中国神华
CHINA SHENHUA

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

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

(Stock Code: 01088)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue of the Group in 2018 were RMB264,101 million, representing an increase of RMB15,355 million or 6.2% over 2017.
- Profit for the year attributable to equity holders of the Company in 2018 was RMB44,137 million, representing a decrease of RMB3,658 million or 7.7% over 2017.
- Basic earnings per share was RMB2.219.
- The Board recommend the payment of: a final dividend in cash of RMB0.88 per share (tax inclusive) or RMB17,503 million (tax inclusive) for the year of 2018.

The Board of China Shenhua Energy Company Limited (the "**Company**" or "**China Shenhua**") presented the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 and reported our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards ("**IFRSs**"):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Revenue		
Goods and services	**264,101**	248,746
Cost of sales	**(173,677)**	(160,460)
Gross profit	**90,424**	88,286
Selling expenses	**(725)**	(612)
General and administrative expenses	**(9,854)**	(9,115)
Research and development costs	**(454)**	(341)
Other gains and losses	**(2,844)**	(1,880)
Other income	**744**	894
Impairment losses, net of reversal	**(152)**	–
Other expenses	**(3,504)**	(1,262)
Interest income	**1,479**	1,205
Finance costs	**(5,421)**	(4,416)
Share of results of associates	**448**	534
Profit before income tax	**70,141**	73,293
Income tax expense	**(15,977)**	(16,155)
Profit for the year	**54,164**	57,138

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Other comprehensive (expense) income for the year		
Items that will not be reclassified to profit or loss, net of income tax:		
Remeasurement of defined benefit obligations	**(30)**	11
Fair value gain on investments in equity instruments at fair value through other comprehensive income	**66**	–
	36	11
Items that may be reclassified subsequently to profit or loss, net of income tax:		
Exchange differences	**120**	(210)
Share of other comprehensive income (expense) of associates	**13**	(3)
Fair value gain on available-for-sale financial assets	**–**	4
	133	(209)
Other comprehensive income (expense) for the year, net of income tax	**169**	(198)
Total comprehensive income for the year	**54,333**	56,940
Profit for the year attributable to:		
Equity holders of the Company	**44,137**	47,795
Non-controlling interests	**10,027**	9,343
	54,164	57,138
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**44,262**	47,637
Non-controlling interests	**10,071**	9,303
	54,333	56,940
Earnings per share *(RMB)*		
– Basic	**2.219**	2.403

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	31 December 2018 *RMB million*	31 December 2017 *RMB million*
Non-current assets		
Property, plant and equipment	**257,349**	329,970
Construction in progress	**36,585**	39,054
Exploration and evaluation assets	**951**	998
Intangible assets	**3,623**	3,447
Interests in associates	**10,047**	9,513
Available-for-sale investments	**–**	854
Equity instruments at fair value through other comprehensive income	**811**	–
Other non-current assets	**29,456**	33,466
Lease prepayments	**16,425**	17,858
Deferred tax assets	**3,083**	3,798
Total non-current assets	**358,330**	438,958
Current assets		
Inventories	**9,967**	11,647
Accounts and bills receivables	**13,055**	19,455
Prepaid expenses and other current assets	**54,702**	20,452
Restricted bank deposits	**8,607**	7,348
Time deposits with original maturity over three months	**1,735**	1,870
Cash and cash equivalents	**61,863**	71,872
	149,929	132,644
Assets classified as held for sale	**83,367**	–
Total current assets	**233,296**	132,644

	31 December 2018 RMB million	31 December 2017 RMB million
Current liabilities		
Borrowings	**5,772**	15,785
Accounts and bills payables	**26,884**	33,914
Accrued expenses and other payables	**52,737**	51,995
Current portion of medium-term notes	**–**	4,995
Current portion of bonds	**–**	3,267
Current portion of long-term liabilities	**457**	345
Income tax payable	**4,213**	5,604
Contract liabilities	**3,404**	–
	93,467	115,905
Liabilities associated with assets classified as held for sale	**29,914**	–
Total current liabilities	**123,381**	115,905
Net current assets	**109,915**	16,739
Total assets less current liabilities	**468,245**	455,697
Non-current liabilities		
Borrowings	**46,765**	64,321
Bonds	**6,823**	6,485
Long-term liabilities	**2,092**	2,292
Accrued reclamation obligations	**3,191**	2,745
Deferred tax liabilities	**537**	749
Total non-current liabilities	**59,408**	76,592
Net assets	**408,837**	379,105
Equity		
Share capital	**19,890**	19,890
Reserves	**311,803**	285,651
Equity attributable to equity holders of the Company	**331,693**	305,541
Non-controlling interests	**77,144**	73,564
Total equity	**408,837**	379,105

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Equity attributable to equity holders of the Company									
	Share capital *RMB million*	Share premium *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Statutory reserves *RMB million*	Other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 31 December 2017	19,890	85,001	3,612	(65)	24,493	(14,214)	186,824	305,541	73,564	379,105
Adjustment at the date of initial application of IFRS 9	–	–	–	–	–	(692)	692	–	–	–
At 1 January 2018	19,890	85,001	3,612	(65)	24,493	(14,906)	187,516	305,541	73,564	379,105
Profit for the year	–	–	–	–	–	–	44,137	44,137	10,027	54,164
Other comprehensive income for the year	–	–	–	76	–	49	–	125	44	169
Total comprehensive income for the year	–	–	–	76	–	49	44,137	44,262	10,071	54,333
Dividend declared	–	–	–	–	–	–	(18,100)	(18,100)	–	(18,100)
Appropriation of maintenance and production funds	–	–	–	–	5,457	–	(5,457)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(3,668)	–	3,668	–	–	–
Appropriation of general reserve	–	–	–	–	258	–	(258)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	376	376
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(6,867)	(6,867)
Others	–	–	–	–	–	(10)	–	(10)	–	(10)
At 31 December 2018	19,890	85,001	3,612	11	26,540	(14,867)	211,506	331,693	77,144	408,837

	Equity attributable to equity holders of the Company									
	Share capital *RMB million*	Share premium *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Statutory reserves *RMB million*	Other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2017	19,890	85,001	3,612	105	20,827	(14,227)	201,767	316,975	67,994	384,969
Profit for the year	–	–	–	–	–	–	47,795	47,795	9,343	57,138
Other comprehensive (expense) income for the year	–	–	–	(170)	–	12	–	(158)	(40)	(198)
Total comprehensive (expense) income for the year	–	–	–	(170)	–	12	47,795	47,637	9,303	56,940
Dividend declared	–	–	–	–	–	–	(59,072)	(59,072)	–	(59,072)
Appropriation of maintenance and production funds	–	–	–	–	5,316	–	(5,316)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(1,994)	–	1,994	–	–	–
Appropriation of general reserve	–	–	–	–	344	–	(344)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	2,000	2,000
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(5,733)	(5,733)
Others	–	–	–	–	–	1	–	1	–	1
At 31 December 2017	19,890	85,001	3,612	(65)	24,493	(14,214)	186,824	305,541	73,564	379,105

In 2005, the Company issued 3,089,620,455 H shares with a par value of RMB1.00 each, at a price of HKD7.50 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 Corporation were converted into H shares. A total of 3,398,582,500 H shares were listed on the Hong Kong Stock Exchange.

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.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
OPERATING ACTIVITIES		
Profit before income tax	**70,141**	73,293
Adjustments for:		
Depreciation and amortisation	**23,728**	25,340
Other gains and losses	**2,844**	1,880
Interest income	**(1,479)**	(1,205)
Share of results of associates	**(448)**	(534)
Impairment loss, net of reversal	**152**	–
Interest expenses	**4,903**	4,910
Exchange loss (gain), net	**518**	(494)
Operating cash flows before movements in working capital	**100,359**	103,190
(Increase) decrease in inventories	**(141)**	1,588
Decrease in accounts and bills receivables	**851**	361
Increase in prepaid expenses and other receivables	**(762)**	(89)
Increase (decrease) in accounts and bills payables	**40**	(1,802)
Increase in accrued expenses and other payables	**6,757**	5,912
Decrease in contract liabilities	**(2,027)**	–
Cash generated from operations	**105,077**	109,160
Income tax paid	**(16,829)**	(14,008)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**88,248**	95,152

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	**(19,385)**	(19,602)
Increase in lease prepayments	**(1,550)**	(666)
Proceeds on disposal of property, plant and equipment, intangible assets, lease prepayments and other non-current assets	**942**	1,342
Proceeds on disposal of equity instruments at fair value through other comprehensive income	**2**	–
Proceeds on disposal of wealth management products	**108**	57,885
Proceeds on disposal of derivative financial instruments	**106**	59
Proceeds on entrusted loans	**–**	2,627
Investments in associates	**(1,368)**	(3,431)
Purchase of derivative financial instruments	**–**	(111)
Investments in bonds	**–**	(100)
Dividend received from associates	**247**	232
Interest received	**1,413**	1,097
Purchase of wealth management products	**(32,447)**	(24,100)
Offering entrusted loans	**–**	(2,220)
Increase in restricted bank deposits	**(1,259)**	(1,207)
Increase in time deposits with original maturity over three months	**(2,409)**	(1,827)
Maturity of time deposits with original maturity over three months	**2,544**	3,385
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(53,056)**	13,363

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
FINANCING ACTIVITIES		
Interest paid	**(5,541)**	(5,762)
Proceeds on borrowings	**35,389**	24,651
Repayments of borrowings	**(39,571)**	(14,490)
Repayments of bonds	**(3,208)**	–
Repayments of short-term debentures and medium-term notes	**(5,000)**	(20,000)
Proceeds on bills discounted	**455**	137
Contributions from non-controlling shareholders	**376**	1,164
Distributions to non-controlling shareholders	**(9,515)**	(4,249)
Dividend paid to equity holders of the Company	**(18,100)**	(59,072)
NET CASH USED IN FINANCING ACTIVITIES	**(44,715)**	(77,621)
Net (decrease) increase in cash and cash equivalents	**(9,523)**	30,894
Cash and cash equivalents, at the beginning of the year	**71,872**	41,188
Effect of foreign exchange rate changes	**49**	(210)
Cash and cash equivalents included in assets classified as held for sale	**(535)**	–
Cash and cash equivalents, at the end of the year	**61,863**	71,872

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standard Board ("**IASB**") for the first time in the current year:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to International Accounting Standard ("IAS") 28	*As part of the Annual Improvements to IFRSs 2014–2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1.1 IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- sale of coal
- sale of power
- rendering of railway, port, shipping services
- sale of coal chemical products

Summary of effects arising from initial application of IFRS 15

There is no impact on retained earnings of transition to IFRS 15 at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	**Carrying amounts under IFRS 15 at 1 January 2018***
	RMB million	*RMB million*	***RMB million***
Current Liabilities			
Accrued expenses and other payables	51,995	(5,530)	**46,465**
Contract liabilities	–	5,530	**5,530**

* The amounts in this column are before the adjustments from the application of IFRS 9.

The following table summarises the impact of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported *RMB million*	Adjustments *RMB million*	Amounts without application of IFRS 15 *RMB million*
Current Liabilities			
Accrued expenses and other payables	52,737	3,404	56,141
Contract liabilities	3,404	(3,404)	–

Upon application of IFRS 15, advances received from customers for the sales of coal, power, and coal chemical products, and the provision of transportation services have been classified as contract liabilities instead of being included as part of accrued expenses and other payables under IAS 18.

Impact on the consolidated statement of cash flows

	As reported *RMB million*	Adjustments *RMB million*	Amounts without application of IFRS 15 *RMB million*
Operating Activities			
Increase in accrued expenses and other payables	6,757	(2,027)	4,730
Decrease in contract liabilities	(2,027)	2,027	–

There is no impact of applying IFRS 15 on the consolidated statement of profit and loss and other comprehensive income for the current year.

1.2 IFRS 9 *Financial Instruments and the related amendments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	**Available-for-sale ("AFS")** *RMB million*	**Financial assets at fair value through profit or loss ("FVTPL") required by IAS 39/IFRS 9** *RMB million*	**Equity instruments at fair value through other comprehensive income ("FVTOCI")** *RMB million*	**Other reserves** *RMB million*	**Retained earnings** *RMB million*
Closing balance at 31 December 2017–IAS 39		854	–	–	(14,214)	186,824
Effect arising from initial application of IFRS 9:						
Reclassification						
From AFS	(a)	(854)	105	749	(692)	692
Opening balance at 1 January 2018		–	105	749	(14,906)	187,516

(a) AFS investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as AFS, of which RMB749 million related to unquoted equity investments previously measured at cost less impairment under IAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB749 million relating to unquoted equity investments previously measured at cost less impairment under IAS 39 were reclassified from AFS investments to equity instruments at FVTOCI. No fair value change relating to those unquoted equity investments previously carried at cost less impairment was adjusted to equity instruments at FVTOCI and other reserves as at 1 January 2018. In addition, impairment losses previously recognised of RMB688 million were transferred from retained earnings to other reserves as at 1 January 2018.

From AFS investments to FVTPL

Wealth management product investments with a fair value of RMB105 million were reclassified from AFS investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value gains of RMB4 million were transferred from other reserves to retained earnings as at 1 January 2018.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts and bills receivables. To measure the ECL, accounts and bills receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprising of restricted bank deposits, time deposits with original maturity over three months, cash and cash equivalents, loans and advances to China Energy Group and entrusted loans, are measured on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees provided to an associate of RMB19 million and to an investee of RMB171 million, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is measured on 12m ECL basis.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings.

1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *RMB million*	IFRS 15 *RMB million*	IFRS 9 *RMB million*	**1 January 2018 (Restated)** ***RMB million***
Non-current Assets				
AFS investments	854	–	(854)	**–**
Financial assets at FVTPL	–	–	105	**105**
Equity instruments at FVTOCI	–	–	749	**749**
Current Liabilities				
Accrued expenses and other payables	51,995	(5,530)	–	**46,465**
Contract liabilities	–	5,530	–	**5,530**
Equity				
Other reserves	(14,214)	–	(692)	**(14,906)**
Retained earnings	186,824	–	692	**187,516**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

2. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	Coal		Power		Railway		Port		Shipping		Coal chemical		Others		Total	
Segments	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Types of goods or service																
Sales of goods																
Coal	**155,792**	150,740	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**155,792**	150,740
Power	**–**	–	**86,905**	78,247	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**86,905**	78,247
Coal chemical products	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**5,276**	5,085	**–**	–	**5,276**	5,085
Others	**5,053**	4,630	**1,271**	999	**–**	–	**–**	–	**–**	–	**564**	596	**–**	–	**6,888**	6,225
	160,845	155,370	**88,176**	79,246	**–**	–	**–**	–	**–**	–	**5,840**	5,681	**–**	–	**254,861**	240,297
Transportation and other services																
Railway	**–**	–	**–**	–	**5,106**	4,797	**–**	–	**–**	–	**–**	–	**–**	–	**5,106**	4,797
Port	**–**	–	**–**	–	**–**	–	**587**	580	**–**	–	**–**	–	**–**	–	**587**	580
Shipping	**–**	–	**–**	–	**–**	–	**–**	–	**837**	698	**–**	–	**–**	–	**837**	698
Others	**–**	–	**–**	–	**771**	818	**146**	208	**–**	–	**–**	–	**1,793**	1,348	**2,710**	2,374
	–	–	**–**	–	**5,877**	5,615	**733**	788	**837**	698	**–**	–	**1,793**	1,348	**9,240**	8,449
Total	**160,845**	155,370	**88,176**	79,246	**5,877**	5,615	**733**	788	**837**	698	**5,840**	5,681	**1,793**	1,348	**264,101**	248,746
Geographical markets																
Domestic markets	**158,831**	152,562	**87,419**	78,538	**5,877**	5,615	**733**	788	**837**	698	**5,840**	5,681	**1,793**	1,348	**261,330**	245,230
Overseas markets	**2,014**	2,808	**757**	708	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,771**	3,516
Total	**160,845**	155,370	**88,176**	79,246	**5,877**	5,615	**733**	788	**837**	698	**5,840**	5,681	**1,793**	1,348	**264,101**	248,746
Timing of revenue recognition																
A point in time	**160,845**	155,370	**88,176**	79,246	**–**	–	**–**	–	**–**	–	**5,840**	5,681	**–**	–	**254,861**	240,297
Over time	**–**	–	**–**	–	**5,877**	5,615	**733**	788	**837**	698	**–**	–	**1,793**	1,348	**9,240**	8,449
Total	**160,845**	155,370	**88,176**	79,246	**5,877**	5,615	**733**	788	**837**	698	**5,840**	5,681	**1,793**	1,348	**264,101**	248,746

The Group's revenue from contracts with customers is RMB262,308 million for the year ended 31 December 2018.

3. SEGMENT AND OTHER INFORMATION

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 years ended 31 December 2018 and 2017 is set out below：

	Coal		Power		Railway		Port		Shipping		Coal chemical		Segment total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue from external customers	**160,845**	155,370	**88,176**	79,246	**5,877**	5,615	**733**	788	**837**	698	**5,840**	5,681	**262,308**	247,398
Inter-segment revenue	**44,346**	40,548	**276**	265	**33,272**	31,971	**5,391**	4,929	**3,252**	2,549	**–**	–	**86,537**	80,262
Reportable segment revenue	**205,191**	195,918	**88,452**	79,511	**39,149**	37,586	**6,124**	5,717	**4,089**	3,247	**5,840**	5,681	**348,845**	327,660
Reportable segment profit	**39,872**	46,062	**9,968**	5,585	**16,073**	16,480	**2,073**	2,580	**706**	620	**709**	481	**69,401**	71,808
Including:														
Interest expenses	**1,348**	1,452	**2,871**	2,284	**922**	1,028	**344**	397	**19**	59	**67**	120	**5,571**	5,340
Depreciation and amortisation	**7,440**	7,703	**8,602**	10,059	**4,870**	4,858	**1,364**	1,266	**294**	293	**892**	913	**23,462**	25,092
Share of results of associates	**120**	266	**307**	213	**–**	–	**16**	17	**–**	–	**–**	–	**443**	496
Impairment loss	**458**	1,540	**520**	1,141	**210**	27	**21**	9	**–**	–	**49**	24	**1,258**	2,741

Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the years ended 31 December 2018 and 2017 are set out below:

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**348,845**	327,660	**2,763**	2,388	**(87,507)**	(81,302)	**264,101**	248,746
Profit before income tax	**69,401**	71,808	**856**	1,463	**(116)**	22	**70,141**	73,293
Interest expenses	**5,571**	5,340	**1,016**	1,660	**(1,684)**	(2,090)	**4,903**	4,910
Depreciation and amortisation	**23,462**	25,092	**266**	248	**–**	–	**23,728**	25,340
Share of results of associates	**443**	496	**5**	38	**–**	–	**448**	534
Impairment losses	**1,258**	2,741	**(64)**	(22)	**–**	–	**1,194**	2,719

Geographical information

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

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December 2018	Year ended 31 December 2017	**31 December 2018**	31 December 2017
	RMB million	*RMB million*	***RMB million***	*RMB million*
Domestic markets	**261,330**	245,230	**323,951**	406,565
Overseas markets	**2,771**	3,516	**21,033**	17,204
	264,101	248,746	**344,984**	423,769

Major customers

Revenue from any individual customer of the Group does not exceed 10% of the Group's revenue. Certain of the Group's customers are entities, which controlled, jointly controlled or significantly influenced by the PRC government ("**government-related entities**") and collectively considered as the Group's major customer. Revenue from major customer of the Group's coal and power segments amounted to RMB181,839 million (2017: RMB174,515 million).

Other information

Certain other information of the Group's segments for the years ended 31 December 2018 and 2017 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Coal purchased	**56,321**	49,950	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**56,321**	49,950
Cost of coal production	**42,934**	40,305	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(11,114)**	(7,352)	**31,820**	32,953
Cost of coal transportation	**52,881**	49,726	**–**	–	**16,350**	15,153	**3,166**	2,565	**1,270**	1,130	**–**	–	**–**	–	**(41,915)**	(39,449)	**31,752**	29,125
Power cost	**–**	–	**71,839**	67,756	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(32,097)**	(32,245)	**39,742**	35,511
Cost of coal chemical production	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4,341**	4,376	**–**	–	**(1,337)**	(1,344)	**3,004**	3,032
Others	**4,007**	3,480	**569**	632	**3,565**	3,479	**345**	315	**1,962**	1,342	**560**	592	**30**	49	**–**	–	**11,038**	9,889
Total cost of sales	**156,143**	143,461	**72,408**	68,388	**19,915**	18,632	**3,511**	2,880	**3,232**	2,472	**4,901**	4,968	**30**	49	**(86,463)**	(80,390)	**173,677**	160,460
Profit from operations *(Note (i))*	**43,262**	46,051	**12,720**	7,399	**17,695**	17,675	**2,325**	2,529	**723**	661	**751**	560	**1,758**	1,536	**(1,037)**	(912)	**78,197**	75,499
Additions to non-current assets *(Note (ii))*	**5,126**	4,566	**12,922**	15,226	**3,740**	5,384	**1,126**	722	**11**	8	**73**	106	**207**	188	**–**	–	**23,205**	26,200
Total assets *(Note (iii))*	**228,641**	225,672	**222,941**	215,910	**129,353**	129,829	**23,735**	24,211	**7,058**	7,865	**9,821**	10,982	**416,213**	381,056	**(446,136)**	(423,923)	**591,626**	571,602
Total liabilities *(Note (iii))*	**(109,845)**	(114,713)	**(158,033)**	(152,157)	**(56,341)**	(65,772)	**(10,094)**	(10,607)	**(636)**	(1,527)	**(1,816)**	(3,619)	**(191,617)**	(169,782)	**345,593**	325,680	**(182,789)**	(192,497)

Notes:

(i) Profit from operations is calculated as revenue minus cost of sales, selling expenses, general and administrative expenses and impairment losses.

(ii) Non-current assets exclude interests in associates, financial instruments and deferred tax assets.

(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.

4. COST OF SALES

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Coal purchased	**56,321**	49,950
Materials, fuel and power	**23,118**	19,523
Personnel expenses	**15,888**	13,842
Depreciation and amortisation	**20,243**	21,576
Repairs and maintenance	**10,025**	9,938
Transportation charges	**16,635**	14,326
Taxes and surcharges	**10,053**	9,640
Other operating costs	**21,394**	21,665
	173,677	160,460

5. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Interest income from:		
– bank deposits	**1,353**	959
– other loans and receivables	**126**	246
Total interest income	**1,479**	1,205
Interest on:		
– borrowings	**5,046**	4,264
– medium-term notes	**236**	954
– bonds	**244**	311
Total finance costs on financial liabilities not at FVTPL	**5,526**	5,529
Less: amount capitalised	**(792)**	(799)
	4,734	4,730
Unwinding of discount	**169**	180
Exchange loss (gain), net	**518**	(494)
Total finance costs	**5,421**	4,416
Net finance costs	**3,942**	3,211

Borrowing costs capitalised during the year arose on the general borrowing pools and were calculated by applying a capitalisation rate from 2.57% to 4.69% (2017: from 2.48% to 4.81%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Current tax	**13,817**	14,172
Under provision in respect of prior years	**1,769**	1,981
Deferred tax	**391**	2
	15,977	16,155

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

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Profit before income tax	**70,141**	73,293
Tax at the PRC income tax rate of 25% (2017: 25%)	**17,535**	18,323
Tax effects of:		
– different tax rates of branches and subsidiaries	**(4,194)**	(4,802)
– non-deductible expenses	**1,158**	572
– income not taxable	**(382)**	(175)
– share of results of associates	**(112)**	(128)
– utilisation of tax losses and deductible temporary difference previously not recognised	**(304)**	(518)
– tax losses and deductible temporary difference not recognised	**508**	905
– additional tax in respect of prior years	**1,769**	1,981
– others	**(1)**	(3)
Income tax expense	**15,977**	16,155

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate applicable for the PRC group entities is 25% (2017: 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.

7. PROFIT FOR THE YEAR

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

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Personnel expenses, including	**29,022**	25,693
– contributions to defined contribution plans of RMB3,469 million (2017: RMB2,886 million)		
Depreciation of property, plant and equipment	**21,619**	23,521
Amortisation of intangible assets, included in cost of sales	**417**	449
Amortisation of lease prepayments, included in cost of sales	**768**	498
Amortisation of other non-current assets	**924**	872
Depreciation and amortisation	**23,728**	25,340
Impairment losses, net of reversal, represent		
– impairment of loan receivables	**26**	N/A
– allowance for doubtful debts	**126**	N/A
	152	–

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Other gains and losses, represent		
– gains on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets	**(6)**	(317)
– losses on derecognition of assets without considerations	**1,831**	–
– losses on disposal of subsidiaries	**1**	1
– gains on disposal of AFS investments	**–**	(535)
– gains on disposal of wealth management products at FVTPL	**(8)**	–
– losses (gains) on disposal of derivative financial instruments	**6**	(7)
– (gains) losses on changes in fair value of derivative financial instruments	**(22)**	19
– impairment of an AFS investment	**–**	65
– impairment in respect of interest in an associate	**–**	1
– impairment in respect of property, plant and equipment	**691**	1,511
– impairment in respect of construction in progress	**91**	175
– impairment in respect of lease prepayments	**–**	22
– reversal of impairment on loan receivables	**N/A**	(8)
– allowance for doubtful debts	**N/A**	847
– reversal of allowance for prepaid expenses	**(22)**	–
– write down of inventories	**282**	106
	2,844	1,880
Carrying amount of inventories sold	**132,874**	116,464
Operating lease in respect of properties and equipment	**361**	345
Auditors' remuneration		
– audit service	**39**	30

8. DIVIDENDS

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Dividend approved and paid during the year:		
2017 final – RMB0.91(2017: 2016 final of RMB0.46) per ordinary share	**18,100**	9,149
2016 special – RMB2.51 per ordinary share	**–**	49,923
	18,100	59,072

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB44,137 million (2017: RMB47,795 million) and the number of shares in issue during the year of 19,890 million shares (2017: 19,890 million shares).

No diluted earnings per share for both 2018 and 2017 were presented as there were no potential ordinary shares in existence during both years.

10. ACCOUNTS RECEIVABLES

The following is an analysis of accounts receivable by age, net of allowance for credit losses/doubtful debts, presented based on the date of delivery of goods or services which approximated the revenue recognition date:

	31 December 2018	31 December 2017
	RMB million	*RMB million*
Less than one year	**5,772**	10,411
One to two years	**846**	1,648
Two to three years	**1,326**	1,027
More than three years	**544**	233
	8,488	13,319

11. ACCOUNTS AND BILLS PAYABLES

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

	31 December 2018 *RMB million*	31 December 2017 *RMB million*
Less than one year	**17,689**	25,241
One to two years	**5,367**	2,576
Two to three years	**881**	2,431
More than three years	**2,947**	3,666
	26,884	33,914

12. EVENTS AFTER THE REPORTING PERIOD

For the joint venture to be established pursuant to the agreement between the Company and the GD Power, the date of commercial and industrial registration of the joint venture company was 3 January 2019, and the contribution was completed on 31 January 2019 (the "**Completion Date**"). From the Completion Date, the joint venture company assumes the corresponding rights and the obligations of the relevant coal-fired power generation entities contributed by the Company and GD Power to the joint venture company.

On 30 January 2019, China Energy Group, the controlling shareholder of the Company, has completed the transfer of 358,932,628 A shares (approximately 1.805% of the share capital of the Company) to Beijing Chengtong Financial Investment Co., Ltd. and 358,932,628 A shares (approximately 1.805% of the share capital of the Company) to Guoxin Investment Co., Ltd. for nil consideration. These equity transfers do not have any change in the controlling shareholder of the Company.

On 22 March 2019, the directors of the Company proposed a final dividend of RMB0.88 per ordinary share totaling RMB17,503 million to the equity holders of the Company. The proposal of dividend is subject to approval by the shareholders in the following general meeting.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am delighted to present the 2018 annual report of China Shenhua and to report on the Company's performance for the period to all shareholders.

2018 was the first year of full implementation of the guiding principles of the 19th CPC National Congress. Guided by the Thought on Socialism with Chinese Characteristics for a New Era proposed by Xi Jinping, the Chinese government have upheld the underlying principle of pursuing progress while ensuring stability, responded effectively to the changes in the external environment in accordance with the requirement of high quality development, and advanced in-depth supply-side structural reform, through which sustained and sound development of economy, and social stability were maintained. The supply and demand in the national energy market continued to be generally loose, while the supply and demand in the coal market tended to be balanced, and thermal power generation achieved a significant recovery year-on-year.

China Shenhua adhered to clean development, gave full play to its advantage of integration to strengthen operation management, expand market, enhance quality and improve efficiency, resulting that the production and operation of the Company maintained at a high level. As calculated by the consolidated operating profit before amortisation under the IFRSs, the Company recorded RMB43.262 billion for coal business, RMB20.743 billion for transportation business and RMB12.720 billion for power business in 2018 and each of the said businesses accounted for 56%, 27% and 16%, respectively. The high efficiency and synergy created in operation among the three major segments effectively enhanced the adaptability and competitiveness of the Company's business structure.

In 2018, the Company recorded revenue of RMB264.101 billion, representing a year-on-year increase of 6.2%. The Company recorded profit before income tax of RMB70.141 billion, profit for the year attributable to equity holders of the Company of RMB44.137 billion with basic earnings per share of RMB2.219, representing a year-on-year decrease of 4.3% and 7.7%, respectively.

As at 31 December 2018, the total market capitalisation of China Shenhua reached USD50.6 billion, ranking fifth, first among Chinese enterprises, in the 2018 Top 250 Global Energy Corporations published by PLATTS.

2018: STRENGTHENED SYNERGY OF COAL-FIRED POWER AND ADVANTAGE OF INTEGRATION TO ACHIEVE OUTSTANDING PERFORMANCE

Strong Root and Elevated Spiritual Level Guided by Party Building

Adhering to the Thought on Socialism with Chinese Characteristics for a New Era proposed by Xi Jinping and the Spirit of the 19th CPC National Congress, the Company implemented thoroughly the requirements of China Energy on party building, promoted every aspect of party building including persistence in anti-corruption, as well as simultaneous deployment, research, implementation and assessment of business and Party building; encouraged employees to make achievements in their positions by promoting "formation of socialism by construction", organized an ethics lecture on "a pillar of a great nation", the Party theme day of "new era, new mission and new responsibilities" and the "locomotive Pacesetter" labour competition in the transportation industry and other featured Party building activities, which promoted the continuous enhancement on employees' spiritual state and corporate governance.

High Efficiency and Synergy, Made Further Success

By leveraging the effect brought by the re-organisation and integration of China Energy Group, the Company continued to improve the level of integrated coal industry chain, with major indicators of production and operation maintaining at a high level.

Affected by decrease in production of certain coal mines, **coal segment**, however, optimized the production organisation in accordance with laws and regulations, resulting that the output of commercial coal remained relatively stable and the level of operation management was steadily improved. The production of commercial coal during the year amounted to 296.6 million tonnes, representing a year-on-year increase of 0.4%. 18 out of 19 underground coal mines of the Group were listed in the "2018 Top 100 Chinese Coal Enterprises with Scientific Production Capacity" (2018中國煤炭企業科學產能百強), seven coal mines of which were included in Top eight, occupying top three positions.

In response to national initiatives, the Company took the lead in signing a three-year long-term thermal coal purchase agreement, increased and guaranteed the supply of coal in the northeast and other regions, fully playing the role of an energy "stabiliser" and "ballast". Through scientific research and judgment of the market situation, careful formulation of marketing strategies and strengthening of organisation of coal procured externally, the Company realized maximum benefits. The sales volume of coal amounted to 460.9 million tonnes throughout the year, representing a year-on-year increase of 3.9%, of which the sales volume of seaborne coal amounted to 270 million tonnes, representing a year-on-year increase of 4.6%.

In terms of the **power segment**, seizing the opportunities arising from the great demand of national electricity consumption and the favourable condition of thermal power generation, the Company continued to improve the reliability management of equipment to increase the volume of power generation. In 2018, the gross power generation reached 285.32 billion kWh and the total power output dispatch reached 267.59 billion kWh, representing a year-on-year increase of 8.5% and 8.7%, respectively. The average utilisation hours of coal-fired generating units were 4,877 hours, surpassing the national average utilisation hours of thermal power equipment (4,361 hours) by 516 hours. 19 generating units won the National Thermal Power Efficiency Competition (全國火電能效對標競賽), and 5 generating units won the National Thermal Power Operation Reliability Competition (全國火電運行可靠性對標競賽), with a proportion significantly higher than that of the total installed capacity of coal-fired generating units of the Company in the thermal power installed capacity of the state (5.4%).

In terms of the **transportation segment**, the Company strengthened the connection and management between the upstream and the downstream, commenced operation of long-road trains, increased the routes of 10,000-tonne trains and 20,000-tonne trains, and enhanced the "quasi-liner shipping" operation mechanism, through which transportation efficiency was significantly improved. In 2018, the Company completed 283.9 billion tonne km of turnover volume of self-owned railway, representing a year-on-year increase of 4%, which recorded historical high; and 89.9 billion tonne nm of shipping volume, representing a year-on-year increase of 11.8%.

The development of "macroscopic logistic" maintained a positive momentum. In 2018, the transportation volume of non-coal railway amounted to 15.48 million tonnes. The turnover of railway transportation services provided to external customers amounted to 30.7 billion tonnes km, representing a year-on-year growth of 4.4%, which generated revenue of RMB5,877 million, representing a year-on-year increase of 4.7%.

In terms of **coal chemical segment**, the Company continued to strengthen production organisation and process management to improve production efficiency, and optimise production and operation system to improve the level of long-term operation of equipment; kept abreast of the market conditions, and expanded sales channels to enhance earnings. The sales volume of coal-to-olefins products reached 613.1 thousand tonnes in 2018, representing a year-on-year decrease of 3.2%.

Innovation-driven, Safe Development

The Company strived to drive and stimulate new development momentum of the Company with technological innovation, and continuously improve the level of high-quality development. In 2018, the Company successfully carried out the trial production of the world's first "intelligent 8.8-meter ultra-mining height completed set equipment" for fully mechanized coal mining at Shendong Shangwan Mine; the first set of ultra-pure water hydraulic pressure support system in the country operated smoothly at Shendong Jinjie Mine; the "key technology of moving block system of heavy-haul railways" was successfully applied in the operation of Shuohuang Railway; and the automatic charged passing phase insulators for Shenshuo Railway was pioneering in the field in the world. Throughout the year, the Company obtained a total of 34 science and technology awards at provincial and ministerial level, including nine first awards; and was granted 581 patents, including 113 invention patents.

The Company proactively pushed forward construction of mechanisation, automation, informationisation and intellectualisation, accompanied by the promotion of labor reduction and efficiency enhancement, and development in a safe manner. By constantly strengthening the implementation of safety and environmental protection responsibility, and promoting the "double prevention and control", being risk prevention and control and potential risk rectification, the standardisation construction of production safety and establishment of standard work flows of different positions were effectively promoted. In 2018, the fatality rate per million tonne of raw coal output was 0.0126, maintaining its leading position worldwide in production safety. The transportation segment has achieved safe production for 1,052 consecutive days, while 18 coal mines had a safe production cycle of over 1,000 days, and six coal mines and underground service units achieved safe production for 10 consecutive years.

Exercised Responsibility, Overcame Difficulties with Joint Efforts

In terms of the prevention and resolution of material risks, the Company strictly strengthened investment management and control, with the annual investment controlled at RMB23.21 billion throughout the year. By advancing "lowered leverage and reduced liability", the Company recorded the gearing ratio of 30.9%, representing a decrease of 2.8 percentage points as compared to that at the beginning of the year. With the purpose of advancing in-depth supply-side structural reform, Beidian Shengli open pit mine implemented production capacity replacement by 8 million tonnes per year, six quality coal-fired generating units, including Lujiang Power Plant, were put into commercial operation, while the high-standard construction of Jinjie Energy Plant Phase III Project was commenced, and Shenmu Power was shut down.

In terms of targeted poverty alleviation, the Company increased investment in poverty alleviation with focus on ecology, education and industry to cultivate and stimulate the endogenous power of the targeted subjects for assistance. In 2018, the Company invested RMB54 million poverty alleviation funds in three counties under focused poverty alleviation, and carried out 22 assistance projects of all kinds, which helped 1,186 impoverished people get removed from administrative record for poverty registering, and helped 70 impoverished people transfer employment. The Company also invested approximately RMB43 million in the poverty alleviation on education and medical care through China Energy Public Welfare Foundation. 13 subsidiaries, including Zhunneng Group, proactively invested poverty alleviation funds to provide targeted assistance for impoverished villages in the places where the companies are located.

In terms of pollution prevention and treatment, the Company continued to carry out ecological restoration and environmental governance in the coal segment, making fruitful achievements in building energy conservation and environmental protection capability. As for the power segment, the "ultra-low emission" renovation of coal-fired generators with total capacity of 7,810MW was completed, and all new coal-fired power projects were in line with ultra-low emission indicators, resulting in the installed capacity of "ultra-low emission" coal-fired generators accounting for 89.9% of the total installed capacity of coal-fired power generators of the Company. The total emissions of sulfur dioxide, nitrogen oxide and chemical oxygen demand recorded year-on-year decrease, which continued to secure a leading position in the country. As for the transportation segment, the environmental protection renovation project of the open-air platforms of main railways was carried forward in an orderly manner; Huanghua Harbour successfully dealt with the long-existing problems in the coal port industry, such as dust pollution and coal-containing sewage treatment, becoming a benchmarking enterprise for green development of coal ports nationwide.

2019: CONCENTRATING EFFORTS ON "CONSOLIDATION, ENHANCEMENT, IMPROVEMENT, TRANSPARENCY", BUILDING ITSELF INTO THE WORLD'S FIRST-CLASS COMPREHENSIVE ENERGY COMPANY

In 2019, economic situations will remain stable amid changes and downside. The Chinese government will continue to uphold the underlying principle of pursuing progress while ensuring stability and strive to promote high-quality development, keeping the economy running within a reasonable range.

The Company sets business targets for the whole year based on the prudent analysis of market environment and operation conditions as follow: commercial coal production will be 290 million tonnes, the coal sales will be 427 million tonnes, the power output dispatch will be 143.1 billion kWh, the revenue will be RMB221.2 billion and the cost of sales will be RMB144.1 billion, selling, general and administrative expenses and net finance costs will be RMB13.5 billion.

Priorities will include the following:

Adhering to and Strengthening the Overall Leadership of the Communist Party of China

The Company will carry out in-depth implementation of the Thought on Socialism with Chinese Characteristics for a New Era proposed by Xi Jinping and the main idea of the important speech made by General Secretary Xi Jinping at the Work Conference of the Party Construction of State Enterprises Nationwide to ensure the Party building being institutionalised, normalised and a regular practice, give full play to the roles of Party organisations and Party members at all levels, promote the in-depth integration of Party building and production and operation, and always maintain the right direction for reform and development.

Setting High Standard and High Starting Point, Planning the Path for the Company's Development

With the general objective of "building the flagship company of China Energy Group and the world-class energy enterprise with global competitiveness", we will further deeply study new strategic positioning of the Company, improve the strategic management system, focus on the main business of the Company at a horizontal level, vertically extend the operation of the integrated industry chain, and explore the path for optimising industrial structure and strengthening industrial synergy and integration, building the "century-vintage store" in the energy industry.

Optimising the Production, Transportation and Marketing Organisation to Improve the Quality of the Company's Development

In terms of the coal segment, emphasis will be put on improving quality, increasing coal variety and building brand, promoting clean and efficient production of coal, constructing intelligent and green mines, ensuring the acquisition and perpetuation of resources in core areas, increasing output of open-pit mines, putting more efforts on marketing and stabilising energy supply. In terms of the power segment, the Company will adhere to steady development, promote the coal-power cooperation and enhance the quality of power generation, so as to strengthen market competitiveness and ensure that the average utilisation hours of the generating units continue to secure a leading position in the industry. In terms of the transportation segment, the Company will optimise the network layout, strengthen the centralised transportation capability of railways, promote the dispersed transportation capability of ports and construct safe, intelligent, efficient and environmental-friendly transportation channels. In terms of the coal chemical segment, efforts will be concentrated on technology research and development and process integration to ensure safe operation.

Safe and Healthy Operation, Fulfilling Social Responsibility

With focus on management of key fields, main sections and weak spots, safe production will continue to maintain a leading position worldwide. The Company will continue to strengthen the safety control of capital chain, put more efforts on controlling the growth of unit production cost of self-produced coal, and reduce the controllable costs of power generation and transportation businesses; strictly control investment projects to advance the construction of projects such as Huangda Railway and Jawa-7 Coal-fired Power; enhance the implementation of targeted poverty alleviation projects and actively explore new work methods such as poverty alleviation through science and technology; adhere to green and low-carbon development, safeguarding the bottom line of ecological protection; and establish an information system for monitoring occupational health to ensure full coverage of occupational health examination.

Promoting Innovation-driven Development Strategy, Strengthening Independent Innovation Capability

The Company will improve the technological innovation system, strengthen the construction of scientific research facilities, and cultivate and introduce higher level of creative talents; put more efforts to cultivate technological innovation culture, and promote the creation, protection and application of intellectual property rights; strengthen the cooperation among "production, study, research and practice", carry out scientific research on the green development of the coal industry, intelligent power generation, green and smart railways and ports, and high-end coal chemical products to keep abreast of the core, critical and cutting-edge technologies, so as to demonstrate the leading of a number of key projects, and promote innovation and development of the Company.

2019 is the 70th anniversary of the founding of the People's Republic of China and will be a crucial year for the country to build a moderately prosperous society in all respects. China Shenhua will remain true to our original aspiration and keep our mission firmly in mind, pursue progress, work hard, promote a safe, efficient and sustainable development in all business of the Company and create greater value to investors.

Ling Wen
Chairman

22 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW OF THE COMPANY'S OPERATING RESULTS

Operation Data

		2018	2017	Change %
Commercial coal production	million tonnes	**296.6**	295.4	0.4
Coal sales	million tonnes	**460.9**	443.8	3.9
Including: Self-produced coal	million tonnes	**300.7**	301.0	(0.1)
Purchased coal	million tonnes	**160.2**	142.8	12.2
Transportation turnover of self-owned railway	billion tonne km	**283.9**	273.0	4.0
Seaborne coal sales	million tonnes	**270.0**	258.2	4.6
Shipping volume	million tonnes	**103.6**	93.0	11.4
Shipment turnover	billion tonne nm	**89.9**	80.4	11.8
Gross power generation	billion kWh	**285.32**	262.87	8.5
Total power output dispatch	billion kWh	**267.59**	246.25	8.7
Polyethylene sales	thousand tonnes	**315.4**	324.6	(2.8)
Polypropylene sales	thousand tonnes	**297.7**	308.8	(3.6)

Financial Indicators

		2018	2017	Change %
Revenue	RMB million	**264,101**	248,746	6.2
Profit for the year	RMB million	**54,164**	57,138	(5.2)
EBITDA	RMB million	**97,363**	101,310	(3.9)
Profit for the year attributable to equity holders of the Company	RMB million	**44,137**	47,795	(7.7)
Basic earnings per share	RMB/share	**2.219**	2.403	(7.7)
Net cash generated from operating activities	RMB million	**88,248**	95,152	(7.3)
Net cash generated from operating activities excluding Shenhua Finance Company	RMB million	**77,588**	87,931	(11.8)

Commercial Coal Production

	2018 *million tonnes*	2017 *million tonnes*	Change %
Total production	**296.6**	295.4	0.4
By mines			
Shendong Mines	**195.8**	193.3	1.3
Zhunge'er Mines	**52.3**	55.4	(5.6)
Shengli Mines	**18.7**	19.2	(2.6)
Baorixile Mines	**29.2**	25.3	15.4
Baotou Mines	**0.6**	0.4	50.0
Others	**–**	1.8	(100.0)
By regions			
Inner Mongolia	**196.9**	190.6	3.3
Shaanxi	**95.7**	98.6	(2.9)
Shanxi	**4.0**	4.4	(9.1)
Overseas	**–**	1.8	(100.0)

Domestic Coal Sales

		2018 *million tonnes*	Proportion of domestic sales %	2017 *million tonnes*	Change %
Domestic sales		**456.4**	100.0	436.4	4.6
By regions	Northern China	**173.7**	38.1	170.5	1.9
	Eastern China	**123.9**	27.1	105.4	17.6
	Central China and Southern China	**112.9**	24.7	103.2	9.4
	Northeast China	**45.9**	10.1	40.0	14.8
	Others	**–**	–	17.3	(100.0)
By usage	Thermal coal	**374.3**	82.0	370.5	1.0
	Metallurgy	**24.0**	5.3	23.6	1.7
	Chemical (including coal slurry)	**55.2**	12.1	40.8	35.3
	Others	**2.9**	0.6	1.5	93.3

Railway Cargo Transportation Turnover

	2018	2017	Change
	billion	*billion*	
	tonne km	*tonne km*	*%*
Self-owned railways	**283.9**	273.0	4.0
Shenshuo Railway	**52.6**	52.6	–
Shuohuang-Huangwan Railway	**176.3**	171.1	3.0
Dazhun Railway	**30.1**	28.4	6.0
Baoshen Railway	**9.9**	8.9	11.2
Ganquan Railway	**1.2**	1.4	(14.3)
Bazhun Railway	**3.6**	2.1	71.4
Zhunchi Railway	**10.2**	8.5	20.0
Tahan Railway	**–**	–	N/A
State-owned railways	**39.6**	30.6	29.4
Total railway turnover	**323.5**	303.6	6.6

Self-owned railways under construction	**Length**	**Planned annual transportation capacity**	**Commencement year**	**Estimated completion year**
Huangda Railway	210.2 km	40 million tonnes	2015	2020

Seaborne Coal in Ports

	2018	2017	Change
	million	*million*	
	tonnes	*tonnes*	*%*
Self-owned ports	**238.3**	227.8	4.6
Huanghua Port	**193.2**	184.1	4.9
Shenhua Tianjin Coal Dock	**45.1**	43.7	3.2
Third-party ports	**31.7**	30.4	4.3
Total seaborne coal sales	**270.0**	258.2	4.6

Power Generation Business

Power plants	Power grid	Location	Gross power generation	Total power output dispatch	Average utilization hours	Standard coal consumption for power outpour dispatch	Power tariff	Total installed capacity as at 31 December 2017	Increase in installed capacity for 2018	Total installed capacity as at 31 December 2018	Equity Installed capacity as at 31 December 2018
			100 million kWh	*100 million kWh*	*hour s*	*g/kWh*	*RMB/ mWh*	*MW*	*MW*	*MW*	*MW*
Zhunge'er Power	North China Power Grid	Inner Mongolia	32.6	29.2	3,392	367	213	960	–	960	554
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	71.4	64.5	5,411	310	236	1,320	–	1,320	639
Guohua Hulunbei'er Power	Northeast Power Grid	Inner Mongolia	60.2	54.3	5,019	321	236	1,200	–	1,200	960
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	334.5	306.8	3,723	337	255	8,284	700	8,984	8,726
Cangdong Power	North China Power Grid	Hebei	132.1	126.0	5,244	300	315	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	68.1	63.5	5,119	291	327	1,330	–	1,330	512
Dingzhou Power	North China Power Grid	Hebei	139.2	128.8	5,522	307	320	2,520	–	2,520	1,021
Taishan Power	South China Power Grid	Guangdong	238.9	225.5	4,694	309	354	5,030	60	5,090	4,072
Huizhou Thermal	South China Power Grid	Guangdong	34.2	31.0	5,187	324	358	660	–	660	660
Zheneng Power	East China Power Grid	Zhejiang	223.5	212.3	4,944	299	353	4,490	30	4,520	2,712
Zhoushan Power	East China Power Grid	Zhejiang	47.6	44.3	5,236	331	361	910	–	910	464
Shenwan Energy	East China Power Grid	Anhui	236.6	226.0	5,066	299	322	4,600	1,320	5,920	3,019
Taicang Power	East China Power Grid	Jiangsu	70.7	67.6	5,608	294	309	1,260	–	1,260	630
Chenjiagang Power	East China Power Grid	Jiangsu	68.5	65.5	5,187	284	318	1,320	–	1,320	726
Xuzhou Power	East China Power Grid	Jiangsu	93.0	88.4	4,651	289	340	2,000	–	2,000	2,000
Suizhong Power	Northeast Power Grid	Liaoning	175.7	164.9	4,672	310	309	3,760	–	3,760	1,880
Fujian Energy	East China Power Grid	Fujian	155.5	148.9	5,241	282	341	2,700	100	2,800	1,375
Jinjie Energy	North China Power Grid	Shaanxi	165.4	152.0	6,892	322	267	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	0.7	0.6	–	377	306	220	(220)	–	–
Shenhua Sichuan Energy (coal-fired power)	Sichuan Power Grid	Sichuan	33.5	30.4	2,659	332	386	1,260	–	1,260	604
Mengjin Power	Central China Power Grid	Henan	50.4	47.5	4,197	307	300	1,200	–	1,200	612
Shouguang Power	North China Power Grid	Shandong	115.2	109.9	5,705	280	339	2,000	20	2,020	1,212
Guohua Ningdong	Zhejiang Power Grid	Ningxia	68.7	64.8	5,202	302	226	1,320	–	1,320	749
Ningdong Power	Northwest Power Grid	Ningxia	27.8	24.6	4,207	363	234	660	–	660	660
Panshan Power	North China Power Grid	Tianjin	51.0	47.7	4,807	312	355	1,060	–	1,060	482
Liuzhou Power	Guangxi Power Grid	Guangxi	19.8	18.6	2,832	321	345	700	–	700	490
Jiujiang Power	Central China Power Grid	Jiangxi	57.1	54.5	2,857	281	354	–	2,000	2,000	2,000
EMM Indonesia	PLN	Indonesia	15.9	13.9	5,302	367	510	300	–	300	210
Total of coal-fired power plants/weighted average			**2,787.8**	**2,612.0**	**4,877**	**308**	**313**	**55,984**	**4,010**	**59,994**	**39,934**
Other power plants											
Beijing Gas-fired Power	North China Power Grid	Beijing	39.2	38.3	4,131	200	589	950	–	950	950
Yuyao Power	East China Power Grid	Zhejiang	19.3	18.8	2,474	232	503	780	–	780	624
Shenhua Sichuan Energy (hydropower)	Sichuan Provincial Local Power Grid	Sichuan	6.9	6.8	5,517	–	222	125	–	125	48
Zhuhai Wind Energy	South China Power Grid	Guangdong	–	–	–	–	–	16	(16)	–	–

Reserve

Mines	Coal resources (under PRC standard)			Recoverable reserve (under PRC standard)			Marketable reserve (under JORC standard)		
	As at 31 December 2018	As at 31 December 2017	Change	**As at 31 December 2018**	As at 31 December 2017	Change	**As at 31 December 2018**	As at 31 December 2017	Change
	100 million tonnes	*100 million tonnes*	*%*	***100 million tonnes***	*100 million tonnes*	*%*	***100 million tonnes***	*100 million tonnes*	*%*
Shendong Mines	**160.3**	162.3	(1.2)	**92.3**	93.8	(1.6)	**47.8**	49.7	(3.8)
Zhunge'er Mines	**39.0**	39.6	(1.5)	**31.2**	31.7	(1.6)	**20.7**	21.2	(2.4)
Shengli Mines	**20.3**	20.4	(0.5)	**13.8**	14.0	(1.4)	**2.1**	2.3	(8.7)
Baorixile Mines	**13.9**	14.2	(2.1)	**11.8**	12.0	(1.7)	**12.0**	12.3	(2.4)
Baotou Mines	**0.5**	0.5	–	**0.4**	0.4	–	**–**	–	–
Xinjie Mines	**64.2**	–	–	**–**	–	–	**–**	–	–
Others	**4.8**	–	–	**–**	–	–	**–**	–	–
Total of China Shenhua	**303.0**	237.0	27.8	**149.5**	151.9	(1.6)	**82.6**	85.5	(3.4)

Breakdown of Shipping Volume

	2018	2017	Change
	million tonnes	*million tonnes*	*%*
Shenhua Zhonghai Shipping Company			
The Group's internal customers	**79.9**	70.1	14.0
External customers	**23.7**	22.9	3.5
Total of shipping volume	**103.6**	93.0	11.4

II. SUMMARY OF OPERATIONS IN 2018

In 2018, the Group continued to push forward the integration mode by seizing the favorable opportunity of demand growth in the coal and power markets and striving to overcome the impact brought by the output reduction of certain coal mines and adverse weather, and made use of its own transportation and sales network to achieve operating profits at every stage of the industrial chain, hence contributing to enhancing competitiveness and maintaining stable operating results.

The Group recorded a profit for the year of RMB54,164 million (2017: RMB57,138 million) representing a year-on-year decrease of 5.2%; a profit for the year attributable to equity holders of the Company of RMB44,137 million (2017: RMB47,795 million); and basic earnings per share of RMB2.219/share (2017: RMB2.403/share), representing a year-on-year decrease of 7.7%.

		Actual amount for 2018	Target for 2018	Proportion of Completion %	Actual amount for 2017	Year-on-year change %
Commercial coal production	100 million tonnes	**2.966**	2.9	102.3	2.954	0.4
Coal sales	100 million tonnes	**4.609**	4.3	107.2	4.438	3.9
Total power output dispatch	Billion kWh	**267.59**	248.6	107.6	246.25	8.7
Revenue	RMB100 million	**2,641.01**	2,493	105.9	2,487.46	6.2
Cost of sales	RMB100 million	**1,736.77**	1,684	103.1	1,604.60	8.2
Selling, general and administrative expenses (including research and development costs), net finance costs	RMB100 million	**149.75**	138	108.5	132.79	12.8
Changes in unit production costs of self-produced coal	/	**Year-on-year increase of 7.6%**	Year-on-year increase of approximately 8%	/	Year-on-year decrease of 1.6%	/

Major financial indicators of the Group for 2018 are as follows:

		2018	2017	Change
Return on total assets as at the end of the period	%	**9.2**	10.0	Decreased by 0.8 percentage point
Return on net assets as at the end of the period	%	**13.3**	15.6	Decreased by 2.3 percentage points
EBITDA	RMB million	**97,363**	101,310	-3.9%

		As at 31 December 2018	As at 31 December 2017	Change
Net asset per share	RMB/share	**16.68**	15.36	8.6%
Gearing ratio	%	**30.9**	33.7	Decreased by 2.8 percentage points
Total debt to total debt and total equity ratio	%	**12.9**	20.4	Decreased by 7.5 percentage points

Note: Please refer to the section headed "Definitions" of this report for the calculations of the above indicators.

III. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

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

Unit: RMB million

Items	2018	2017	Change %
Revenue	**264,101**	248,746	6.2
Cost of sales	**(173,677)**	(160,460)	8.2
Selling expenses	**(725)**	(612)	18.5
Other gains and losses	**(2,844)**	(1,880)	51.3
Other income	**744**	894	(16.8)
Impairment losses, net of reversal	**(152)**	N/A	N/A
Other expenses	**(3,504)**	(1,262)	177.7
Interest income	**1,479**	1,205	22.7
Finance costs	**(5,421)**	(4,416)	22.8
Share of results of associates	**448**	534	(16.1)
Net cash generated from operating activities	**88,248**	95,152	(7.3)

Items	**2018**	2017	Change %
Of which: Net cash generated from operating activities of Shenhua Finance Company Note	**10,660**	7,221	47.6
Net cash generated from operating activities excluding the effect of Shenhua Finance Company	**77,588**	87,931	(11.8)
Net cash (used in) generated from investing activities	**(53,056)**	13,363	(497.0)
Net cash used in financing activities	**(44,715)**	(77,621)	(42.4)

Note: As Shenhua Finance Company provides financial services including deposits and loans for entities other than the Group, the item represents the cash flows of deposits and loans and interest, fees and commission used by this business.

1. Revenue and costs

(1) Factors affecting the revenue

The revenue of the Group in 2018 recorded a year-on-year increase of 6.2%. The main reasons for such change are:

① Benefited from the growth of total power consumption of the society and the Group's strengthened marketing efforts, the power output dispatch of the Group in 2018 reached 267.59 billion kWh (2017: 246.25 billion kWh), representing a year-on-year increase of 8.7%;

② In 2018, total domestic coal consumption continued to maintain a momentum of growth. In response to the market demand, the Group strengthened the sales of purchased coal, with the sales volume of coal throughout the year reaching 460.9 million tonnes (2017: 443.8 million tonnes), representing a year-on-year increase of 3.9%;

③ As the coal business served as the driver for the growth in the business volume of self-owned railways, ports and shipping, revenue from transportation business of the Group before consolidated eliminations recorded a year-on-year increase of 6.0%.

Major operating indicators	Unit	2018	2017	Change for 2018 compared with that for 2017 %	2016
(I) Coal					
1. Commercial coal production	Million tonnes	**296.6**	295.4	0.4	289.8
2. Coal sales	Million tonnes	**460.9**	443.8	3.9	394.9
Of which: Self-produced coal	Million tonnes	**300.7**	301.0	(0.1)	285.5
Purchased coal	Million tonnes	**160.2**	142.8	12.2	109.4
(II) Transportation					
1. Turnover of self-owned railway	Billion tonne km	**283.9**	273.0	4.0	244.6
2. Sales of seaborne coal	Million tonnes	**270.0**	258.2	4.6	226.4
Of which: Via Huanghua Port	Million tonnes	**193.2**	184.1	4.9	158.6
Via Shenhua Tianjin Coal Dock	Million tonnes	**45.1**	43.7	3.2	39.5
3. Shipping volume	Million tonnes	**103.6**	93.0	11.4	79.2
4. Shipment turnover	Billion tonne nautical miles	**89.9**	80.4	11.8	63.0
(III) Power generation					
1. Gross power generation	Billion kWh	**285.32**	262.87	8.5	236.04
2. Total power output dispatch	Billion kWh	**267.59**	246.25	8.7	220.57
(IV) Coal chemical					
1. Sales of polyethylene	Thousand tonnes	**315.4**	324.6	(2.8)	292.6
2. Sales of polypropylene	Thousand tonnes	**297.7**	308.8	(3.6)	282.1

(2) Analysis of costs

Unit: RMB million

Breakdown of cost items	**Amount for the year**	Percentage to cost of sales for the year %	Amount for the previous year	Percentage to cost of sales for the previous year %	Change in amount for the year over that of the previous year %
Cost of coal purchased	**56,321**	32.4	49,950	31.1	12.8
Raw materials, fuel and power	**23,118**	13.3	19,523	12.2	18.4
Personnel expenses	**15,888**	9.1	13,842	8.6	14.8
Depreciation and amortisation	**20,243**	11.7	21,576	13.5	(6.2)
Repairs and maintenance	**10,025**	5.8	9,938	6.2	0.9
Transportation charges	**16,635**	9.6	14,326	8.9	16.1
Taxes and surcharges	**10,053**	5.8	9,640	6.0	4.3
Others	**21,394**	12.3	21,665	13.5	(1.3)
Total cost of sales	**173,677**	100.0	160,460	100.0	8.2

The cost of sales of the Group in 2018 represented a year-on-year increase of 8.2%, of which:

① The cost of coal purchased represented a year-on-year increase of 12.8%, which was mainly attributable to the expansion of the sales volume of purchased coal by the Group according to market supply and demand;

② Costs of raw materials, fuel and power represented a year-on-year increase of 18.4%, which was mainly attributable to the increase in coal cost in the power segment as a result of the increase in power generation, and the increase in consumption of materials for coal mine stripping and excavation;

③ Personnel expenses represented a year-on-year increase of 14.8%, which was mainly attributable to the raise of salary standard by certain production units based on the operating performance;

④ Transportation charges represented the costs of the Group incurred through external railway, expressway, shipping transportation, the use of external port and so forth. Such charges represented a year-on-year increase of 16.1% in 2018, which was mainly attributable to the increase in volume of coal transported through national railways and the increase in chartering costs;

Unit: RMB million

Cost of sales by business segment (before eliminations on consolidation)

Business segment	**Items of costs**	**2018**	2017	Change %
Coal	Cost of coal purchased, production cost of self-produced coal (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, and other expenses), transportation charges, other operating costs, and taxes and surcharges	**156,143**	143,461	8.8
Power	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other costs, other operating costs, and taxes and surcharges	**72,408**	68,388	5.9
Railway	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), external transportation charges, other operating costs, and taxes and surcharges	**19,915**	18,632	6.9

Business segment	Items of costs	**2018**	2017	Change %
Port	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, and other expenses), external transportation charges, other operating costs, and taxes and surcharges	**3,511**	2,880	21.9
Shipping	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), external transportation charges, and taxes and surcharges	**3,232**	2,472	30.7
Coal chemical	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other expenses, other operating costs, and taxes and surcharges	**4,901**	4,968	(1.3)

(3) Major business segments

The major business model of the Group is the integrated coal industry chain: i.e. coal production → coal transportation (railway, port and shipping) → conversion of coal (power and coal chemical), and there are business intercourses between each segment. The percentages of the profit from operations attributable to the coal, power, transportation and coal chemical segments of the Group before elimination on consolidation changed from 61%, 10%, 28% and 1% in 2017 to 56%, 16%, 27% and 1% in 2018, respectively.

The revenue and cost of sales of the following business segments are the data before eliminations on consolidation of each segment.

Major business segments in 2018 (before eliminations on consolidation)

Business segment	**Revenue**	**Cost of sales**	**Gross profit margin**	**Increase/ decrease in revenue as compared with previous year**	**Increase/ decrease in cost of sales as compared with previous year**	**Increase/decrease in gross profit margin as compared with previous year**
	RMB million	*RMB million*	*%*	*%*	*%*	
Coal	205,191	156,143	23.9	4.7	8.8	Decreased by 2.9 percentage points
Power	88,452	72,408	18.1	11.2	5.9	Increased by 4.1 percentage points
Railway	39,149	19,915	49.1	4.2	6.9	Decreased by 1.3 percentage points
Port	6,124	3,511	42.7	7.1	21.9	Decreased by 6.9 percentage points
Shipping	4,089	3,232	21.0	25.9	30.7	Decreased by 2.9 percentage points
Coal chemical	5,840	4,901	16.1	2.8	(1.3)	Increased by 3.5 percentage points

(4) Analysis of the production and sales volume

Major products	Production	Sales volume	Inventory at the end of the year	Year-on-year increase/decrease in production volume	Year-on-year increase/decrease in sales volume	Increase/decrease in inventory as compared with the beginning of the year
				%	%	%
Coal	296.6 million tonnes	460.9 million tonnes	23.7 million tonnes	0.4	3.9	(4.0)
Power	285.32 billion kWh	267.59 billion kWh	/	8.5	8.7	/

(5) Major customers

In 2018, the total revenue from the top five customers of the Group amounted to RMB72,626 million, accounting for 27.5% of the revenue of the Company (less than 30%), including the revenue from China Energy, the controlling shareholder of the Company, and its subsidiaries. The Group has maintained long-term cooperative relationship with the above customers. The Company is of the view that the long-term cooperative relationship would not result in material risk to the business of the Group.

(6) Major suppliers

In 2018, the total procurement from the top five suppliers of the Group amounted to RMB32,951 million, accounting for 24.2% (less than 30%) of the total procurement for the year, among which, the procurement from the largest supplier amounted to RMB9,934 million, representing 7.3% of the total procurement for the year.

2. Other items of consolidated statement of profit or loss

(1) Selling expenses: representing a year-on-year increase of 18.5% in 2018, which was mainly attributable to the increase in expenses of coal sales institutions as a result of the increase in purchased coal and newly added switch stations.

(2) Other gains and losses: representing a year-on-year increase of 51.3% in other losses in 2018, which was mainly attributable to the losses and expenses arising from disposal of assets in relation to the separation and transfer of "water/power/gas supply and property management" in 2018.

(3) Other income: representing a year-on-year decrease of 16.8% in 2018, which was mainly attributable to the decrease in government subsidy received by gas-fired power plants.

(4) Impairment losses, net of reversal: amounted to RMB152 million in 2018, which was mainly attributable to the provision for impairment of bills receivables and accounts receivables, and the impairment provision made by Shenhua Finance Company in accordance with relevant regulations.

(5) Other expenses: representing a year-on-year increase of 177.7% in 2018, which was mainly attributable to the occurrence of expenditures in relation to the separation and transfer of "water/power/gas supply and property management" in 2018 and the increase in donations to third parties.

(6) Interest income: representing a year-on-year increase of 22.7% in 2018, which was mainly attributable to the increase in average bank deposit balance.

(7) Finance costs: representing a year-on-year increase of 22.8% in 2018, which was mainly attributable to the increase in exchange losses on foreign currency liabilities.

(8) Share of results of associates: the profit representing a year-on-year decrease of 16.1% in 2018, which was mainly attributable to the decrease in operating profits of associates.

3. Investment in research and development

Expensed research and development expenditure in the period *(RMB million)*	454
Capitalised research and development expenditure in the period *(RMB million)*	406
Total research and development expenditure *(RMB million)*	860
Ratio of capitalised research and development expenditure *(%)*	47.2
Percentage of total research and development expenditure to revenue *(%)*	0.3
Number of research and development personnel in the Company *(number of person)*	2,603
The ratio of research and development personnel to the total number of persons in the Company *(%)*	3.0

In 2018, investment in research and development amounted to RMB860 million (2017: RMB863 million), which is mainly utilised in research and demonstration engineering of a set of 8.8-meter height fully-mechanised smart mining equipment at Shendong Mines, demonstration project of the industrialization of aluminium oxide, high-aluminium pulverized fuel ash integrated use and technological research on safety monitoring and protection, etc..

4. *Cash flow*

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

(1) Net cash generated from operating activities: RMB88,248 million of net cash generated from operating activities in 2018, representing a year-on-year decrease of 7.3%, of which, net cash generated from operating activities of Shenhua Finance Company was RMB10,660 million (2017: RMB7,221 million generated from operating activities), representing a year-on-year increase of 47.6%, which was mainly attributable to the increase in deposits placed with Shenhua Finance Company. Excluding the effects of Shenhua Finance Company, net cash generated from operating activities of the Group represented a year-on-year decrease of 11.8%, which was mainly attributable to the increase in cash outflows as a result of the increase in production cost of self-produced coal, percentage of sales of purchased coal and external transportation charges, and the increase in taxes and expenses as compared to the corresponding period of previous year.

(2) Net cash (used in) generated from investing activities: RMB53,056 million of net cash used in investing activities in 2018 (2017: RMB13,363 million generated from investing activities), representing a year-on-year change of 497.0%, which was mainly attributable to the maturity of wealth management products for the corresponding period of previous year and the additional investments in wealth management products for the current year.

(3) Net cash used in financing activities: RMB44,715 million of net cash used in financing activities in 2018, representing a year-on-year decrease of 42.4%, which was mainly attributable to the distribution of special dividends by the Company for the corresponding period of previous year and the increase in bank borrowings for the power segment during the reporting period.

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

☐ Applicable ✔ Not applicable

(III) Analysis on Assets and Liabilities

1. Assets and Liabilities

Unit: RMB million

Items	**Amount at the end of the year**	**Percentage of total assets at the end of the year** %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount %	Main reasons for changes
Prepaid expenses and other current assets	**54,702**	**9.2**	20,452	3.6	167.5	Purchase of bank wealth management products and granting of loans by Shenhua Finance Company
Restricted bank deposits	**8,607**	**1.5**	7,348	1.3	17.1	Mainly attributable to the increase in statutory deposit reserves balance and deposits of various kinds
Cash and cash equivalents	**61,863**	**10.5**	71,872	12.6	(13.9)	Purchase of bank wealth management products and repayment of matured bonds denominated in US Dollar and loans
Short-term borrowings and long-term borrowings due within 1 year	**5,772**	**1.0**	15,785	2.8	(63.4)	Repayment of bank loans by power plants

Unit: RMB million

Items	**Amount at the end of the year**	**Percentage of total assets at the end of the year** %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount %	Main reasons for changes
Long-term payables due within 1 year	**457**	**0.1**	345	0.1	32.5	Increase in expected reclamation fee and mining right fee payable
Income tax payable	**4,213**	**0.7**	5,604	1.0	(24.8)	Decrease in taxable income
Accrued land reclamation fee	**3,191**	**0.5**	2,745	0.5	16.2	Provision for coal mine environmental restoration fund to replace the original coal mine environmental restoration deposit since 2018 in accordance with the regulatory requirements

2. Restriction on the major assets

The Group has no major assets sequestered or distrained. As of the end of the reporting period, the balance of restricted assets of the Group amounted to RMB10,631 million, which mainly consists of statutory deposit reserves balance of Shenhua Finance Company placed at the central bank amounting to RMB6,254 million. Other restricted assets were mainly intangible assets, fixed assets and various types of deposits as collaterals for bank borrowings.

(IV) Operation results by business segment

1. Coal segment

(1) Production, operation and construction

The majority of the coal products produced and sold by the Group were thermal coal. The year of 2018 witnessed a relatively strong domestic coal demand, with sharp increase in coal consumption in the power and chemical industries, and steady increase in coal consumption in the iron and steel and construction material industries. By seizing such favorable opportunity, the Group insisted on safe, green, balanced and efficient production to effectively guarantee market supply. In view of the climate features of the northeast regions, the Group made rational arrangements of coal mining to fully support for the coal demand in winter in the northeast region. In addition, the Group carried out in-depth promotion of quality and efficiency to produce clean coal; continued to optimize the structure of coal products to increase the output of high value-added products; increased investment in technological innovation; and strengthened the management of and control over production organization, coal quality, and disaster detection and early-warning. The Group's output of commercial coal reached 296.6 million tonnes in the year (2017: 295.4 million tonnes), representing a year-on-year growth of 0.4%, which was mainly attributable to the stable and increased output of Shendong Mines and Shenbao Mines. The total footage of advancing tunnels was 373 thousand meters (2017: 335 thousand meters), representing a year-on-year increase of 11.3%.

The Group proactively pushed forward the application for coal mining lands and acquisition of resources. The procedures for obtaining the grassland occupancy permit and the renewal procedures for the use of mining land in the Ha'erwusu Open-pit Mine have been completed; the renewal procedures for the use of land in the excavating yard of the Baorixile Open-pit Mine have been preliminarily approved; Beidian Shengli obtained an additional production capacity of 8 million tonnes/year for its open-pit mine through the purchase of production capacity replacement quota; the renewal of exploration permit of Taigemiao North District of Xinjie Mining Area was completed in July 2018 with a new comprehensive exploration permit certificate, while Taigemiao South District is actively applying for its exploration permit.

Production and sales volumes of all coals in 2018 of the Group are as below:

Types of coal	**Production volume**	**Sales volume**	**Revenue**	**Cost of sales**	**Gross profit**
	Million tonnes	*Million tonnes*	*RMB million*	*RMB million*	*RMB million*
Thermal coal	296.6	460.5	197,161	143,495	53,666
Others	/	0.4	620	618	2
Total	296.6	460.9	197,781	144,113	53,668

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

In 2018, the Company'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 RMB18 million (2017: RMB48 million), which was mainly attributable to the relevant expenses of Watermark Coal Project in Australia. The Company's relevant capital expenditure of mining development and exploration amounted to approximately RMB4,141 million (2017: RMB3,332 million), which was mainly attributable to the expenditure on the preliminary development of Taigemiao District of Xinjie Mining Area, the expenditure related to coal mining for Shendong Mines, Zhunge'er Mines and Baorixile Mines, and consideration payment for mining rights and acquisition of fixed assets.

The Group has independently operated railway collection and distribution channels. These channels are centralised and distributed in the rim of self-owned core mines, and can transport coal in the core mines. For details of operation of the self-owned railways, please refer to the section headed "Railway Segment" herein.

(2) Sales of coal

The coal sold by the Group is mainly self-produced coal. In order to fulfill the needs of customers and adequately make use of railway transportation, the Group also purchased 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 specialised division management. Production enterprises are responsible for production of coal, and Shenhua Trading Group is mainly responsible for sales of coal. Customers have different industry background, such as power, metallurgy, chemical and construction materials.

In 2018, the Group conducted scientific research and study of market to formulate flexible marketing strategies, and continued to optimize coal source organization and transportation deployment to satisfy customer needs to the maximum, thus achieving stable integration operation at a high level. The profit from coal sales was increased through various measures, such as maximizing the supply of self-produced coal, strengthening the sales of purchased coal, making reasonable adjustment to product structure and holding electronic auctions. During the year, sales volume of coal reached 460.9 million tonnes (2017: 443.8 million tonnes), representing a year-on-year increase of 3.9%, among which, Sales volume of coal in the domestic market was 456.4 million tonnes. The seaborne coal business achieved quality development through efficient coordination of port and shipping resources to increase the "quasi-liner shipping" volume. The seaborne coal sales for the year reached 270.0 million tonnes (2017: 258.2 million tonnes), representing a year-on-year increase of 4.6%. The seaborne coal sales at Huanghua Port and Shenhua Tianjing Coal Dock in aggregate accounted for 88.3% of the total seaborne coal sales of the Group (2017: 88.2%), representing a year-on-year increase of 0.1 percentage point.

The Group expanded procurement and sales channels for coal and improved sales efficiency through Shenhua Coal Trading Network (https://www.e-shenhua.com) developed by itself. In 2018, the coal sales volume of the Group through Shenhua Coal Trading Network reached approximately 200 million tonnes.

The Group implemented three unified pricing mechanisms, namely, the pricing mechanisms for annual long-term contracts, monthly long-term contracts and spot commodity, for all internal and external customers. In 2018, the average coal sales price of the Group was RMB429 per tonne (tax exclusive) (2017: RMB425 per tonne), representing a year-on-year growth of 0.9%. As of the end of 2018, the Group has entered into annual long-term thermal coal purchase contracts with 15 domestic quality customers with good reputation for three years (2019–2021), which will adopt the pricing mechanism of "benchmark price (RMB535/tonne for 5,500 kcal thermal coal (tax-inclusive spot FOB)) + float price". Long-term stable internal and external coal customers are favorable for the Group to arrange production and transportation plans on a reasonable basis, and maintain integrated stable operation at a high level as well as a high production efficiency, transportation efficiency and capital turnover ratio.

Coal sales of the Group in 2018 are set out as follows:

① By internal and external customers

	2018			2017			Change in price (exclusive of tax)
	Sales volume	**Percentage**	**Price (exclusive of tax)**	Sales volume	Percentage	Price (exclusive of tax)	
	Million tonnes	***%***	***RMB/ tonne***	*Million tonnes*	*%*	*RMB/ tonne*	*%*
Sales to external customers	**353.6**	**76.7**	**441**	344.7	77.7	436	1.1
Sales to internal power segment	**103.2**	**22.4**	**393**	94.7	21.3	390	0.8
Sales to internal coal chemical segment	**4.1**	**0.9**	**360**	4.4	1.0	359	0.3
Total sales volume/average price (exclusive of tax)	**460.9**	**100.0**	**429**	443.8	100.0	425	0.9

Note: Sales prices of coal of the Group in this report are all exclusive of tax.

In 2018, the sales volume of the Company to the top five domestic customers of coal was 99.3 million tonnes, which accounted for 21.8% of the domestic sales volume. The top five domestic customers of coal were primarily power and coal trading companies.

② By sales regions

	2018			2017			Change	
	Sales volume	**Proportion of total sales**	**Price (exclusive of tax)**	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	Million tonnes	***%***	***RMB/ tonne***	*Million tonnes*	*%*	*RMB/ tonne*	*%*	*%*
I. Domestic sales	**456.4**	**99.0**	**428**	436.4	98.3	426	4.6	0.5
(I) Self-produced coal and purchased coal	**435.9**	**94.6**	**428**	416.3	93.8	426	4.7	0.5
1. Direct arrival	**167.6**	**36.4**	**316**	160.3	36.1	310	4.6	1.9
2. Seaborne	**268.3**	**58.2**	**499**	256.0	57.7	498	4.8	0.2
(II) Sales of domestic trading coal	**16.5**	**3.5**	**419**	19.4	4.4	427	(14.9)	(1.9)
(III) Sales of imported coal	**4.0**	**0.9**	**457**	0.7	0.1	591	471.4	(22.7)
II. Export Sales	**1.7**	**0.4**	**543**	2.2	0.5	447	(22.7)	21.5
III. Overseas sales	**2.8**	**0.6**	**506**	5.2	1.2	382	(46.2)	32.5
Total sales volume/average price (exclusive of tax)	**460.9**	**100.0**	**429**	443.8	100.0	425	3.9	0.9

③ By contract pricing mechanisms

	Sales volume	**Proportion of total sales**	**Price**
	Million tonnes	*%*	*RMB/tonne*
I. Annual long-term contracts	220.5	47.8	381
II. Monthly long-term contracts	158.9	34.5	511
III. Spot commodity	81.5	17.7	401
Total sales volume/average price (exclusive of tax)	460.9	100.0	429

Note:

1. The above is the summary of the sales of coal products with different calorific values;

2. In spot sale, direct sales volume with a low sales price accounted for a large proportion.

(3) Production safety

In 2018, the Group took various measures to ensure coal mine production safety, such as promoting the construction of the major disaster and hidden danger management and emergency rescue system to continuously improve the standardization of coal mine safety production, carrying out comprehensive or special inspections and supervision on an on-going basis to identify hidden dangers and eliminate major risks, and ensuring safety with the help of science and technology, i.e. conducting upgrading and renovation of the mine safety monitoring system.

In 2018, the fatality rate per million tonne of raw coal output in the coal mines of the Group was 0.0126, enabling the Group to maintain its internationally leading position.

Efforts in ensuring safe coal production are detailed in the 2018 ESG Report of the Group.

(4) Environmental protection

In 2018, with continuous promotion of green and efficient coal mining, the environmental safety level of the Group's mining areas has been continually advanced. Remarkable achievements were made in land reclamation and greening of open-pit mines, treatment and utilisation of mine water, and resource utilisation of gangue, with the utilisation rate of mine water being 83.2% and the comprehensive utilisation of gangue amounting to 11.63 million tonnes. There were no major or more serious environmental safety incidents during the year.

At the end of 2018, balance of the "accrued reclamation obligations" amounted to RMB3,191 million, serving as strong financial guarantee for ecological construction.

Measures which are taken by the coal segment of the Company for environmental protection are detailed in the 2018 ESG Report of the Group.

(5) Coal resources

As at 31 December 2018, under the PRC Standard, the Group had coal reserves amounting to 30.30 billion tonnes, representing an increase of 27.8% as compared with that of the end of 2017, which was mainly attributable to the completion of mineral resource reserves assessment in Taigemiao North Exploration Area of Xinjie Mining Area, resulting in the increase of coal reserve; and recoverable coal reserve amounting to 14.95 billion tonnes, representing a decrease of 1.6% as compared with that of the end of 2017. The Group's marketable coal reserve amounted to 8.26 billion tonnes under the JORC Standard, representing a decrease of 3.4% as compared with that of the end of 2017.

Unit:'00 million tonnes

Mines	**Coal reserve (under the PRC Standard)**	**Recoverable coal reserve (under the PRC Standard)**	**Marketable coal reserve (under the JORC Standard)**
Shendong Mines	160.3	92.3	47.8
Zhunge'er Mines	39.0	31.2	20.7
Shengli Mines	20.3	13.8	2.1
Baorixile Mines	13.9	11.8	12.0
Baotou Mines	0.5	0.4	–
Xinjie Mine	64.2	–	–
Others	4.8	–	–
Total	303.0	149.5	82.6

Notes:

1. As at 31 December 2018, the marketable coal reserve of Baotou Mines under the JORC Standard was 4,381 thousand tonnes.

2. In November 2018, the Ministry of Natural Resources of the People's Republic of China issued opinions upon review of the comprehensive coal exploration report (mineral resource reserves) on Taigemiao North Exploration Area of Xinjie Mining Area.

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

No.	Mines	Major types of coal	Calorific value of major commercial coal products *kcal/kg*	Sulphur content *%*	Ash content *average, %*
1	Shendong Mines	Long flame coal/ non-caking coal	4,800–5,800	0.2–0.8	5–15
2	Zhunge'er Mines	Long flame coal	4,300–4,900	0.3–0.8	18–26
3	Shengli Mines	Lignite	3,100–3,400	0.4–0.7	18–22
4	Baorixile Mines	Lignite	3,300–3,600	0.2–0.3	13–16
5	Baotou Mines	Non-caking coal	4,200–4,800	0.3–0.8	12–18

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.

(6) Operating results

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

		2018	2017	Change *%*	Main reasons for changes
Revenue	RMB million	**205,191**	195,918	4.7	Increase in sales volume of coal
Cost of sales	RMB million	**156,143**	143,461	8.8	Increase in the procurement cost of purchased coal due to the increase in sales volume of purchased coal; Increase in related transportation costs resulting from increased coal sales volume
Gross profit margin	%	**23.9**	26.8	Decreased by 2.9 percentage points	

		2018	2017	Change %	Main reasons for changes
Profit from operations	RMB million	**43,262**	46,051	(6.1)	
Profit margin from operations	%	**21.1**	23.5	Decreased by 2.4 percentage points	

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

	2018				2017			
	Revenue	**Costs**	**Gross profit**	**Gross profit margin**	Revenue	Costs	Gross profit	Gross profit margin
	RMB million	***RMB million***	***RMB million***	***%***	*RMB million*	*RMB million*	*RMB million*	*%*
Domestic	**195,483**	**142,285**	**53,198**	**27.2**	185,846	129,627	56,219	30.3
Export and overseas	**2,298**	**1,828**	**470**	**20.5**	2,997	2,539	458	15.3
Total	**197,781**	**144,113**	**53,668**	**27.1**	188,843	132,166	56,677	30.0

③ Unit production cost of self-produced coal

Unit: RMB/tonne

	2018	2017	Change %	Main reasons for changes
Unit production cost of self-produced coal	**116.1**	107.9	7.6	
Raw materials fuel and power	**23.0**	17.9	28.5	Increase in material consumption due to the tripping works in open-pit mines such as the Ha'erwusu Open-pit Mine, and the increase in tunnelling footage
Personnel expenses	**21.2**	18.8	12.8	The raise of salary by certain production units
Repairs and maintenance	**8.8**	8.9	(1.1)	
Depreciation and amortisation	**18.5**	19.5	(5.1)	During the reporting period, the sufficient provision for depreciation of certain assets
Other costs	**44.6**	42.8	4.2	Increase in mining engineering expenses, coal washing, selecting and processing expenses and professional service fee

Other costs consist of the following three components: (1) expenses directly related to production, including coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 60%; (2) auxiliary production expenses, accounting for 21%; (3) land requisition and surface subsidence compensation, environmental protection expenses and tax, accounting for 19%.

④ Cost of coal purchased from third parties

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

In 2018, sales volume of coal purchased by the Group from third parties was 160.2 million tonnes (2017: 142.8 million tonnes), representing a year-on-year increase of 12.2%, and its proportion of the Company's total sales volume of coal increased to 34.8% from 32.2% in 2017. The costs of coal purchased from third parties for the year was RMB56,321 million (2017: RMB49,950 million), representing a year-on-year increase of 12.8%. The increase was mainly due to the increase of sales volume of coal purchased by the Company from third parties according to the demand and supply in the coal market. In 2018, the unit cost of coal purchased from third parties by the Group was approximately RMB351.6/tonne.

2. Power segment

(1) Production and operations

In 2018, given the favorable opportunity of the rapid growth of total power consumption of the society, the Group made greater marketing efforts in the power segment, and therefore realised 285.32 billion kWh (2017: 262.87 billion kWh) of power generation, representing a year-on-year increase of 8.5%. The total power output dispatch reached 267.59 billion kWh (2017: 246.25 billion kWh), representing a year-on-year increase of 8.7% and accounting for 3.9% of the total power consumption of the society at the same period (being 6,844.9 billion kWh[1]). In active response to the power system reform, the Group gave full play to the advantages of industrial chain integration, large capacity generating units and power distribution to optimize the allocation of power resource for market-based transactions. During the year, the market-based power transaction of the Group was approximately 80.27 billion kWh, accounting for approximately 30.0% of the total power output dispatch.

1 Data source: China Electricity Council

(2) Power consumption and power tariffs

① Classified by power type

Power type	Gross power generation (billion kWh) 2018	2017	Change %	Total power output dispatch (billion kWh) 2018	2017	Change %	Power tariff (RMB/mWh) 2018	2017	Change %
Coal-fired power	**278.78**	256.86	8.5	**261.20**	240.39	8.7	**313**	306	2.3
Gas-fired power	**5.85**	5.29	10.6	**5.71**	5.15	10.9	**561**	571	(1.8)
Hydro power	**0.69**	0.70	(1.4)	**0.68**	0.69	(1.4)	**222**	214	3.7
Wind power	**0.00**	0.02	(100.0)	**0.00**	0.02	(100.0)	**0**	599	(100.0)
Total	**285.32**	262.87	8.5	**267.59**	246.25	8.7	**318**	312	1.9

② Classified by location

Location/Type of power	Gross power generation (billion kWh) 2018	2017	Year-on-year %	Total power output dispatch (billion kWh) 2018	2017	Year-on-year %	Power tariff (RMB/mWh) 2018	2017	Year-on-year %
Domestic in total/ weighted average	**283.73**	261.29	8.6	**266.20**	244.87	8.7	**313**	311	0.6
Hebei	**33.95**	34.83	(2.5)	**31.84**	32.67	(2.5)	**319**	309	3.2
coal-fired power	**33.95**	34.83	(2.5)	**31.84**	32.67	(2.5)	**319**	309	3.2
Jiangsu	**23.21**	24.17	(4.0)	**22.16**	23.06	(3.9)	**324**	319	1.6
coal-fired power	**23.21**	24.17	(4.0)	**22.16**	23.06	(3.9)	**324**	319	1.6
Zhejiang	**29.04**	28.08	3.4	**27.54**	26.60	3.5	**364**	367	(0.8)
coal-fired power	**27.11**	26.37	2.8	**25.66**	24.93	2.9	**354**	352	0.6
gas-fired power	**1.93**	1.71	12.9	**1.88**	1.67	12.6	**503**	587	(14.3)
Inner Mongolia	**24.41**	21.34	14.4	**21.83**	19.20	13.7	**223**	212	5.2
coal-fired power	**24.41**	21.34	14.4	**21.83**	19.20	13.7	**223**	212	5.2
Guangdong	**27.32**	23.79	14.8	**25.65**	22.21	15.5	**355**	363	(2.2)
coal-fired power	**27.32**	23.77	14.9	**25.65**	22.19	15.6	**355**	363	(2.2)
wind power	**0.00**	0.02	(100.0)	**0.00**	0.02	(100.0)	**0**	599	(100.0)
Shaanxi	**26.60**	25.40	4.7	**24.36**	23.18	5.1	**267**	260	2.7
coal-fired power	**26.60**	25.40	4.7	**24.36**	23.18	5.1	**267**	260	2.7

Location/Type of power	Gross power generation (billion kWh)			Total power output dispatch (billion kWh)			Power tariff (RMB/mWh)		
	2018	2017	Year-on-year %	**2018**	2017	Year-on-year %	**2018**	2017	Year-on-year %
Anhui	**23.66**	22.79	3.8	**22.60**	21.78	3.8	**322**	305	5.6
coal-fired power	**23.66**	22.79	3.8	**22.60**	21.78	3.8	**322**	305	5.6
Liaoning	**17.57**	18.13	(3.1)	**16.49**	17.03	(3.2)	**309**	299	3.3
coal-fired power	**17.57**	18.13	(3.1)	**16.49**	17.03	(3.2)	**309**	299	3.3
Fujian	**15.55**	13.40	16.0	**14.89**	12.80	16.3	**341**	328	4.0
coal-fired power	**15.55**	13.40	16.0	**14.89**	12.80	16.3	**341**	328	4.0
Xinjiang	**5.64**	4.79	17.7	**5.19**	4.39	18.2	**181**	194	(6.7)
coal-fired power	**5.64**	4.79	17.7	**5.19**	4.39	18.2	**181**	194	(6.7)
Tianjin	**5.10**	5.15	(1.0)	**4.77**	4.81	(0.8)	**355**	360	(1.4)
coal-fired power	**5.10**	5.15	(1.0)	**4.77**	4.81	(0.8)	**355**	360	(1.4)
Henan	**5.04**	5.94	(15.2)	**4.75**	5.62	(15.5)	**300**	305	(1.6)
coal-fired power	**5.04**	5.94	(15.2)	**4.75**	5.62	(15.5)	**300**	305	(1.6)
Sichuan	**4.04**	3.12	29.5	**3.72**	2.87	29.6	**356**	348	2.3
coal-fired power	**3.35**	2.42	38.4	**3.04**	2.18	39.4	**386**	390	(1.0)
hydropower	**0.69**	0.70	(1.4)	**0.68**	0.69	(1.4)	**222**	214	3.7
Ningxia	**9.64**	4.68	106.0	**8.94**	4.21	112.4	**229**	226	1.3
coal-fired power	**9.64**	4.68	106.0	**8.94**	4.21	112.4	**229**	226	1.3
Chongqing	**6.44**	4.91	31.2	**6.16**	4.70	31.1	**348**	348	0.0
coal-fired power	**6.44**	4.91	31.2	**6.16**	4.70	31.1	**348**	348	0.0
Beijing	**3.92**	3.58	9.5	**3.83**	3.48	10.1	**589**	563	4.6
gas-fired power	**3.92**	3.58	9.5	**3.83**	3.48	10.1	**589**	563	4.6
Shanxi	**3.39**	4.55	(25.5)	**3.18**	4.25	(25.2)	**276**	229	20.5
coal-fired power	**3.39**	4.55	(25.5)	**3.18**	4.25	(25.2)	**276**	229	20.5
Shandong	**11.52**	10.78	6.9	**10.99**	10.26	7.1	**339**	318	6.6
coal-fired power	**11.52**	10.78	6.9	**10.99**	10.26	7.1	**339**	318	6.6
Guangxi	**1.98**	1.86	6.5	**1.86**	1.75	6.3	**345**	345	0.0
coal-fired power	**1.98**	1.86	6.5	**1.86**	1.75	6.3	**345**	345	0.0
Jiangxi	**5.71**	0.00	N/A	**5.45**	0.00	N/A	**354**	0.00	N/A
coal-fired power	**5.71**	0.00	N/A	**5.45**	0.00	N/A	**354**	0.00	N/A
Overseas in total/ weighted average	**1.59**	1.58	0.6	**1.39**	1.38	0.7	**510**	477	6.9
Indonesia	**1.59**	1.58	0.6	**1.39**	1.38	0.7	**510**	477	6.9
coal-fired power	**1.59**	1.58	0.6	**1.39**	1.38	0.7	**510**	477	6.9
Total/weighted average	**285.32**	262.87	8.5	**267.59**	246.25	8.7	**318**	312	1.9

(3) *Installed capacity*

At the end of the reporting period, the total installed capacity of power generation of the Group reached 61,849MW, which represented an increase of 6.9% as compared with the end of last year, among which, the total installed capacity of the coal-fired power generators was 59,994MW, accounting for 5.9% of the total installed capacity of coal-fired power generators of the society (being 1.01 billion KW[1]).

Unit: MW

Power type	Gross installed capacity as at 31 December 2017	Installed capacity increased/ (decreased) during the reporting period	**Gross installed capacity as at 31 December 2018**
Coal-fired power	55,984	4,010	**59,994**
Gas-fired power	1,730	–	**1,730**
Hydro power	125	–	**125**
Wind power	16	(16)	**–**
Total	57,855	3,994	**61,849**

The changes in the installed capacity of generating units of the Group in 2018 are as follows:

Company	**Location of generating unit**	**Installed capacity increased/ (decreased)** *MW*	**Remark**
Jiujiang Electric Power	Jiangxi	2,000	Operation of new generating units
Fuping Thermal Power	Shaanxi	700	Operation of new generating units
Shenwan Energy	Anhui	1,320	Operation of new generating units

[1] Data source: China Electricity Council

Company	Location of generating unit	Installed capacity increased/ (decreased) *MW*	Remark
Fujian Energy	Fujian	100	Capacity expansion and upgrading
Zheneng Power	Zhejiang	30	Capacity expansion and upgrading
Taishan Power	Guangdong	60	Capacity expansion and upgrading
Shouguang Power	Shandong	20	Increase upon audit
Shenmu Power	Shaanxi	(220)	Shut down
Zhuhai Wind Energy	Guangdong	(16)	Shut down
Total		3,994	

(4) Utilisation rate of power generation equipment

The average utilisation hours of coal-fired generators of the Group reached 4,877 hours for the year of 2018, representing a year-on-year increase of 194 hours and 516 hours above the national average utilisation hours (being 4,361 hours[1]) of thermal power equipment with capacity of 6,000KW and above. The efficiency of power generation improved constantly, and the power consumption rate of the power plant decreased by 0.11 percentage point as compared with the same period last year. As at the end of the reporting period, the installed capacity of circulating fluidised bed generating units of the Group reached 6,484MW, accounting for 10.8% of the installed capacity of the coal-fired generating units of the Group.

1 Data source: China Electricity Council

Power type	Average utilisation hours (Hour) 2018	2017	Change %	Power consumption ratio of power plant (%) 2018	2017	Change
Coal-fired power	**4,877**	4,683	4.1	**5.62**	5.72	Decreased by 0.10 percentage point
Gas-fired power	**3,384**	3,059	10.6	**1.90**	2.08	Decreased by 0.18 percentage point
Hydro power	**5,517**	5,618	(1.8)	**0.28**	0.25	Increased by 0.03 percentage point
Wind power	**0**	1,160	(100.0)	**N/A**	0.90	N/A
Weighted average	**4,834**	4,634	4.3	**5.53**	5.64	Decreased by 0.11 percentage point

(5) *Environmental protection*

In line with the requirements of the state with respect of prevention and control of pollution, the Group continued to push forward the "ultra-low emission", energy saving and consumption reduction of coal-fired generating units. As at the end of the reporting period, the Group completed the desulfurisation and denitrification renovation for all of its domestic coal-fired power generators. 93 "ultra-low emission" coal-fired generators with total capacity of 53,960MW were either built or renovated, accounting for 89.9% of the total installed capacity of coal-fired power generator of the Group. The average standard coal consumption for power sold of coal-fired power generators of the Group for the year was 308 g/kWh, representing a decrease of 3 g/kWh as compared with 311 g/kWh the same period last year. Both the unit emission and total emission of CO_2, nitrogen oxide and soot generated from coal-fired generators recorded year-on-year decrease.

For detailed information on environmental protection in the power segment, please refer to the 2018 ESG report of the Group.

(6) Capitalised Expenses

In 2018, the capitalised expenses of the power segment of the Group were RMB12.92 billion, primarily used in projects including the Jawa-7 Coal-fired Power Project (2×1,050MW) in Indonesia, Jiangxi Jiujiang New Coal Reserve (Transit) and Power Generation Integration Project (2×1,000MW), Shenhua Shendong Power Company Xinjiang Wucaiwan Power Plant Phase II Project (2×660 MW), Shenwan Energy Company Lujiang Power Plant Newly Constructed Project (2×660 W), and reformation of environmental protection technologies at power plants.

(7) Market Transaction of Power

	2018	2017	Change %
Total volume of power in market-based transactions *(billion kWh)*	**80.27**	69.10	16.2
Total volume of on-grid power *(billion kWh)*	**267.59**	246.25	8.7
Percentage of the power in market-based transactions *(%)*	**30.0**	28.1	Increased by 1.9 percentage points

(8) Operation results of the power sales business

The Group currently owns three power sales companies located in Shandong, Jiangsu and Guangdong, respectively, which are principally engaged in agent procurement of power demanded by customers and the provision of the incremental distribution grid business and comprehensive energy services.

In 2018, the power output dispatch from non-self-owned power plants of the Group was 0.44 billion kWh, achieving revenue of RMB1.4 million.

(9) Operating results

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

		2018	2017	Change %	Main reasons for changes
Revenue	RMB million	**88,452**	79,511	11.2	Year-on-year increase in power output dispatch and slight increase in average power tariffs
Cost of sales	RMB million	**72,408**	68,388	5.9	Increase in coal cost due to the growth of power generation
Gross profit margin	%	**18.1**	14.0	Increased by 4.1 percentage points	The power plant to be invested by the Company to establish a joint venture with GD Power was classified as held-for-sale assets in September 2019, and therefore it ceased to be depreciated and amortised
Profit from operations	RMB million	**12,720**	7,399	71.9	
Profit margin from operations	%	**14.4**	9.3	Increased by 5.1 percentage points	

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

Unit: RMB million

	Revenue from sale of power			Cost of sale of power				
Power type	**2018**	2017	Change	**2018**	**Percentage to total costs of 2018**	2017	Percentage to total costs of 2017	Change in 2018 over 2017
			%		%		%	%
Coal-fired power	**83,798**	75,383	11.2	**67,389**	**95.4**	63,813	95.7	5.6
Gas-fired power	**3,201**	2,941	8.8	**3,179**	**4.5**	2,810	4.2	13.1
Hydro power	**150**	147	2.0	**78**	**0.1**	73	0.1	6.8
Wind power	**0**	11	(100.0)	**6**	**0.0**	8	0.0	(25.0)
Total	**87,149**	78,482	11.0	**70,652**	**100.0**	66,704	100.0	5.9

The Group's cost of sale of power is mainly comprised of such costs as raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation and other costs. The unit cost of power output dispatch of the Group in 2018 was RMB264.0/mWh (2017: RMB270.9/mWh), representing a year-on-year decrease of 2.5%. The decrease was mainly due to the year-on-year increase in power generation, resulting in the dilution of fixed cost.

The power segment consumed a total of 101.1 million tonnes of the China Shenhua's coal, accounting for 82.5% of the total thermal coal consumption (being 122.6 million tonnes).

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

	2018		2017		Change in
	Costs	**Percentage**	Costs	Percentage	costs
	RMB million	*%*	*RMB million*	*%*	*%*
Raw materials, fuel and power	**50,511**	**75.0**	46,008	72.1	9.8
Personnel expenses	**4,453**	**6.6**	3,939	6.2	13.0
Repairs and maintenance	**2,618**	**3.9**	2,706	4.2	(3.3)
Depreciation and amortisation	**7,848**	**11.6**	9,066	14.2	(13.4)
Others	**1,959**	**2.9**	2,094	3.3	(6.4)
Total cost of sale of power of coal-fired power plant	**67,389**	**100.0**	63,813	100.0	5.6

3. *Railway segment*

(1) Overview of production and operations

In 2018, the railway segment of the Group continued to optimise transportation organisation to improve operation efficiency. The trail run of the long-road train from Haile Sihao South Station to Suning North Station was successful, resulting in the average running time of the train shortened by approximately three to four hours. The Group also re-arranged the operation of heavy-load trains by increasing the shifts of the 3+0 10,000-tonne trains and 20,000-tonne trains. In addition, the Group accelerated the development of railway special lines and station passage capability, with continuous improvement of the railway transportation capability. During the year, the turnover volume of self-owned railways of the Group reached 283.9 billion tonne km (2017: 273.0 billion tonne km), up by 4.0% year on year, reaching a historical high.

The Group took the initiative in conducting macro logistics business. Under the premise of ensuring coal transportation, the Group promoted the development of coal chemical transportation and two-way "quasi-liner shipping", therefore making new progress in the planning of the railway-water transportation channel and its trial run. In 2018, the transportation volume of non-self-owned coal in the railway segment was 100.1 million tonnes, reverse transportation volume was 6.67 million tonnes, and transportation volume of non-coal cargo was 15.48 million tonnes. The turnover of cargo transportation offered to external customers in the railway segment throughout the year was 30.7 billion tonne km (2017: 29.4 billion tonne km), representing a year-on-year increase of 4.4%. The revenue generated from transportation services offered to external customers amounted to RMB5,877 million (2017: RMB5,615 million), representing a year-on-year increase of 4.7% and accounting for 15.0% of total revenue of the railway segment (2017: 14.9%).

(2) Progress of projects

In 2018, the Group further expanded its railway transportation coverage. As at the end of the reporting period, the route in Hebei Province has been confirmed, laying the foundation for the construction and completion of the whole line; the special line of Zhugaita Coal Transportation Station (transportation capacity of 10 million tonnes/year) of Shenshuo Railway has been put into operation; the construction of the special railway line of Guojiawan Coal Mine has started; and the connection with self-owned railways of the logistic park and coal loading station was advancing steadily.

(3) Operating results

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

		2018	2017	Change %	Main reasons for changes
Revenue	RMB million	**39,149**	37,586	4.2	Growth in transportation volume of railways brought by the increase in coal sales volume of the Group
Cost of sales	RMB million	**19,915**	18,632	6.9	Increase in transportation turnover of railways, and increase in personnel expenses and external transportation costs
Gross profit margin	%	**49.1**	50.4	Decreased by 1.3 percentage points	
Profit from operations	RMB million	**17,695**	17,675	0.1	
Profit margin from operations	%	**45.2**	47.0	Decreased by 1.8 percentage points	

The unit transportation cost in the railway segment was RMB0.066/tonne km in 2018 (2017: RMB0.064/tonne km), representing a year-on-year increase of 3.1%, mainly due to increase in intermodal transportation cost as a result of increase in on-line rate of external intermodal motor cars; the increase in cost of fuel of certain furnaces along of railways after environmental friendly modification; as well as the increase in personnel expenses.

4. *Port Segment*

(1) *Overview of production and operations*

In 2018, the Group made every effort to improve the production and operation efficiency in the port segment to ensure the performance of integrated operation. During the year, the Group achieved the sales of 270.0 million tonnes of seaborn coal (2017: 258.2 million tonnes), representing a year-on-year increase of 4.6%, among which, the sales of seaborn coal through self-owned ports amounted to 238.3 million tonnes (2017: 227.8 million tonnes), representing a year-on-year increase of 4.6%. Though affected by such factors as adverse weather and equipment maintenance and renovation, Huanghua Harbour and Shenhua Tianjin Coal Dock closely connected with the railway, shipping and sales ends, and recorded a historical high in terms of unloading and loading volume. Shenhua Zhuhai Coal Dock gave play to its role as an interchange base, with the inward volume exceeding 20 million tonnes.

By adhering to the concept of green development of the port segment, Huanghua Harbour of the Group successfully dealt with the long-existing industrial problems in the coal port dust pollution and coal-containing sewage treatment, which was fully recognised by the industry and regulatory authorities.

(2) *Operating results*

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

		2018	2017	Change %	Main reasons for changes
Revenue	RMB million	**6,124**	5,717	7.1	Increase in seaborne coal sales through self-owned ports
Cost of sales	RMB million	**3,511**	2,880	21.9	Increase in loading volume of ports; increase in dredging expenses due to adverse weather
Gross profit margin	%	**42.7**	49.6	Decreased by 6.9 percentage points	
Profit from operations	RMB million	**2,325**	2,529	(8.1)	
Profit margin from operations	%	**38.0**	44.2	Decreased by 6.2 percentage points	

The unit transportation cost in the port segment was RMB11.9/tonne in 2018 (2017: RMB10.5/tonne), representing a year-on-year increase of 13.3%, mainly due to increase in dredging fees affected by bad weather.

5. *Shipping Segment*

(1) Overview of production and operation

In 2018, though affected by such adverse factors as high frequency of extreme weather and fluctuation of transportation volume, the Group continued to strengthen dispatching management and improve shipment turnover efficiency to proactively implement the "quasi-liner shipping" system, and maximised transportation capacity by making full use of ship-shore connection and chartered vessels. During the year, the number of "quasi-liner shipping" vessels increased to 51, through which the coal supply for key customers was effectively guaranteed. The Group took proactive approach to develop external quality customers, with the purposes of improving operating results and enhancing the capability to resist shipping market risks. The shipping volume for transportation service offered to external customers throughout the year accounted for approximately 22.9% of the total shipping volume.

Shipping volume of the shipping segment amounted to 103.6 million tonnes (2017: 93.0 million tonnes), up 11.4% year-on-year; shipment turnover amounted to 89.9 billion tonnes nautical miles (2017: 80.4 billion tonnes nautical miles), representing a year-on-year increase of 11.8%.

(2) Operating results

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

		2018	2017	Change %	Main reasons for changes
Revenue	RMB million	**4,089**	3,247	25.9	Rise in shipping price and increase in shipment turnover
Cost of sales	RMB million	**3,232**	2,472	30.7	Increase in shipping volume; rise in chartering costs as a result of the increase in chartering freight volume; and rise in fuel prices
Gross profit margin	%	**21.0**	23.9	Decreased by 2.9 percentage points	
Profit from operations	RMB million	**723**	661	9.4	
Profit margin from operations	%	**17.7**	20.4	Decreased by 2.7 percentage points	

In 2018, the unit transportation cost of the shipping segment was RMB0.036/tonne nautical mile (2017: RMB0.031/tonne nautical mile), representing a year-on-year growth of 16.1%, caused by the increase of chartering costs and fuel prices.

6. *Coal Chemical Segment*

(1) *Overview of production and operations*

The coal chemical segment of the Group comprises the coal-to-olefins project which was operated by Baotou Coal Chemical Company. 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 other minor byproducts include industrial sulfur, mixed C5, industrial propane, mixed C4, industrial methanol, etc.. The methanol-to-olefins ("MTO") equipment of the coal-to-olefins project was the first large-scale MTO equipment in China.

In 2018, the production equipment of the coal-to-olefins project had maintained safe, stable and high-capacity operation for 8,164 hours, with the average production capacity reaching 100%, and produced 617,400 tonnes of olefins products in aggregate. The project continued to improve production process to reduce the unit consumption of catalysts, and therefore achieved cost reduction and efficiency improvement.

In 2018, the coal chemical segment consumed 4.1 million tonnes of coal, down by 6.8% from 4.4 million tonnes in the previous year. Fuel coal and feed coal used in the production of the Baotou coal-to-olefins project are all supplied by the Group. Both coal and products transportation use special railway lines to ensure the supply of raw materials and the delivery of products.

The sales of polyethylene and polypropylene products of the Group in 2018 is as follows:

	2018		2017		Change	
	Sales volume	**Price**	Sales volume	Price	Sales volume	Price
	Thousand tonnes	***RMB/ tonne***	*Thousand tonnes*	*RMB/ tonne*	*%*	*%*
Polyethylene	**315.4**	**7,442**	324.6	7,373	(2.8)	0.9
Polypropylene	**297.7**	**7,327**	308.8	6,429	(3.6)	14.0

In 2018, Baotou Coal Chemical Company's environmental protection investment was about RMB111 million, mainly for the operations of boiler denitrification, desulfurisation and dust removal facilities and wastewater treatment facilities. Upon the completion of the renovation project of wastewater treatment, the expenses used in disposal of hazardous wastes in the mud-containing biochemical wastewater were significantly reduced. During the reporting period, the coal-to-olefin project met emission standards and there was no major environmental pollution accidents.

The preliminary environmental protection related works of the Baotou-based coal-to-olefins upgrading and demonstration project (the phase II project, being the 750,000 tonnes of coal-to-olefins equipment) was under steady progress.

(2) *Analysis of operating results*

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

		2018	2017	Change %	Main reasons for changes
Revenue	RMB million	**5,840**	5,681	2.8	Increase in the sales price of olefins products
Cost of sales	RMB million	**4,901**	4,968	(1.3)	Decrease in the production of olefin products
Gross profit margin	%	**16.1**	12.6	Increased by 3.5 percentage points	
Profit from operations	RMB million	**751**	560	34.1	
Profit margin from operations	%	**12.9**	9.9	Increased by 3.0 percentage points	

(3) Unit production cost of main products

	2018		2017		Change	
	Production volume	**Unit production cost**	Production volume	Unit production cost	Production volume	Unit production cost
	Thousand tonnes	***RMB/ tonne***	*Thousand tonnes*	*RMB/ tonne*	*%*	*%*
Polyethylene	**317.1**	**5,905**	327.1	5,861	(3.1)	0.8
Polypropylene	**300.3**	**5,759**	309.7	5,641	(3.0)	2.1

(V) Regional operation analysis

Unit: RMB million

	2018	2017
Revenue from external transactions in domestic markets	**261,330**	245,230
Revenue from external transactions in overseas markets	**2,771**	3,516
Total	**264,101**	248,746

Note: Revenue from external transactions was classified based on the locations of the recipients of services or 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 PRC. In 2018, the revenue from external transactions in domestic markets was RMB261,330 million, accounting for 99.0% of the Group's operating revenue, representing a year-on-year increase of 6.6%, which was mainly attributable to the year-on-year increase in domestic sales of coal and power. Revenue from external transactions in overseas markets decreased by 21.2% year on year, which was mainly due to the sharp decrease in coal re-export trade volume.

In 2018, in active response to the Belt and Road Initiative of the state, the Company accelerated the pace of internationalisation. The Guohua Sumsel EMM Coal-fired Power Project (Phase I) (2×150MW) in Indonesia has been under safe and stable operation for six consecutive years without unplanned operation suspension, breaking the record for the longest continuous operation of double generators in Indonesia. In 2018, the project obtained a number of awards, including the "Best Power Enterprise of the Year (with the capacity above 200MW)" of Indonesian power generation industry; the Jawa-7 Coal-fired Power Project (2×1,050MW) was in steady progress, and has obtained an official approval issued by the Ministry of Finance of Indonesia for income tax concession and exemption; all 29 gas wells of the shale gas project in Pennsylvania, the United States were put into operation, and produced a total of 10.863 billion cubic feet (equivalent to 308 million m3) of China Shenhua's equity gas during the year, showing satisfactory operating performance; and the Watermark Open-pit Coal Mine Project in Australia has completed preliminary design and renewal of exploration right. Other external projects are in progress under the principle of stability and prudence.

(VI) Analysis on Investments

The equity investments of the Company in 2018 amounted to RMB2.049 billion (2017: RMB9.780 billion), representing a year-on-year decrease of 79.0%. Equity investments are mainly used for capital increase in Mengxi-Huazhong Railway Company Limited, Jawa Company and Liuzhou Power.

For information on the principal business of major subsidiaries of the Company and the percentages of equity interest held by the Company, please refer to "46. Investment in Subsidiaries" to the Notes to the Financial Statements of this report.

1. Material investment in equity interest

A joint venture company was established with the equities and assets of the relevant coal-fired power generation companies separately contributed by the Company and GD Power. For transaction details of which, please refer to the paragraph headed "Subsequent Event" in this section.

2. Material investment in non-equity interest

☐ Applicable ✔ Not applicable

3. *Financial assets/liabilities at fair value*

As at the end of the reporting period, the financial assets at fair value through profit or loss of the Group were banks' wealth management products due within one year of the Company, interbank certificates of deposit of Shenhua Finance Company, and the derivative financial instruments of Shenhua Finance Lease Company to hedge against the U.S. dollar-denominated liabilities. By the end of 2018, the fair value of derivative financial instruments amounted to RMB5 million.

As at the end of the reporting period, the financial assets at fair value through other comprehensive income of the Group were the non-tradable equity investments amounting to RMB811 million held by the Group that have no significant impact on the investee. In 2018, the changes in fair value of other investments in equity instruments before income tax amounted to RMB66 million.

Details regarding the amounts of and changes in the financial assets/ liabilities at fair value of the Group in 2018 are as follows:

Unit: RMB million

Name of items	Opening balance at the beginning of the period	**Closing balance at the end of the period**	Change for the current period	Change of Profit for the current period
Banks' wealth management products	0	**30,000**	30,000	21
Interbank certificates of deposit	0	**2,447**	2,447	12
Derivative financial (liabilities) assets	(12)	**5**	17	17
Derivative financial assets [note]	56	**0**	(56)	(2)
Other investments in equity instruments	749	**811**	62	0
Entrusted wealth management products	52	**0**	(52)	0
Brokers' wealth management products	105	**0**	(105)	6

Note: It represents the thermal coal futures completed by the Group in January 2018.

(VII) Disposal of material assets and equity interest

☐ Applicable ✔ Not applicable

(VIII) Analysis on major holding and associated companies

1. Major subsidiaries

Unit: RMB million

No.	Company	Registered capital	Total assets	Net assets	Net profit attributable to the equity holders of the parent company			
		As at 31 December 2018			2018	2017	Change %	Main reasons for changes
1	Shendong Coal Group	**4,989**	**37,516**	**24,945**	**15,397**	15,587	(1.2)	
2	Shuohuang Railway Company	**5,880**	**42,270**	**35,544**	**7,492**	7,596	(1.4)	
3	Jinjie Energy	**2,278**	**10,402**	**8,624**	**3,241**	3,014	7.5	
4	Zhunge'er Energy Company	**7,102**	**38,451**	**30,942**	**3,146**	3,283	(4.2)	
5	Shenhua Trading Group	**1,889**	**18,852**	**9,288**	**2,850**	1,772	60.8	Increase in the sales and gross profit margin of purchased coal
6	Shenbao Energy Company	**1,169**	**7,608**	**4,784**	**1,274**	936	36.1	Increase in coal sales price
7	Huanghua Harbour Administration Company	**6,790**	**15,136**	**9,962**	**1,213**	1,513	(19.8)	
8	Baotou Energy Company	**2,633**	**6,088**	**5,052**	**1,165**	742	57.0	Increase in coal sales volume
9	Railway Transportation Company	**4,803**	**21,993**	**7,390**	**965**	1,079	(10.6)	
10	Shenhua Finance Company	**5,000**	**95,823**	**9,032**	**947**	858	10.4	

Note: (1) The financial information of the major subsidiaries disclosed in the above table (without assessment and adjustment before consolidation) was prepared in accordance with the Accounting Standards for Business Enterprises. The data have not been audited or reviewed.

(2) Shendong Coal Group recorded a revenue of RMB59,714 million and a profit from operations of RMB18,277 million in 2018.

(3) Shuohuang Railway Company recorded a revenue of RMB19,748 million and a profit from operations of RMB10,095 million in 2018.

(IX) Subsequent Events

1. As approved at the ninth meeting of the fourth session of the Board and the first extraordinary general meeting of 2018, a joint venture company was established with the equities and assets (the "Subject Assets") of the relevant coal-fired power generation companies separately contributed by the Company and GD Power (the "Transaction"). On 3 January 2019, the joint venture company has completed registration at Xicheng Bureau of Beijing Administration for Industry and Commerce and has obtained business license. For details, please refer to the H share announcement of the Company dated 4 January 2019 and the A share announcement of the Company dated 5 January 2019.

   Pursuant to the Agreement on Establishment of the Joint Venture Company by way of Assets Reorganizations entered into between China Shenhua Energy Company Limited and GD Power Development Co., Ltd., the Completion Date is the last day of the month in which the completion date of commercial and industrial registration of the joint venture company falls, i.e. 31 January 2019. From the Completion Date, the joint venture company assumes the corresponding rights and the liabilities of the Subject Assets. For details, please refer to the H share announcement of the Company dated 31 January 2019 and the A share announcement of the Company dated 1 February 2019, as well as "12. Events after the Reporting Period" to the Notes to the Financial Statements of this report.

2. On 30 January 2019, the Company received a confirmation document on the share transfer registration from China Securities Depository and Clearing Corporation Limited forwarded on by China Energy confirming that the transfer registration of the state-owned shares has been completed. After this transfer for nil consideration, China Energy Group holds 13,812,709,196 A shares, representing approximately 69.45% of the share capital of the Company; Beijing Chengtong Financial Control Investment Co., Ltd. holds 358,932,628 A shares, representing approximately 1.805% of the share capital of the Company; Guoxin Investment Co., Ltd. holds 358,932,628 A shares, representing approximately 1.805% of the share capital of the Company. For details, please refer to the H share announcement of the Company dated 30 January 2019 and the A share announcement of the Company dated 31 January 2019.

IV DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY[1]

(I) Competition and Development Trend in the Industry

1. Macro economy

In 2018, China faced a complicated and challenging domestic and international situation in development which was rarely seen in many years, and there were new economic downward pressure. The Chinese people of all ethnic groups, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, forged ahead and overcame difficulties, having accomplished main targets for economic and social development of the year. The operation of domestic economy was kept within a reasonable interval and economic structure was further improved. In 2018, the GDP increased by 6.6% year on year, the CPI increased by 2.1% year on year, and the PPI increased by 3.5% year on year.

In 2019, despite a more complex and severe development environment, China is still at the period for strategic opportunities with sufficient perseverance, great potential and continuous innovation. The long-term upward trend of the Chinese economy is expected to remain unchanged. Adhering to the general work tone of "seeking progress while maintaining stability", focusing on new concepts for development and sticking to the promotion of high-quality development, Chinese government will comprehensively push forward various works and keep the operation of China economy within a reasonable interval. The GDP growth will be around 6%–6.5%, and the rise in the CPI will be controlled at approximately 3%.

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

2. *Market environment of the coal industry*

(1) *Thermal coal market in the PRC*

Review of 2018

In 2018, the domestic coal market generally showed the characteristics of neither slack in weak season nor booming in peak season. As of 31 December 2018, the Bohai Bay Thermal Coal Price Index (5,500 kcal) was RMB569/tonne, and the annual average price was RMB571/tonne, down 2.4% over the same period of last year. Affected by policies, expectation, seasonality and other factors, the spot price fluctuated widely within the interval of RMB570–770/tonne.

	2018	Year-on-year change %
Raw coal output *(million tonnes)*[1]	**3,680**	4.5
Coal import *(million tonnes)*	**281.2**	3.9
Coal transportation by railway *(million tonnes)*	**23.8**	10.4

In respect of the supply side, with the continuous improvement of policies such as the replacement of coal production capacity, the high-quality production capacity has been continuously released, and the production of raw coal has gradually recovered. The raw coal production in 2018 was 3.68 billion tonnes, representing a year-on-year increase of 4.5%, among which, the raw coal production of Inner Mongolia was 930 million tonnes, representing a year-on-year increase of 8.7%; the raw coal production of Shanxi was 890 million tonnes, representing a year-on-year increase of 3.7%; and the raw coal production of Shaanxi was 620 million tonnes, representing a year-on-year increase of 13.4%.

The import volume of coal continued to grow, and the total import volume of coal throughout the year amounted to 280 million tonnes, representing a year-on-year increase of 3.9%, demonstrating a slight decline over 2017.

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1 Source of data: Statistical Communiqué on the 2018 National Economic and Social Development by the National Bureau of Statistics of China.

In respect of the demand side, total consumption of coal increased by 1%, continuing the positive growth since 2017, and was concentrated in the power and chemical industries, showing a trend of stable quantity and structural optimization. The coal consumption in the power and chemical industries recorded significant increase, the coal consumption in the steel and building materials industries recorded steady increase, and the coal consumption in other industries and residents has continued to decrease. The coastal coal supply channel was smoother, the Daqin line and the Shuohuang line were operating at a high level, and the capacity of Mengji line continued to be released. The coal transportation volume through railways in China was 2,380 million tonnes, representing a year on year increase of 10.4%. The volume of coal shipment through major ports in China was 748 million tonnes, representing a year-on-year increase of 3.0%. Mid-stream and downstream were eager to hold inventory, while the annual inventory of northern ports, southern ports and key power plants has increased significantly.

Prospects for 2019

In 2019, despite a more complex and severe economic development environment in China, it is expected that the economy in China will continue to operate within a reasonable interval, providing energy consumption with certain support. The energy consumption of non-fossil energy in the overall society is growing rapidly. The coal consumption is expected to be basically stable. In 2019, the coal production capacity will continue to be released, while affected by the increasingly stringent safety and environmental protection inspections, the coal production growth is expected to be limited in 2019.

The import volume of coal will be basically stable in 2019 over the previous year.

Overall, the supply and demand of coal are expected to be balanced in 2019. However, subject to uncertainties, including resource conditions and transportation constraints, there may be structural tight or loose supply in some periods and regions.

(2) *Thermal coal market in the Asia Pacific region*

Review of 2018

The global energy structure adjustment continued to be pushed ahead, and non-fossil energy maintained a rapid growth. Coal production and consumption in Western Europe and the United States continued to decline, and the focus of coal trade continued to tilt towards the Asia-Pacific region.

In 2018, coal imports of Japan, South Korea and Taiwan in East Asia remained basically stable, while the coal consumption along the "Belt and Road" countries, especially in Southeast Asia and South Asia, has increased significantly. Coal imports volume of India, Thailand, Vietnam and other countries have grown by more than two digits. In 2018, the global coal supply saw an increase, and exporting countries continued to be focused on Indonesia, Australia, and Russia. Among them, Indonesia exported 540 million tonnes of coal, up 10.5% year on year, the coal export of Russia increased by 3.4%, and the coal export of Australia increased by 2.6%.

The international coal price featured a seasonal change with supply and demand relations, and was higher than that of last year. As of 31 December, the spot price of Newcastle NEWC steam coal decrease from USD104.94/tonne early the year to USD101.38/tonne, with the annual average price increasing by 21.3% year on year.

Prospects for 2019

In 2019, affected by various factors such as changes in the world economic structure, trade friction, and global response to climate change, the downward pressure on the world coal market will increase. In particular, the coal production and sales are expected to further shrink in Europe and the United States. At the same time, developing countries in Asia will continue to be the mainstay of new coal demand due to their economic and technological conditions, providing support for global coal demand and prices.

In 2019, due to the reduction of low-cost resources of Indonesian coal and the increase in domestic consumption, the export volume will decline slightly. The export volume of Russia, Mongolia and other countries will increase, and the supply of Australia will remain stable. In 2019, it is expected that the global coal market will show a balance in supply and demand. Thermal coal price will fluctuate with seasonal changes.

3. *Market environment of the power industry*

Review of 2018

In 2018, the power industry in the PRC featured a sufficient supply and demand. The total electricity consumption was 6,844.9 billion kWh, representing a year-on-year increase of 8.5%, and increasing by 1.9 percentage points as compared with that of last year. Among them, the electricity consumption in the first industry, secondary industry and third industry increased by 9.8%, 7.2% and 12.7% year on year, respectively, and the electricity consumption in urban and rural residents increased by 10.4% year on year.

The power generation in the PRC maintained at a relatively high level, representing a year on year increase of 8.4%, and increasing by 1.8 percentage points. Thermal power generated 4,923.1 billion kWh, representing a year on year increase of 7.3% and accounting for 70.4% of the power generation in the PRC. Power generation of hydropower increased by 3.2% year on year, accounting for 17.6% of the power generation in the PRC. Power generation of nuclear power, on-grid wind power and on-grid solar power increased by 18.6%, 20.2% and 50.8% year on year, respectively, and continued to maintain rapid growth.

In 2018, the average utilization hours of power generation equipment of power plants with capacity of 6,000 kW and above in the PRC was 3,862 hours, increasing by 73 hours year on year. Among them, the average utilization time of thermal power equipment was 4,361 hours, increasing by 143 hours year on year. The average utilization time of hydropower equipment was 3,613 hours, increasing by 16 hours year on year.

The power supply in the PRC is sufficient. The installed capacity of thermal power generation decreased in market share, while the installed capacity of non-fossil-fuel power generation increased rapidly. By the end of 2018, the installed capacity of power plants was 1.90 billion kW in China, increasing by 6.5% as compared to that at the beginning of the period. The installed capacity of thermal power was 1.14 billion kW (including 1.01 billion kW of coal-fired, 83.3 million kW of gas-fired), accounting for 60.2% of the total installed capacity, and decreasing by 2 percentage points from the end of 2017. In 2018, the newly added installed capacity was 124.39 million kW, including 8.54 million kW of hydropower, 41.19 million kW of thermal power, 8.84 million kW of nuclear power, 21 million kW of on-grid wind power, and 44.73 million kW of on-grid solar power.

Prospects for 2019

Taking such factors as the macroeconomic situation, electricity consumption and the replacement of electric energy in service industries and urban residents into consideration, it is expected that the power consumption in the PRC will increase slightly in 2019, but alternative energy sources such as natural gas, nuclear power, photovoltaics and wind power will continue to maintain rapid growth, affecting the growth space for thermal power generation. With the continuous deepening of reform of the power system, opening up of market, and the innovation and diversification of trading methods, the total trading volume of power continues to grow, and the downward pressure on electricity prices still exists.

(II) Business Targets for 2019

Item	Unit	Target of 2019 note	Actual amount in 2018	Increase/ (decrease) %
Commercial coal production	100 million tonnes	**2.9**	2.966	(2.2)
Coal sales	100 million tonnes	**4.27**	4.609	(7.4)
Power output dispatch	100 million kWh	**1,431**	2,675.9	(46.5)
Revenue	RMB100 million	**2,212**	2,641.01	(16.2)
Cost of sales	RMB100 million	**1,441**	1,736.77	(17.0)
Total selling, general and administrative expenses (including research and development costs), net finance costs	RMB100 million	**135**	149.75	(9.8)
Percentage change of unit production cost of the self-produced coal		**Year-on-year increase of no more than 5%**	Year-on-year increase of 7.6%	/

The transaction of establishing a joint venture company with the equities and assets (the "**Subject Assets**") of the relevant coal-fired power generation companies separately contributed by the Company and GD Power had been completed on 31 January 2019. Since the Completion Date, the Subject Assets contributed by the Company has ceased to be included in the consolidated financial statement of the Company. Therefore, the relevant data on such assets will not be included in the business objectives of the Group for 2019.

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

The explanation of conditions under which the Company's profit attributable to equity holders of the Company in the first quarter of 2019 is expected to reach a year-on-year change of 50% or above:

☐ Applicable ✔ Not applicable

(III) Capital expenditure plan for 2019

Unit: RMB100 million

	Target of 2019	Actual amount in 2018
1. Coal segment	**60.7**	51.3
2. Power segment	**91.2**	129.2
3. Transportation segments	**107.8**	48.8
Of which: Railway	**95.5**	37.4
Port	**11.4**	11.3
Shipping	**0.9**	0.1
4. Coal chemical segment	**11.6**	0.7
5. Others	**0**	2.1
Total	**271.3**	232.1

Note: The relevant data on the power plants of the Company to establish a joint venture company with GD Power is not included in the capital expenditures plans for 2019.

Total capital expenditure of 2018 amounted to RMB23.21 billion, which were mainly used for coal-fired power plants, Huangda Railway construction and mining equipment purchase.

Based on the principles of strict control of investment and focusing on quality and efficiency, the Board of the Company approved a total planned capital expenditure of 2019 of RMB27.13 billion (excluding equity acquisition). In terms of the capital expenditure on the coal segment, approximately RMB2.45 billion will be used for infrastructure, such as coal mine projects, construction of concentrated transportation stations and equipment purchase, and approximately RMB3.28 billion will be used for technological transformation. In terms of the capital expenditure on the railway segment, approximately RMB6.76 billion will be used for infrastructure, such as the construction of Huangda Railway, 300 million-tonne production capacity expansion project of Shenshuo Railway and equipment purchase, and approximately RMB2.64 billion will be used for technological transformation. In terms of the capital expenditure on the power segment, approximately RMB7.43 billion will be used for infrastructure, such as project construction, and approximately RMB1.64 billion will be used for technological transformation.

The capital expenditure plans of the Group in 2019 are subject to the development of business plans (including potential acquisitions), progress of capital projects, market conditions, outlook for future operation environment and the obtaining of the requisite permissions and approval documents. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, and other debt and equity financing.

(IV) Major risks faced and countermeasures

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

1. Risk of macroeconomic fluctuations

The industry in which the Group operates is closely correlated to the prosperity of the macro economy. Currently, with complex and severe external environment, there have been economic downward pressure and increased pressure on economic structure adjustment. The state will further push forward the supply-side reform of the coal industry, and proactively phase out backward production capacity in the coal industry with premium production capacity, so as to achieve the replacement of old drivers of growth with new ones. The reform and innovation in the energy sector will have a significant impact on the Group's development strategy.

To cope with the risk of macroeconomic fluctuations, the Group will further strengthen the studies on macro-control policy and relevant industrial trends, take the initiative to make pre-adjustment, promote high-quality development by taking the supply-side structural reforms as paramount, make great efforts to push scientific innovation and progress, and continue to implement strategies of green energy.

2. Risk of market competition

In 2018, the domestic coal market featured with stable supply and demand, steady increase in utilisation rate of coal production capacity, and the increase in effective production capacity of coal. In 2019, the coal market is expected to maintain a generally balanced supply and demand. The total power consumption in 2018 was 6.8 trillion kWh, representing a year-on-year increase of 8.5%. It is estimated that the future power market will feature with overall supply-demand balance, and the proportion of planned power generation will decrease year by year, which indicate that market competition will intensify. The state has increased the construction of cross-provincial coal transportation railway channels, and local coal transportation railways have been putting into operation or under expansion. The coal transportation capacity will be gradually released, and the transportation formats tends to be diversified.

In response to the risks of market competition, the Group will improve the accuracy of the pre-judgment to coal market, strictly implement long-term contracts, enhance quality control, develop brand advantage, and strengthen the development of new markets, maintenance of existing markets and construction of interchange bases to arrange transportation and sales in a balanced manner. It will also further conduct quality improvement and efficiency enhancement in the power industry and conduct risk pre-control, production safety and trading in the power market in accordance with laws and regulations; the Company actively participated in investment in coal flowing channels of national railways, increased the collection and distribution capacity of railways owned by the Company and kept improving the core competitiveness of transportation of the Company.

3. Risk of changes in industry policies

The Group's business activities are subject to the industrial regulatory policies in China. The supply-side structural reform of the coal industry has been pushed forward into a more difficult phase with increasing difficulty in resolving issues such as personnel settlement and liability disposal. In addition, speeding up the release of premium production capacity, optimising the transportation layout in the coal industry and ensuring coal supply have become the focuses of policy formulation in recent years. The above policies may objectively affect the approval and operation of newly-built expansion projects and the reform of the management model of the Company.

To cope with the risk of changes in industry policies, the Group will strengthen its research on the latest industry policies and regulations in the PRC and promote industrial upgrading and structural adjustment through a rational investment portfolio across the business segments, further regulating on the construction order of coal and power projects and increasing the investment in environmental protection.

4. Risk of rising costs

As the mining process proceeds further and production conditions become increasingly complicated, the Group's corporate mining cost may increase gradually. Furthermore, there is a trend of continuous rise in material and labour costs, and the increasingly stringent regulations are imposed by the state on resource acquisition and environmental protection, which may lead to an increase in the Group's costs.

To cope with the risk of rising costs, the Group will establish the value-creation concept and strengthen the strategic cost control; optimise the cost accountability system; promote the normalisation of cost benchmarking work and carry out in-depth cost reduction and efficiency promotion, so as to consolidate the Group's advantage on cost.

5. Risk of environmental protection

Given the facts that national policies on energy-saving and environmental protection have been further tightened, local standards on ultra-low emissions are even stricter than national standards, operating costs of enterprises are increased due to the levy of environmental tax, and the demand for better ecological environment puts more stringent requirements on the development and operation of enterprises, the constraints on energy-saving, carbon reduction and environmental protection are further imposed on the Group.

The Group focuses on the development strategy of clean energy. With the efficient development, use and conversion of clean coal as the core, it spares no effort in constructing ecological civilisation. The Company insists on strengthening its soft power of environmental protection and upgrading relevant facilities, as well as ensure capital investment to actively carry out the prevention and control of air and water pollution and upgrading of energy-saving and environmental protection in the Beijing-Tianjin-Hebei region and its surrounding areas. The Company is also building the brand image of ultra-low emissions in coal power on an on-going basis. It continues to identify environmental hidden dangers, further improves the environmental risk pre-control management system and strengthens the identification, remediation of potential issues and environmental emergency management in order to achieve energy-saving and emission reduction targets as well as to prevent severe environmental pollution incidents.

The management of the Group is of the view that other than those accounted for in the financial statements, there are currently no environmental liability that may have material adverse effect on the Group's financial position.

6. Risks of production safety for coal mines

The Group has established the production safety targets of "preventing serious work-related accidents and general accidents, striving to reduce cases of minor and serious injuries, creating long-term mechanism for production and work safety". Although the Group has been sustaining stable performance in safe production for its coal mines, there are uncertainties in the course of safe production.

To cope with the risks of production safety for coal mines, the Group will strengthen various areas in respect of the implementation of its safety risk prevention and control management system, inspections and treatments and assessment of significant risks, reinforcement of safety production training and emergency rescue management, innovative mechanism of safety supervision, all-round promotion of safety management ability, and consolidation of production safety fundamentals.

7. Risk of integrated operations

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

To cope with the risk of integrated operations, the Group will take an array of measures based on production safety, including, scientific scheduling and plan management, improve railway collection and distribution system, strengthen the coordination of power grid, and strengthen the operation management of production equipment, with an aim at balanced production and uninterrupted integrated operations to maximise its competitiveness.

8. Risk of international operations

Affected by multiple factors including the complex international political, economic, social and religious environments, diverse legal systems among different countries, fluctuations in exchange rates, stricter environmental protection requirements, and intensified trade conflicts among certain countries, there may be ups and downs as well as fluctuations in the future international trades and economic situations. Together with the highly competitive energy market worldwide, the uncertainties in the Group's international operations may have an impact on its overseas business.

To cope with the risk of international operations, the Group will further carry out overseas resource evaluation, operation performance evaluation and technology assessment based on sound information collection, analysis and research prior to making any decision on overseas project investment so as to ensure economic and technological feasibility. Furthermore, the Company will strengthen the cultivation and introduction of interdisciplinary talents to lay a solid cornerstone for its "Going Overseas" strategy.

9. Risk of natural disasters

The production and operation activities of the Group may suffer some losses affected by factors including natural disasters or bad weather.

In order to cope with the risks arising from natural disasters, the Group will further strengthen early warnings of major natural disasters, formulate emergency plans, improve major disaster prevention and control technologies and rescue system, allocate necessary resources and perform relevant emergency drills to ensure that the impacts of natural disasters can be minimised.

The Group carries out centralised management of commercial property insurance with ongoing review and assessment of risks and risk portfolio. Necessary and appropriate adjustments which are in line with our needs and practices of the insurance industry in China have been made to the insurance strategies and actions as safeguard against losses arising from various exposures.

PROFIT DISTRIBUTION PLAN

(I) Formulation, implementation or adjustment of cash dividend policy

In accordance with the requirements of the relevant laws and regulations and the Articles of Association, the profit distribution policy of the Company shall maintain continuity and stability and emphasize on achieving reasonable returns for investors. The Company shall give priority to profit distribution in cash dividends. The profit distribution policy of the Company complies with the Guideline on Encouragement of Cash Dividend Distribution of Listed Companies announced by the CSRC.

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

(II) Profit distribution scheme/plan

1. Profit distribution plan for the recent three years (including the reporting period)

	Dividend per 10 shares (inclusive of tax) *RMB*	Amount of cash dividend (inclusive of tax) *RMB million*	Net profit attributable to equity holders of the Company in the consolidated financial statements of the respective dividend year in accordance with Accounting Standards for Business Enterprises *RMB million*	Percentage to the net profit attributable to equity holders of the Company in the consolidated financial statements *%*
Final dividend for year 2018 (Proposed)	8.8	17,503	43,867	39.9
Final dividend for year 2017	9.1	18,100	45,037	40.2
Distribution for Special dividend in the year 2017	25.1	49,923	N/A	N/A
Final dividend for year 2016	4.6	9,149	22,712	40.3

Net profit for the year attributable to equity holders of the Company for 2018 under the Accounting Standards for Business Enterprises amounted to RMB43,867 million, with basic earnings per share of RMB2.205/share; profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards amounted to RMB44,137 million, with basic earnings per share of RMB2.219/share. As at 31 December 2018, the retained earnings available for distribution to shareholders of the Company under the Accounting Standards for Business Enterprises amounted to RMB132,711 million.

The Board of the Company recommends the payment of a final dividend for year 2018 in cash of RMB0.88 per share (inclusive of tax) on the basis of the total share capital of 19,889,620,455 shares of the Company as at 31 December 2018, totaling RMB17,503 million (inclusive of tax), which represents 39.9% of the net profit for the year attributable to equity holders of the Company under the Accounting Standards for Business Enterprises and 39.7% of the profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards.

2. The above final dividend plan for year 2018 is in compliance with the requirement of the Articles of Association and endorsed by the independent directors and approved by the Board. When recommending the plan for year 2018, the Board has attended to and considered the opinions and concerns of the shareholders of the Company. The Company will hold the 2018 annual general meeting on Friday, 21 June 2019 to consider the relevant resolutions, including the above dividend plans as proposed by the Board.

3. The final dividend for year 2018, which is denominated and declared in RMB, will be paid in RMB to holders of the Company's A shares, including holders of the Company's A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as the "**Northbound Shareholders**") and holders of the Company's H shares through the Southbound Trading Link (including Shanghai and Shenzhen markets, hereinafter referred to as the "**Southbound Shareholders**"). Dividends to holders of the Company's H shares, except the Southbound Shareholders, are paid in HKD. The dividend paid in HKD is calculated according to the exchange rate based on the average benchmark rate of RMB against HKD, as published by the Bank of China five business days preceding the date of declaration of such dividend.

In accordance with the preliminary arrangement of profit distribution plan for year 2018 and annual general meeting of the Company, the final dividend for year 2018 for the Company's H shareholders are estimated to be distributed on or about 9 August 2019. H shareholders are advised to claim the dividends distributed by the Company in time.

4. Pursuant to the Articles of Association:

(1) After the Shanghai Stock Exchange is closed in the afternoon on Wednesday, 22 May 2019, the shareholders of A shares of the Company (including the Northbound Shareholders) and the proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2018 annual general meeting of the Company;

(2) According to the relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement in respect of the distribution of final dividend for year 2018 to holders of A shares (including the Northbound Shareholders) after the 2018 annual general meeting to determine the record date, ex-rights date and dividend distribution date for the distribution of final dividend for year 2018 to holders of A shares.

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

		Temporary closure of the register of members			
No.	**Corresponding Rights**	**First Day (inclusive)**	**Last Day (inclusive)**	**The last day for registering members**	**The Company's share registrar for H shares**
1	Attending and voting at the 2018 annual general meeting	22 May 2019 (Wednesday)	21 June 2019 (Friday)	21 May 2019 (Tuesday) 4:30 p.m.	Computershare Hong Kong Investor Services Limited
2	Entitled to the final dividend for year 2018	29 June 2019 (Saturday)	5 July 2019 (Friday)	28 June 2019 (Friday) 4:30 p.m.	Computershare Hong Kong Investor Services Limited

6. In accordance with the Enterprise Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends. The Company shall withhold and pay enterprise income tax in respect of the final dividend for year 2018 of the Company for the non-resident enterprise shareholders whose name would appear on the register of members for H shares of the Company on 5 July 2019.

7. According to Guo Shui Han 2011 No. 348 issued by the State Administration of Taxation, the Company shall withhold and pay individual income tax for dividend payable to the individual shareholders of H shares. The individual shareholders of H shares are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements entered into between their countries of residence and China or the tax arrangements between mainland China and Hong Kong (Macau).

If the individual shareholders of the H shares who are Hong Kong or Macau residents or residents of the countries which have an agreed tax rate of 10% with China, the Company shall withhold individual income tax at a rate of 10%. If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of less than 10% with China, the Company shall withhold individual income tax on behalf of them in accordance with relevant provisions required by the Announcement of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-resident Taxpayers under Tax Treaties (No. 60 Announcement of the State Administration of Taxation in 2015). If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of over 10% but less than 20% with China, the Company shall withhold the individual income tax at the agreed actual rate. In case the individual shareholders of the H shares are residents of countries which have not entered into any tax agreement with China, or the agreed tax rate with China is 20% or otherwise, the Company shall withhold the individual income tax at a rate of 20%.

The Company shall use the registered address (hereinafter referred to as "registered address") as recorded in the register of members of H shares on 5 July 2019 as the criterion in determining the residence of the individual shareholders of H shares who are entitled to receive the final dividend for year 2018 of the Company, and withhold and pay individual income tax accordingly. If the residence of the individual shareholders of H shares is inconsistent with the registered address, such shareholders shall notify the Company's share registrar for H shares at or before 4:30 p.m. on 28 June 2019 with the relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

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

According to the relevant provisions under the "Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme" (Cai Shui 2014 No. 81) and the "Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme" (Cai Shui 2016 No. 127), the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by Mainland individual investors for investing in H-shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. The Company is not required to withhold income tax on dividends derived by Mainland enterprise investors, and such enterprises shall report the income and make tax payment by themselves. The record date and the relevant arrangements of dividend distribution for Southbound Shareholders are the same as that of the Company's shareholders of H shares.

9. The Company assumes no responsibility arising from any delayed or inaccurate determination of the status of the shareholders or any dispute over the mechanism of withholding. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the Company's H shares.

CORPORATE GOVERNANCE

The Company has been in compliance with the requirements of corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules to establish its own system of corporate governance. During the year ended 31 December 2018, the Company has been in full compliance with the provisions of principle and codes and most of the recommended best practices as specified therein.

Performance of Board Committees during the Reporting Period

(I) Composition of the committees

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

The fourth session of the Board committees

Strategy Committee	Ling Wen (Chairman), Peng Suping (Vice Chairman), Gao Song, Zhao Jibin
Audit Committee	Zhong Yingjie, Christina (Chairwoman), Tam Wai Chu, Maria, Jiang Bo
Remuneration Committee	Tam Wai Chu, Maria (Chairwoman), Jiang Bo, Zhong Yingjie, Christina
Nomination Committee	Jiang Bo (Chairwoman), Huang Ming, Zhao Jibin
Safety, Health and Environment Committee	Zhao Jibin (Chairman), Li Dong, Mi Shuhua, Tam Wai Chu, Maria, Zhong Yingjie, Christina

Notes: 1. On 15 May 2018, Han Jianguo resigned as Director of the Company and members of Strategy Committee and Nomination Committee.

2. On 27 April 2018, four Directors of the fourth session of the Board were elected at the 2018 first extraordinary general meeting of the Company, namely executive Directors Gao Song and Mi Shuhua, and independent non-executive Directors Peng Suping and Huang Ming.

3. On 24 August 2018, the Company resolved to appoint Peng Suping as Vice Chairman of the Strategy Committee, Gao Song as member of the Strategy Committee under the Board, Huang Ming as member of the Nomination Committee, and Mi Shuhua as member of the Safety, Health and Environment Committee at the 12th meeting of the fourth session of the Board.

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

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

1. Strategy Committee

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

In 2018, the Strategy Committee of the Board held two meetings to consider proposals such as the Asset Transfer Agreement entered into with Shenhua Shendong Power Co., Ltd., a wholly-owned subsidiary, establishment of a joint venture company, supplemental agreement to non-competition agreement and the special plan for the first batch of equity investment project in 2018, all of which were approved at the meetings and all members attended all meetings in person.

2. Audit Committee

The main duties of the Audit Committee were to supervise and assess the work of the external audit institutions; to guide the internal audit work; to review and provide opinions on the financial reports of the Company; to evaluate the effectiveness of risk management and internal control; to coordinate communications between the management, internal audit department, relevant departments and the external audit institutions; other duties authorized by the Board and other issues related to the relevant laws and regulations. During the reporting period, the Audit Committee fulfilled its duties strictly in accordance with the Rules of Procedure of Meetings of the Audit Committee of the Board, Rules on Work of the Audit Committee of the Board and Rules on Work of Annual Reports of the Audit Committee of the Board of China Shenhua.

In 2018, the Audit Committee held 11 meetings to consider proposals such as the financial reports and internal control reports of the Company, advising on utilizing idle funds to increase the investment gains of the Company, improving the utilization of capital and rectifying problems found in internal control assessment, all of which were approved at the meetings and all members attended all meetings in person.

The Audit Committee has performed required procedures for the preparation of the 2018 annual report and internal control report of the Company:

(1) Before the accounting firms for 2018, namely Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu ("**Deloitte**"), proceeded with on-site auditing, the Audit Committee had negotiation with Deloitte on the determination of the schedule of the Company's 2018 audit. On 17 October 2018, the Audit Committee reviewed the Company's plans for the audit plan for the year 2018 and the internal control assessment plan for the year 2018.

(2) After the issue of preliminary audit opinions by Deloitte, the Audit Committee reviewed the draft internal control assessment report and financial statements for 2018. On 13 March 2019, the Audit Committee reviewed the 2018 Assessment Report on Internal Control (Draft) and 2018 Financial Statements (Draft) of China Shenhua prepared by the Company.

(3) Deloitte completed all audit procedures within the agreed time and reported to the Audit Committee its intention to issue a standard unqualified audit report for 2018. On 18 March 2019, the Audit Committee voted on and formed resolutions in respect of the audited annual financial and accounting statements, the assessment report on internal control and the social responsibility report for the year 2018 and agreed to submit such reports to the Board for consideration.

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

3. Remuneration Committee

The main duties of the Remuneration Committee are to make recommendations to the Board on formulation of the remuneration plan or proposal for Directors, supervisors, President and other senior management, including but not limited to the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; to examine how Directors, supervisors, President and other senior management of the Company perform their duties and carry out annual performance assessment on them; to supervise the implementation of the remuneration system of the Company; to ensure that none of the Directors or any of their associates can determine their own remuneration; and to execute other matters as authorized by the Board.

In 2018, the Remuneration Committee held three meetings to consider proposals including the remuneration packages of Directors, supervisors and senior management for the year 2017 and the proposed value of the assessment indicators for the 2018 operating results of the Company management, all of which were approved at the meeting and all members attended the meetings in person or by phone. During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for Directors, supervisors, President and other senior management for the relevant period.

The Remuneration Committee is of the view that the Company has a well-established remuneration management system which reflects the economic benefit-oriented philosophy of a listed company and political, social and economic responsibility of a state-owned enterprise. The Remuneration Committee agrees to the remuneration management systems of the Company.

4. *Nomination Committee*

The main duties of the Nomination Committee are to formulate the board diversity policy, regularly review the structure, size and diversity of the Board, and to make recommendations to the Board with regard to any proposed changes; to assess and verify the independence of independent non-Executive Directors; to draft procedures and criteria for election and appointment of Directors, the President and other senior management and make recommendations to the Board; to extensively seek for qualified candidates of Directors, the President and other senior management; to examine the aforementioned candidates and make recommendations; to nominate candidates for members of the Board Committees (other than members of the Nomination Committee and the Chairman of any Board Committee); to draft development plans for the President, other senior management and key reserve talents; to review the board diversity policy where appropriate, and review the quantitative objectives set up by the Board to implement the board diversity policy and their progress of achievement, as well as to disclose the results of review in the Corporate Governance Report annually; and to carry out any other matters as authorized by the Board.

In 2018, the Nomination Committee held five meetings to consider proposals including the nominations of candidates for President, Vice President, Directors of the fourth session of the Board and members of relevant committees under the fourth session of Board, all of which were approved at the meetings and all members attended all meetings in person.

5. *Safety, Health and Environment Committee*

The principal duties of the Safety, Health and Environment Committee are to supervise the implementation of health, safety and environmental protection plans of the Company; to make recommendations to the Board or the President on material issues in respect of health, safety and environmental protection of the Company; to inquire into the material incidents regarding the Company's production, operations, property assets, staff or other facilities; as well as to review and supervise the resolution of such incidents and carry out other matters as authorized by the Board.

In 2018, the Safety, Health and Environment Committee held one meeting to consider and approved the 2017 CSR Report, and all members attended the meeting in person.

OTHERS

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

ANNUAL REPORT

The 2018 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2018 annual report, which contains consolidated financial statements for the year ended 31 December 2018, with an unqualified auditors' report, will be despatched to shareholders as well as made available on the Company's website at http://www.csec.com.

DEFINITIONS

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

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy/ Shenhua Group Corporation	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), the new name of Shenhua Group Corporation Limited (神華集團有限責任公司)
China Energy Group/ Shenhua Group	China Energy and its subsidiaries (excluding the Group)
GD Power	GD Power Development Co., Ltd.
Shendong Coal Group	Shenhua Shendong Coal Group Co., Ltd.
Shendong Power Company	Shenhua Shendong Power Co., Ltd.
Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.
Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
Shenhua Trading Group	Shenhua Trading Group Limited
Huanghua Harbour Administration Company	Shenhua Huanghua Harbour Administration Co., Ltd.
Railway Transportation Company	Shenhua Railway Transportation Co., Ltd.
Baotou Energy Company	Shenhua Baotou Energy Co., Ltd.
Baotou Coal Chemical Company	Shenhua Baotou Coal Chemical Co., Ltd.

Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.
Shenhua Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
Shenwan Energy	Shenwan Energy Company Limited
Fujian Energy	Shenhua Fujian Energy Co., Ltd.
Shenhua Finance Company	Shenhua Finance Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power	Sanhe Power Co., Ltd.
Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy Company
Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
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.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.

Guohua Hulunbei'er Power	Inner Mongolia Guohua Hulunbei'er Power Generation Co., Ltd.
Taicang Power	Guohua Taicang Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of China Shenhua
Ningdong Power	Ningxia Guohua Ningdong Power Generation Co., Ltd.
Xuzhou Power	Guohua Xuzhou Power Generation Company Limited
Zhoushan Power	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.
Beijing Gas-fired Power	Shenhua 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.
Guohua Ningdong	Shenhua Ningxia Guohua Ningdong Power Generation Co., Ltd.
Fuping Thermal Power	Fuping Thermal Power Plant of Shenhua Shendong Power Co., Ltd.
Lujiang Power Plant	Shenwan Hefei Lujiang Power Generation Co., Ltd.

Jawa Company	Shenhua Guohua (Indonesia) Jawa Power Generation Co., Ltd.
Shenhua Finance Lease Company	Shenhua (Tianjin) Finance Lease Co., Ltd.
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
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 year + net finance costs + Income tax + Depreciation and amortization - Share of results of associates
Gearing ratio	total liabilities/total assets
Total debt to total debt and total equity ratio	Long term interest bearing debt + Short term interest bearing debt (including Notes payable)/Long term interest bearing debt + Short term interest bearing debt (including Notes payable) + Total equity
Shanghai-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between Shanghai Stock Exchange and Hong Kong Stock Exchange

Shenzhen-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between Shenzhen Stock Exchange and Hong Kong Stock Exchange
RMB	Renminbi unless otherwise specified

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

Beijing, 22 March 2019

As at the date of this announcement, the Board comprises the following: Dr. Ling Wen, Dr. Li Dong, Mr. Gao Song and Mr. Mi Shuhua as executive directors, Mr. Zhao Jibin as non-executive director, and Dr. Tam Wai Chu, Maria, Dr. Peng Suping, Dr. Jiang Bo, Ms. Zhong Yingjie, Christina and Dr. Huang Ming as independent non-executive directors.