   | 1,000   | 2                         | One discharge port per unit                      | Organised            | 0                                  | 100   |
|   | NO <sub>x</sub> | 753                             | 39   | 1,500   |                           |  | continuous discharge | 4                                  | 99.9  |
|   | Soot            | 42                              | 2.24   | 200   |                           |  | discharge            | 0                                  | 100   |
| Huizhou Thermal   | SO <sub>2</sub> | 243                             | 26.45  | 501.52  | 1                         | The units share a discharge port.                | Organised            | 0                                  | 100   |
|   | NO <sub>x</sub> | 397                             | 43.58  | 716.46  |                           |  | continuous discharge | 0                                  | 100   |
|   | Soot            | 14                              | 1.49   | 71.65   |                           |  | discharge            | 0                                  | 100   |
| Mengjin Power   | SO <sub>2</sub> | 214                             | 23.21  | 1,079   | 2                         | One discharge port per unit                      | Organised            | 0                                  | 100   |
|   | NO <sub>x</sub> | 378                             | 39.47  | 1,542   |                           |  | continuous discharge | 0                                  | 100   |
|   | Soot            | 26                              | 2.62   | 308   |                           |  | discharge            | 0                                  | 100   |
| Shandong Power Dianta Company                               | SO <sub>2</sub> | 74                              | 12.4   | 1,031.81                                      | 1                         | The units share a discharge port.                | Organised            | 1                                  | 99.9  |
|   | NO <sub>x</sub> | 205                             | 38.3   | 1,474.02                                      |                           |  | continuous discharge | 1                                  | 99.85   |
|   | Soot            | 11                              | 2.3  | 294.80  |                           |  | discharge            | 0                                  | 100   |
| Shouguang Power   | SO <sub>2</sub> | 151                             | 11.59  | 1,347.50                                      | 2                         | One discharge port per unit                      | Organised            | 0                                  | 100   |
|   | NO <sub>x</sub> | 390                             | 30.78  | 1,925   |                           |  | continuous discharge | 0                                  | 100   |
|   | Soot            | 13                              | 1.08   | 192.50  |                           |  | discharge            | 0                                  | 100   |
| Jiujiang Power  | SO <sub>2</sub> | 247                             | 12.73  | 2,805   | 2                         | One discharge port per unit                      | Organised            | 25                                 | 99.85   |
|   | NO <sub>x</sub> | 511                             | 28.03  | 3,014   |                           |  | continuous discharge | 45                                 | 99.24   |
|   | Soot            | 14                              | 0.8  | 1,065   |                           |  | discharge            | 0                                  | 100   |
| Zhunge'er Power   | SO <sub>2</sub> | 146                             | 20.74  | 3,840   | 2                         | One discharge port each for Phase I and Phase II | Organised            | 0                                  | 100   |
|   | NO <sub>x</sub> | 252                             | 38.32  | 3,840   |                           |  | continuous discharge | 0                                  | 100   |
|   | Soot            | 19                              | 2.97   | 576   |                           |  | discharge            | 0                                  | 100   |
| Fujian Jinjiang Thermal Power Co., Ltd.                     | SO <sub>2</sub> | 35                              | 20.75  | 831.77  | 1                         | The units share a discharge port.                | Organised            | 0                                  | 100   |
|   | NO <sub>x</sub> | 81                              | 46.58  | 831.11  |                           |  | continuous discharge | 0                                  | 99.9  |
|   | Soot            | 4                               | 2.75   | 124.77  |                           |  | discharge            | 0                                  | 100   |
| Sichuan Bashu Jiangyou Coalfired Power Generation Co., Ltd. | SO <sub>2</sub> | 48                              | 8.66   | 2,400   | 1                         | The units share a discharge port.                | Organised            | 0                                  | 100   |
|   | NO <sub>x</sub> | 183                             | 32.78  | 1,200   |                           |  | continuous discharge | 8                                  | 99.9  |
|   | Soot            | 25                              | 4.52   | 348   |                           |  | discharge            | 0                                  | 100   |

## Section VI Environmental and Social Responsibilities (Continued)

| Unit name                                      | Major pollutant | Total Emissions<br><i>tonne</i> | Average emission concentration<br><i>mg/Nm<sup>3</sup></i> | Total Verified emissions<br><i>tonne/year</i> | Number of discharge ports | Distribution of discharge ports              | Discharge method     | Excessive emissions<br><i>hour</i> | Operation rate of pollution prevention facilities<br><i>%</i> |
|--|-----------------|---------------------------------|--|---|---------------------------|--|----------------------|------------------------------------|---|
| Liuzhou Power                                  | SO <sub>2</sub> | 66                              | 12.79  | 3,727.20                                      | 1                         | The units share a discharge port.            | Organised            | 0                                  | 100   |
|  | NO <sub>x</sub> | 173                             | 34.69  | 1,863.60                                      |                           |  | continuous discharge | 0                                  | 100   |
|  | Soot            | 12                              | 2.39   | 559   |                           |  | discharge            | 0                                  | 100   |
| Shenhua Funeng (Fujian Yanshi) Power Co., Ltd. | SO <sub>2</sub> | 123                             | 20.89  | 2,092   | 1                         | The units share a discharge port.            | Organised            | 3                                  | 99.9  |
|  | NO <sub>x</sub> | 251                             | 42.99  | 2,090   |                           |  | continuous discharge | 15                                 | 99.7  |
|  | Soot            | 14                              | 2.51   | 440   |                           |  | discharge            | 0                                  | 100   |
| Daliuta Power Plant of Shendong Power Company  | SO <sub>2</sub> | 0.8                             | 2.18   | 47.32   | 1                         | The units share a discharge port.            | Organised            | 0                                  | 100   |
|  | NO <sub>x</sub> | 17                              | 38.69  | 67.6  |                           |  | continuous discharge | 2                                  | 99.9  |
|  | Soot            | 0.1                             | 0.3  | 13.52   |                           |  | discharge            | 0                                  | 100   |
| Guojiawan Power Plant of Shendong Power        | SO <sub>2</sub> | 20                              | 2.96   | 420   | 1                         | The units share a discharge port.            | Organised            | 0                                  | 100   |
|  | NO <sub>x</sub> | 198                             | 29.14  | 600   |                           |  | continuous discharge | 1                                  | 99.98   |
|  | Soot            | 3                               | 0.45   | 120   |                           |  | discharge            | 0                                  | 100   |
| Shenmu Power                                   | SO <sub>2</sub> | 26                              | 6.5  | 634.5   | 1                         | The units share a discharge port.            | Organised            | 1                                  | 99.9  |
|  | NO <sub>x</sub> | 84                              | 22.57  | 675   |                           |  | continuous discharge | 1                                  | 99.4  |
|  | Soot            | 6                               | 1.6  | 108   |                           |  | discharge            | 0                                  | 100   |
| Shenhua Bayannaer Energy Co., Ltd.             | SO <sub>2</sub> | 9                               | 16.25  | 75  | 1                         | One discharge port for the coke oven chimney | Organised            | 8                                  | 99.86   |
|  | NO <sub>x</sub> | 164                             | 289.39   | 750   |                           |  | continuous discharge | 3                                  | 99.86   |
|  | Soot            | 4                               | 6.5  | 45  |                           |  | discharge            | 0                                  | 99.86   |

## Section VI Environmental and Social Responsibilities (Continued)

In the first half of 2021, the emissions from enterprises under the State's key supervision and control of pollution sources (waste water) under the Group are as follows:

| Unit name  | Major pollutant | Total Emissions<br>tonne | Average emission concentration<br>mg/L | Total Verified emissions<br>tonne/year | Number of discharge ports | Distribution of discharge ports  | Discharge method                     | Excessive emissions<br>hour | Operation rate of pollution prevention facilities<br>% |
|--|-----------------|--------------------------|--|--|---------------------------|--|--------------------------------------|-----------------------------|--|
| Baotou Coal Chemical   | COD             | 75.81                    | 42.28                                  | 150                                    | 1                         | One external sewage outlet   | Continuous discharge                 | 0                           | 100  |
| Jinjie Energy (Coal Mine)                                    | COD             | 46.16                    | 4.5                                    | -                                      | 3                         | Outlet of well water treatment plant for the main shaft; Zaoshaogou forced outlet; Hezegou forced outlet | Continuous or intermittent discharge | 0                           | 100  |
| Daliuta well at Daliuta Coal Mine of Shendong Coal           | COD             | 18.69                    | 6.1                                    | -                                      | 1                         | Outlet of well water treatment plant for the main shaft  | Continuous or intermittent discharge | 0                           | 100  |
| Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd. | COD             | 12                       | 7.4                                    | 100mg/L                                | 1                         | Fujiang  | Continuous or intermittent discharge | 0                           | 100  |
| Sichuan Energy Jiangyou Power Plant                          | COD             | 10                       | 8.6                                    | 100mg/L                                | 1                         | Fujiang  | Continuous or intermittent discharge | 0                           | 100  |

Notes: (1) Currently local environmental protection administration does not issue discharge permit for sewage and waste water to coal enterprises and accordingly there is no approved total emission.

(2) Sichuan Energy Jiangyou Power Plant and Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd. adopt the emission concentration as the standard for approval as there is no approved total emission.

In the first half of 2021, the total emission of major enterprises under the state's key supervision and control of pollution sources (solid and hazardous waste) of the Group is as follows: 173.6 tonnes from Baotou Coal Chemical, all of which are disposed and transferred in compliance with the laws and regulations with no external discharge.

With regard to the provisions under the existing laws, the management of the Company believes that there is no contingent risk in relation to environmental protection that may bring material and adverse effect to the financial position and operating results of the Group. Contingent liabilities which may arise in the future cannot be accurately predicted.

Investors should be aware that the above data are from self-monitoring of the Company, which are not confirmed by the local environmental protection regulatory authorities and may be different from the final data determined by the local environmental protection regulatory authorities.

## Section VI Environmental and Social Responsibilities (Continued)

### 2. Construction and operation of pollution prevention and control facilities

During the reporting period, the Group was well-equipped with pollution prevention and control facilities that were under stable operation. Except for fume temperature which failed to meet the operation conditions of desulfurization facility in a short term during start-stop of coal-fired units, annual operation rate of pollution prevention and control facilities basically reached 100%. In terms of waste water prevention and control, China Shenhua built distributed underground reservoirs. Mine water was used for production, living and ecological engineering after natural purification by gangue in goaf areas. All enterprises were equipped with sewage treatment plants or facilities, in order to achieve comprehensive treatment and utilization of production and domestic sewage. In terms of waste gas prevention and control, limestone gypsum wet desulfuration was employed by coal-fired power plants and boilers; LNBs and SCR were applied for denitration; electrostatic precipitator and wet dust collectors were applied for removing soot. Hydrogen sulfide gas generated from chemicals was emitted after treatment by two-stage Claus + exhaust gas hydrogenation technology. In terms of coal dust prevention and control, coal yard was fully closed or was equipped with wind-proof and dust suppressing wall and spraying facility. Coals were solidified before shipment. In terms of solid waste, general solid wastes such as coal gangue, furnace ash and desulphurization gypsum, were utilized for power generation, brickmaking, etc. All hazardous solid wastes were stored at temporary warehouse, and were disposed of and transferred in compliance with the relevant requirements. Soundproof door, soundproof window and efficient composite sound barrier and other facilities were installed for reducing noise.

### 3. Environmental effect appraisal of construction project and other administrative approvals on environmental protection

In terms of construction project, the Group carried out simultaneously "three management measures, being environmental effect appraisal and energy conservation appraisal", soil conservation inspection and acceptance, as well as environmental protection inspection and acceptance. The environmental impact appraisal, as well as environmental protection inspection and acceptance construction completion, water environmental protection inspection and acceptance and other relevant tasks have been conducted, respectively, on all construction projects in accordance with the law.

### 4. Emergency plan for unexpected environmental incidents

During the reporting period, all subsidiaries of the Company have formulated their emergency plans for unexpected environmental incidents and conducted regular drills.

### 5. Environment self-monitoring plan

The Group regulated the protection monitoring system, and formulated the Administration Measures for the Online Environmental Protection Monitoring System (Trial) (《環保在線監測系統管理辦法(試行)》) in accordance with the relevant national standards and administrative regulations for online monitoring of pollution sources. All subsidiaries of the Company have completed the preparation of their self-monitoring plans. All the data in relation to wastewater and exhaust gas from automatic monitoring and entrusted monitoring were uploaded to the monitoring platform of the local environmental protection department according to the relevant requirements. During the reporting period, facilities were under normal operation.

## Section VI Environmental and Social Responsibilities (Continued)

### 6. Administrative penalty for environmental problems during the reporting period

Applicable     Not applicable

### 7. Other environmental information that should be disclosed

Applicable     Not applicable

## (II) Environmental issues of companies other than those classified as the key pollutant discharging units

### 1. Administrative penalty for environmental problems

| Unit Name                           | Date            | Penalty No.                      | Fine Amount<br><i>RMB'000</i> | Reason for Penalty   | Rectification Progress |
|-------------------------------------|-----------------|----------------------------------|-------------------------------|--|------------------------|
| Lijiahao Coal Mine of Baotou Energy | 11 January 2021 | Dong Huan Ze Gai Zi [2021] No. 1 | 10                            | On 30 December 2020, the Dongsheng District Bureau of the Ordos Ecological Environment Bureau conducted on-site supervision and inspection, it was found that the contract account for industrial slag was not formulated, which were not reported to the Bureau.            | Rectified              |
| Lijiahao Coal Mine of Baotou Energy | 11 January 2021 | Dong Huan Ze Gai Zi [2021] No. 2 | 10                            | On 30 December 2020, the Dongsheng District Bureau of the Ordos Ecological Environment Bureau conducted on-site supervision and inspection, it was found that paint buckets were stored in the temporary storage of hazardous wastes, which were not reported to the Bureau. | Rectified              |

## Section VI Environmental and Social Responsibilities (Continued)

**2. Other environmental information**

During the reporting period, the subsidiaries and branches of the Group other than the enterprises categorised as national major pollution sources under supervision implemented their environmental protection responsibilities in accordance with the unified requirements of the Company, regularly carried out special environmental monitoring and hidden danger investigation and treatment, built and operated pollution control facilities, and carried out land reclamation and vegetation restoration to minimize the impact of production on the environment.

During the reporting period, the total discharge amount of major pollutants of the Group is as follows:

|  | <b>Sulfur dioxide</b><br><i>10 thousand tonnes</i> | <b>Nitrogen oxides</b><br><i>10 thousand tonnes</i> | <b>Soot</b><br><i>10 thousand tonnes</i> | <b>Chemical oxygen demand (COD)</b><br><i>tonne</i> | <b>Hazardous solid waste</b><br><i>tonne</i> |
|--|--|---|--|---|--|
| Enterprises categorised as national major pollution sources under supervision      | 0.47   | 1.01  | 0.07                                     | 162.66  | 173.60                                       |
| Enterprises categorised as China Shenhua major pollution sources under supervision | 0.03   | 0.03  | 0.01                                     | 138.79  | 781.36                                       |
| Other enterprises  | 0.15   | 0.89  | 0.02                                     | 193.83  | 502.22                                       |
| <b>Total</b>   | <b>0.65</b>  | <b>1.93</b>   | <b>0.10</b>                              | <b>495.28</b>                                       | <b>1,457.18</b>                              |

**3. Explanation of reasons for non-disclosure of environmental information by companies other than those classified as the key pollutant discharging units**

Applicable     Not applicable

**(III) Explanation of the follow-up progress or changes in the disclosure of environmental information during the reporting period**

Applicable     Not applicable

## Section VI Environmental and Social Responsibilities (Continued)

### **(IV) The Company's actions to protect ecology, prevent pollution and fulfill environmental responsibilities**

The Group actively develops clean, safe and efficient energy, vigorously promotes pollution prevention and ecological environment treatment, implements energy conservation and discharge reduction measures, and steadily improves the level of ecological civilization construction. During the reporting period, there was no issue that resulted in significant impact on ecological environmental protection.

#### **1. Ecological protection**

The Group continues to promote comprehensive environmental treatment and ecological restoration, and has achieved remarkable results in the construction of green mines. The ecological restoration and treatment work such as reclamation of waste dump, treatment of collapsed land and soil covering and greening of waste dump in the mining area has been steadily promoted, and the reclamation rate of waste dump has reached more than 90%. In the first half of the year, the land reclamation area of open-pit mines increased by 1,377,600 square meters, the land treatment area of mine subsidence areas increased by 12,409,300 square meters.

#### **2. Water resources protection**

The Group attaches great importance on both water conservation and wastewater treatment to improve water efficiency, and implement treatment project of mine water reaching class III standard for surface water discharge to realize the resource utilization of mine water. All divisions attach importance to the whole process management of wastewater, so as to realize the comprehensive collection, treatment, recycling and discharge of wastewater. In the first half of the year, the overall utilization rate of wastewater was 70%.

#### **3. Pollution prevention**

In strict accordance with relevant national laws and regulations and local policies and regulations, the Group continuously strengthens environmental protection supervision, compacts the main responsibility of environmental protection, ensures the stable operation of environmental protection facilities such as waste water and waste gas, and strengthens the online monitoring and monitoring of pollution sources to ensure that pollutants are discharged up to standard. All conventional thermal power units of the Group have achieved ultra-low emission. During the reporting period, the emission standard upgrading transformation of coal-fired boilers or new energy substitution continued to be implemented, and the discharge rate of major pollutants reached 99.9% in the first half of the year.

## Section VI Environmental and Social Responsibilities (Continued)

### (V) Measures and effects taken by the Company to reduce carbon emissions during the reporting period

The Group actively responds to the challenge of climate change and continues to take effective measures during the reporting period to promote the implementation of the Company's target of "strive to reach a peak of total carbon emission in 2025 and actively explore effective ways to achieve 'carbon neutrality' by 2060".

1. Transformation of energy structure. During the "14th Five Year Plan" period, the Group will adopt the two-wheel driven strategy of construction, production and operation and equity investment and M&A, develop centralized and distributed operation of the base at the same time to accelerate the development of new energy industry. The Company contributed RMB4 billion with its own funds to participate in the establishment of Guoneng Fund. In the first half of the year, the fund has successively been invested in new energy projects such as wind power and photovoltaic in Shanxi, Anhui, Jiangsu and Jiangxi. Guoneng (Weifang) Energy Co., Ltd., contributed and established by the Company, completed the establishment of the 250,000 kW photovoltaic project and the design of remote team transmission project.
2. Innovation and application of energy conservation and emission reduction technologies. The Group strengthened energy-saving transformation of coal and electricity, promoted comprehensive energy development and utilization, and continuously improved energy-consumption index. In the first half of the year, the Group's standard coal consumption for power sales of coal power plant was 300g/kWh (the first half of 2020: 310g/kWh), with a year-on-year decrease of 10g/kWh. The comprehensive energy consumption of polyolefin in coal chemical industry division decreased by 4.88% year on year, and the water consumption per unit product decreased by 1.1% year on year.
3. Innovation and application of carbon capture technology. In the first half of the year, the Whole-Flow Demonstration Project of Capture and Storage of CO<sub>2</sub> after Combustion in the 150,000 tonnes/year Coal Power Plant of Jinjie Energy has been successfully put into operation, which provided technical support for China's coal-fired power plants to promote the realization of "near-zero emission".
4. Implement ecological governance and increase carbon sinks. The Group continued to carry out ecological restoration, completed the monitoring and evaluation of grass-roots enterprises in the Yellow River Basin, and actively participated in the construction of "China Energy Group Ecological Forest". In the first half of the year, the Group increased new afforestation area by 39.7184 million square meters.

## Section VI Environmental and Social Responsibilities (Continued)

### II. Details of the Company's efforts to expand poverty alleviation achievements and rural revitalization

1. Working ideas: The Group implemented the Opinion on Achieving the Effective Connection between Consolidating and Expanding the Achievements of Poverty Alleviation and Rural Revitalization and Opinion on Comprehensively Promote Rural Revitalization and Expedite Agricultural and Rural Modernization of the CPC Central Committee and the State Council. According to the 2021 Rural Revitalization work plan of the China Energy, consolidated and expand the achievements in poverty alleviation, strictly implemented the requirements of "no responsibility, policy, assistance and supervision are lifted after the poverty is lifted", maintain the overall stability of main assistance policies, continued to deepen industrial poverty alleviation, ecological poverty alleviation, educational poverty alleviation, consumption poverty alleviation and party building poverty alleviation, consolidate and improved the "two assurances and three guarantees", implemented the assistance mechanism to prevent poverty return, and promote the comprehensive revitalization of rural industries, talents, culture, ecology and organizations in targeted areas.
2. Work planning: First, the Group continued to develop industries with distinctive features, assisted in the construction of characteristic planting and breeding industry, supported the local development of intensive and deep processing of agricultural products, helped develop new industries such as rural tourism, leisure agriculture and cultural experience, and enhanced the self "hematopoietic" function of poverty alleviation areas. Second, we continued to implement the work idea of "Helping with Both Aspiration and Knowledge", continued to improve the conditions for running compulsory education in poverty-stricken areas, improved the accuracy and practicability of the training of grass-roots cadres, rural revitalization leaders and professional and technical personnel, strengthened employment assistance and develop the soft power of self-development. Third, we continued to improve infrastructure. The Group consolidated and expanded the achievements of ecological restoration and protection in poverty-stricken areas, promoted the construction of drinking water projects, rural industrial roads, flood control ditches and slope protection projects, explained how to solve practical problems such as domestic garbage, wastewater treatment and heating, and improved disease prevention and treatment conditions to build beautiful and livable villages. Fourth, we continued to make full use of enterprise advantages, effectively connected our own advantages with local resource endowments, and promoted local stability and prosperity with industrial advantages, strengthened consumer assistance and helped the healthy and steady development of industries in poverty-stricken areas. The Group continued to implement party building assistance, deepened the pairing and joint construction of party branches, actively promoted the modernization of rural governance system and governance capacity, and effectively improved the organizational and combated effectiveness of village party branches.
3. Major work in the first half of the year: 2021 is a crucial year for consolidating and expanding the achievements of poverty alleviation and effectively linking up with rural revitalization. The Group is mainly responsible for the assistance work in 3 designated counties – Mizhi County and Wubu County in Shaanxi Province, and Butuo County in Sichuan Province and 1 counterpart support county in Nyainrong County, Tibet Autonomous Region of Sichuan Province, and plans to contribute RMB123 million of assistance funds in this year. In the first half of the year, the Group formulated the annual rural revitalization work plan, completed the fund allocation of the first batch of assistance projects, continued to promote the continuation of assistance projects, completed the rotation of temporary assistance cadres in each county, and all work was carried out in an orderly manner.

## Section VII Significant Events

### I. PERFORMANCE OF COMMITMENTS

Commitments made by relevant parties such as de facto controller, shareholders, related parties and acquirers of the Company as well as the Company during the reporting period or subsisting to the reporting period are as follows:

| Background of Commitment                                    | Type of Commitment          | Covenantor   | Commitment   | Date and Duration of Commitment | Any Time Limit for Commitment | Timely and Strict Performance of Commitment | Detailed reasons shall be specified if commitment is not fulfilled in time | Further steps shall be specified if commitment is not fulfilled in time |
|---|-----------------------------|--------------|--|---------------------------------|-------------------------------|---|--|---|
| Undertaking made in connection with initial public offering | Non-competition undertaking | China Energy | The two parties entered into the "Non-competition Agreement" on 24 May 2005 and a "Supplemental Agreement to the Existing Non-Competition Agreement" on 1 March 2018. As the Company is an integrated platform which is responsible for the coal business and affiliated to China Energy, China Energy has committed not to compete with the Company in respect of the Company's principal businesses (coal exploration, mining, processing, sales; production and sales of comprehensive utilisation of coal products; development and management of coal products; railway transportation; port transportation; the industry and ancillary service related to the business aforementioned) whether inside or outside of the PRC, and granted the Company options and preemptive rights to acquire and be transferred from China Energy any business opportunities and assets which may pose potential competition. | 24 May 2005, long-term          | Yes                           | Yes, in progress                            | N/A  | N/A   |

The Resolution on the Performance of Non-competition Undertaking was approved at the 45th meeting of the second session of the Board on 27 June 2014 and the Announcement in relation to the Performance of Non-competition Undertaking was disclosed to the public. The Company will commence the acquisition of 14 assets of legacy of Shenhua Group Corporation Limited and its subsidiaries ("Original Undertaking Assets") step by step as planned. For details, please refer to the H-shares announcement dated 27 June 2014 and the A-shares announcement of the Company dated 28 June 2014. The Company completed 3 acquisitions of 100% equity of Ningdong Power, 100% equity of Xuzhou Power and 51% equity of Zhoushan Power in 2015.

## Section VII Significant Events (Continued)

Being the parent company subsequent to the Restructuring, China Energy merged with China Guodian Group Co., Ltd. by way of merger by absorption. As approved in the 2018 first extraordinary general meeting of the Company, the Company entered into the Supplemental Agreement to the Existing Non-Competition Agreement with China Energy. It is agreed by both parties that other than the amendments in the Supplemental Agreement to the Existing Non-Competition Agreement, the clauses of the Existing Non-competition Agreement will continue to be performed..

Pursuant to the Supplemental Agreement to the Existing Non-competition Agreement, within five years after the completion of China Energy merging with China Guodian Group Co., Ltd. by way of merger by absorption, the Company will discretionally exercise the options and the preemptive rights to acquire the assets within the retained businesses, and will no longer implement the 2014 non-competition undertaking. The retained businesses refer to (1) Original Undertaking Assets (excluding the completed acquisition of three equity assets by the Company in 2015) other than the assets of conventional power generation business and (2) the unlisted businesses originally held by China Guodian Group Co., Ltd. which directly or indirectly compete with the core businesses of the Company (excluding the relevant assets that China Guodian Group Co., Ltd. undertook to inject into its subsidiary, Inner Mongolia Pingzhuang Energy Co., Ltd., in 2007). For details, please refer to the H-shares announcement of the Company dated 1 March 2018 and the A-shares announcement of the Company dated 2 March 2018.

### II. MISAPPROPRIATION OF FUNDS BY ITS CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES FOR NON-OPERATIONAL PURPOSE DURING THE REPORTING PERIOD

Applicable     Not applicable

### III. IRREGULAR GUARANTEES

Applicable     Not applicable

### IV. AUDIT OF THE INTERIM REPORT

#### (I) Description of appointment and removal of auditors

On 25 June 2021, KPMG Huazhen LLP and KPMG were appointed as the A-shares and H-shares auditors of the Company respectively for 2021 at the Company's 2020 Annual General Meeting.

#### (II) Change in appointment of auditors during the audit period

Applicable     Not applicable

#### (III) Explanation of the Company on the "non-standard audit report" issued by Auditors

Applicable     Not applicable

## Section VII Significant Events (Continued)

**(IV) Explanation of the Company on the “non-standard audit report” issued by the certified public accountant in respect of the financial report contained in the annual report for the previous year**

Applicable     Not applicable

**V. CHANGES AND TREATMENT OF MATTERS INVOLVED IN NON-STANDARD AUDIT OPINIONS IN THE ANNUAL REPORT OF LAST YEAR**

Applicable     Not applicable

**VI. INSOLVENCY OR RESTRUCTURING RELATED MATTERS**

Applicable     Not applicable

**VII. MATERIAL LITIGATION AND ARBITRATION**

As at the end of the reporting period, the Group was not involved in any material litigation or arbitration. As far as the Group was aware, the Group did not have any material litigation or claim which was pending or threatened against the Group.

As at 30 June 2021, the Group was the plaintiff, the defendant or the party of certain non-material litigations and arbitrations. The management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

**VIII. SANCTIONS AND RECTIFICATIONS IMPOSED ON THE LISTED COMPANY, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND OFFEROR**

Applicable     Not applicable

**IX. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS DURING THE REPORTING PERIOD**

After enquiring National Enterprise Credit Information Publicity System, during the reporting period, neither the Company nor China Energy, the controlling shareholder of the Company, was included in the list of enterprises with serious illegal and dishonest acts.

## Section VII Significant Events (Continued)

### X. MATERIAL RELATED/CONNECTED TRANSACTIONS

#### (I) Related/Connected transactions during the daily operation

Pursuant to the requirements under the Guidelines of SSE on Related Transactions of Listed Companies, the Audit Committee of the Board of the Company shall perform the duties of control and daily management of related/connected transactions of the Company. The Company has a related/connected transaction team under the direct supervision of the Chief Financial Officer, which is responsible for the management of related/connected transactions; and has established a business process, which properly delineates the responsibilities of the Company, its subsidiaries and branches in the management of related/connected transactions. The team has also established routine examinations, reporting systems and accountability systems in the subsidiaries and branches of the Company, to ensure that related/connected transactions are to be implemented in accordance with the terms and conditions of framework agreement.

##### 1. Annual caps for the daily related/connected transactions in 2021

On 21 June 2019, as approved at the 2018 annual general meeting, the Company and China Energy renewed the Mutual Coal Supply Agreement, Mutual Supplies and Services Agreement, and the Financial Services Agreement for 2020–2022 (the “Original Financial Services Agreement”) and determined the annual caps of transactions contemplated under the daily related/connected party transactions mentioned above for each year from 2020 to 2022 on 22 March 2019. The Original Financial Services Agreement has expired on 1 September 2020 after the completion and settlement of the capital increase transaction of Finance Company by China Energy. Please refer to the 2020 annual report of the Company for the purposes of entering into major continuing related/connected transactions.

After the completion and settlement of the capital increase transaction of Finance Company, Finance Company was 60% owned by China Energy, the controlling shareholder of the Company, which is the related party (connected person) of the Company. The provision of financial services by Finance Company to the Company and its holding subsidiaries (collectively referred to as “Members of the Group”) constitutes the related/connected transactions of the Company. As considered and approved at the 5th meeting of the Company's fifth session of the Board, the 2021 Financial Services Agreement entered into between the Company and Finance Company on 29 December 2020 shall come into force on 1 January 2021 and be valid until 31 December 2021. At the 2020 Annual General Meeting of the Company convened on 25 June 2021, the Company approved the Financial Services Agreement for the period from 2021 to 2023 (the “New Financial Services Agreement”) entered into between the Company and Finance Company on 26 March 2021 and the determined transaction caps of relevant daily related/connected transactions for the period from 2021 to 2023, and the 2021 Financial Services Agreement entered into between the Company and Finance Company on 29 December 2020 became invalid at the same time. For details, please refer to the Company's H Share announcement on 26 March 2021 and A Share announcement on 27 March 2021.

## Section VII Significant Events (Continued)

Pursuant to the New Financial Services Agreement, Finance Company would provide comprehensive facilities and credit (without any pledge and guarantee provided by the Members of the Group) and other financial services to the Members of the Group, and the Members of the Group may place deposit in Finance Company. The pricing policy of the New Financial Services Agreement is as follows:

- (1) In terms of deposits and loans or similar services provided by Finance Company to Members of the Group, subject to compliance with the relevant rules and regulations of PBOC, China Banking and Insurance Regulatory Commission (“CBIRC”) and other relevant regulatory authorities:
  - a. The interest rates for deposits placed by Members of the Group with Finance Company shall be no less than the interest rate paid by major commercial banks in the PRC for comparable deposits services provided to Members of the Group and shall be negotiated in normal commercial terms.
  - b. The interest rates for loans granted by Finance Company to Members of the Group shall be no more than the benchmark loan interest rate for the corresponding period stipulated by the PBOC and no more than the interest rate charged by major commercial banks in the PRC for comparable loans services provided to Members of the Group and shall be negotiated in normal commercial terms.
- (2) In terms of paid services provided by Finance Company to Members of the Group:
  - a. Finance Company can provide paid consultation, agency, settlement, transfer, investment, letter of credit, online banking, entrusted loan, guarantee, bill acceptance and other related services to Members of the Group.
  - b. Subject to compliance with the relevant rules and regulations of PBOC, CBIRC and other relevant regulatory authorities, the service fees charged by Finance Company for the provision of the above financial services to Members of the Group shall be no more than the service fees charged by major commercial banks in the PRC for comparable financial services provided to Members of the Group and shall be negotiated in normal commercial terms.

## Section VII Significant Events (Continued)

## 2. Implementation of agreements during the reporting period

The following are the annual caps for major discloseable continuing related/connected transactions during the reporting period and their implementations. The related/connected transactions regarding the provision of products and labour services by the Group to China Energy Group amounted to a total of RMB43,002 million during the reporting period, accounting for 29.9% of the Group's revenue during the reporting period.

| Name of the agreement   | Provision of products and services by the Group to related/connected persons and other inflows |  |  | Purchase of products and services from related/connected persons by the Group and other outflows |  |  |
|---|--|--|--|--|--|--|
|   | Prevailing transaction cap<br>RMB million  | Transaction amount during the reporting period | Proportion in the same type of transactions<br>% | Prevailing transaction cap<br>RMB million  | Transaction amount during the reporting period | Proportion in the same type of transactions<br>% |
|   |  | RMB million                                    |  |  | RMB million                                    |  |
| 1. Mutual Coal Supply Agreement entered into between the Company and China Energy   | 65,500   | 38,756   | 36.1   | 16,000   | 6,098  | 14.7   |
| 2. Mutual Supplies and Services Agreement entered into between the Company and China Energy                                       | 13,000   | 4,246  | /  | 9,000  | 2,641  | /  |
| Including: (1) Products   |  | 3,692  | 12.9   |  | 609  | 1.8  |
| (2) Services  |  | 554  | 7.0  |  | 2,032  | 14.6   |
| 3. Continuing Connected Transactions Framework Agreement entered into between the Company and China State Railway Group Co., Ltd. | 7,300  | 581  | 0.5  | 19,800   | 4,152  | 4.7  |

## Section VII Significant Events (Continued)

| Name of Agreement   | Transaction item  | Prevailing<br>Transaction cap<br><i>RMB million</i> | Transaction<br>Amount during<br>the reporting<br>period<br><i>RMB million</i> |
|---|---|---|---|
| New Financial Services Agreement entered into between the Company and Finance Company | (1) Maximum daily balance of comprehensive facilities provided by Finance Company to the members of the Group (including loans, credits, bill acceptance and discount, guarantee, performance guarantee, overdrafts, opening letters of credit, etc., inclusive of accrued interest thereon)                                      | 100,000   | 24,464  |
|   | (2) Maximum daily deposit balance of the members of the Company in the Finance Company (inclusive of accrued interest thereon)  | 27,900  | 27,272  |
|   | (3) Total fee charged by the Finance Company for providing the members of the Group with financial services, including but not limited to consultancy, agency, settlement, transfer, investment, letter of credit, online banking, entrusted loan, guarantee, acceptance of bill and other services to the members of the Company | 200   | 31  |

Aforementioned continuing related/connected transactions were made within the normal business scope of the Company, and approval and disclosure procedures of independent directors and independent shareholders were performed strictly.

**(II) Connected transactions in relation to acquisition of assets or acquisition or disposal of equity**

Applicable     Not applicable

## Section VII Significant Events (Continued)

### (III) Material connected transactions regarding joint external investments

#### 1. Events disclosed in interim announcements without subsequent development or changes during implementation

Applicable     Not applicable

#### 2. Events disclosed in interim announcements with subsequent development or changes during implementation

| Overview of Event | Index |
|-------------------|-------|
|-------------------|-------|

The Company contributed RMB4 billion with its own funds to jointly establish Beijing Guoneng New Energy Industrial Investment Fund (Limited Partnership) with limited partners including Guohua Energy Investment Co., Ltd. and general partners including Guohua Investment Development Asset Management (Beijing) Co., Ltd.. By the end of the reporting period, the Partnership Agreement of the Beijing Guoneng New Energy Industrial Investment Fund (Limited Partnership) had been signed, and the filing procedures of the Guoneng Fund had been completed in the Asset Management Association of China.

For details, please refer to the Company's A Share announcement on 30 December 2020, 23 January 2021, 10 February 2021 and 27 February 2021

#### 3. Events not disclosed in interim announcements

Applicable     Not applicable

## Section VII Significant Events (Continued)

## (IV) Debts and liabilities between related parties

Unit: RMB million

| Related parties                                  | Relationship                               | Funds provided to related parties |                 |                 | Funds offered by related parties to the listed company |                 |                 |
|--|--|-----------------------------------|-----------------|-----------------|--|-----------------|-----------------|
|  |  | Opening balance                   | Amount incurred | Closing balance | Opening balance  | Amount incurred | Closing balance |
| China Energy                                     | Controlling shareholders                   | -                                 | -               | -               | 874  | -               | 874             |
| Finance Company                                  | Subsidiary of the controlling shareholders | 19,750                            | 7,499           | 27,249          | 24,076   | (2,956)         | 21,120          |
| Anhui Anqing Wanjiang Power Generation Co., Ltd. | Subsidiary of the controlling shareholders | 55                                | (55)            | -               | -  | -               | -               |
| Other related parties                            | Others                                     | 461                               | (61)            | 400             | -  | -               | -               |
| Total  |  | 20,266                            | 7,383           | 27,649          | 24,950   | (2,956)         | 21,994          |

Reasons for debts and liabilities between related parties

- (1) Long and short-term borrowing were provided by China Energy to the Group;
- (2) The Group's deposits and loans with Finance Company;
- (3) Prior to the jointly establishment of Beijing GD by the Company with GD Power, the finance lease provided by the Company to Anhui Anqing Wanjiang Power Generation Co., Ltd., its former subsidiary, through Shenhua Lease Company. As approved at the general meeting of the Company, the financial lease payment will be gradually returned in accordance with the original agreement/contract arrangement. As as the end of the reporting period, the financial lease payment has been fully completed;
- (4) The funds provided to other related parties are entrusted loans.

Internal decision procedures have been performed in respect of the above transfer of related debts and liabilities in accordance with relevant regulations.

Impacts of debts and liabilities between related parties on the operating results and financial position of the Company

The above entrusted loans and borrowings are beneficial to the normal commencement of relevant project construction and production operation of the Company and have no material impact on the operating results and financial position of the Company.

## Section VII Significant Events (Continued)

**(V) Connected transactions with Finance Company****1. Deposit business***Unit: RMB million*

| Related parties | Relationship                          | Maximum daily deposit limit | Deposit interest rate range | Opening balance | Amount for the period | Closing balance |
|-----------------|---------------------------------------|-----------------------------|-----------------------------|-----------------|-----------------------|-----------------|
| Finance Company | Subsidiary of controlling shareholder | 27,900                      | 0.455%-3.3%                 | 19,726          | 27,272                | 27,249          |
| Total           | /                                     | /                           | /                           | 19,726          | 27,272                | 27,249          |

Note: "Amount for the period" refers to the maximum daily deposit balance (including accrued interest incurred) of the Group in Finance Company during the reporting period.

**2. Loan business***Unit: RMB million*

| Related parties | Relationship                          | Maximum daily loan limit | Loan interest rate range | Opening balance | Amount for the period | Closing balance |
|-----------------|---------------------------------------|--------------------------|--------------------------|-----------------|-----------------------|-----------------|
| Finance Company | Subsidiary of controlling shareholder | 100,000                  | 3.6%-4.9%                | 24,046          | 24,464                | 21,120          |
| Total           | /                                     | /                        | /                        | 24,046          | 24,464                | 21,120          |

Note: "Amount for the period" refers to the maximum daily balance (including accrued interest incurred) of loans provided by Finance Company to the Group.

**3. Credit facilities or other financial business***Unit: RMB million*

| Related parties | Relationship                          | Business Type                | Quota   | Amount for the period |
|-----------------|---------------------------------------|------------------------------|---------|-----------------------|
| Finance Company | Subsidiary of controlling shareholder | Bill acceptance and discount | 100,000 | 1,206                 |
| Finance Company | Subsidiary of controlling shareholder | Intermediary business        | 200     | 31                    |

Notes: (1) refers to the daily maximum balance of RMB100,000 million of the comprehensive credit facilities (including loans, bills acceptance and discount, etc.) provided by Finance Company to the Group as approved by the general meeting of the Company.

## Section VII Significant Events (Continued)

(2) The “amount for the period” of “bills acceptance and discount” is the daily maximum daily balance of bills acceptance and discount provided by Finance Company to the Group during the reporting period.

(3) The “amount for the period” of “intermediary business” is the total amount of various service fees charged by Finance Company for provision of financial services to the Group.

**(VI) Other major connected transactions**

Applicable  Not applicable

**XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE****(I) Trust, contracting and leasing**

Applicable  Not applicable

**(II) Major guarantees performed and outstanding during the reporting period**

Unit: RMB million

## Guarantees provided by the Company to external parties (excluding guarantee granted to its subsidiaries)

| Guarantor  | Relationship between the guarantor and the listed company | Guarantee                                  | Amount guaranteed | Date of provision of guarantee (execution) |                             |                          | Type of guarantee                     | Whether performance has been completed | Whether Guarantee is overdue | Amount of guarantee overdue | Whether counter guarantee is provided | Whether guarantee is for the benefit of related parties | Relationship |
|--|---|--|-------------------|--|-----------------------------|--------------------------|---------------------------------------|--|------------------------------|-----------------------------|---------------------------------------|---|--------------|
|  |   |  |                   | date of agreement)                         | Beginning date of guarantee | Expiry date of guarantee |                                       |  |                              |                             |                                       |   |              |
| Baonixile Energy   | Controlling subsidiary                                    | Hulunbeier Liangyi Railway Company Limited | 77.27             | 2008.08.30                                 | 2008.08.30                  | 2029.08.29               | Joint and several liability guarantee | No                                     | No                           | 0                           | No                                    | No  | N/A          |
| Total amount of guarantee provided during the reporting period (excluding guarantee provided to its subsidiaries)    |   |  |                   |  |                             |                          |                                       |  |                              |                             |                                       | (4.03)  |              |
| Total balance of guarantee at the end of the reporting period (A) (excluding guarantee provided to its subsidiaries) |   |  |                   |  |                             |                          |                                       |  |                              |                             |                                       | 77.27   |              |

## Guarantee provided by the Company and its subsidiaries to its subsidiaries

|  |          |
|--|----------|
| Total amount of guarantee provided to its subsidiaries during the reporting period             | (32.4)   |
| Total balance of guarantee provided to its subsidiaries at the end of the reporting period (B) | 3,230.05 |

## Aggregated amount of guarantee (including guarantee provided to its subsidiaries)

|  |           |
|--|-----------|
| Total amount of guarantee (A+B)  | 3,307.32  |
| Proportion of total amount of guarantee to the net assets attributable to shareholders of the Company under China Accounting Standards for Business Enterprises at the end of the reporting period (%) | 0.9       |
| Amount of guarantee provided to its shareholders, de facto controller and their related parties (C)  | 0         |
| Amount of guarantee directly or indirectly provided to its parties with a gearing ratio in excess of 70% (D)   | 3,307.32  |
| Portion of the total amount of guarantee in excess of 50% of net assets (E)  | 0         |
| Aggregated amount of the above three amounts of guarantee (C+D+E)  | 3,307.32  |
| Description of the potential joint and several repayment liability for unmaturing guarantee  | See below |
| Description of guarantee   | See below |

Note: The balance of guarantee provided by the subsidiary to external parties of the total amount of guarantee at the end of the reporting period equals to the amount of external guarantee of the subsidiary multiplies by the shareholding of the Company in the subsidiary.

## Section VII Significant Events (Continued)

As at the end of the reporting period, the total balance of the amount of guarantee provided by the Group amounted to RMB3,307.32 million, including:

- (1) As at the end of the reporting period, the guarantee provided by Baorixile Energy, a subsidiary of which the Company owns 56.61% of the shares, to external parties was as follows: prior to the acquisition of Baorixile Energy by the Company in 2011 and pursuant to the Guarantee Agreement on the Syndicated Renminbi Loan for the Cooperative Railway Project Connecting Yimin and Yiershi Newly Constructed by Hulunbei'er Liangyi Railway Company Limited, in 2008, Baorixile Energy, as one of the guarantors, provided joint and several liability guarantee to Hulunbei'er Liangyi Railway Company Limited (hereinafter referred to as the "Liangyi Railway Company", of which Baorixile Energy owns 14.22% of the shares) for the syndicated loans. The major liability guaranteed was the debts due to the lender with a maximum balance of RMB207.47 million from 2008 to 2027, regardless of whether the debt is due when the above period expires. The above syndicated loans will fall due by tranches between 2011 and 2026. The guarantee agreement provides that the guarantee period of the debts borne by the guarantor shall be calculated from the due date of each tranche to two years after the due date of the last tranche, i.e. 2029.

Given that Liangyi Railway Company failed to pay the loan interest on time due to its deteriorating business operation, as resolved by the shareholders' general meeting of Liangyi Railway Company, additional capital was injected into Liangyi Railway Company by its shareholders (including Baorixile Energy). Shenbao Energy has injected an accumulated amount of RMB11.82 million into Liangyi Railway Company.

As of the end of the reporting period, Baorixile Energy, in proportion to its shareholding, repaid the principal on the loans on behalf of Liangyi Railway Company Limited amounting to a total of RMB64.7 million. Baorixile Energy already made full provision for impairment on its 14.22% equity interest in Liangyi Railway Company and the repayment amount paid on its behalf. Together with other shareholders, Baorixile Energy will continue to call for improvement of business operation of Liangyi Railway Company. As at 30 June 2021, Liangyi Railway Company had a gearing ratio of 165%.

- (2) As of the end of the reporting period, the amount of guarantee between subsidiaries in consolidated reports of the Company, in proportion to its shareholding, amounted to approximately RMB3,230.05 million, which was mainly due to the fact that Shenhua Hong Kong Limited, the wholly-owned subsidiary of the Company, provided guarantees for the issuance of USD0.5 billion bonds by China Shenhua Overseas Capital Co., Ltd., its wholly-owned subsidiary.

## Section VII Significant Events (Continued)

## (III) Other Material Contracts

## 1. Entrusted loans

## (1) General status of entrusted loans

Unit: RMB million

| Type of product | Source of fund | Amount incurred during the reporting period | Closing balance undue of the reporting period | Unrecovered amount overdue |
|-----------------|----------------|---|---|----------------------------|
| Entrusted loans | Own fund       | 437.40                                      | 400   | 37.40                      |

Note: Amount incurred during the reporting period refers to the daily maximum principal balance of such entrusted loans of the Group in the first half of 2021.

## (2) Individual entrusted loans

Unit: RMB million

| Name of borrower       | Relationship between the borrower and the Group | Trustee         | Amount of entrusted loans | Initial date of loans | Expiry date of loans | Duration of loans | Source of fund | Investment of fund   | Determination of compensation                                  | Interest rate | Actual return for the reporting period | Principal recovered for the reporting period | Whether it has been through legal procedures |
|------------------------|---|-----------------|---------------------------|-----------------------|----------------------|-------------------|----------------|----------------------|--|---------------|--|--|--|
| Sanxin Railway Company | Joint stock Company                             | Bank of Beijing | 37.40                     | 2014/02/13            | 2015/02/13           | 1 year            | Own fund       | Working capital      | One-off payment of principal with accrued interest upon expiry | 6%            | 0                                      | 0  | Yes  |
| Yili Chemical Company  | Joint stock Company                             | Bank of China   | 400.0                     | 2020/12/24            | 2023/12/24           | 3 years           | Own fund       | Replacement of loans | Interest to be paid quarterly                                  | 4.75%         | 9.45                                   | 0  | Yes  |

Notes: 1. The entrusted loan provided by the Company to Inner Mongolia Sanxin Railway Co., Ltd. ("Sanxin Railway Company") was not repaid when it was due in February 2015, and both parties are under negotiation in respect of the subsequent relevant matters.

2. In December 2020, Shendong Power, being the wholly-owned subsidiary of the Company, entered into entrusted loan agreements with amounts of RMB400 million with Inner Mongolia Yili Chemical Industry Co., Ltd. ("Yili Chemical").

As of 30 June 2021, the Group did not grant entrusted loans with an amount exceeding 5% of the Group's latest audited net assets attributable to equity holders of the Company to any individual party. The Company did not utilise the proceeds raised to grant entrusted loans, and there was no entrusted loan that was involved in litigations. No provision for impairment for the above entrusted loans has been made by the Group.

Under centralised capital management of the Group, the entrusted loans among the Company and its subsidiaries were used for meeting operating and development needs. Such entrusted loans have been eliminated in the consolidated financial statements of the Group.

## XII. OTHER MATERIAL MATTERS

Applicable     Not applicable

## Section VIII Changes in Ordinary Share Capital and Particulars of Shareholders

### I. CHANGE IN SHARE CAPITAL

#### (I) Change in the number of shares

##### 1. Change in the number of shares

Unit: share

|   | As at 31 December 2020 |              | Changes                     |             | As at 30 June 2021    |               |
|---|------------------------|--------------|-----------------------------|-------------|-----------------------|---------------|
|   | Number                 | Percentage % | Repurchase and cancellation | Sub-total % | Number                | Percentage %  |
| I. Shares with selling restrictions     | 0                      | 0.00         | 0                           | 0           | 0                     | 0.00          |
| II. Shares without selling restrictions | 19,889,620,455         | 100.00       | -21,100,500                 | -21,100,500 | <b>19,868,519,955</b> | <b>100.00</b> |
| 1. RMB ordinary shares                  | 16,491,037,955         | 82.91        | 0                           | 0           | <b>16,491,037,955</b> | <b>83.00</b>  |
| 2. Overseas listed foreign shares       | 3,398,582,500          | 17.09        | -21,100,500                 | -21,100,500 | <b>3,377,482,000</b>  | <b>17.00</b>  |
| III. Total number of shares             | 19,889,620,455         | 100.00       | -21,100,500                 | -21,100,500 | <b>19,868,519,955</b> | <b>100.00</b> |

##### 2. Details of changes in shares

On 8 March 2021, the Company cancelled all the H shares repurchased as of that date totaling 21,100,500 shares, accounting for 0.6209% of the total number of H shares issued by the Company on the date of general mandate approved by 2020 first extraordinary general meeting, and 0.1061% of the total number of shares of the Company. After the cancellation, the total number of shares issued by the Company has been reduced to 19,868,519,955 shares, including 16,491,037,955 A shares and 3,377,482,000 H shares. The Company has no outstanding preferred shares.

During the six months ended 30 June 2021, the Group did not purchase, sell or redeem any of the Company's securities as defined under the Hong Kong Listing Rules.

As of the disclosure date of this report, so far as the Company's Directors are aware of, the Company has satisfied minimum public float requirement under Rule 8.08 of the Hong Kong Listing Rules.

##### 3. Impacts of changes in shares on earnings per share, net assets per share and other financial indicators from the reporting period to the disclosure date the interim report

Applicable     Not applicable

##### 4. Other contents to be disclosed as deemed necessary by the Company or required by securities regulatory authorities

Applicable     Not applicable

#### (II) Changes in shares with selling restrictions

Applicable     Not applicable

## Section VIII Changes in Ordinary Share Capital and Particulars of Shareholders (Continued)

## II. NUMBER OF SHAREHOLDERS AND SHARES

## (I) Total number of shareholders

|   |         |
|---|---------|
| Total number of shareholders of ordinary shares as at the end of the reporting period ( <i>accounts</i> ) | 192,493 |
| Including: Holders of A shares (including China Energy)   | 190,478 |
| Registered holders of H shares  | 2,015   |

## (II) Shareholdings of top ten shareholders and top ten holders of marketable shares (or shareholders without selling restrictions) as of the end of the reporting period

Unit: share

| Name of shareholders<br>(Full name)  | Increase/<br>decrease<br>during<br>the reporting<br>period | Shareholdings of top ten shareholders                                |                 | Number<br>of shares<br>with selling<br>restrictions | Shares subject to Pledge,<br>mark or lock-up |        | Nature of<br>shareholders |
|--|--|--|-----------------|---|--|--------|---------------------------|
|  |  | Number of<br>shares held at<br>the end of<br>the reporting<br>period | Percentage<br>% |   | Status                                       | Number |                           |
| China Energy Investment Corporation Limited  | 0  | 13,812,709,196   | 69.52           | 0   | Nil  | N/A    | State-owned corporation   |
| HKSCC NOMINEES LIMITED   | -20,783,737  | 3,368,945,985  | 16.96           | 0   | Unknown                                      | N/A    | Overseas corporation      |
| China Securities Finance Corporation Limited   | -45  | 594,718,004  | 2.99            | 0   | Nil  | N/A    | Others                    |
| Hong Kong Securities Clearing Company Limited  | 96,899,125   | 196,984,698  | 0.99            | 0   | Nil  | N/A    | Overseas corporation      |
| Central Huijin Asset Management Ltd.   | 0  | 110,027,300  | 0.55            | 0   | Nil  | N/A    | State-owned corporation   |
| Shanghai Pudong Development Bank Co., Ltd. – Guangfa High-end Manufacturing Stock Sponsored Securities Investment Fund           | 17,303,477   | 59,205,928   | 0.30            | 0   | Nil  | N/A    | Others                    |
| Industrial Bank Co., Ltd. – Xingquan New Vision Flexible Allocation Regular Open-end Hybrid Sponsored Securities Investment Fund | -10,999,924  | 56,636,352   | 0.29            | 0   | Nil  | N/A    | Others                    |
| Industrial Bank Co., Ltd. – Guangfa Xingcheng Mixed Securities Investment Funds  | 23,428,086   | 23,428,086   | 0.12            | 0   | Nil  | N/A    | Others                    |
| Zhuhai Ruifeng Huibang Asset Management Co., Ltd. – Ruifeng Huibang No.3 Privately Offered Fund                                  | 0  | 22,233,848   | 0.11            | 0   | Nil  | N/A    | Others                    |
| Industrial and Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund                    | -2,553,726   | 21,994,022   | 0.11            | 0   | Nil  | N/A    | Others                    |

## Section VIII Changes in Ordinary Share Capital and Particulars of Shareholders (Continued)

| <b>Shareholdings of top ten shareholders without selling restrictions</b>   |   |                                   |                |
|---|---|-----------------------------------|----------------|
| <b>Name of shareholders</b>   | <b>Number of shares<br/>without selling<br/>restrictions</b>  | <b>Type and number of shares</b>  |                |
|   |   | <b>Type</b>                       | <b>Number</b>  |
| China Energy Investment Corporation Limited   | 13,812,709,196  | RMB ordinary shares               | 13,812,709,196 |
| HKSCC NOMINEES LIMITED  | 3,368,945,985   | Overseas-listed<br>foreign shares | 3,368,945,985  |
| China Securities Finance Corporation Limited  | 594,718,004   | RMB ordinary shares               | 594,718,004    |
| Hong Kong Securities Clearing Company<br>Limited  | 196,984,698   | RMB ordinary shares               | 196,984,698    |
| Central Huijin Asset Management Ltd.  | 110,027,300   | RMB ordinary shares               | 110,027,300    |
| Shanghai Pudong Development Bank Co., Ltd.<br>– Guangfa High-end Manufacturing Stock<br>Sponsored Securities Investment Fund              | 59,205,928  | RMB ordinary shares               | 59,205,928     |
| Industrial Bank Co., Ltd. – Xingquan New<br>Vision Flexible Allocation Regular Open-end<br>Hybrid Sponsored Securities Investment<br>Fund | 56,636,352  | RMB ordinary shares               | 56,636,352     |
| Industrial Bank Co., Ltd. – Guangfa Xingcheng<br>Mixed Securities Investment Funds  | 23,428,086  | RMB ordinary shares               | 23,428,086     |
| Zhuhai Ruifeng Huibang Asset Management<br>Co., Ltd. – Ruifeng Huibang No.3 Privately<br>Offered Fund                                     | 22,233,848  | RMB ordinary shares               | 22,233,848     |
| Industrial and Commercial Bank of China –<br>Shanghai Index 50 Trading Open-end Index<br>Securities Investment Fund                       | 21,994,022  | RMB ordinary shares               | 21,994,022     |
| Details regarding the connected relationships<br>among the above shareholders or whether<br>they are parties acting in concert            | Both HKSCC NOMINEES LIMITED and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. The trustee bank of Industrial Bank Co., Ltd. – AIFMC New Vision Flexible Allocation and Regularly Open Hybrid Initiating Securities Investment Fund and Industrial Bank Co., Ltd. – Guangfa Xingcheng Mixed Securities Investment Funds is Industrial Bank Co., Ltd.. Save as disclosed above, the Company is not aware of any connected relationships between the top ten shareholders without selling restrictions and the top ten shareholders, and whether they are parties acting in concert as defined in the Measures for Administration of Acquisition of Listed Companies of CSRC. |                                   |                |
| Details regarding the holders of preference<br>shares with voting rights restored and the<br>number of shares held                        | N/A   |                                   |                |

*Note:* H shares held by HKSCC NOMINEES LIMITED are held on behalf of a number of its clients; A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of a number of its clients.

## Section VIII Changes in Ordinary Share Capital and Particulars of Shareholders (Continued)

**Number of top ten shareholders with selling restrictions and their selling restrictions:**

Applicable     Not applicable

**(III) Strategic investors or general legal persons becoming top ten shareholders as a result of new share placing:**

Applicable     Not applicable

**(IV) Substantial shareholders' interests and short positions in the shares of the Company**

As at 30 June 2021, persons set out in the table below had an interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register of equity interests and/or short positions pursuant to section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong):

| No. | Name of shareholders | Capacity         | H shares/<br>A shares | Nature of interest | Number of<br>H shares/<br>A shares held | Percentage<br>of H shares/<br>A shares over<br>total issued | Percentage<br>of total issued<br>share capital of<br>the Company |
|-----|----------------------|------------------|-----------------------|--------------------|---|---|--|
|     |                      |                  |                       |                    |   | H shares/<br>A shares<br>respectively<br>%                  | share capital of<br>the Company<br>%                             |
| 1   | China Energy         | Beneficial owner | A shares              | N/A                | 13,812,709,196                          | 83.76   | 69.52  |

As at 30 June 2021, save as disclosed above, there was no other person who held interests and/or short positions in the shares or underlying shares of the Company which are required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was a substantial shareholder of the Company.

## Section VIII Changes in Ordinary Share Capital and Particulars of Shareholders (Continued)

**III. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES****(I) Changes in shareholding of current directors, supervisors, and senior management and those outgoing during the reporting period** Applicable     Not applicable**(II) Equity incentives granted to directors, supervisors and senior management during the reporting period** Applicable     Not applicable**(III) Other explanation** Applicable     Not applicable**IV. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER** Applicable     Not applicable

## Section IX Investor Relations

In 2021, China Shenhua thoroughly implemented the requirements of the Opinions of the State Council on Further Improving the Quality of Listed Companies (《國務院關於進一步提高上市公司質量的意見》). China Shenhua takes maintaining a good communication channel between the Board and investors, conveying the Company's value and improving the quality effect of investor communication channel as the focus of work. We closely followed the new regulatory requirements, comprehensively sorted out and regulated all aspects of investor communication, strengthened communication with investors, strengthened market value management and protected the legitimate rights and interests of shareholders.

### 1. CARING FOR SHAREHOLDERS AND IMPROVING SERVICE

In the first half of 2021, the Company held the 2020 annual performance briefing, performance briefing for the first quarter of 2021 and 2020 Annual General Meeting. The annual performance briefing was held with various means including videos to show the annual operating results of the Company, so as to greatly improve the effectiveness of information and fully meet the needs of key takeaways concerned about by investors and the convenience of acquiring information. In response to the proposals shareholders concerned in the general meeting, we proactively contacted the principle shareholders of the Company, sent them the relevant materials, followed up and responded to shareholders' concerns in multiple rounds, conducted one-to-one communication meetings for shareholders in need and answered the relevant questions seriously. At the general meeting, the chairman of the Company led the Company's management to conduct in-depth and meticulous exchanges with the shareholders present at the meeting, and heard the opinions and suggestions for the operation and development for the Company of shareholders, thus ensuring investors' right to know to the maximum extent.

### 2. COMMUNICATING WITH INTEGRITY AND CONDUCTING INVESTOR RELATION WORK PROPERLY

Following the principle of "Welcome every visitor and participate every relevant meeting" for daily investor communication, for investors who come to the Company for studying and investigation and conference calls, we find out the concerns of investors in advance and organize counterparts to participate in exchanges. We actively participate in investor communication meetings organized by capital market entities including securities companies, investment institutions, so as to understand the development trend of the capital market and respond to investors' key concerns in a timely manner. In daily investor relations management, the Company has established an investor hotline and a secretary hotline to ensure that the hotline is available during the trading day. The Company has also established an investor mailbox and a secretary mailbox to regularly check and respond to investor emails. The Company regularly answers questions from investors on the e-interactive Platform of SSE.

In the first half of 2021, China Shenhua has responded to approximately 200 questions from investors on two performance briefings, held 45 exchange meetings with investors, in which communicated with investors in a total of approximately 360 person-times, and answered more than 100 questions from investors on the e-interactive Platform of SSE.

## Section IX Investor Relations (Continued)

### **3. STRENGTHENING MANAGEMENT AND PROTECTING RIGHTS**

According to the requirements of the Securities Law of the People's Republic of China (《中華人民共和國證券法》), we work hard to protect the rights of small and medium-sized shareholders of the Company. On the basis of maintaining a large proportion of cash dividends, considering operation condition, financial position and future development prospects of the Company, the 2020 Annual General Meeting of the Company granted the Board a general authorization to repurchase H shares again and continue to develop market value profitability to actively respond to shareholders' demands following the repurchase of H shares in 2020.

## Section X Report on Review of Condensed Consolidated Financial Statements

Review report to the board of directors of  
**China Shenhua Energy Company Limited**  
*(Incorporated in the People's Republic of China with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 89 to 129 which comprises the condensed consolidated statement of financial position of China Shenhua Energy Company Limited (the "Company") as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG  
*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chatter Road  
Central, Hong Kong

27 August 2021

## Condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2021 – unaudited  
(Expressed in Renminbi (“RMB”))

|  | Note | Six months ended 30 June |                     |
|--|------|--------------------------|---------------------|
|  |      | 2021<br>RMB million      | 2020<br>RMB million |
| <b>Revenue</b>   |      |                          |                     |
| Goods and services   | 4    | <b>143,979</b>           | 105,016             |
| Cost of sales  | 6    | <b>(102,777)</b>         | (69,957)            |
| <b>Gross profit</b>  |      | <b>41,202</b>            | 35,059              |
| Selling expenses   |      | <b>(329)</b>             | (279)               |
| General and administrative expenses  |      | <b>(3,586)</b>           | (3,561)             |
| Research and development costs   |      | <b>(471)</b>             | (245)               |
| Other gains and losses   | 10   | <b>458</b>               | 236                 |
| Other income   | 7    | <b>309</b>               | 297                 |
| Loss allowances, net of reversal   | 10   | <b>17</b>                | (273)               |
| Other expenses   |      | <b>(231)</b>             | (88)                |
| Interest income  |      | <b>1,133</b>             | 665                 |
| Finance costs  | 8    | <b>(1,096)</b>           | (1,004)             |
| Share of results of associates   |      | <b>708</b>               | 484                 |
| <b>Profit before income tax</b>  |      | <b>38,114</b>            | 31,291              |
| Income tax expense   | 9    | <b>(6,347)</b>           | (6,507)             |
| <b>Profit for the period</b>   | 10   | <b>31,767</b>            | 24,784              |
| <b>Other comprehensive income for the period</b>   |      |                          |                     |
| <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 |      | <b>73</b>                | 26                  |
| Share of other comprehensive income of associates  |      | <b>(2)</b>               | (2)                 |
| <i>Items that may be reclassified subsequently to profit or loss, net of income tax:</i>                 |      |                          |                     |
| Exchange differences   |      | <b>12</b>                | 68                  |
| Share of other comprehensive income of associates  |      | <b>20</b>                | 1                   |
| Fair value changes on investments in debt instruments at fair value through other comprehensive income   |      | <b>–</b>                 | (8)                 |
| <b>Other comprehensive income for the period, net of income tax</b>                                      |      | <b>103</b>               | 85                  |
| <b>Total comprehensive income for the period</b>   |      | <b>31,870</b>            | 24,869              |

## Condensed consolidated statement of profit or loss and other comprehensive income (Continued)

for the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)

|   | Note | Six months ended 30 June |                     |
|---|------|--------------------------|---------------------|
|   |      | 2021<br>RMB million      | 2020<br>RMB million |
| <b>Profit for the period attributable to:</b>                     |      |                          |                     |
| Equity holders of the Company                                     |      | 26,500                   | 20,370              |
| Non-controlling interests   |      | 5,267                    | 4,414               |
|   |      | <b>31,767</b>            | 24,784              |
| <b>Total comprehensive income for the period attributable to:</b> |      |                          |                     |
| Equity holders of the Company                                     |      | 26,597                   | 20,440              |
| Non-controlling interests   |      | 5,273                    | 4,429               |
|   |      | <b>31,870</b>            | 24,869              |
| <b>Earnings per share</b>   |      |                          |                     |
| – Basic (RMB)   | 12   | 1.334                    | 1.024               |

The notes on pages 100 to 129 form part of this interim financial report.

# Condensed consolidated statement of financial position

at 30 June 2021 – unaudited  
(Expressed in RMB)

|   | Note | <b>30 June<br/>2021<br/>RMB million</b> | 31 December<br>2020<br>RMB million |
|---|------|---|------------------------------------|
| <b>Non-current assets</b>   |      |   |                                    |
| Property, plant and equipment                                       | 13   | <b>239,941</b>                          | 238,198                            |
| Construction in progress  | 13   | <b>40,197</b>                           | 39,845                             |
| Exploration and evaluation assets                                   |      | <b>4,000</b>                            | –                                  |
| Intangible assets   |      | <b>4,378</b>                            | 3,888                              |
| Right-of-use assets   | 16   | <b>18,632</b>                           | 18,597                             |
| Interests in associates   | 14   | <b>50,636</b>                           | 49,556                             |
| Equity instruments at fair value through other comprehensive income |      | <b>1,915</b>                            | 1,845                              |
| Other non-current assets  | 15   | <b>32,553</b>                           | 35,890                             |
| Deferred tax assets   |      | <b>3,054</b>                            | 2,856                              |
| <b>Total non-current assets</b>                                     |      | <b>395,306</b>                          | 390,675                            |
| <b>Current assets</b>   |      |   |                                    |
| Inventories   | 17   | <b>14,975</b>                           | 12,750                             |
| Accounts and bills receivables                                      | 18   | <b>12,624</b>                           | 11,759                             |
| Prepaid expenses and other current assets                           | 19   | <b>19,231</b>                           | 17,480                             |
| Restricted bank deposits  |      | <b>2,820</b>                            | 3,391                              |
| Time deposits with original maturity over three months              |      | <b>1,357</b>                            | 11,186                             |
| Cash and cash equivalents   | 20   | <b>157,082</b>                          | 112,880                            |
| Assets classified as held for sale                                  |      | –                                       | 2,783                              |
| <b>Total current assets</b>   |      | <b>208,089</b>                          | 172,229                            |

## Condensed consolidated statement of financial position (Continued)

at 30 June 2021 – unaudited  
(Expressed in RMB)

|   | Note | 30 June<br>2021<br>RMB million | 31 December<br>2020<br>RMB million |
|---|------|--------------------------------|------------------------------------|
| <b>Current liabilities</b>  |      |                                |                                    |
| Borrowings  | 21   | 6,719                          | 8,847                              |
| Accounts and bills payables                                       | 22   | 29,784                         | 28,980                             |
| Accrued expenses and other payables                               | 23   | 62,094                         | 18,949                             |
| Current portion of lease liabilities                              |      | 228                            | 242                                |
| Current portion of long-term liabilities                          | 24   | 379                            | 689                                |
| Income tax payable  |      | 3,118                          | 6,313                              |
| Contract liabilities  |      | 6,928                          | 5,256                              |
| Liabilities associated with assets<br>classified as held for sale |      | –                              | 217                                |
| <b>Total current liabilities</b>                                  |      | <b>109,250</b>                 | 69,493                             |
| <b>Net current assets</b>   |      | <b>98,839</b>                  | 102,736                            |
| <b>Total assets less current liabilities</b>                      |      | <b>494,145</b>                 | 493,411                            |
| <b>Non-current liabilities</b>                                    |      |                                |                                    |
| Borrowings  | 21   | 51,686                         | 50,251                             |
| Bonds   |      | 3,219                          | 3,241                              |
| Long-term liabilities   | 24   | 6,244                          | 2,661                              |
| Accrued reclamation obligations                                   | 25   | 6,251                          | 6,169                              |
| Deferred tax liabilities  |      | 942                            | 896                                |
| Lease liabilities   |      | 463                            | 606                                |
| <b>Total non-current liabilities</b>                              |      | <b>68,805</b>                  | 63,824                             |
| <b>Net assets</b>   |      | <b>425,340</b>                 | 429,587                            |

## Condensed consolidated statement of financial position (Continued)

at 30 June 2021 – unaudited  
(Expressed in RMB)

|  | <i>Note</i> | <b>30 June<br/>2021<br/>RMB million</b> | 31 December<br>2020<br>RMB million |
|--|-------------|---|------------------------------------|
| <b>Equity</b>  |             |   |                                    |
| Share capital  | 26          | <b>19,869</b>                           | 19,890                             |
| Reserves   |             | <b>334,952</b>                          | 344,313                            |
| Equity attributable to equity holders of the Company |             | <b>354,821</b>                          | 364,203                            |
| Non-controlling interests                            |             | <b>70,519</b>                           | 65,384                             |
| <b>Total equity</b>                                  |             | <b>425,340</b>                          | 429,587                            |

Approved and authorised for issue by the board of Directors on 27 August 2021.

**Wang Xiangxi***Chairman and Executive Director***Yang Jiping***Executive Director and Chief Executive Officer*

The notes on pages 100 to 129 form part of this interim financial report.

# Condensed consolidated statement of changes in equity

for the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)

|  | Equity attributable to equity holders of the Company |                 |               |                 |                  |                    |                |                   | Non-controlling interests | Total equity |          |
|--|--|-----------------|---------------|-----------------|------------------|--------------------|----------------|-------------------|---------------------------|--------------|----------|
|  | Share capital  | Treasury shares | Share premium | Capital reserve | Exchange reserve | Statutory reserves | Other reserves | Retained earnings |                           |              |          |
|  | RMB million  | RMB million     | RMB million   | RMB million     | RMB million      | RMB million        | RMB million    | RMB million       | RMB million               | RMB million  |          |
|  | (Note 26)  |                 | (Note (i))    | (Note (ii))     |                  | (Note (iii))       | (Note (iv))    | (Note (v))        |                           |              |          |
| At 1 January 2021  | 19,890   | (256)           | 85,001        | 3,657           | (201)            | 20,236             | (14,809)       | 250,685           | 364,203                   | 65,384       | 429,587  |
| Profit for the period  | -  | -               | -             | -               | -                | -                  | -              | 26,500            | 26,500                    | 5,267        | 31,767   |
| Other comprehensive income for the period                      | -  | -               | -             | -               | 7                | -                  | 90             | -                 | 97                        | 6            | 103      |
| Total comprehensive income for the period                      | -  | -               | -             | -               | 7                | -                  | 90             | 26,500            | 26,597                    | 5,273        | 31,870   |
| Dividend declared (Note 11)                                    | -  | -               | -             | -               | -                | -                  | -              | (35,962)          | (35,962)                  | -            | (35,962) |
| Appropriation of maintenance and production funds (Note (iii)) | -  | -               | -             | -               | -                | 2,478              | -              | (2,478)           | -                         | -            | -        |
| Utilisation of maintenance and production funds (Note (iii))   | -  | -               | -             | -               | -                | (1,646)            | -              | 1,646             | -                         | -            | -        |
| Cancellation of repurchased own shares                         | (21)   | 256             | (235)         | -               | -                | -                  | -              | -                 | -                         | -            | -        |
| Contributions from non-controlling shareholders                | -  | -               | -             | -               | -                | -                  | -              | -                 | -                         | 405          | 405      |
| Distributions to non-controlling shareholders                  | -  | -               | -             | -               | -                | -                  | -              | -                 | -                         | (546)        | (546)    |
| Others   | -  | -               | -             | 77              | -                | -                  | -              | (94)              | (17)                      | 3            | (14)     |
| At 30 June 2021  | 19,869   | -               | 84,766        | 3,734           | (194)            | 21,068             | (14,719)       | 240,297           | 354,821                   | 70,519       | 425,340  |

## Condensed consolidated statement of changes in equity (Continued)

for the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)

|  | Equity attributable to equity holders of the Company |               |                 |                  |                    |                |                   | Total       | Non-controlling interests | Total equity |
|--|--|---------------|-----------------|------------------|--------------------|----------------|-------------------|-------------|---------------------------|--------------|
|  | Share capital  | Share premium | Capital reserve | Exchange reserve | Statutory reserves | Other reserves | Retained earnings |             |                           |              |
|  | RMB million  | RMB million   | RMB million     | RMB million      | RMB million        | RMB million    | RMB million       | RMB million | RMB million               | RMB million  |
|  | (Note 26)  | (Note (i))    | (Note (ii))     |                  | (Note (iii))       | (Note (iv))    | (Note (v))        |             |                           |              |
| At 1 January 2020  | 19,890   | 85,001        | 3,618           | 56               | 25,118             | (14,824)       | 237,218           | 356,077     | 64,141                    | 420,218      |
| Profit for the period  | -  | -             | -               | -                | -                  | -              | 20,370            | 20,370      | 4,414                     | 24,784       |
| Other comprehensive income for the period                      | -  | -             | -               | 53               | -                  | 17             | -                 | 70          | 15                        | 85           |
| Total comprehensive income for the period                      | -  | -             | -               | 53               | -                  | 17             | 20,370            | 20,440      | 4,429                     | 24,869       |
| Dividend declared (Note 11)                                    | -  | -             | -               | -                | -                  | -              | (25,061)          | (25,061)    | -                         | (25,061)     |
| Appropriation of maintenance and production funds (Note (iii)) | -  | -             | -               | -                | 1,811              | -              | (1,811)           | -           | -                         | -            |
| Utilisation of maintenance and production funds (Note (iii))   | -  | -             | -               | -                | (1,897)            | -              | 1,897             | -           | -                         | -            |
| Contributions from non-controlling shareholders                | -  | -             | -               | -                | -                  | -              | -                 | -           | 89                        | 89           |
| Distributions to non-controlling shareholders                  | -  | -             | -               | -                | -                  | -              | -                 | -           | (782)                     | (782)        |
| Others   | -  | -             | -               | -                | -                  | -              | (76)              | (76)        | -                         | (76)         |
| At 30 June 2020  | 19,890   | 85,001        | 3,618           | 109              | 25,032             | (14,807)       | 232,537           | 351,380     | 67,877                    | 419,257      |

## Condensed consolidated statement of changes in equity (Continued)

for the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)

### Notes:

- (i) Share premium represents the difference between the total amount of the par value of shares issued and the amount of net proceeds received upon the global initial public offering of H shares in 2005 and the issuance of A shares in 2007.
- (ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of other reserves, transferred from Shenhua Group Corporation Limited (“Shenhua Group”), in connection with the Restructuring (as defined in Note 1).
- (iii) Statutory reserves

#### *Statutory surplus reserve*

According to the PRC Company Law and the Company’s Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the China Accounting Standards for Business Enterprises (“China Accounting Standards”) to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

The statutory surplus reserve has reached 50% of the registered capital in 2009. Accordingly, no appropriation of net profit to the statutory surplus reserve has been proposed since 1 January 2010.

Statutory surplus reserve can be used to make up losses, if any, or to expand the Company’s business, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital of the Company. The statutory surplus reserve is not distributable.

#### *Specific reserve for maintenance and production funds*

Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to retained earnings.

#### *Discretionary surplus reserve*

The appropriation to the discretionary surplus reserve is subject to the shareholders’ approval. The utilisation of the reserve is similar to that of the statutory surplus reserve.

The directors of the Company (the “Directors”) have not proposed any appropriation to the discretionary surplus reserve for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

- (iv) Other reserves

Other reserves mainly represent the consideration paid for acquisition of subsidiaries under common control, share of other comprehensive income of associates, and fair value changes of financial assets measured at fair value through other comprehensive income (“FVTOCI”).

- (v) Retained earnings

Included in the retained earnings of the Group were its share of the surplus reserve of its domestic subsidiaries amounting to RMB26,065 million as at 30 June 2021 (31 December 2020: RMB26,065 million).

# Condensed consolidated statement of cash flows

for the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)

|   | Note | Six months ended 30 June |                     |
|---|------|--------------------------|---------------------|
|   |      | 2021<br>RMB million      | 2020<br>RMB million |
| <b>Operating activities</b>   |      |                          |                     |
| Profit before income tax  |      | <b>38,114</b>            | 31,291              |
| Adjustments for:  |      |                          |                     |
| Depreciation and amortisation   | 10   | <b>9,948</b>             | 9,996               |
| Other gains and losses  | 10   | <b>(458)</b>             | (236)               |
| Loss allowances, net of reversal  | 10   | <b>(17)</b>              | 273                 |
| Interest income   |      | <b>(1,133)</b>           | (665)               |
| Share of results of associates  |      | <b>(708)</b>             | (484)               |
| Interest expense  |      | <b>1,177</b>             | 1,008               |
| Exchange gain, net  | 8    | <b>(81)</b>              | (4)                 |
| Operating cash flows before movements in working capital                        |      | <b>46,842</b>            | 41,179              |
| Increase in inventories   |      | <b>(2,225)</b>           | (2,069)             |
| Increase in accounts and bills receivables                                      |      | <b>(1,730)</b>           | (3,785)             |
| Increase in prepaid expenses, other current assets and other non-current assets |      | <b>(1,699)</b>           | (525)               |
| Increase in accounts and bills payables   |      | <b>784</b>               | 1,924               |
| Increase in accrued expenses and other payables                                 |      | <b>6,269</b>             | 23,377              |
| Increase in contract liabilities  |      | <b>1,672</b>             | 304                 |
| Cash generated from operations  |      | <b>49,913</b>            | 60,405              |
| Income tax paid   |      | <b>(9,694)</b>           | (6,685)             |
| <b>Net cash generated from operating activities</b>                             |      | <b>40,219</b>            | 53,720              |

## Condensed consolidated statement of cash flows (Continued)

for the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)

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

## Condensed consolidated statement of cash flows (Continued)

for the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)

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

The notes on pages 100 to 129 form part of this interim financial report.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

for the six months ended 30 June 2021  
(Expressed in RMB)

## 1 PRINCIPAL ACTIVITIES AND ORGANISATION

### Principal activities

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

### Organisation

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

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

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

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

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

### Immediate parent and ultimate controlling party

On 28 August 2017, Shenhua Group received the *Notice regarding the Restructuring of China Guodian Corporation and Shenhua Group Corporation Limited* (Guo Zi Fa Gai Ge [2017] No. 146) from the State-owned Assets Supervision and Administration Commission of the State Council, which approves that China Guodian Corporation (the “China Guodian”) and Shenhua Group shall implement the joint restructuring, China Guodian shall be merged into Shenhua Group, and the company name of Shenhua Group shall be changed to China Energy Group. China Energy Group will be the parent company after the completion of the Restructuring.

On 27 November 2017, Shenhua Group completed the industrial and commercial registration of changes in the business license. The Directors consider the immediate parent and the ultimate holding company of the Group to be China Energy Group.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

### 2 BASIS OF PREPARATION

This interim financial report have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 27 August 2021.

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

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

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

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

### 3 CHANGES IN ACCOUNTING POLICIES

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

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

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

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

## 4 REVENUE FROM GOODS AND SERVICES

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

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

The Group's revenue from contracts with customers is RMB143,934 million for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB103,041 million).

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**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  | For the six months ended 30 June |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
|---|----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | Coal                             |                        | Power                  |                        | Railway                |                        | Port                   |                        | Shipping               |                        | Coal chemical          |                        | Others                 |                        | Total                  |                        |
|   | 2021<br>RMB<br>million           | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million |
| <b>Revenue disclosed in segment information</b> |                                  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| External customers                              | 109,882                          | 75,288                 | 27,148                 | 22,568                 | 2,649                  | 2,736                  | 399                    | 468                    | 617                    | 783                    | 3,260                  | 2,409                  | 24                     | 764                    | 143,979                | 105,016                |
| Inter-segment                                   | 13,514                           | 8,913                  | 32                     | 36                     | 17,335                 | 15,452                 | 2,898                  | 2,466                  | 2,170                  | 523                    | -                      | -                      | 108                    | 530                    | 36,057                 | 27,920                 |
|   | 123,396                          | 84,201                 | 27,180                 | 22,604                 | 19,984                 | 18,188                 | 3,297                  | 2,934                  | 2,787                  | 1,306                  | 3,260                  | 2,409                  | 132                    | 1,294                  | 180,036                | 132,936                |
| Adjustment and eliminations                     | (13,514)                         | (8,913)                | (32)                   | (36)                   | (17,335)               | (15,452)               | (2,898)                | (2,466)                | (2,170)                | (523)                  | -                      | -                      | (108)                  | (530)                  | (36,057)               | (27,920)               |
| <b>Revenue</b>                                  | <b>109,882</b>                   | <b>75,288</b>          | <b>27,148</b>          | <b>22,568</b>          | <b>2,649</b>           | <b>2,736</b>           | <b>399</b>             | <b>468</b>             | <b>617</b>             | <b>783</b>             | <b>3,260</b>           | <b>2,409</b>           | <b>24</b>              | <b>764</b>             | <b>143,979</b>         | <b>105,016</b>         |

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.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

### 5 SEGMENT AND OTHER INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM"), including president, senior vice president and chief financial officer, for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (1) Coal operations – which produce coal from surface and underground mines, and the sale of coal to external customers, the power operations segment and the coal chemical operations segment. The Group sells its coal under long-term supply contracts, which allow periodical price adjustments, and at spot market.
- (2) Power operations – which use coal from the coal operations segment and external suppliers, thermal power, wind power, water power and gas power to generate electric power for the sale to coal operations segment and external customers. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rate as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.
- (3) Railway operations – which provide railway transportation services to the coal operations segment, the power operations segment, the coal chemical operations segment and external customers. The rates of freight charges billed to the coal operations segment, the power operations segment, the coal chemical operations segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.
- (4) Port operations – which provide loading, transportation and storage services to the coal operations segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.
- (5) Shipping operations – which provide shipment transportation services to the power operations segment, the coal operations segment and external customers. The rates of freight charges billed to the power operations segment, the coal operations segment and external customers are consistent.
- (6) Coal chemical operations – which use coal from the coal operations segment to first produce methanol and further process into polyethylene and polypropylene, together with other by-products, for sale to external customers. The Group sells its polyethylene at spot market.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

## 5 SEGMENT AND OTHER INFORMATION (CONTINUED)

### (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.

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 six months ended 30 June 2021 and 2020 is set out below:

|  | Six months ended 30 June |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
|--|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | Coal                     |                        | Power                  |                        | Railway                |                        | Port                   |                        | Shipping               |                        | Coal chemical          |                        | Total                  |                        |
|  | 2021<br>RMB<br>million   | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million | 2021<br>RMB<br>million | 2020<br>RMB<br>million |
| Revenue from external customers          | 109,882                  | 75,288                 | 27,148                 | 22,568                 | 2,649                  | 2,736                  | 399                    | 468                    | 617                    | 783                    | 3,260                  | 2,409                  | 143,955                | 104,252                |
| Inter-segment revenue                    | 13,514                   | 8,913                  | 32                     | 36                     | 17,335                 | 15,452                 | 2,898                  | 2,466                  | 2,170                  | 523                    | -                      | -                      | 35,949                 | 27,390                 |
| Reportable segment revenue               | 123,396                  | 84,201                 | 27,180                 | 22,604                 | 19,984                 | 18,188                 | 3,297                  | 2,934                  | 2,787                  | 1,306                  | 3,260                  | 2,409                  | 179,904                | 131,642                |
| Reportable segment profit                | 21,859                   | 15,519                 | 2,990                  | 4,182                  | 9,061                  | 8,385                  | 1,413                  | 1,180                  | 573                    | 39                     | 743                    | (116)                  | 36,639                 | 29,189                 |
| Including:                               |                          |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Interest expenses                        | 297                      | 322                    | 517                    | 639                    | 522                    | 449                    | 71                     | 148                    | -                      | 2                      | 31                     | 49                     | 1,438                  | 1,609                  |
| Depreciation and amortisation            | 3,750                    | 3,689                  | 2,625                  | 2,653                  | 2,496                  | 2,513                  | 478                    | 505                    | 148                    | 148                    | 368                    | 422                    | 9,865                  | 9,930                  |
| Share of results of associates           | 76                       | 102                    | 31                     | 28                     | -                      | -                      | -                      | 3                      | -                      | -                      | -                      | -                      | 107                    | 133                    |
| Loss allowances and impairment of assets | (11)                     | 272                    | (2)                    | 1                      | (3)                    | 6                      | -                      | -                      | -                      | -                      | -                      | (1)                    | (16)                   | 278                    |

### (b) Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the six months ended 30 June 2021 and 2020 are set out below:

|  | Reportable segment amounts |                     | Unallocated head office and corporate items |                     | Elimination of inter-segment amounts |                     | Consolidated        |                     |
|--|----------------------------|---------------------|---|---------------------|--------------------------------------|---------------------|---------------------|---------------------|
|  | 2021<br>RMB million        | 2020<br>RMB million | 2021<br>RMB million                         | 2020<br>RMB million | 2021<br>RMB million                  | 2020<br>RMB million | 2021<br>RMB million | 2020<br>RMB million |
| Revenue                                  | 179,904                    | 131,642             | 132   | 1,294               | (36,057)                             | (27,920)            | 143,979             | 105,016             |
| Profit before income tax                 | 36,639                     | 29,189              | 1,168                                       | 2,412               | 307                                  | (310)               | 38,114              | 31,291              |
| Interest expenses                        | 1,438                      | 1,609               | 420   | 415                 | (724)                                | (1,051)             | 1,134               | 973                 |
| Depreciation and amortisation            | 9,865                      | 9,930               | 83  | 66                  | -                                    | -                   | 9,948               | 9,996               |
| Share of results of associates           | 107                        | 133                 | 318   | 727                 | 283                                  | (376)               | 708                 | 484                 |
| Loss allowances and impairment of assets | (16)                       | 278                 | (1)   | 2                   | -                                    | -                   | (17)                | 280                 |

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

## 5 SEGMENT AND OTHER INFORMATION (CONTINUED)

## (c) Other information

Certain other information of the Group's segments for the six months ended 30 June 2021 and 2020 is set out below:

|                                   | Coal                   |                        | Power                  |                        | Railway                |                        | Port                   |                        | Shipping               |                        | Coal chemical          |                        | Unallocated items      |                        | Eliminations           |                        | Total                  |                        |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                                   | 2021<br>RMB<br>million | 2020<br>RMB<br>million |
| Coal purchased                    | 41,522                 | 19,111                 | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | 41,522                 | 19,111                 |
| Cost of coal operation            | 27,631                 | 22,304                 | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | (2,435)                | (2,435)                | 25,089                 | 19,869                 |
| Cost of coal transportation       | 28,689                 | 23,587                 | -                      | -                      | 8,253                  | 7,008                  | 1,532                  | 1,372                  | 664                    | 638                    | -                      | -                      | -                      | -                      | (22,403)               | (18,441)               | 16,745                 | 14,164                 |
| Power cost                        | -                      | -                      | 22,277                 | 16,113                 | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | (10,306)               | (5,589)                | 11,971                 | 10,514                 |
| Cost of coal chemical production  | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | 2,145                  | 2,122                  | -                      | -                      | (688)                  | (622)                  | 1,487                  | 1,500                  |
| Others                            | 1,335                  | 1,102                  | 1,100                  | 857                    | 1,613                  | 1,835                  | 161                    | 140                    | 1,488                  | 553                    | 278                    | 285                    | 8                      | 17                     | -                      | -                      | 5,963                  | 4,799                  |
| <b>Total cost of sales</b>        | <b>99,187</b>          | <b>66,104</b>          | <b>23,377</b>          | <b>16,970</b>          | <b>9,866</b>           | <b>8,843</b>           | <b>1,693</b>           | <b>1,512</b>           | <b>2,132</b>           | <b>1,201</b>           | <b>2,423</b>           | <b>2,407</b>           | <b>8</b>               | <b>17</b>              | <b>(35,309)</b>        | <b>(27,097)</b>        | <b>102,777</b>         | <b>69,957</b>          |
| Profit from operations (Note (i)) | 21,506                 | 15,569                 | 3,421                  | 4,831                  | 9,399                  | 8,857                  | 1,451                  | 1,293                  | 570                    | 28                     | 741                    | (75)                   | (107)                  | 1,014                  | (148)                  | (823)                  | 36,833                 | 30,694                 |
| Capital expenditures (Note (ii))  | 6,673                  | 1,801                  | 4,535                  | 1,546                  | 933                    | 656                    | 315                    | 35                     | -                      | -                      | 258                    | 60                     | 1                      | -                      | -                      | -                      | 12,715                 | 4,098                  |

  

|                                | Coal                           |                                    | Power                          |                                    | Railway                        |                                    | Port                           |                                    | Shipping                       |                                    | Coal chemical                  |                                    | Unallocated items              |                                    | Eliminations                   |                                    | Total                          |                                    |
|--------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                                | 30 June 2021<br>RMB<br>million | 31 December 2020<br>RMB<br>million |
| Total assets (Note (iii))      | 251,435                        | 222,984                            | 169,746                        | 150,299                            | 133,607                        | 124,113                            | 20,750                         | 21,619                             | 7,182                          | 6,410                              | 9,214                          | 8,938                              | 453,800                        | 424,257                            | (432,339)                      | (395,716)                          | 603,395                        | 562,904                            |
| Total liabilities (Note (iii)) | (116,763)                      | (106,897)                          | (116,014)                      | (110,940)                          | (52,585)                       | (50,470)                           | (6,524)                        | (6,029)                            | (543)                          | (257)                              | (2,556)                        | (2,960)                            | (214,029)                      | (154,901)                          | 330,959                        | 298,827                            | (178,055)                      | (133,317)                          |

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**5 SEGMENT AND OTHER INFORMATION (CONTINUED)****(c) Other information (Continued)**

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 and 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**

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

**7 OTHER INCOME**

|                   | <b>Six months ended 30 June</b> |                    |
|-------------------|---------------------------------|--------------------|
|                   | <b>2021</b>                     | 2020               |
|                   | <i>RMB million</i>              | <i>RMB million</i> |
| Government grants | <b>114</b>                      | 219                |
| Claim income      | <b>83</b>                       | 23                 |
| Others            | <b>112</b>                      | 55                 |
|                   | <b>309</b>                      | 297                |

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**8 FINANCE COSTS**

|                          | <b>Six months ended 30 June</b> |                    |
|--------------------------|---------------------------------|--------------------|
|                          | <b>2021</b>                     | 2020               |
|                          | <i>RMB million</i>              | <i>RMB million</i> |
| Interest expense         | <b>1,431</b>                    | 1,126              |
| Less: amount capitalised | <b>(442)</b>                    | (235)              |
|                          | <b>989</b>                      | 891                |
| Others                   | <b>43</b>                       | 35                 |
| Unwinding of discount    | <b>145</b>                      | 82                 |
| Exchange gain, net       | <b>(81)</b>                     | (4)                |
|                          | <b>1,096</b>                    | 1,004              |

**9 INCOME TAX EXPENSE**

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

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

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

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

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)**9 INCOME TAX EXPENSE (CONTINUED)**

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

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

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

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

**10 PROFIT FOR THE PERIOD**

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

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

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**10 PROFIT FOR THE PERIOD (CONTINUED)**

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2021</b>                     | 2020               |
|  | <i>RMB million</i>              | <i>RMB million</i> |
| Loss allowances, net of reversal   |                                 |                    |
| – Loans receivables and interbank certificate of deposits  | –                               | 2                  |
| – Trade and other receivables  | <b>(17)</b>                     | 271                |
|  | <b>(17)</b>                     | 273                |
| Other (gains) and losses, represent  |                                 |                    |
| – (gains)/losses on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets | <b>(458)</b>                    | 55                 |
| – gains on disposal of financial assets at FVTPL   | –                               | (457)              |
| – gains on disposal of derivative financial instruments  | –                               | (20)               |
| – losses on changes in fair value of financial assets  | –                               | 179                |
| – impairment losses on construction in progress  | –                               | 6                  |
| – impairment losses on intangible assets   | –                               | 1                  |
|  | <b>(458)</b>                    | (236)              |
| Carrying amount of inventories sold  | <b>87,311</b>                   | 51,201             |
| Operating lease changes relating to short-term leases, leases of low-value assets and variable lease payments                              | <b>116</b>                      | 121                |
| Exchange gain, net   | <b>(81)</b>                     | (4)                |

*Note:*

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

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

### 11 DIVIDENDS

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

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

### 12 EARNINGS PER SHARE

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

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

### 13 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2021, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to RMB5,586 million (six months ended 30 June 2020: RMB863 million) and RMB5,566 million (six months ended 30 June 2020: RMB2,761 million), respectively. The cost and net book value of the disposals of property, plant and equipment amounted to RMB428 million and RMB341 million, respectively (six months ended 30 June 2020: RMB596 million and RMB465 million).

The Group is in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB4,071 million as at 30 June 2021 (31 December 2020: RMB4,002 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

As at 30 June 2021, the Group is in the process of obtaining requisite permits for certain of its power plants and railways from the relevant government authorities. The Directors are of the opinion that the Group will be able to obtain the requisite permits in due course.

No impairment loss was recognised by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

As at 30 June 2021, the Group has bank loans secured by the Group's property, plant and equipment with carrying amount of RMB849 million (31 December 2020: RMB893 million).

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

## 14 INTERESTS IN ASSOCIATES

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

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

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)**15 OTHER NON-CURRENT ASSETS**

|  | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|--|-------------------------|---------------------|
|  | <i>RMB million</i>      | <i>RMB million</i>  |
| Prepayments in connection with construction work,<br>equipment purchases and others (Note (i)) | <b>9,392</b>            | 9,807               |
| Prepayment for mining projects   | <b>6,381</b>            | 10,171              |
| Deductible VAT and other tax   | <b>486</b>              | 631                 |
| Long-term entrusted loans (Note (ii))  | <b>400</b>              | 400                 |
| Service concession receivables (Note (iii))  | <b>12,331</b>           | 11,044              |
| Goodwill   | <b>235</b>              | 235                 |
| Long-term deferred expenses (Note (iv))  | <b>3,328</b>            | 3,602               |
|  | <b>32,553</b>           | 35,890              |

*Notes:*

- (i) At 30 June 2021, the Group had prepayments to subsidiaries of China Energy Group ("fellow subsidiaries") amounting to RMB161 million (31 December 2020: RMB156 million).
- (ii) The Group has a long-term entrusted loan of RMB400 million to an associate through a PRC state-owned bank, with an interest rate of 4.75% per annum. The applicable interest rate is determined in accordance with the prevailing interest rates published by People's Bank of China (the "PBOC").
- (iii) Pursuant to the Power Purchase Agreements entered between certain power plants of the Group and PT Perusahaan Listrik Negara (Persero) ("PLN"), an independent third party, certain power plants of the Group build power plants to supply electricity to PLN for a 25–30 years period from the power plant's commercial operation date under the service concession scheme. Service concession receivables represents service provided in connection with the service concession arrangement, for which a guaranteed minimum payments have been agreed. Due to the length of the payment plans, receivables are the present value of future guaranteed cash receipts discounted using effective interest rate.
- (iv) The movement of long-term deferred expenses during the period/year as follows:

|                                     | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|-------------------------------------|-------------------------|---------------------|
|                                     | <i>RMB million</i>      | <i>RMB million</i>  |
| At the beginning of the period/year | <b>3,602</b>            | 3,667               |
| Additions                           | <b>203</b>              | 884                 |
| Amortisation                        | <b>(471)</b>            | (946)               |
| Disposal                            | <b>(6)</b>              | (1)                 |
| Classified as assets held for sale  | <b>–</b>                | (2)                 |
| At the end of the period/year       | <b>3,328</b>            | 3,602               |

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**16 RIGHT-OF-USE ASSETS**

The right-of-use assets represent land use rights paid to the PRC's government authorities and the leased assets. The Group is in the process of applying for the title certificates of certain land use rights certificates with an aggregate carrying amount of RMB1,426 million as at 30 June 2021 (31 December 2020: RMB1,739 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

As at 30 June 2021, the Group has no bank loans or other loans secured by the Group's right-of-use assets (31 December 2020: RMB810 million).

**17 INVENTORIES**

|                                 | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|---------------------------------|-------------------------|---------------------|
|                                 | <i>RMB million</i>      | <i>RMB million</i>  |
| Coal                            | <b>6,795</b>            | 5,236               |
| Materials and supplies          | <b>9,219</b>            | 8,750               |
| Others ( <i>Note</i> )          | <b>1,025</b>            | 906                 |
|                                 | <b>17,039</b>           | 14,892              |
| Less: Write-down of inventories | <b>(2,064)</b>          | (2,142)             |
|                                 | <b>14,975</b>           | 12,750              |

*Note:* Others mainly represent properties under development.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)**18 ACCOUNTS AND BILLS RECEIVABLES**

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

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

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

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

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

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**19 PREPAID EXPENSES AND OTHER CURRENT ASSETS**

|   | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|---|-------------------------|---------------------|
|   | <i>RMB million</i>      | <i>RMB million</i>  |
| Financial assets measured at amortised cost     |                         |                     |
| – Service concession receivables (Note 15(iii)) | <b>1,988</b>            | 1,512               |
| – Entrusted loans (Note)                        | <b>37</b>               | 37                  |
| – Other receivables due from associates         | <b>389</b>              | 470                 |
| – Amount due from China Energy Group            | –                       | 1,417               |
| – Other receivables                             | <b>2,176</b>            | 1,528               |
|   | <b>4,590</b>            | 4,964               |
| Other loans                                     | <b>4,500</b>            | 4,500               |
| Prepaid expenses and deposits                   | <b>7,281</b>            | 4,999               |
| Deductible VAT and other tax                    | <b>2,860</b>            | 3,017               |
|   | <b>19,231</b>           | 17,480              |

Note:

As at 30 June 2021, the Group had a entrusted loans to a third party through PRC state-owned banks as follows:

|                                  | <b>Starting date</b> | <b>Due date</b> | <b>Interest rates</b> | <b>Amount</b>      |
|----------------------------------|----------------------|-----------------|-----------------------|--------------------|
|                                  |                      |                 |                       | <i>RMB million</i> |
| Entrusted loans to a third party | 13/02/2014           | On demand       | 6%                    | 37                 |

**20 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows comprise cash at bank and in hand, and time deposits with original maturity within three months.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)**21 BORROWINGS**

An analysis of the Group's borrowings is as follows:

|  | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|--|-------------------------|---------------------|
|  | <i>RMB million</i>      | <i>RMB million</i>  |
| Current borrowings:                          |                         |                     |
| – Short-term bank and other borrowings       | <b>2,946</b>            | 5,043               |
| – Current portion of long-term borrowings    | <b>3,773</b>            | 3,804               |
|  | <b>6,719</b>            | 8,847               |
| Non-current borrowings:                      |                         |                     |
| – Long-term borrowings, less current portion | <b>51,686</b>           | 50,251              |
|  | <b>58,405</b>           | 59,098              |
| Secured                                      | <b>10,499</b>           | 10,920              |
| Unsecured                                    | <b>47,906</b>           | 48,178              |
|  | <b>58,405</b>           | 59,098              |

The exposure of the long-term borrowings and the contractual maturity dates:

|   | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|---|-------------------------|---------------------|
|   | <i>RMB million</i>      | <i>RMB million</i>  |
| Within one year                                   | <b>3,773</b>            | 3,804               |
| More than one year, but not exceeding two years   | <b>5,497</b>            | 4,815               |
| More than two years, but not exceeding five years | <b>7,201</b>            | 10,280              |
| More than five years                              | <b>38,988</b>           | 35,156              |
|   | <b>55,459</b>           | 54,055              |

As at 30 June 2021, the Group had entrusted loans from China Energy Group and fellow subsidiaries amounting to RMB21,994 million.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**22 ACCOUNTS AND BILLS PAYABLES**

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

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

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

**23 ACCRUED EXPENSES AND OTHER PAYABLES**

|  | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|--|-------------------------|---------------------|
|  | <i>RMB million</i>      | <i>RMB million</i>  |
| Accrued staff wages and welfare benefits         | <b>6,359</b>            | 4,359               |
| Accrued interests                                | <b>237</b>              | 263                 |
| Taxes payable other than income tax              | <b>4,343</b>            | 4,154               |
| Dividends payable                                | <b>37,349</b>           | 1,422               |
| Other accrued expenses and payables              | <b>13,806</b>           | 8,751               |
| Financial liabilities measured at amortised cost | <b>62,094</b>           | 18,949              |

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)**24 LONG-TERM LIABILITIES**

|   | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|---|-------------------------|---------------------|
|   | <i>RMB million</i>      | <i>RMB million</i>  |
| Payables for acquisition of mining rights ( <i>Note (i)</i> ) | <b>4,518</b>            | 742                 |
| Deferred income ( <i>Note (ii)</i> )                          | <b>1,385</b>            | 1,431               |
| Defined benefit plans   | <b>5</b>                | 6                   |
| Others  | <b>715</b>              | 1,171               |
|   | <b>6,623</b>            | 3,350               |
| Analysed for reporting purpose as:                            |                         |                     |
| – Current liabilities   | <b>379</b>              | 689                 |
| – Non-current liabilities                                     | <b>6,244</b>            | 2,661               |
|   | <b>6,623</b>            | 3,350               |

*Notes:*

- (i) The balances mainly represent the payables for acquisition of mining rights which are to be settled over the period of production set out in the contracts on an annual basis. The annual payment is determined by fixed rates on a per tonne basis with reference to the annual production volume of the acquired mines in the acquisition agreements.
- (ii) Deferred income mainly represents grants provided by several local governments in the PRC to encourage the construction of non-current assets.

**25 ACCRUED RECLAMATION OBLIGATIONS**

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change. Accordingly, the actual costs and cash flows may differ from estimates. The Directors believe that the accrued reclamation obligations at 30 June 2021 are adequate and appropriate.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**26 SHARE CAPITAL**

|   | <b>30 June<br/>2021</b> |
|---|-------------------------|
|   | <i>RMB million</i>      |
| Registered, issued and fully paid:                      |                         |
| 16,491,037,955 domestic listed A shares of RMB1.00 each | <b>16,491</b>           |
| 3,377,482,000 H shares of RMB1.00 each                  | <b>3,378</b>            |
|   | <b>19,869</b>           |
|   | 31 December<br>2020     |
|   | <i>RMB million</i>      |
| Registered, issued and fully paid:                      |                         |
| 16,491,037,955 domestic listed A shares of RMB1.00 each | 16,491                  |
| 3,398,582,500 H shares of RMB1.00 each                  | 3,399                   |
|   | 19,890                  |

The Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong during the period from November to December 2020, the repurchase was governed by section 257 of the Hong Kong Companies Ordinance. In March 2021, the Company has completed the cancellation procedures for all the repurchased own shares.

All A shares and H shares rank pari passu in all material aspects.

**27 CAPITAL MANAGEMENT**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 30 June 2021 was 30% (31 December 2020: 24%).

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**28 COMMITMENTS AND CONTINGENT LIABILITIES****(a) Capital commitments**

As at 30 June 2021, the Group had capital commitments for land, buildings and mining rights, equipment and other as follows:

|                                     | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|-------------------------------------|-------------------------|---------------------|
|                                     | <i>RMB million</i>      | <i>RMB million</i>  |
| Contracted for but not provided     |                         |                     |
| – Land, buildings and mining rights | <b>40,527</b>           | 30,737              |
| – Equipment                         | <b>18,825</b>           | 21,918              |
| – Other ( <i>Note</i> )             | <b>3,653</b>            | –                   |
|                                     | <b>63,005</b>           | 52,655              |
| Authorised but not contracted for   |                         |                     |
| – Other ( <i>Note</i> )             | –                       | 4,000               |
|                                     | <b>63,005</b>           | 56,655              |

*Note:*

On 22 January 2021, the Company entered into a partnership agreement as a limited partner with other partners to participate in the establishment of Beijing Guoneng New Energy Industry Investment Fund Partnership (Limited Partnership), the committed investment payments under which amounted to RMB3,653 million (31 December 2020: RMB4,000 million) as at 30 June 2021.

**(b) Financial guarantees issued**

As at 30 June 2021, the Group had issued certain guarantees in respect of certain banking facilities granted to an entity of which the Group held less than 20% equity interest. The maximum amount guaranteed is RMB136 million (31 December 2020: RMB144 million).

**(c) Legal contingencies**

The Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**28 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)****(d) Environmental contingencies**

To date, the Group has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation, and apart from the provision for land reclamation costs, has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The regulatory bodies, however, have moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**29 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS****Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis**

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

|   | <b>30 June<br/>2021</b> | 31 December<br>2020 | Fair value<br>hierarchy | Valuation technique(s)<br>and key input(s)   |
|---|-------------------------|---------------------|-------------------------|--|
|   | <i>RMB million</i>      | <i>RMB million</i>  |                         |  |
| <b>Financial assets</b>   |                         |                     |                         |  |
| Equity instruments at fair value through other comprehensive income | <b>1,915</b>            | 1,845               | Level 3                 | Market comparison approach. Fair value is estimated based on value of comparable listed companies, multiples and discounted for lack of liquidity. |

During the year ended 31 December 2020 and the six months ended 30 June 2021, there were no transfer between Level 1, Level 2 and Level 3.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**30 RELATED PARTY TRANSACTIONS****(a) Transactions with China Energy Group, associates of China Energy Group, fellow subsidiaries and associates of the Group**

The Group is controlled by China Energy Group and has significant transactions and relationships with China Energy Group, associates of China Energy Group and fellow subsidiaries. Related parties refer to enterprises over which China Energy Group is able to exercise significant influence or control. The Group also has entered into transactions with its associates, over which the Group can exercise significant influence.

The Group had the following transactions with China Energy Group, associates of China Energy Group, fellow subsidiaries, and associates of the Group during both periods:

|  | Note    | Six months ended 30 June |                     |
|--|---------|--------------------------|---------------------|
|  |         | 2021<br>RMB million      | 2020<br>RMB million |
| Interest income                                  | (i)     | 186                      | 439                 |
| Income from an entrusted loan                    | (ii)    | 9                        | 9                   |
| Interest expense                                 | (iii)   | 427                      | 199                 |
| Purchases of ancillary materials and spare parts | (iv)    | 507                      | 506                 |
| Ancillary and social services                    | (v)     | 477                      | 294                 |
| Transportation service income                    | (vi)    | 293                      | 722                 |
| Transportation service expense                   | (vii)   | 1,349                    | 87                  |
| Sale of coal                                     | (viii)  | 38,756                   | 24,814              |
| Purchase of coal                                 | (ix)    | 7,215                    | 3,606               |
| Property leasing                                 | (x)     | 29                       | 34                  |
| Repairs and maintenance service expense          | (xi)    | 28                       | –                   |
| Coal export agency expense                       | (xii)   | 2                        | 2                   |
| Purchase of equipment and construction work      | (xiii)  | 280                      | 81                  |
| Sale of coal chemical product                    | (xiv)   | 2,494                    | 1,859               |
| Other income                                     | (xv)    | 1,387                    | 962                 |
| Granting of loans from Finance Company           | (xvi)   | –                        | 12,550              |
| Repayment of loans from Finance Company          | (xvii)  | –                        | 12,346              |
| Net deposits received by Finance Company         | (xviii) | –                        | 21,044              |
| Net deposits placed with Finance Company         | (xix)   | 7,523                    | –                   |
| Granting of Loans from China Energy Group        | (xx)    | 5,855                    | –                   |
| Repayment of loans from China Energy Group       | (xxi)   | 4,220                    | –                   |

(i) Interest income represents interest earned from loans to China Energy Group and fellow subsidiaries. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

(ii) Income from an entrusted loan represents interest earned from an entrusted loan to an associate of the Group. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**30 RELATED PARTY TRANSACTIONS (CONTINUED)****(a) Transactions with China Energy Group, associates of China Energy Group, fellow subsidiaries and associates of the Group (Continued)**

- (iii) Interest expense represents interest incurred from deposits placed and loans from China Energy Group and fellow subsidiaries. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.
- (iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies related to the Group's operations from fellow subsidiaries and associates of China Energy Group.
- (v) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to China Energy Group, fellow subsidiaries and an associate of China Energy Group.
- (vi) Transportation service income represents income earned from fellow subsidiaries in respect of coal transportation services.
- (vii) Transportation service expense represents expenses paid to fellow subsidiaries in respect of coal transportation services.
- (viii) Sale of coal represents income from sale of coal to fellow subsidiaries and associates of China Energy Group.
- (ix) Purchase of coal represents coal purchased from associates of the Group, an associate China Energy Group and fellow subsidiaries.
- (x) Property leasing expense represents rental paid or payable in respect of properties leased from fellow subsidiaries.
- (xi) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services.
- (xii) Coal export agency expense represents expense related to coal export agency services provided by a fellow subsidiary.
- (xiii) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by fellow subsidiaries.
- (xiv) Sale of coal chemical product represents income from sale of coal chemical product to fellow subsidiaries.
- (xv) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, financial service income, lease income, etc. earned from China Energy Group, associates of China Energy Group and fellow subsidiaries.
- (xvi) Granting of loans from Finance Company represents loans granted by Finance Company to China Energy Group and fellow subsidiaries before Finance Company was deconsolidated from the Group's consolidated financial statements at 1 September 2020.
- (xvii) Repayment of loans from Finance Company represents loans repaid by China Energy Group and fellow subsidiaries to Finance Company before Finance Company was deconsolidated from the Group's consolidated financial statements at 1 September 2020.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**30 RELATED PARTY TRANSACTIONS (CONTINUED)****(a) Transactions with China Energy Group, associates of China Energy Group, fellow subsidiaries and associates of the Group (Continued)**

- (xviii) Net deposits received by Finance Company represents net deposits received by Finance Company from China Energy Group and fellow subsidiaries before Finance Company was deconsolidated from the Group's consolidated financial statements at 1 September 2020.
- (xix) Net deposits placed with Finance Company represents net deposits placed by the Group with Finance Company after Finance Company was deconsolidated from the Group's consolidated financial statements at 1 September 2020.
- (xx) Granting of loans from China Energy Group.
- (xxi) Repayment of loans from China Energy Group.

The Directors are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions.

Amounts due from/to China Energy Group, associates of China Energy Group, fellow subsidiaries and associates of the Group:

|  | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|--|-------------------------|---------------------|
|  | <i>RMB million</i>      | <i>RMB million</i>  |
| Cash and time deposits at bank   | <b>27,249</b>           | 19,726              |
| Accounts and bills receivables   | <b>2,881</b>            | 2,735               |
| Prepaid expenses and other current assets  | <b>1,179</b>            | 920                 |
| Other non-current assets   | <b>442</b>              | 704                 |
| Total amounts due from China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group | <b>31,751</b>           | 24,085              |
| Borrowings   | <b>21,994</b>           | 20,359              |
| Accounts payable   | <b>2,703</b>            | 2,510               |
| Accrued expenses and other payables  | <b>25,692</b>           | 578                 |
| Contract liabilities   | <b>1,551</b>            | 896                 |
| Total amounts due to China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group   | <b>51,940</b>           | 24,343              |

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**30 RELATED PARTY TRANSACTIONS (CONTINUED)****(b) Key management personnel emoluments**

Key management personnel receive compensation in the form of fees, basic salaries, housing and other allowances, benefits in kind, discretionary bonuses and retirement scheme contributions.

Key management personnel compensation of the Group during the period is summarised as follows:

|                              | <b>Six months ended 30 June</b> |                    |
|------------------------------|---------------------------------|--------------------|
|                              | <b>2021</b>                     | 2020               |
|                              | <i>RMB million</i>              | <i>RMB million</i> |
| Short-term employee benefits | <b>6</b>                        | 4                  |

Total remuneration is included in “personnel expenses” as disclosed in Note 10.

**(c) Contributions to post-employment benefit plans**

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments and a supplemental defined contribution pension plan approved by the government for its employees. Further details of the Group’s post-employment benefit plans are disclosed in Note 31.

**(d) Transactions with other government-related entities in the PRC**

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by government-related entities.

Other than those transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group as disclosed above, the Group conducts business with other government-related entities which include but are not limited to the following:

- Power sales;
- Sales and purchases of coal;
- Transportation services;
- Construction work;
- Purchases of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangements.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

**30 RELATED PARTY TRANSACTIONS (CONTINUED)****(d) Transactions with other government-related entities in the PRC (continued)**

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related. The Group has established its pricing policies in respect of sale of goods and provision of services, and approval process for purchases of products and services. Such policies and approval process apply to all counterparties regardless of whether the counterparty is government-related or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval process, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the Directors are of the opinion that the following transactions with other government-related entities require disclosure:

**(i) Transactions with other government-related entities, including state-owned banks in the PRC**

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2021</b>                     | 2020               |
|  | <i>RMB million</i>              | <i>RMB million</i> |
| Coal revenue                                     | <b>46,348</b>                   | 33,733             |
| Power revenue                                    | <b>25,196</b>                   | 20,473             |
| Transportation costs                             | <b>5,065</b>                    | 4,637              |
| Interest income                                  | <b>938</b>                      | 598                |
| Interest expenses (including amount capitalised) | <b>888</b>                      | 1,332              |

**(ii) Balances with other government-related entities, including state-owned banks in the PRC**

|   | <b>30 June</b>     | 31 December        |
|---|--------------------|--------------------|
|   | <b>2021</b>        | 2020               |
|   | <i>RMB million</i> | <i>RMB million</i> |
| Accounts and bills receivables            | <b>2,717</b>       | 3,134              |
| Prepaid expenses and other current assets | <b>4,665</b>       | 7,468              |
| Cash and time deposits at banks           | <b>158,430</b>     | 103,590            |
| Restricted bank deposits                  | <b>2,820</b>       | 3,391              |
| Borrowings                                | <b>35,439</b>      | 39,067             |
| Accrued expenses and other payables       | <b>2,040</b>       | 1,528              |
| Contract liabilities                      | <b>3,077</b>       | 1,278              |

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2021  
(Expressed in RMB)

### **31 EMPLOYEE BENEFITS PLAN**

The Group participates, in line with the regulations of the PRC, mainly in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 16% of the salaries, bonuses and certain allowances of the employees. In addition, as approved by the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the six months ended 30 June 2021 were RMB1,742 million (six months ended 30 June 2020: RMB1,103 million).

## Section XI Documents Available for Inspection

Documents available for inspection

- The financial statements signed and sealed by the Chairman, the chief accountant and the head of the accounting institution
- The original copy of the review report issued by the accounting firm
- The original copies of all documents and announcements of the Company publicly disclosed during the reporting period
- The interim report for the year 2021 published on the websites of SSE and HKEx

Wang Xiangxi, Chairman  
Approval date of the board of directors for submission: 27 August 2021