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 2019

FINANCIAL HIGHLIGHTS

- Revenue of the Group in 2019 were RMB241,871 million, representing a decrease of RMB22,230 million or 8.4% over 2018.
- Profit for the year attributable to equity holders of the Company in 2019 was RMB41,707 million, representing a decrease of RMB2,430 million or 5.5% over 2018.
- Basic earnings per share was RMB2.097.
- The Board recommend the payment of: a final dividend in cash of RMB1.26 per share (tax inclusive) or RMB25,061 million (tax inclusive) for the year of 2019.

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 2019 and reported our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2019 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 2019
(Expressed in Renminbi ("RMB"))

		Year ended 31 December	
	Notes	**2019**	2018*(Note)*
		RMB million	*RMB million*
Revenue			
Goods and services	4	**241,871**	264,101
Cost of sales	6	**(164,979)**	(173,677)
Gross profit		**76,892**	90,424
Selling expenses		**(640)**	(725)
General and administrative expenses		**(8,988)**	(9,854)
Research and development costs		**(940)**	(454)
Other gains and losses	9	**(2)**	(2,844)
Other income		**708**	744
Loss allowances, net of reversal	9	**(139)**	(152)
Other expenses		**(278)**	(3,504)
Interest income	7	**1,170**	1,479
Finance costs	7	**(3,294)**	(5,421)
Share of results of associates		**433**	448
Profit before income tax		**64,922**	70,141
Income tax expense	8	**(15,145)**	(15,977)
Profit for the year	9	**49,777**	54,164

	Notes	Year ended 31 December **2019** ***RMB million***	 2018*(Note)* *RMB million*
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss, net of income tax:			
Remeasurement of defined benefit obligations		**37**	(30)
Fair value changes on investments in equity instruments at fair value through other comprehensive income		**2**	66
Share of other comprehensive income of associates		**4**	–
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Exchange differences		**55**	120
Share of other comprehensive income of associates		**1**	13
Other comprehensive income for the year, net of income tax		**99**	169
Total comprehensive income for the year		**49,876**	54,333
Profit for the year attributable to:			
Equity holders of the Company		**41,707**	44,137
Non-controlling interests		**8,070**	10,027
		49,777	54,164
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**41,795**	44,262
Non-controlling interests		**8,081**	10,071
		49,876	54,333
Earnings per share			
– Basic *(RMB)*	11	**2.097**	2.219

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	**31 December 2019** **RMB million**	31 December 2018 *(Note)* RMB million
Non-current assets			
Property, plant and equipment		**245,993**	257,349
Construction in progress		**34,495**	36,585
Exploration and evaluation assets		**484**	951
Intangible assets		**3,648**	3,623
Right-of-use assets		**18,690**	–
Interests in associates		**40,539**	10,047
Equity instruments at fair value through other comprehensive income		**1,789**	811
Other non-current assets		**54,006**	29,456
Lease prepayments		**–**	16,425
Deferred tax assets		**2,945**	3,083
Total non-current assets		**402,589**	358,330
Current assets			
Inventories		**12,053**	9,967
Accounts and bills receivables	12	**10,436**	13,055
Prepaid expenses and other current assets		**86,524**	54,702
Restricted bank deposits		**7,664**	8,607
Time deposits with original maturity over three months		**1,990**	1,735
Cash and cash equivalents		**41,827**	61,863
Assets classified as held for sale		**–**	83,367
Total current assets		**160,494**	233,296

	Notes	**31 December 2019** *RMB million*	31 December 2018 *(Note)* *RMB million*
Current liabilities			
Borrowings		**4,172**	5,772
Accounts and bills payables	13	**25,043**	26,884
Accrued expenses and other payables		**53,578**	52,737
Current portion of bonds		**3,488**	–
Current portion of lease liabilities		**198**	–
Current portion of long-term liabilities		**1,493**	457
Income tax payable		**2,727**	4,213
Contract liabilities		**4,784**	3,404
Liabilities associated with assets classified as held for sale		**–**	29,914
Total current liabilities		**95,483**	123,381
Net current assets		**65,011**	109,915
Total assets less current liabilities		**467,600**	468,245
Non-current liabilities			
Borrowings		**36,943**	46,765
Bonds		**3,460**	6,823
Long-term liabilities		**2,201**	2,092
Accrued reclamation obligations		**3,372**	3,191
Deferred tax liabilities		**783**	537
Lease liabilities		**623**	–
Total non-current liabilities		**47,382**	59,408
Net assets		**420,218**	408,837
Equity			
Share capital		**19,890**	19,890
Reserves		**336,187**	311,803
Equity attributable to equity holders of the Company		**356,077**	331,693
Non-controlling interests		**64,141**	77,144
Total equity		**420,218**	408,837

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2019 *(Note)*	19,890	85,001	3,612	11	26,540	(14,867)	211,506	331,693	77,144	408,837
Profit for the year	–	–	–	–	–	–	41,707	41,707	8,070	49,777
Other comprehensive income for the year	–	–	–	45	–	43	–	88	11	99
Total comprehensive income for the year	–	–	–	45	–	43	41,707	41,795	8,081	49,876
Dividend declared *(Note 10)*	–	–	–	–	–	–	(17,503)	(17,503)	–	(17,503)
Appropriation of maintenance and production funds	–	–	–	–	4,159	–	(4,159)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(5,921)	–	5,921	–	–	–
Appropriation	–	–	–	–	340	–	(340)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	732	732
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(6,642)	(6,642)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(15,199)	(15,199)
Others	–	–	6	–	–	–	86	92	25	117
At 31 December 2019	19,890	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218

	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 *(Note 10)*	–	–	–	–	–	–	(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	–	–	–	–	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

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019	2018 *(Note)*
	RMB million	*RMB million*
Operating activities		
Profit before income tax	**64,922**	70,141
Adjustments for:		
Depreciation of property, plant and equipment *(Note 9)*	**18,269**	21,619
Depreciation of right-of-use assets *(Note 9)*	**704**	–
Amortisation of intangible assets, included in cost of sales *(Note 9)*	**397**	417
Amortisation of lease prepayments, included in cost of sales *(Note 9)*	**–**	768
Amortisation of other non-current assets *(Note 9)*	**1,009**	924
Losses/(gains) on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets *(Note 9)*	**57**	(6)
Losses on derecognition of assets without considerations *(Note 9)*	**–**	1,831
(Gains)/losses on disposal of subsidiaries and associate *(Note 9)*	**(1,121)**	1
Gains on changes in fair value arising from remeasurement of remaining equity interests after lose control *(Note 9)*	**(111)**	–
Gains on disposal of financial assets at FVTPL *(Note 9)*	**(568)**	(8)
Losses on disposal of derivative financial instruments *(Note 9)*	**–**	6
Gains on changes in fair value of derivative financial instruments *(Note 9)*	**(160)**	(22)
Impairment losses on property, plant and equipment, construction in progress, exploration and evaluation assets and right-of-use assets *(Note 9)*	**1,544**	782
Reversal of allowance for prepaid expenses *(Note 9)*	**(1)**	(22)
Write down of inventories *(Note 9)*	**362**	282

	Year ended 31 December	
	2019	2018 *(Note)*
	RMB million	*RMB million*
Operating activities (continued)		
Interest income *(Note 7)*	**(1,170)**	(1,479)
Share of results of associates	**(433)**	(448)
Loss allowances *(Note 9)*	**139**	152
Interest expenses	**3,067**	4,903
Exchange loss, net *(Note 7)*	**227**	518
Operating cash flows before movements in working capital	**87,133**	100,359
Increase in inventories	**(2,448)**	(141)
Decrease in accounts and bills receivables	**2,941**	851
Increase in prepaid expenses, other receivables and service concession receivables	**(8,813)**	(762)
(Decrease)/increase in accounts and bills payables	**(1,736)**	40
Increase in accrued expenses and other payables	**897**	6,757
Increase/(decrease) in contract liabilities	**1,380**	(2,027)
Cash generated from operations	**79,354**	105,077
Income tax paid	**(16,248)**	(16,829)
Net cash generated from operating activities	**63,106**	88,248

	Year ended 31 December	
	2019	2018 *(Note)*
	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	**(18,133)**	(19,385)
Increase in right-of-use assets/lease prepayments	**(876)**	(1,550)
Proceeds from disposal of property, plant and equipment, intangible assets, lease prepayments and other non-current assets	**1,129**	942
Investments in equity instruments at fair value through other comprehensive income	**(978)**	–
Disposal of equity instruments at fair value through other comprehensive income	**–**	2
Proceeds from disposal of wealth management products included in prepaid expenses and other current assets	**33,015**	108
Proceeds on disposal of derivative financial instruments included in prepaid expenses and other current assets	**–**	106
Investments in associates	**(2,002)**	(1,368)
Repayments of net cash received for the transition period	**(1,562)**	–
Dividend received from associates	**266**	247
Interest received	**1,096**	1,413
Purchase of wealth management products included in prepaid expenses and other current assets	**(33,200)**	(32,447)
Purchase of derivative financial instruments included in prepaid expenses and other current assets	**(70)**	–
Decrease/(increase) in restricted bank deposits	**943**	(1,259)
Placing of time deposits with original maturity over three months	**(1,883)**	(2,409)
Maturity of time deposits with original maturity over three months	**1,628**	2,544
Investments in government bonds included in other non-current assets	**(5,009)**	–
Investments in interbank certificate of deposits included in prepaid expenses and other current assets	**(28,629)**	–
Decrease in other current assets	**7,958**	–
Net cash used in investing activities	**(46,307)**	(53,056)

	Year ended 31 December	
	2019	2018 *(Note)*
	RMB million	*RMB million*
Financing activities		
Capital element of lease rentals paid	**(200)**	–
Interest element of lease rentals paid	**(39)**	–
Interest paid	**(3,177)**	(5,541)
Proceeds from borrowings	**3,541**	35,389
Repayments of borrowings	**(15,116)**	(39,571)
Repayments of bonds	**–**	(3,208)
Repayments of short-term debentures and medium-term notes	**–**	(5,000)
Proceeds from bills discounted	**1,102**	455
Contributions from non-controlling shareholders	**732**	376
Distributions to non-controlling shareholders	**(6,512)**	(9,515)
Dividend paid to equity holders of the Company	**(17,503)**	(18,100)
Net cash used in financing activities	**(37,172)**	(44,715)
Net decrease in cash and cash equivalents	**(20,373)**	(9,523)
Cash and cash equivalents, at the beginning of the year	**61,863**	71,872
Effect of foreign exchange rate changes	**337**	49
Cash and cash equivalents included in assets classified as held for sale	**–**	(535)
Cash and cash equivalents, at the end of the year	**41,827**	61,863

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB361 million were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for short-term lease payments, payments for leases for low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element and classified as financing cash outflows. Under the modified retrospective approach the comparative information is not restated. See Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACTIVITIES AND ORGANISATION

Principal activities

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

Organisation

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases – incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

A. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

B. *Lessee accounting and transition impact*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and land-use-rights.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.67%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(a) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(b) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(c) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	1 January 2019 ***RMB million***
Operating lease commitments at 31 December 2018	**3,792**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(129)**
– leases with variables payments that do not depend on an index or rate	**(2,600)**
	1,063
Less: total future interest expenses	**(136)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	**927**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB million*	Impact on initial application of IFRS 16 *RMB million*	**Carrying amount at 1 January 2019** ***RMB million***
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	–	17,352	**17,352**
Lease prepayments	16,425	(16,425)	**–**
Lease liabilities (current)	–	162	**162**
Lease liabilities (non-current)	–	765	**765**

C. Lessor accounting

The Group leases out certain petroleum refuelling equipment as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

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

4. REVENUE FROM GOODS AND SERVICES

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

Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**168,274**	155,792	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**168,274**	155,792
Power	**–**	–	**51,507**	86,905	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**51,507**	86,905
Coal chemical products	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4,770**	5,276	**–**	–	**4,770**	5,276
Others	**5,197**	5,053	**977**	1,271	**–**	–	**–**	–	**–**	–	**557**	564	**–**	–	**6,731**	6,888
	173,471	160,845	**52,484**	88,176	**–**	–	**–**	–	**–**	–	**5,327**	5,840	**–**	–	**231,282**	254,861
Transportation and other services																
Railway	**–**	–	**–**	–	**5,405**	5,106	**–**	–	**–**	–	**–**	–	**–**	–	**5,405**	5,106
Port	**–**	–	**–**	–	**–**	–	**531**	587	**–**	–	**–**	–	**–**	–	**531**	587
Shipping	**–**	–	**–**	–	**–**	–	**–**	–	**1,813**	837	**–**	–	**–**	–	**1,813**	837
Others	**–**	–	**–**	–	**1,059**	771	**121**	146	**–**	–	**–**	–	**1,660**	1,793	**2,840**	2,710
	–	–	**–**	–	**6,464**	5,877	**652**	733	**1,813**	837	**–**	–	**1,660**	1,793	**10,589**	9,240
Total	**173,471**	160,845	**52,484**	88,176	**6,464**	5,877	**652**	733	**1,813**	837	**5,327**	5,840	**1,660**	1,793	**241,871**	264,101
Geographical markets																
Domestic markets	**171,396**	158,831	**51,577**	87,419	**6,464**	5,877	**652**	733	**1,813**	837	**5,327**	5,840	**1,660**	1,793	**238,889**	261,330
Overseas markets	**2,075**	2,014	**907**	757	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,982**	2,771
Total	**173,471**	160,845	**52,484**	88,176	**6,464**	5,877	**652**	733	**1,813**	837	**5,327**	5,840	**1,660**	1,793	**241,871**	264,101
Timing of revenue recognition																
A point in time	**173,471**	160,845	**52,484**	88,176	**–**	–	**–**	–	**–**	–	**5,327**	5,840	**–**	–	**231,282**	254,861
Over time	**–**	–	**–**	–	**6,464**	5,877	**652**	733	**1,813**	837	**–**	–	**1,660**	1,793	**10,589**	9,240
Total	**173,471**	160,845	**52,484**	88,176	**6,464**	5,877	**652**	733	**1,813**	837	**5,327**	5,840	**1,660**	1,793	**241,871**	264,101

The Group's revenue from contracts with customers is RMB240,177 million for the year ended 31 December 2019 (2018: RMB262,308 million).

5 SEGMENT AND OTHER INFORMATION

(a) Segment results

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

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 2019 and 2018 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**173,471**	160,845	**52,484**	88,176	**6,464**	5,877	**652**	733	**1,813**	837	**5,327**	5,840	**240,211**	262,308
Inter-segment revenue	**23,925**	44,346	**142**	276	**33,237**	33,272	**5,274**	5,391	**1,484**	3,252	**–**	–	**64,062**	86,537
Reportable segment revenue	**197,396**	205,191	**52,626**	88,452	**39,701**	39,149	**5,926**	6,124	**3,297**	4,089	**5,327**	5,840	**304,273**	348,845
Reportable segment profit	**33,121**	39,872	**8,500**	9,968	**16,333**	16,073	**2,179**	2,073	**233**	706	**279**	709	**60,645**	69,401
Including:														
Interest expenses	**707**	1,348	**1,845**	2,871	**1,182**	922	**367**	344	**6**	19	**49**	67	**4,156**	5,571
Depreciation and amortisation	**7,393**	7,440	**5,727**	8,602	**4,738**	4,870	**1,068**	1,364	**296**	294	**881**	892	**20,103**	23,462
Share of results of associates	**155**	120	**225**	307	**–**	–	**5**	16	**–**	–	**–**	–	**385**	443
Loss allowances and impairment of assets	**1,437**	458	**212**	520	**220**	210	**–**	21	**–**	–	**15**	49	**1,884**	1,258

(b) Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the years ended 31 December 2019 and 2018 are set out below:

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**304,273**	348,845	**2,813**	2,763	**(65,215)**	(87,507)	**241,871**	264,101
Profit before income tax	**60,645**	69,401	**4,352**	856	**(75)**	(116)	**64,922**	70,141
Interest expenses	**4,156**	5,571	**882**	1,016	**(1,971)**	(1,684)	**3,067**	4,903
Depreciation and amortisation	**20,103**	23,462	**276**	266	**–**	–	**20,379**	23,728
Share of results of associates	**385**	443	**48**	5	**–**	–	**433**	448
Loss allowances and impairment of assets	**1,884**	1,258	**160**	(64)	**–**	–	**2,044**	1,194

(c) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, exploration and evaluation assets, intangible assets, right-of-use assets, interests in associates, other non-current assets (excluding loans and bonds) 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		Year ended 31 December	
	2019	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*
Domestic markets	**238,889**	261,330	**357,065**	323,951
Overseas markets	**2,982**	2,771	**9,172**	21,033
	241,871	264,101	**366,237**	344,984

(d) Major customers

Revenue from any individual customer of the Group does not exceed 10% of the Group's revenue. Certain of the Group's customers are entities, which controlled, jointly controlled or significantly influenced by the PRC government ("**government-related entities**") and collectively considered as the Group's major customer. Revenue from major customer of the Group's coal and power segments amounted to RMB159,297 million (2018: RMB181,839 million).

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2019 and 2018 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018 *(Note(i))*
	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	**53,831**	56,321	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53,831**	56,321
Cost of coal production	**47,176**	42,934	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2,974)**	(11,114)	**44,202**	31,820
Cost of coal transportation	**52,497**	52,881	**–**	–	**16,509**	16,350	**2,793**	3,166	**1,337**	1,270	**–**	–	**–**	–	**(39,995)**	(41,915)	**33,141**	31,752
Power cost	**–**	–	**40,489**	71,839	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(19,679)**	(32,097)	**20,810**	39,742
Cost of coal chemical production	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4,144**	4,341	**–**	–	**(1,481)**	(1,337)	**2,663**	3,004
Other	**3,720**	4,007	**51**	569	**4,132**	3,565	**271**	345	**1,576**	1,962	**549**	560	**33**	30	**–**	–	**10,332**	11,038
Total cost of sales	**157,224**	156,143	**40,540**	72,408	**20,641**	19,915	**3,064**	3,511	**2,913**	3,232	**4,693**	4,901	**33**	30	**(64,129)**	(86,463)	**164,979**	173,677
Profit from operations *(Note (ii))*	**33,188**	43,262	**9,779**	12,720	**17,360**	17,695	**2,536**	2,325	**232**	723	**311**	751	**1,960**	1,758	**(1,086)**	(1,037)	**64,280**	78,197
Capital expenditures *(Note (iii))*	**5,291**	5,126	**6,828**	12,922	**6,990**	3,740	**238**	1,126	**30**	11	**142**	73	**2**	207	**–**	–	**19,521**	23,205
Total assets *(Note (iv))*	**224,344**	228,641	**148,754**	222,941	**128,578**	129,353	**22,197**	23,735	**6,516**	7,058	**9,202**	9,821	**449,806**	416,213	**(426,314)**	(446,136)	**563,083**	591,626
Total liabilities *(Note (iv))*	**(108,449)**	(109,845)	**(109,730)**	(158,033)	**(56,774)**	(56,341)	**(8,285)**	(10,094)	**(397)**	(636)	**(3,346)**	(1,816)	**(188,866)**	(191,617)	**332,982**	345,593	**(142,865)**	(182,789)

Notes:

(i) The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

(ii) Profit from operations is calculated as revenue minus cost of sales, selling expenses, general and administrative expenses, research and development costs, loss allowances and impairment of assets.

(iii) Capital expenditures consist of addition in property, plant and equipment, construction in process, exploration and evaluation assets, intangible assets, long-term deferred expense and land use rights.

(iv) Unallocated items of total assets include deferred tax assets and other unallocated corporate assets. Unallocated items of total liabilities include deferred tax liabilities and other unallocated corporate liabilities.

6. COST OF SALES

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Coal purchased	**53,831**	56,321
Materials, fuel and power	**19,863**	23,118
Personnel expenses	**15,585**	15,888
Depreciation and amortisation	**16,798**	20,243
Repairs and maintenance	**9,491**	10,025
Transportation charges	**16,155**	16,635
Taxes and surcharges	**10,299**	10,053
Other operating costs	**22,957**	21,394
	164,979	173,677

7. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2019	2018 *(Note)*
	RMB million	*RMB million*
Interest income from:		
– bank deposits	**779**	1,353
– other loans and receivables	**391**	126
Total interest income	**1,170**	1,479
Interest on:		
– borrowings	**3,387**	5,046
– lease liabilities	**39**	–
– medium-term notes	**–**	236
– bonds	**253**	244
Total finance costs on financial liabilities not at FVTPL	**3,679**	5,526
Less: amount capitalised	**(780)**	(792)
	2,899	4,734
Unwinding of discount	**168**	169
Exchange loss, net	**227**	518
Total finance costs	**3,294**	5,421
Net finance costs	**2,124**	3,942

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Current tax, mainly PRC enterprise income tax	**13,374**	13,817
Under provision in respect of prior years	**1,387**	1,769
Deferred tax	**384**	391
	15,145	15,977

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	
	2019	2018
	RMB million	*RMB million*
Profit before income tax	**64,922**	70,141
Tax at the PRC income tax rate of 25% (2018: 25%)	**16,231**	17,535
Tax effects of:		
– different tax rates of branches and subsidiaries	**(3,703)**	(4,194)
– non-deductible expenses	**97**	1,158
– income not taxable	**(95)**	(382)
– share of results of associates	**(166)**	(112)
– utilisation of tax losses and deductible temporary difference previously not recognised	**(143)**	(304)
– tax losses and deductible temporary difference not recognised	**1,537**	508
– additional tax in respect of prior years	**1,387**	1,769
– others	**–**	(1)
Income tax expense	**15,145**	15,977

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% (2018: 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.

9. PROFIT FOR THE YEAR

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

	Year ended 31 December	
	2019	2018 *(Note)*
	RMB million	*RMB million*
Personnel expenses, including	**28,324**	29,022
– contributions to defined contribution plans	**3,332**	3,469
Depreciation of property, plant and equipment	**18,274**	21,619
Depreciation of right-of-use assets *(Note)*	**812**	–
Amortisation of intangible assets, included in cost of sales	**397**	417
Amortisation of lease prepayments, included in cost of sales *(Note)*	**–**	768
Amortisation of other non-current assets	**1,015**	924
Depreciation and amortisation charged for the year	**20,498**	23,728
Less: amount capitalised	**(119)**	–
Depreciation and amortisation	**20,379**	23,728
Loss allowances		
– Loans receivables and interbank certificate of deposits	**167**	26
– Trade and other receivables	**(28)**	126
	139	152

	Year ended 31 December	
	2019	2018 *(Note)*
	RMB million	*RMB million*
Other gains and losses, represent		
– losses/(gains) on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets	**57**	(6)
– losses on derecognition of assets without considerations	**–**	1,831
- (gains)/losses on disposal of subsidiaries and associate	**(1,121)**	1
– gains on changes in fair value arising from remeasurement of remaining equity interests after lose control	**(111)**	–
– gains on disposal of financial assets at FVTPL	**(568)**	(8)
– losses on disposal of derivative financial instruments	**–**	6
– gains on changes in fair value of derivative financial instruments	**(160)**	(22)
– impairment losses on property, plant and equipment	**775**	691
– impairment losses on construction in progress	**263**	91
– impairment losses on exploration and evaluation assets	**481**	–
– impairment losses on right-of-use assets	**25**	–
– reversal of allowance for prepaid expenses	**(1)**	(22)
– write down of inventories	**362**	282
	2	2,844
Carrying amount of inventories sold	**124,847**	132,874
Operating lease charges relating to short-term leases, leases of low-value assets and variable lease payments	**254**	361
Auditors' remuneration		
– audit service	**33**	39

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the land-use-rights which were previously included in lease prepayments is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2.

10. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Dividend approved and paid during the year: 2018 final – RMB0.88 (2018: 2017 final of RMB0.91) per ordinary share	**17,503**	18,100

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB25,061 million, at RMB1.26 per ordinary share (in respect of the year ended 31 December 2018: final dividend of RMB17,503 million, at RMB0.88 per ordinary share) has been proposed by the Directors and is subject to approval by the shareholders in the following general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB41,707 million (2018: RMB44,137 million) and the number of shares in issue during the year of 19,890 million shares (2018: 19,890 million shares).

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in existence during both years.

12. ACCOUNTS AND BILLS RECEIVABLES

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Accounts receivable		
– China Energy Group and fellow subsidiaries	**2,179**	2,447
– Associates	**476**	218
– Third parties	**6,265**	6,951
	8,920	9,616
Less: allowance for credit losses	**(1,073)**	(1,128)
	7,847	8,488
Bills receivable		
– China Energy Group and fellow subsidiaries	**135**	120
– Associates	**3**	70
– Third parties	**2,451**	4,377
	2,589	4,567
	10,436	13,055

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

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Less than one year	**6,523**	5,772
One to two years	**109**	846
Two to three years	**105**	1,326
More than three years	**1,110**	544
	7,847	8,488

13. ACCOUNTS AND BILLS PAYABLES

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

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Less than one year	**17,706**	17,689
One to two years	**2,109**	5,367
Two to three years	**1,494**	881
More than three years	**3,734**	2,947
	25,043	26,884

14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

(b) The outbreak of coronavirus has adversely impacted global economic activity in the period subsequent to the reporting date. The Group has been closely monitoring the developments of the coronavirus. Based on the information currently available, the management estimated that the overall impact of the coronavirus to the Group's operation and financial position would not be material. The actual impacts may differ from these estimates as situation continues to evolve and further information may become available.

(c) On 27 March 2020, China Energy Group, Shenhua Finance, the Company and certain of its subsidiaries entered into the Shenhua Finance Capital Increase Agreement. Pursuant to the Agreement, China Energy Group proposed to subscribe additional registered capital of RMB7.5 billion in Shenhua Finance at a consideration of RMB13.274 billion in cash (the "**Shenhua Finance Capital Increase**"). The Shenhua Finance Capital Increase is subject to the approval by the Company's independent shareholders and the relevant regulatory authority. Upon the completion of the Shenhua Finance Capital Increase, the registered capital of Shenhua Finance will increase from RMB5 billion to RMB12.5 billion, and China Energy Group will directly hold 60% of the equity interest in Shenhua Finance. As a result, Shenhua Finance will become an associate of the Company and will no longer be consolidated into the consolidated financial statements of the Company.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am delighted to present you the 2019 annual report of China Shenhua, and express sincere gratitude to all of you for your support to China Shenhua!

In 2019, amid the complicated environment of significant rise in risks and challenges in both domestic and international markets, China Shenhua extensively implemented the spirit of the 19th CPC National Congress and plenary sessions, the new strategy for energy security highlighting "four reforms and one cooperation", responded to the great call of "socialism is realized by earnest work", followed new development idea, delivered results with earnest work, won respect with results, obtained satisfactory results in all aspects, and made positive contribution to the steady growth of the national economy.

Over the past year, guided by the overall development strategy requirement of "One Target, Three Models and Five Strategies, and Seven First-class" of China Energy, the Company took active measures to identify its strategic positioning, defined its development goals, and organised the promotion of strategy research for development, the development of world-class demonstration enterprises and the preparation of the "14th five-year" plan, which charted the course and laid a solid foundation for the long-term development of the Company.

Over the past year, the Company maintained basically stable results from both production and operation by leveraging its integrated operation. Based on International Financial Report Standards, the net profit attributable to equity holders of the Company amounted to RMB41.707 billion and basic earnings per share amounted to RMB2.097, representing a year-on-year decrease of 5.5%; gearing ratio at the end of the period was 25.4%. As at 31 December 2019, total market value of China Shenhua was USD$50.2 billion. In order to implement the revised Securities Law of the PRC, strengthen the protection of investors' legitimate rights and interests, and respond to the demands of investors, especially minority shareholders, the Board of the Company proposed the payment of a final dividend of RMB1.26 per share for the year of 2019 (final dividend for the year of 2018: RMB0.88 per share), representing a year-on-year increase of 43.2%.

Over the past year, the Company's development quality has been improving. We optimised production arrangements, deepened industrial synergies, endeavoured to explore markets, enhanced technical innovation and efficient investment, and further strengthened our core competencies. As to coal segment, we accelerated resources acquisition, license application, land acquisition and other work progress, optimised production arrangements in accordance with laws and regulations, and maintained relatively stable output and sales of commercial coal. Four pre-approval procedures in relation to Xinjie Well No.1 project were completed. New progress was made in land acquisition for Baorixile and Shengli open-pit mines. As to the transportation segment, we comprehensively optimised transportation organisation, added long routing trains, 10,000-tonne trains and 20,000-tonne trains, explored potential in loading, unloading and shipment of ports, strengthened quasi-liner operation mechanism, and maximised transportation efficiency and operation effectiveness. 70% main track of Huangda Railway has been laid. 70,000-tonne two-way lane of the Port of Huanghua was approved by the Hebei Development and Reform Commission. As to power segment, we continued to optimise the management of equipment reliability and strengthened marketing. The average utilisation hours of coal-fired generating units were 4,585 hours, surpassing the national average utilisation hours[1] of thermal power equipment by 169 hours. Power generator No. 1 of No. 7 Project in Java, Indonesia has been put into operation, creating another landmark of energy for the origin of "Maritime Silk Road". As to coal chemical segment, we continued to optimise organization and management of production, implemented R&D on new products, strived to make technological breakthroughs, successfully completed overhaul, and reached target output in the year of overhaul for the first time. Breakthroughs have been made in a number of key technologies. The first set of pure water hydraulic support in the world has been put into service in Jinjie Coal Mine, which led to a decrease in cost per tonne of RMB0.54 and also realised zero pollution during production. Intelligent heavy-haul train has officially operated along Shenshuo Railway, which filled the gap in the industry. The Port of Huanghua became the first coal port featuring whole-process remote operation in the world. The Company was granted with 556 patents in the year, including 155 patents of invention.

Over the past year, the Company continued to promote "dual control" on risks in relation to safety and environment and hidden dangers. In 2019, the fatality rate per million tonne of raw coal production mines was 0; 21 coal mines achieved safe production for over 1,000 days; 9 coal mines realized work safety for 10 years and above; 17 top level standard mines were approved by the National Coal Mine Safety Administration. In transportation segment, zero fatal accident was recorded for three years in a row; and Baotou Coal Chemical achieved safe production for 3,386 days in aggregate. 14 coal mines of the Company were included in the list of national green mines. In transportation segment, 17 coal platforms along railways were converted into sealed platforms; wind and dust prevention nets were installed at 6 coal yards. Green and safety rating of the Port of Huanghua is top 1 among 22 major maritime ports in China, and the Port of Huanghua has successfully passed acceptance inspection of national 3A-level industrial tourist attraction. As the only thermal power enterprise in China, Guohua Power won the Award of Merit of "China Environment Prize".

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[1] National average utilisation hours of thermal power equipment in 2019 were 4,416 hours.

Over the past year, the Party committee of the Company organised education programs themed on "staying true to our original aspiration, and bearing in mind the mission", insisted on "building the foundation and stressing the basics, making up weakness and emphasising on effect", vigorously promoted accountability, improved work mechanism, enhanced quality and effectiveness, boosted political construction, standardised Party branch construction, further enhanced the development of the team of cadre talents, and strengthened the building of Party style and clean government, all of which delivered positive results in Party building and effectively promoted the reform and development of the Company. The Company held a number of theme activities, including the "locomotive" pacesetter labour competition and "forge ahead in a new era after 70 magnificent years", to create an entrepreneurial atmosphere highlighting active commitment and enterprising. In the 5th "Visit to China Shenhua Energy", 49 teachers from Hong Kong paid a visit to key enterprises of China Energy Group, and was deeply impressed by the development and change of energy in the new era. Compatriots from Hong Kong increased their national identity and sense of national pride after the visit. Activities including "Tour on Quality of Companies Listed on the SSE – Shareholders' 'Visit to China Shenhua'" were organised, to further build the excellent brand of China Shenhua. The Company continued to increase its efforts in targeted poverty alleviation, contributed RMB107 million in 4 counties under targeted poverty alleviation throughout the year, initiated a total of 24 projects for poverty alleviation, and helped a total of 271 registered impoverished persons get rid of poverty.

Looking ahead, we will face both opportunities and challenges. There is no sign of improvement in the fundamentals of overall overcapacity in domestic coal, power and coal chemical industries, in view of current slowdown in world economic growth, increased global turmoil sources and risks and accelerated pace of reform of energy production and consumption. In 2020, the Company has determined annual operation goal after prudent analysis of market environment and actual operation conditions: annual commercial coal output: 268 million tonnes, sales of coal: 403 million tonnes, gross power generation: 145.1 billion kWh, revenue: RMB216.3 billion, and cost: RMB148.4 billion. In the first quarter, the Company conscientiously implemented the decision-making and deployment of the Party Central Committee and the State Council, with the theme of "one prevention and three guarantees" (prevention and control of epidemic, guarantee of production safety, guarantee of employee health, and guarantee of energy supply) as its theme to make every effort to protect the health of employees, and make every effort to keep production and operations running smoothly. The Company carefully guarantees coal supply, power supply and heat supply during special periods to ensure stable energy supply in Hubei, Beijing, Tianjin, Hebei and Northeast China, and promoted the coordinated resumption of work and production in all links of various industrial chains to make due contributions to the winning of battle against epidemic prevention and control. In 2020, the Company will make proper and integrated arrangements of all work in accordance with the overall idea of "learning thoughts, developing ideas, ensuring stability of the general guideline, safeguarding the baseline of people's livelihood, keeping to our strategic goals and enhancing confidence in development". The Company will, in view of its actual conditions, learn and implement Xi Jinping Thought on New-Era Chinese Socialism, firmly develop the new development idea, follow the overall work principle of making progress while ensuring stability, maintain the baseline of work safety and risk control for operation and development, implement the development strategy of China Energy, further improve its integrated operation capacity, strive to create greater eco-platform for product-oriented economy, including coal, power and chemical, in order to create more benefits, and enable a greater role of connection-oriented economy, such as railway, port and maritime transportation, in networking and hub, in order to create greater values.

We will forge ahead with our original aspiration and undertake our responsibilities under our mission. I believe that, with the joint efforts of the Board, the management and staff members as a whole, as well as with great support from all of the Shareholders and all walks of life, all business segments of China Shenhua will embrace safe, efficient and sustainable development, in order to create greater values for investors.

Wang Xiangxi
Chairman

27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW OF THE COMPANY'S OPERATING RESULTS

Operation Data

		2019	2018	Change %
Commercial coal production	million tonnes	**282.7**	296.6	(4.7)
Coal sales	million tonnes	**447.1**	460.9	(3.0)
Including: Self-produced coal	million tonnes	**284.8**	300.7	(5.3)
Purchased coal	million tonnes	**162.3**	160.2	1.3
Transportation turnover of self-owned railway	billion tonne km	**285.5**	283.9	0.6
Seaborne coal sales	million tonnes	**269.7**	270.0	(0.1)
Shipping volume	million tonnes	**109.8**	103.6	6.0
Shipment turnover	billion tonne nm	**89.6**	89.9	(0.3)
Gross power generation	billion kWh	**153.55**	285.32	(46.2)
Total power output dispatch	billion kWh	**144.04**	267.59	(46.2)
Polyolefin products sales	thousand tonnes	**621.3**	613.1	1.3

Financial Indicators

		2019	2018	Change %
Revenue	RMB million	**241,871**	264,101	(8.4)
Profit for the year	RMB million	**49,777**	54,164	(8.1)
EBITDA	RMB million	**86,992**	97,363	(10.7)
Profit for the year attributable to equity holders of the Company	RMB million	**41,707**	44,137	(5.5)
Basic earnings per share	RMB/share	**2.097**	2.219	(5.5)
Net cash generated from operating activities	RMB million	**63,106**	88,248	(28.5)
Net cash generated from operating activities excluding Shenhua Finance Company	RMB million	**66,768**	77,588	(13.9)

Commercial Coal Production

	2019 *million tonnes*	2018 *million tonnes*	Change %
Total production	**282.7**	296.6	(4.7)
By mines			
Shendong Mines	**184.8**	195.8	(5.6)
Zhunge'er Mines	**54.1**	52.3	3.4
Shengli Mines	**13.7**	18.7	(26.7)
Baorixile Mines	**28.1**	29.2	(3.8)
Baotou Mines	**2.0**	0.6	233.3
By regions			
Inner Mongolia	**188.8**	196.9	(4.1)
Shaanxi	**91.1**	95.7	(4.8)
Shanxi	**2.8**	4.0	(30.0)

Domestic Coal Sales

		2019 *million tonnes*	Proportion of domestic sales %	2018 *million tonnes*	Change %
Domestic sales		**442.3**	100.0	456.4	(3.1)
By regions	Northern China	**137.4**	31.1	173.7	(20.9)
	Eastern China	**174.8**	39.5	123.9	41.1
	Central China and Southern China	**81.6**	18.5	112.9	(27.7)
	Northeast China	**35.9**	8.1	45.9	(21.8)
	Others	**12.6**	2.8	0.0	N/A
By usage	Thermal coal	**355.8**	80.5	374.3	(4.9)
	Metallurgy	**26.3**	5.9	24.0	9.6
	Chemical (including coal slurry)	**54.9**	12.4	55.2	(0.5)
	Others	**5.3**	1.2	2.9	82.8

Railway Cargo Transportation Turnover

	2019 *billion tonne km*	2018 *billion tonne km*	Change *%*
Self-owned railways	**285.5**	283.9	0.6
Shenshuo Railway	**52.4**	52.6	(0.4)
Shuohuang-Huangwan Railway	**176.8**	176.3	0.3
Dazhun Railway	**31.7**	30.1	5.3
Baoshen Railway	**9.1**	9.9	(8.1)
Ganquan Railway	**1.4**	1.2	16.7
Bazhun Railway	**3.4**	3.6	(5.6)
Zhunchi Railway	**10.7**	10.2	4.9
Tahan Railway	**–**	–	N/A
State-owned railways	**33.4**	39.6	(15.7)
Total railway turnover	**318.9**	323.5	(1.4)

Self-owned railways under construction	**Length**	**Planned annual transportation capacity**	**Commencement year**	**Estimated completion year**
Huangda Railway	216.8 km	40 million tonnes	2015	2020

Seaborne Coal in Ports

	2019 *million tonnes*	2018 *million tonnes*	Change *%*
Self-owned ports	**232.1**	238.3	(2.6)
Huanghua Port	**187.1**	193.2	(3.2)
Shenhua Tianjin Coal Dock	**45.0**	45.1	(0.2)
Third-party ports	**37.6**	31.7	18.6
Total seaborne coal sales	**269.7**	270.0	(0.1)

Power Generation Business

Power plants	Power grid	Location	Gross power generation	Total power output dispatch	Average utilization hours	Standard coal consumption for power output dispatch	Power tariff	Total installed capacity as at 31 December 2018	Increase/ (decrease) in installed capacity for 2019	Total installed capacity as at 31 December 2019	Equity Installed capacity as at 31 December 2019
			100 million kWh	*100 million kWh*	*hours*	*g/kWh*	*RMB/mWh*	*MW*	*MW*	*MW*	*MW*
Zhunge'er Power	North China Power Grid	Inner Mongolia	31.4	28.5	4,757	358	230	960	(300)	660	381
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	222.4	206.3	3,825	325	294	5,814	–	5,814	5,328
Cangdong Power	North China Power Grid	Hebei	129.0	123.0	5,120	299	318	2,520	–	2,520	1,285
Dingzhou Power	North China Power Grid	Hebei	128.2	118.8	5,092	305	315	2,520	–	2,520	1,021
Taishan Power	South China Power Grid	Guangdong	173.3	162.4	3,404	313	391	5,090	–	5,090	4,072
Huizhou Thermal	South China Power Grid	Guangdong	37.9	34.1	5,737	315	377	660	–	660	660
Fujian Energy	East China Power Grid	Fujian	132.1	126.5	4,702	296	345	2,800	10	2,810	1,375
Jinjie Energy	North China Power Grid	Shaanxi	151.3	139.1	6,302	313	272	2,400	–	2,400	1,680
Shouguang Power	North China Power Grid	Shandong	108.6	103.5	5,377	279	348	2,020	–	2,020	1,212
Jiujiang Power	Central China Power Grid	Jiangxi	107.8	103.1	5,392	278	359	2,000	–	2,000	2,000
Sichuan Energy (coal-fired power)	Sichuan Power Grid	Sichuan	38.7	35.2	3,072	337	392	1,260	–	1,260	604
Mengjin Power	Central China Power Grid	Henan	51.8	48.8	4,318	303	308	1,200	–	1,200	612
Liuzhou Power	Guangxi Power Grid	Guangxi	23.2	21.9	3,309	319	344	700	–	700	490
EMM Indonesia	PLN	Indonesia	16.0	14.0	5,326	366	523	300	–	300	210
Total of coal-fired power plants/weighted average			**1,351.7**	**1,265.2**	**4,513**	**308**	**331**	**30,244**	**(290)**	**29,954**	**20,930**
Other power plants											
Beijing Gas-fired Power	North China Power Grid	Beijing	39.0	38.1	4,108	198	573	950	–	950	950
Sichuan Energy (hydropower)	Sichuan Provincial Local Power Grid	Sichuan	7.0	6.8	5,567	–	229	125	–	125	48
Power plants contributed by Shenhua			**137.8**	**130.3**	/	/	/	**30,530**	**(30,530)**	/	/

Reserve

Mines	Coal resources (under PRC standard)			Recoverable reserve (under PRC standard)			Marketable reserve (under JORC standard)		
	As at 31 December 2019	As at 31 December 2018	Change	**As at 31 December 2019**	As at 31 December 2018	Change	**As at 31 December 2019**	As at 31 December 2018	Change
	100 million tonnes	*100 million tonnes*	*%*	***100 million tonnes***	*100 million tonnes*	*%*	***100 million tonnes***	*100 million tonnes*	*%*
Shendong Mines	**158.1**	160.3	(1.4)	**90.5**	92.3	(2.0)	**46.3**	47.8	(3.1)
Zhunge'er Mines	**38.5**	39.0	(1.3)	**30.8**	31.2	(1.3)	**20.1**	20.7	(2.9)
Shengli Mines	**20.1**	20.3	(1.0)	**13.7**	13.8	(0.7)	**2.0**	2.1	(4.8)
Baorixile Mines	**13.7**	13.9	(1.4)	**11.5**	11.8	(2.5)	**11.8**	12.0	(1.7)
Baotou Mines	**0.5**	0.5	0.0	**0.3**	0.4	(25.0)	**0.0**	0.0	N/A
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	**64.2**	64.2	0.0	**/**	/	/	**/**	/	/
Others	**4.8**	4.8	0.0	**/**	/	/	**/**	/	/
Total of China Shenhua	**299.9**	303.0	(1.0)	**146.8**	149.5	(1.8)	**80.2**	82.6	(2.9)

Breakdown of Shipping Volume

	2019	2018	Change
	million tonnes	*million tonnes*	*%*
Shenhua Zhonghai Shipping Company			
The Group's internal customers	**44.7**	79.9	(44.1)
External customers	**65.1**	23.7	174.7
Total of shipping volume	**109.8**	103.6	6.0

II. SUMMARY OF OPERATIONS IN 2019

In 2019, the Group continued to adhere to the key note of "making progress while maintaining stability", deepened integration of industries, optimized coordination of organization, strengthened sales and marketing, made efforts to overcome suspension or reduction of production at certain coal mines and other factors, and enhanced the quality of integrated and coordinated development to achieve fundamentally stable operation results.

The Group recorded a profit for the year attributable to equity holders of the Company of RMB41,707 million (2018: RMB44,137 million), and basic earnings per share of RMB2.097/share (2018: RMB2.219/share), representing a year-on-year decrease of 5.5%.

		Actual amount for 2019	Target for 2019	Proportion of Completion %	Actual amount for 2018	Year-on-year change %
Commercial coal production	100 million tonnes	**2.827**	2.9	97.5	2.966	(4.7)
Coal sales	100 million tonnes	**4.471**	4.27	104.7	4.609	(3.0)
Total power output dispatch	Billion kWh	**144.04**	143.1	100.7	267.59	(46.2)
Revenue	RMB100 million	**2,418.71**	2,212	109.3	2,641.01	(8.4)
Cost of sales	RMB100 million	**1,649.79**	1,441	114.5	1,736.77	(5.0)
Selling, general and administrative expenses (including R&D expenses) and net finance costs	RMB100 million	**126.92**	135	94.0	149.75	(15.2)
Changes in unit production costs of self-produced coal	/	**Year-on-year increase of 16.1%**	Year-on-year increase of approximately 13%	/	Year-on-year increase of 7.6%	/

Major financial indicators of the Group for 2019 are as follows:

		2019	2018	Change
Return on total assets as at the end of the period	%	**8.8**	9.2	Decreased by 0.4 percentage point
Return on net assets as at the end of the period	%	**11.7**	13.3	Decreased by 1.6 percentage points
EBITDA	RMB million	**86,992**	97,363	Decreased by 10.7%

		As at 31 December 2019	As at 31 December 2018	Change
Equity attributable to equity holders per share	RMB/share	**17.90**	16.68	Increased by 7.4%
Gearing ratio	%	**25.4**	30.9	Decreased by 5.5 percentage points
Total debt to total debt and total equity ratio	%	**10.6**	12.9	Decreased by 2.3 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

As approved by the Company's 2018 first extraordinary general meeting, a joint venture company was jointly established by the Company and GD Power with their respective holding of equity interest and assets (the "**Subject Assets**") of the relevant coal-fired power generation companies. The settlement for the transaction was completed on 31 January 2019.

Since the completion date, the assets and liabilities of the power plants in relation to the Subject Assets contributed by the Company and profit or loss thereof subsequent to 31 January 2019 are no longer consolidated to the consolidated financial statement of the Company. The Company increased the long-term equity investment in its Joint Venture Company and conducted subsequent measurement under the equity method. At the end of each accounting period, the Company's share of the operating results of the Joint Venture Company recognised in proportion to its shareholding was recorded in the share of results of associates for the current period.

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

Unit: RMB million

Items	2019	2018	Change %
Revenue	**241,871**	264,101	(8.4)
Cost of sales	**(164,979)**	(173,677)	(5.0)
General and administrative expenses	**(8,988)**	(9,854)	(8.8)
Research and development costs	**(940)**	(454)	107.0
Other gains and losses	**(2)**	(2,844)	(99.9)
Other expenses	**(278)**	(3,504)	(92.1)
Interest income	**1,170**	1,479	(20.9)
Finance costs	**(3,294)**	(5,421)	(39.2)
Net cash generated from operating activities	**63,106**	88,248	(28.5)
Of which: Net cash (used in)/ generated from operating activities of Shenhua Finance Company Note	**(3,662)**	10,660	(134.4)
Net cash generated from operating activities excluding the effect of Shenhua Finance Company	**66,768**	77,588	(13.9)
Net cash used in investing activities	**(46,307)**	(53,056)	(12.7)
Net cash used in financing activities	**(37,172)**	(44,715)	(16.9)

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 generated from this business.

1. *Revenue and costs*

(1) Factors affecting the revenue

The revenue of the Group in 2019 recorded a year-on-year decrease. The main reasons for the decrease are:

① The power output dispatch and revenue of the Subject Assets contributed by the Company in establishing the Joint Venture Company are no longer consolidated to the consolidated financial statement of the Company since 1 February 2019. In 2019, the power output dispatch of the Group was 144.04 billion kWh (2018: 267.59 billion kWh), representing a year-on-year decrease of 46.2%.

② Year-on-year decrease in sales price of olefins products in 2019.

Major operating indicators	Unit	2019	2018	Change for 2019 compared with that for 2018 %	2017
(I) Coal					
1. Commercial coal production	Million tonnes	**282.7**	296.6	(4.7)	295.4
2. Coal sales	Million tonnes	**447.1**	460.9	(3.0)	443.8
Of which: Self-produced coal	Million tonnes	**284.8**	300.7	(5.3)	301.0
Purchased coal	Million tonnes	**162.3**	160.2	1.3	142.8
(II) Transportation					
1. Turnover of self-owned railway	Billion tonne km	**285.5**	283.9	0.6	273.0
2. Sales of seaborne coal	Million tonnes	**269.7**	270.0	(0.1)	258.2
Of which: Via Huanghua Port	Million tonnes	**187.1**	193.2	(3.2)	184.1
Via Shenhua Tianjin Coal Dock	Million tonnes	**45.0**	45.1	(0.2)	43.7
3. Shipping volume	Million tonnes	**109.8**	103.6	6.0	93.0
4. Shipment turnover	Billion tonne nautical miles	**89.6**	89.9	(0.3)	80.4
(III) Power generation					
1. Gross power generation	Billion kWh	**153.55**	285.32	(46.2)	262.87
2. Total power output dispatch	Billion kWh	**144.04**	267.59	(46.2)	246.25
(IV) Coal chemical					
1. Sales of polyethylene	Thousand tonnes	**319.0**	315.4	1.1	324.6
2. Sales of polypropylene	Thousand tonnes	**302.3**	297.7	1.5	308.8

Note: According to the comparative basis, the power generation and power output dispatch of the Group in 2018 were 158.45 billion kWh and 148.49 billion kWh, respectively.

(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	**53,831**	**32.6**	56,321	32.4	(4.4)
Raw materials, fuel and power	**19,863**	**12.0**	23,118	13.3	(14.1)
Personnel expenses	**15,585**	**9.5**	15,888	9.1	(1.9)
Depreciation and amortisation	**16,798**	**10.2**	20,243	11.7	(17.0)
Repairs and maintenance	**9,491**	**5.8**	10,025	5.8	(5.3)
Transportation charges	**16,155**	**9.8**	16,635	9.6	(2.9)
Tax and surcharge	**10,299**	**6.2**	10,053	5.8	2.4
Others	**22,957**	**13.9**	21,394	12.3	7.3
Total cost of sales	**164,979**	**100.0**	173,677	100.0	(5.0)

The cost of sales of the Group in 2019 represented a year-on-year decrease, of which:

① The year-on-year decrease in the cost of coal purchased was mainly attributable to the decrease in unit purchasing cost of coal purchased;

② The year-on-year decrease in the cost of raw materials, fuel and power was mainly attributable to the decrease in power output dispatch upon the completion of the Subject Assets of establishing the Joint Venture Company;

③ The year-on-year decrease in the depreciation and amortisation was mainly attributable to the decrease in the depreciation and amortisation cost of the power assets upon completion of the Subject Assets of establishing the Joint Venture Company, and part of the coal production equipment of the Group were fully depreciated but are still in safe use.

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

Business segment	Items of costs	**2019**	2018	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	**157,224**	156,143	0.7
Power	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other costs, other operating costs, and taxes and surcharges	**40,540**	72,408	(44.0)
Railway	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), external transportation charges, other operating costs, and taxes and surcharges	**20,641**	19,915	3.6
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	**3,064**	3,511	(12.7)
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	**2,913**	3,232	(9.9)
Coal chemical	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other expenses, other operating costs, and taxes and surcharges	**4,693**	4,901	(4.2)

(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 profits (before elimination on consolidation) from operations of coal, power, transportation and coal chemical segments of the Group changed from 56%, 16%, 27% and 1% in the 2018, to 52%, 15%, 32% and 1% in 2019 respectively.

Major business segments in 2019 (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	197,396	157,224	20.4	(3.8)	0.7	Decreased by 3.5 percentage points
Power	52,626	40,540	23.0	(40.5)	(44.0)	Increased by 4.9 percentage points
Railway	39,701	20,641	48.0	1.4	3.6	Decreased by 1.1 percentage points
Port	5,926	3,064	48.3	(3.2)	(12.7)	Increased by 5.6 percentage points
Shipping	3,297	2,913	11.6	(19.4)	(9.9)	Decreased by 9.4 percentage points
Coal chemical	5,327	4,693	11.9	(8.8)	(4.2)	Decreased by 4.2 percentage points

(4) *Analysis of the production and sales volume*

Major products	Production	Sales volume	Inventory at the end of the period	Year-on-year increase/ decrease in production volume	Year-on-year increase/ decrease in sales volume	Increase/ decrease in inventory as compared with the beginning of the year
				%	%	%
Coal	282.7 million tonnes	447.1 million tonnes	22.8 million tonnes	(4.7)	(3.0)	(3.8)
Power	153.55 billion kWh	144.04 billion kWh	/	(46.2)	(46.2)	/

(5) *Major customers*

The total revenue from the top five customers of the Group amounted to RMB84,612 million, accounting for 35.0% of the revenue of the Group, including the revenue of the Group from its largest customer of RMB61,042 million, accounting for 25.2% of the revenue of the Group. The largest customer of the Group was China Energy (including its subsidiaries), the controlling shareholder of the Company. The Group mainly sells coal products and provides coal transportation service to the company.

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

(6) *Major suppliers*

In 2019, the total procurement from the top five suppliers of the Group amounted to RMB21,382 million, accounting for 17.1% (less than 30%) of the total procurement for the year, among which, the procurement from the largest supplier amounted to RMB9,769 million, representing 7.8% of the total procurement for the year.

2. Other items of consolidated statement of profit or loss

(1) The year-on-year decrease in general and administrative expenses is primarily attributable to the decrease in expenses including the personnel expenses and depreciation of management equipment as a result of the settlement of the Subject Assets of establishing the Joint Venture Company.

(2) The year-on-year increase of research and development costs is primarily attributable to the increase in investment in the research and development of relevant technological applications such as coal-to-chemicals catalyst and heavy-loaded railways, etc..

(3) The year-on-year decrease of other gains and losses as compared to the losses of the previous period is primarily attributable to the losses incurred from the disposal of relevant assets of "Water/Power/Gas Supply and Property Management" in 2018. Among the other gains and losses of the Group in 2019, the principal gains were from the closing date of the Subject Assets of the Joint Venture Company when the Company recognised relevant investment gains, and the gain on redemption of the wealth management products at maturity; the major loss was the provision made by the Group for impairment of the long-term assets of the Watermark project in Australia in accordance with the progress therein.

(4) The year-on-year decrease of other expenses is primarily attributable to the decrease of the relevant expenses during the reporting period, after the disposal of relevant assets of "Water/Power/Gas Supply and Property Management" in 2018.

(5) The year-on-year decrease in interest revenue was primarily attributable to the decrease in the average balance of bank deposits.

(6) The year-on-year decrease in finance costs was primarily attributable to the decrease in interest expenses as a result of the decrease in the average balance of long-term and short-term borrowings of the Group.

3. Research and development expenditure

Expensed research and development expenditure in the period *(RMB million)*	940
Capitalised research and development expenditure in the period *(RMB million)*	305
Total research and development expenditure *(RMB million)*	1,245
Ratio of capitalised research and development expenditure *(%)*	24.5
Percentage of total research and development expenditure to revenue *(%)*	0.5
Number of research and development personnel in the Company *(number of person)*	2,654
The ratio of research and development personnel to the total number of persons in the Company *(%)*	3.5

In 2019, investment in the research and development of the Group amounted to RMB1,245 million (2018: RMB860 million), which is mainly utilized in projects including relevant technological applications such as coal-to-chemical catalyst and heavy-loaded railway, as well as power plant energy-saving and clean combustion technology and research in coal mine equipment.

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: net cash generated in 2019 recorded a year-on-year decrease of 28.5%, of which, net cash used in operating activities of Shenhua Finance Company was RMB3,662 million (2018: RMB10,660 million generated from operating activities), representing a year-on-year change of 134.4%, which was mainly attributable to the decrease in customers deposits and interbank deposits as well as the increase in loans granted during the reporting period. After excluding the effects of Shenhua Finance Company, net cash generated from operating activities of the Group represented a year-on-year decrease of 13.9%, which was mainly attributable to the decrease in cash inflow as a result of the decrease in revenue.

(2) Net cash used in investing activities: net cash used in investing activities in 2019 recorded a year-on-year decrease of 12.7%, which was mainly attributable to the recovery of part of wealth management products of the Group due to maturity during the reporting period.

(3) Net cash used in financing activities: net cash used in financing activities in 2019 recorded a year-on-year decrease of 16.9%, which was mainly attributable to the year-on-year decrease in the amount of debt repaid as well as the decrease in payment of interest and dividends of minority shareholders 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 at the end of the year compared to the end of the previous year %	Main reasons for changes
Exploration and evaluation assets	**484**	**0.1**	951	0.2	(49.1)	Decrease in the recognised mining right assets of the Watermark project in Australia arising from the provision for impairment
Right-of-use assets	**18,690**	**3.3**	N/A	N/A	N/A	Lease right-of-use assets recognised due to application of new lease standard of the Group

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 at the end of the year compared to the end of the previous year %	Main reasons for changes
Interests in associates	**40,539**	**7.2**	10,047	1.7	303.5	Investment in the Joint Venture Company recognised by the Company
Fair value changes on investments in equity instruments at fair value through other comprehensive income	**1,789**	**0.3**	811	0.1	120.6	Addition of investment in Central State-Owned Enterprises Poverty Regional Industrial Investment Fund Co., Ltd. by the Company
Other non-current assets	**54,006**	**9.6**	29,456	5.0	83.3	Increase in loans issued and purchases of treasury bonds by Shenhua Finance Company, and commercial operation of Indonesia Jawa Power Project adopting BOOT Scheme was commenced during the reporting period, recognising the amount of concession receivables
Lease prepayments	**0**	**0.0**	16,425	2.8	(100.0)	Lease prepayments were reclassified to right-of-use assets due to application of new lease standard of the Group
Inventories	**12,053**	**2.1**	9,967	1.7	20.9	Increase in coal inventory and spare parts

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 at the end of the year compared to the end of the previous year %	Main reasons for changes
Accounts and bills receivables	**10,436**	**1.9**	13,055	2.2	(20.1)	Decrease in notes received and maturity of a portion of bills receivable, as well as decrease in the sales receivables for the power generation business
Prepaid expenses and other current assets	**86,524**	**15.4**	54,702	9.2	58.2	Increase in interbank certificates of deposit held by Shenhua Finance Company
Cash and cash equivalents	**41,827**	**7.4**	61,863	10.5	(32.4)	Increase in banks' wealth management products, treasury bonds and interbank certificates of deposit held by the Group at the end of the reporting period
Assets classified as held for sale	**0**	**0.0**	83,367	14.1	(100.0)	Completion of the settlement of the Subject Assets for establishing the Joint Venture Company
Short-term borrowings	**4,172**	**0.7**	5,772	1.0	(27.7)	Maturity and repayment of a portion of short-term borrowings
Bonds due within 1 year	**3,488**	**0.6**	0	0.0	N/A	Certain US bonds due within 1 year
Lease liabilities due within 1 year	**198**	**0.0**	N/A	N/A	N/A	Lease liability due within 1 year recognised due to application of new lease standard of the Group

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 at the end of the year compared to the end of the previous year %	Main reasons for changes
Income tax payable	**2,727**	**0.5**	4,213	0.7	(35.3)	Increase in income tax paid by part of subsidiaries and branches during the reporting period
Contract liabilities	**4,784**	**0.8**	3,404	0.6	40.5	Increase in proceeds received in advance for the sales of coal from the coal business
Liabilities associated with assets classified as held for sale	**0**	**0.0**	29,914	5.1	(100.0)	Completion of the settlement of the liabilities associated with the Subject Assets for establishing the Joint Venture Company
Long-term borrowings	**36,943**	**6.6**	46,765	7.9	(21.0)	Maturity and repayment of a portion of long-term borrowings
Bonds	**3,460**	**0.6**	6,823	1.2	(49.3)	Reclassification of US bonds due within 1 year to non-current liabilities due within 1 year
Lease liabilities	**623**	**0.1**	N/A	N/A	N/A	Lease liability recognised due to application of new lease standard of the Group
Non-controlling interests	**64,141**	**11.4**	77,144	13.0	(16.9)	Reduction in minority shareholders' interests in the power generation segment upon completion of the settlement of the Subject Assets for establishing the Joint Venture Company

2. Restrictions on main assets

The Group is free from seizure and detention of main assets. As at the end of the reporting period, the balance of the restricted assets of the Group was RMB9,478 million, among which the statutory deposit reserve deposited in the People's Bank of China by Shenhua Finance Company amounted to RMB6,160 million. Other restricted assets mainly consisted of intangible assets, fixed assets and various deposits secured and guaranteed for acquiring bank borrowings.

Unit: RMB million

Items	**Par value as at the end of the year**	**Limitation**
Monetary funds	7,664	Deposit reserves and various deposits
Fixed assets	973	Mortgages used for bank borrowings
Intangible assets	841	Mortgages used for bank borrowings
Total	9,478	–

(IV) Operation results by business segment

1. Coal segment

(1) Production, operation and construction

The majority of the coal products produced and sold by the Group were thermal coal. In 2019, the domestic demand of coal were weak and stable, and the coal supply was affected by the safety and environmental protection inspection in phases. The Group strived to overcome the impact of production stoppage and restriction of some coal mines and changes in mining geological conditions, optimised the production organisation and product structure, and promoted the application of new technologies to improve the production efficiency of coal mines and ensure stable and efficient coal supply and the integrated operation.

The world's first complete set of equipment with 8.8 meters super large mining roof supports has successfully completed the production of the first working surface, and has recovered an additional 4.05 million tonnes than the the 7 meters mining roof supports. The world's first pure water hydraulic system has been successfully tested, achieving zero pollution of production and reduction in comprehensive cost. Intelligent mining was popularised in various aspects, intelligent construction targets of mines, working surface and coal processing plants were clarified, and the intelligence level and efficiency for coal-mining operations were further improved. Five automated working surface for fully mechanised coal-mining, such as the intelligent fully mechanised mining surface in the thin coal seams of the Yujialiang Mines, were constructed. The "digitised open-pit mines" at Ha'erwusu and Heidaigou were put into production. The full process of strengthening coal quality management was implemented, existing coal processing technologies were renovated, application of flip-flop sieve screen and intelligent dry processing technology was promoted, and the calorific value of commercial coal products remained stable. As customised production was promoted and coal product types were dynamically adjusted, output of special coal continuously increased.

In 2019, the commercial coal output of the Group achieved 282.7 million tonnes (2018: 296.6 million tonnes), representing a year-on-year decrease of 4.7%. The total footage of advancing tunnels at underground mines was 356 thousand meters (2018: 373 thousand meters), representing a year-on-year decrease of 4.6%. The year-on-year decrease in the output of commercial coal was mainly due to the periodic suspension and reduction of production of certain coal mines caused by the long approval period of mining land, local safety inspection and other factors, as well as the changes in geological conditions.

Unit: million tonnes

Change of Production Volume of Commercial Coal in 2019

	2019	2018	Change	Affecting factors and their progress
Shengli No. 1 Open-pit Mines	13.7	18.7	(5.0)	Limitation of local land capacity and long approval period of mining land. Detachment was resumed in December 2019.
Heidaigou Open-pit Mines	28.2	31.7	(3.5)	Change of mining geological conditions
Wanli No.1 Mines	9.1	11.0	(1.9)	Limitation on the existing mining resources and long period of handling the mining licenses for continuous resources
Buertai Mines	18.5	20.0	(1.5)	Change of mining geological conditions
Guojiawan Mines	4.8	6.0	(1.2)	Influenced by accidents of other local coal mines,
Qinglongsi Mines	1.9	3.1	(1.2)	production was temporarily suspended from January to February 2019
Baode Mines	2.8	4.0	(1.2)	Affected by the delay of licensing. The mine has resumed normal production.

The Group is actively promoting the application of coal mining land and resource acquisition. In 2019, we have completed the formalities for mining land of Shengli No. 1 Open-pit Mine, and the approved annual production of this mine has been increased from 20 million tonnes to 28 million tonnes. We are actively promoting the relevant approval procedures for the resources and continuous land use of Baorixile Open-pit Mines, stably promoting the additional land pre-approval for Ha'erwusu and Heidaigou Open-pit Mines and actively promoting the issue of mining license of consecutive resources for Wanli No.1 Mines. We have obtained the registration letter of the comprehensive investigation on reserve for the Taigemiao North Area of Xinjie Mining Area, completed the review and filing of comprehensive investigation on the overburden report for the southern area, and received approval of four preconditions including production capacity replacement plan and land pre-approval of Xinjie No. 1 Coal Mine.

In 2019, the Group's coal exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB12 million (2018: RMB18 million), which was mainly attributable to the relevant expenses of Watermark Coal Project in Australia. The Group's relevant capital expenditure of mining development and exploration amounted to approximately RMB2,175 million (2018: RMB4,141 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 Shengli Mines, Baorixile Mines and Shendong Mines, and relevant expenditure for acquisition of land and use rights 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. Please see "Railway segment" for details of operation of self-owned railways of the Group.

(2) *Sales of coal*

The coal sold by the Group is mainly self-produced coal. In order to fulfill the needs of customers and adequately make use of railways transportation, the Group also purchased the coal from third parties in the surrounding areas of the self-owned mines and railways 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 Trading Group is mainly responsible for sales of coal. Customers are involved in different industries, such as power, metallurgy, chemical and construction materials.

In 2019, under the situation of weak coal supply and demand, the Group took "stable growth, market expansion, structural adjustment and benefit creation" as the main line to leverage on the advantage of high proportion of long-term contracts, actively organized to purchase external coal sources, optimized the sales structure, thus achieving stable integration operation with high efficiency. During the year, sales volume of coal of the Group reached 447.1 million tonnes (2018: 460.9 million tonnes), representing a year-on-year decrease of 3.0%, among which, sales volume of coal under the annual long-term contracts was 215.8 million tonnes, accounting for 48.8% of the domestic sales volume of coal of the Group. The domestic seaborne coal sales for the year reached 268.0 million tonnes, accounting for 34.3% of 782 million tonnes[1] of the seaborne coal volume of major ports in China. The sales volume of special coal was 49.6 million tonnes, representing a year-on-year increase of 6.4 million tonnes. The proportion of sales volume to customers in non-power industries continued to increase.

The Group expanded procurement and sales channels for coal and improved operating results through Shenhua Coal Trading Network (https://www.e-shenhua.com) developed by itself. In 2019, the coal sales volume of the Group through Shenhua Coal Trading Network reached approximately 14.7 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 2019, the average coal sales price of the Group was RMB426 per tonne (tax exclusive) (2018: RMB429 per tonne (tax exclusive)), representing a year-on-year decrease of 0.7%.

The production and sales of each kind of coal of the Group in 2019 are set out below:

Types of coal	**Output** *Million tonnes*	**Sales volume** *Million tonnes*	**Sales income** *Million RMB*	**Sales cost** *Million RMB*	**Gross profit** *Million RMB*
Thermal coal	282.7	446.2	189,344	143,550	45,794
Others	/	0.9	1,158	1,155	3
Total	282.7	447.1	190,502	144,705	45,797

1 Data source: China Coal Transportation & Sale Society

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

The coal sales of the Group in 2019 is set out below:

① By contract pricing mechanisms

	2019			2018			Changes	
	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*	*%*	*%*
Annual long-term contracts	**215.8**	**48.3**	**381**	220.5	47.8	381	(2.1)	0.0
Monthly long-term contracts	**180.4**	**40.4**	**480**	158.9	34.5	511	13.5	(6.1)
Spot commodity	**50.9**	**11.3**	**426**	81.5	17.7	401	(37.5)	6.2
Total sales volume/average price (exclusive of tax)	**447.1**	**100.0**	**426**	460.9	100.0	429	(3.0)	(0.7)

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

In 2019, the coal sales volume of the Group to 15 customers with which we had entered into annual long-term thermal coal purchase contracts for three years (2019–2021) was 60.6 million tonnes, representing 28.1% of the total sales volume of annual long-term contracts.

② By internal and external customers

	2019			2018			Changes	
	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*	*%*	*%*
Sales to external customers	**389.9**	**87.2**	**432**	353.6	76.7	441	10.3	(2.0)
Sales to internal power segment	**53.0**	**11.9**	**387**	103.2	22.4	393	(48.6)	(1.5)
Sales to internal coal chemical segment	**4.2**	**0.9**	**363**	4.1	0.9	360	2.4	0.8
Total sales volume/average price (exclusive of tax)	**447.1**	**100.0**	**426**	460.9	100.0	429	(3.0)	(0.7)

Since 1 February 2019, the internal power plants contributed by the Company for establishing the Joint Venture Company were changed from internal customers to external customers. In 2019, the sales volume of the Group to the top five domestic customers of coal was 143.6 million tonnes, which accounted for 32.5% of the domestic sales volume. The top five domestic customers of coal were primarily power and coal trading companies.

③ By sales regions

	2019 Sales volume *Million tonnes*	2019 Proportion of total sales *%*	2019 Price (exclusive of tax) *RMB/tonne*	2018 Sales volume *Million tonnes*	2018 Proportion of total sales *%*	2018 Price (exclusive of tax) *RMB/tonne*	Changes Sales volume *%*	Changes Price (exclusive of tax) *%*
I. Domestic sales	**442.3**	**98.9**	**425**	456.4	99.0	428	(3.1)	(0.7)
(I) Self-produced coal and purchased coal	**430.6**	**96.3**	**427**	435.9	94.6	428	(1.2)	(0.2)
1. Direct arrival	**162.6**	**36.4**	**329**	167.6	36.4	316	(3.0)	4.1
2. Seaborne	**268.0**	**59.9**	**486**	268.3	58.2	499	(0.1)	(2.6)
(II) Sales of domestic trading coal	**8.2**	**1.8**	**343**	16.5	3.5	419	(50.3)	(18.1)
(III) Sales of imported coal	**3.5**	**0.8**	**441**	4.0	0.9	457	(12.5)	(3.5)
II. Export sales	**1.7**	**0.4**	**626**	1.7	0.4	543	0.0	15.3
III. Overseas sales	**3.1**	**0.7**	**446**	2.8	0.6	506	10.7	(11.9)
Total sales volume/ average price (exclusive of tax)	**447.1**	**100.0**	**426**	460.9	100.0	429	(3.0)	(0.7)

(3) Production safety

In 2019, the Group took various measures to ensure coal mine production safety, such as promoting the establishment of a management system for production safety organization with comprehensive coverage, clear responsibility and effective management and control, fully improving the standardisation of coal mine safety production to optimise the monitoring and assessment system of responsibility principal, carrying out risks prevention and control, safety hidden dangers identification and safety management auditing, and implementing prevention and control system of "Assessment, Prevention, Governance, Evaluation" to increase the capital investment in the prevention and control projects of major disasters. In 2019, the fatality rate per million tonnes of raw coal output in the coal mines of the Group was zero, enabling the Group to maintain its internationally leading position.

(4) Environmental protection

In 2019, the Group continued to promote clean development of coal industry, such as strengthening construction of coal quality management system by focusing on high quality development of coal products, advancing the construction of green, efficient and intelligent coal preparation plants, promoting the application of new coal preparation technology to improve the efficiency of coal preparation, enhancing the control of pollution sources, and improving the utilization rate of solid waste to dispose of hazardous wastes reasonably. During the year, the water utilisation rate of the mine(pit) was 85.1%, the comprehensive utilisation volume of coal gangue was 15.641 million tonnes and no major or more serious environmental safety incidents occurred.

As at the end of 2019, balance of the accrued reclamation obligations of the Group amounted to RMB3.398 billion, serving as strong financial guarantee for ecological construction.

(5) Coal resources

As at 31 December 2019, under the PRC Standard, the Group had coal reserves amounting to 29.99 billion tonnes, representing a decrease of 0.31 billion tonnes as compared with that of the end of 2018 and recoverable coal reserve amounting to 14.68 billion tonnes, representing a decrease of 0.27 billion tonnes as compared with that of the end of 2018. The Group's marketable coal reserve amounted to 8.02 billion tonnes under the JORC Standard, representing a decrease of 0.24 billion tonnes as compared with that of the end of 2018.

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	158.1	90.5	46.3
Zhunge'er Mines	38.5	30.8	20.1
Shengli Mines	20.1	13.7	2.0
Baorixile Mines	13.7	11.5	11.8
Baotou Mines	0.5	0.3	0.0
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	64.2	–	–
Others	4.8	–	–
Total	299.9	146.8	80.2

Notes: 1. As of 31 December 2019, the marketable coal reserve of Baotou Mines under the JORC Standard was 2,398 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	4,800–6,000	0.2–1.0	5–25
2	Zhunge'er Mines	Long flame coal	4,300–5,200	0.3–0.8	10–25
3	Shengli Mines	Lignite	2,900–3,100	0.4–0.8	20–25
4	Baorixile Mines	Lignite	3,400–3,700	0.2–0.5	12–16
5	Baotou Mines	Non-caking coal	3,000–3,300	0.3–0.6	50–55

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

		2019	2018	Change %	Main reasons for changes
Revenue	RMB million	**197,396**	205,191	(3.8)	Decrease in coal sales volume and price
Cost of sales	RMB million	**157,224**	156,143	0.7	
Gross profit margin	%	**20.4**	23.9	Decreased by 3.5 percentage points	
Profit from operations	RMB million	**33,188**	43,262	(23.3)	
Profit margin from operations	%	**16.8**	21.1	Decreased by 4.3 percentage points	

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

	2019				2018			
	Revenue *RMB million*	**Costs** *RMB million*	**Gross profit** *RMB million*	**Gross profit margin** *%*	Revenue *RMB million*	Costs *RMB million*	Gross profit *RMB million*	Gross profit margin *%*
Domestic	**188,052**	**142,718**	**45,334**	**24.1**	195,483	142,285	53,198	27.2
Export and overseas	**2,450**	**1,987**	**463**	**18.9**	2,298	1,828	470	20.5
Total	**190,502**	**144,705**	**45,797**	**24.0**	197,781	144,113	53,668	27.1

③ Unit production cost of self-produced coal

Unit: RMB/tonne

	2019	2018	Change %	Main reasons for changes
Unit production cost of self-produced coal	**134.8**	116.1	16.1	Year-on-year increase in cost factors and year-on-year decrease in self-produced coal
Raw materials fuel and power	**26.2**	23.0	13.9	Enhancing earthwork stripping in open-pit mines such as Ha'erwusu open-pit mine, and increase in electricity price in coal mines production in Inner Mongolia, and decline in production of Shengli No. 1 open-pit mine with lower production cost per unit
Personnel expenses	**27.0**	21.2	27.4	Increase in wage in certain production units
Repairs and maintenance	**9.4**	8.8	6.8	
Depreciation and amortisation	**17.4**	18.5	(5.9)	
Other costs	**54.8**	44.6	22.9	Increase in simple production maintenance expenses, investment in safety, compensation for relocation and outsourcing services

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 59%; (2) auxiliary production expenses, accounting for 22%; (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 2019, sales volume of coal purchased by the Group from third parties was 162.3 million tonnes (2018: 160.2 million tonnes), representing a year-on-year increase of 1.3%, accounting for 36.3% of the Group's total sales volume of coal (2018: 34.8%). The costs of coal purchased from third parties for the year was RMB53,831 million (2018: RMB56,321 million), representing a year-on-year decrease of 4.4%. The decrease was mainly due to the year-on-year decrease in average purchase price of purchased coal from third parties.

2. Power segment

(1) Production and operations

As at the end of January 2019, the Company and GD Power have completed the establishment of the Joint Venture Company with their respective equities and assets of the relevant coal-fired power generation companies, and the installed generating capacity of the Group has reduced from 61,849 MW at the beginning of the year to 31,029MW.

In 2019, overcoming the unfavorable situations of rapid growth of alternative energy such as hydropower and slowing growth of thermal power generation, the Group strengthened refined operation of generating units, intensified efforts in marketing, and realised a total power generation of 153.55 billion kWh and a total power sales of 144.04 billion kWh throughout the year, accounting for 2.0% of 7,225.5 billion kWh[1] of the total power consumption of the society in the corresponding period. In active response to the market-based reform of power and further promoting the direct transaction of internal power and the business of power dispatch companies, during the year, the Group has realised 41.72 billion kWh of market-based transaction power, accounting for approximately 29.0% of the total power sales.

1 Data source: China Electricity Council

(2) Power consumption and power tariffs

Power type/ operation location		Gross power generation (billion kWh)			Total power output dispatch (billion kWh)			Power tariff (RMB/mWh)		
		2019	2018	Change %	**2019**	2018	Change %	**2019**	2018	Change %
(I)	**coal-fired power**	**148.70**	278.78	(46.7)	**139.31**	261.20	(46.7)	**328**	313	4.8
	Hebei*	**26.44**	33.95	(22.1)	**24.85**	31.84	(22.0)	**317**	319	(0.6)
	Shaanxi	**26.53**	26.60	(0.3)	**24.37**	24.36	0.0	**277**	267	3.7
	Guangdong	**21.11**	27.32	(22.7)	**19.69**	25.65	(23.2)	**389**	355	9.6
	Fujian	**13.21**	15.55	(15.0)	**12.65**	14.89	(15.0)	**345**	341	1.2
	Shandong	**10.86**	11.52	(5.7)	**10.35**	10.99	(5.8)	**348**	339	2.7
	Jiangxi	**10.78**	5.71	88.8	**10.31**	5.45	89.2	**359**	354	1.4
	Chongqing	**6.55**	6.44	1.7	**6.26**	6.16	1.6	**353**	348	1.4
	Henan	**5.18**	5.04	2.8	**4.88**	4.75	2.7	**308**	300	2.7
	Sichuan	**3.87**	3.35	15.5	**3.52**	3.04	15.8	**392**	386	1.6
	Guangxi	**2.32**	1.98	17.2	**2.19**	1.86	17.7	**344**	345	(0.3)
	Indonesia (overseas)	**1.60**	1.59	0.6	**1.40**	1.39	0.7	**559**	510	9.6
	Inner Mongolia*	**8.98**	24.41	(63.2)	**8.17**	21.83	(62.6)	**227**	223	1.8
	Anhui*	**2.96**	23.66	(87.5)	**2.83**	22.60	(87.5)	**307**	322	(4.7)
	Zhejiang*	**2.26**	27.11	(91.7)	**2.14**	25.66	(91.7)	**353**	354	(0.3)
	Jiangsu*	**2.24**	23.21	(90.3)	**2.14**	22.16	(90.3)	**307**	324	(5.2)
	Liaoning*	**1.31**	17.57	(92.5)	**1.23**	16.49	(92.5)	**307**	309	(0.6)
	Ningxia*	**1.13**	9.64	(88.3)	**1.05**	8.94	(88.3)	**224**	229	(2.2)
	Xinjiang*	**0.66**	5.64	(88.3)	**0.61**	5.19	(88.2)	**197**	181	8.8
	Tianjin*	**0.55**	5.10	(89.2)	**0.52**	4.77	(89.1)	**326**	355	(8.2)
	Shanxi*	**0.16**	3.39	(95.3)	**0.15**	3.18	(95.3)	**260**	276	(5.8)
(II)	**gas-fired power**	**4.15**	5.85	(29.1)	**4.05**	5.71	(29.1)	**577**	561	2.9
	Beijing	**3.90**	3.92	(0.5)	**3.81**	3.83	(0.5)	**573**	589	(2.7)
	Zhejiang*	**0.25**	1.93	(87.0)	**0.24**	1.88	(87.2)	**638**	503	26.8
(III)	**hydropower**	**0.70**	0.69	1.4	**0.68**	0.68	0.0	**229**	222	3.2
	Sichuan	**0.70**	0.69	1.4	**0.68**	0.68	0.0	**229**	222	3.2
Total		**153.55**	285.32	(46.2)	**144.04**	267.59	(46.2)	**334**	318	5.0

Note: The principal reason of the year-on-year decrease of power generation and sales volume in the provinces (regions) marked with * is that in late January 2019, the transaction of joint establishment of the Joint Venture Company between the Company and GD Power was completed. The power generation and sales volume of the Group located in such regions only included the volume of the power plants contributed by the Company in January 2019.

(3) Installed capacity

At the end of the reporting period, the total installed capacity of power generation of the Group reached 31,029MW, among which, the total installed capacity of the coal-fired power generators was 29,954MW, accounting for 2.5% of the total installed capacity of thermal power generators of the society (being 1.19 billion kW[1]).

Unit: MW

Power type	Gross installed capacity as at 31 December 2018	Installed capacity increased/ (decreased) during the reporting period	**Gross installed capacity as at 31 December 2019**
Coal-fired power	59,994	(30,040)	**29,954**
Gas-fired power	1,730	(780)	**950**
Hydro power	125	0	**125**
Total	61,849	(30,820)	**31,029**

The changes in the installed capacity of generating units of the Group in 2019 are as follows, among which, items 1 to 17 were the power plants contributed by the Company to the Joint Venture Company.

No.	**Company/power plant**	**Location of generating unit**	**Installed capacity increased/ (decreased)** *MW*
1	Shenhua Guohua International Power Company Limited	Tianjin, Hebei, Liaoning, Inner Mongolia	(7,470)
2	Inner Mongolia Guohua Hulunbei'er Power Generation Co., Ltd.	Inner Mongolia	(1,200)
3	Shangwan Thermal Power Plant of Shenhua Shendong Power Co., Ltd.	Inner Mongolia	(300)

[1] Data source: China Electricity Council

No.	Company/power plant	Location of generating unit	Installed capacity increased/ (decreased)
			MW
4	Salaqi Power Plant of Shenhua Shendong Power Co., Ltd.	Inner Mongolia	(600)
5	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.	Zhejiang	(910)
6	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	Zhejiang	(780)
7	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	Zhejiang	(4,520)
8	Jiangsu Guohua Chenjiagang Power Co., Ltd.	Jiangsu	(1,320)
9	Guohua Taicang Power Co., Ltd.	Jiangsu	(1,260)
10	Guohua Xuzhou Power Generation Co., Ltd.	Jiangsu	(2,000)
11	Shenhua Guohua Ningdong Power Generation Co., Ltd.	Ningxia	(1,320)
12	Ningxia Guohua Ningdong Power Generation Co., Ltd.	Ningxia	(660)
13	Baode Shendong Power Generation Co., Ltd.	Shanxi	(270)
14	Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.	Shanxi	(700)
15	Xinjiang Midong Thermal Power Plant of Shenhua Shendong Power Co., Ltd.	Xinjiang	(600)
16	Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	Xinjiang	(700)
17	Shenwan Energy Company Limited	Anhui	(5,920)
18	Gangue Power Plant of Shenhua Zhunge’er Energy Co., Ltd.	Inner Mongolia	(300)
19	Fujian Jinjiang Thermal Power Co., Ltd.	Fujian	10
Total			(30,820)

(4) Utilisation rate of power generation equipment

The average utilisation hours of coal-fired generators of the Group reached 4,585 hours for the year of 2019, representing a year-on-year decrease of 292 hours and 169 hours above the national average utilisation hours (being 4,416 hours[1]) of coal-fired power plant equipment with capacity of 6,000kW and above. The efficiency of power generation remained stable, and the average power consumption rate of the power plant was 5.60%. As of the end of the reporting period, the installed capacity of circulating fluidised bed generating units of the Group reached 3,064MW, accounting for 10.2% of the installed capacity of the coal-fired generating units of the Group.

	Average utilisation hours *(Hour)*			**Power consumption rate of power plant** *(%)*		
Power type	**2019**	2018	Change %	**2019**	2018	Change
Coal-fired power	**4,585**	4,877	(6.0)	**5.73**	5.62	Increased by 0.11 percentage points
Gas-fired power	**4,092**	3,384	20.9	**1.72**	1.90	Decreased by 0.18 percentage points
Hydro power	**5,567**	5,517	0.9	**0.26**	0.28	Decreased by 0.02 percentage points
Weighted average	**4,574**	4,834	(5.4)	**5.60**	5.53	Increased by 0.07 percentage points

[1] Data source: China Electricity Council

(5) Environmental protection

As of the end of 2019, the ultra-low emission renovation of the Group's conventional coal-fired generators has been completed. The percentage of installed capacity of ultra-low emission coal-fired generators continued to maintain its leading position in the industry.

The average standard coal consumption for power sold of coal-fired power generators of the Group for the year was 307g/kWh, representing a year-on-year decrease in 1g/kWh.

(6) Market Transaction of Power

	2019	2018	Change %
Total volume of power in market-based transactions *(billion kWh)*	**41.72**	80.27	(48.0)
Total volume of on-grid power *(billion kWh)*	**144.04**	267.59	(46.2)
Percentage of the power in market-based transactions *(%)*	**29.0**	30.0	Decreased by 1.0 percentage point

(7) Operation results of the power sales business

The Group 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 2019, the Group promoted the construction of the "integration of production and sales" profit model, resulting in continuous improvement of profitability of market-based power sales. The power output dispatch from non-self-owned power plants of the Group was 12.80 billion kWh during the year, achieving revenue of approximately RMB70 million.

(8) Capitalised Expenses

In 2019, the completed capital expenditure of the power segment of the Group was RMB6,828 million, primarily used in the construction of power generation projects including, Construction of Hunan Yongzhou Power Plant of Shenhua Guohua (2x1,000MW), Phase I of Power Plant Construction of Shengli Energy Branch (2×660MW), and Phase III of Jinjie Coal and Power Integration Project (2×660MW), as well as technology renovation on the environmental protection of power plants.

(9) Operation results

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

		2019	2018	Change %	Main reasons for changes
Revenue	RMB million	**52,626**	88,452	(40.5)	Exclusion of revenue and cost related to contributed assets of the Company from the scope of the Group upon completion of the transaction for establishing Joint Venture Company on 31 January 2019
Cost of sales	RMB million	**40,540**	72,408	(44.0)	
Gross profit margin	%	**23.0**	18.1	Increased by 4.9 percentage points	The increase in average selling price of power was greater than the unit selling cost and cost of contributed asset were no longer consolidated to the Group, resulting in significant drop in the costs of other business
Profit from operations	RMB million	**9,779**	12,720	(23.1)	
Profit margin from operations	%	**18.6**	14.4	Increased by 4.2 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	**2019**	2018	Change	**2019**	**Percentage to total costs of 2019**	2018	Percentage to total costs of 2018	Change in 2019 over 2018
			%		**%**		%	%
Coal-fired power	**49,125**	83,798	(41.4)	**37,411**	**94.1**	67,389	95.4	(44.5)
Gas-fired power	**2,338**	3,201	(27.0)	**2,282**	**5.7**	3,179	4.5	(28.2)
Hydro power	**156**	150	4.0	**91**	**0.2**	78	0.1	16.7
Wind power	**0**	0	N/A	**1**	**0.0**	6	0.0	(83.3)
Total	**51,619**	87,149	(40.8)	**39,785**	**100.0**	70,652	100.0	(43.7)

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 2019 was RMB276.2/mWh (2018: RMB264.0/mWh), representing a year-on-year increase of 4.6%. The increase was mainly due to the increase in depreciation and amortisation costs arising from the decrease in power sales volume and increase in maintenance fees.

The power segment consumed a total of 56.1 million tonnes of China Shenhua's coal, accounting for 87.0% of the total thermal coal consumption (being 64.5 million tonnes).

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

	2019		2018		Change
	Costs	**Percentage**	Costs	Percentage	in costs
	RMB million	***%***	*RMB million*	*%*	*%*
Raw materials, fuel and power	**26,802**	**71.7**	50,511	75.0	(46.9)
Personnel expenses	**2,328**	**6.2**	4,453	6.6	(47.7)
Repairs and maintenance	**1,862**	**5.0**	2,618	3.9	(28.9)
Depreciation and amortisation	**5,133**	**13.7**	7,848	11.6	(34.6)
Others	**1,286**	**3.4**	1,959	2.9	(34.4)
Total cost of sale of power of coal-fired power plant	**37,411**	**100.0**	67,389	100.0	(44.5)

3. *Railway segment*

(1) Overview of production and operations

In 2019, the Group constantly optimised our railway transportation organisation, prompted the innovation of heavy-loaded railway, and accelerated the construction of the collection and distribution system and the environmental protection renovation, resulting in further improvement in the loading capacity and railway radiation range. The Group made efforts to improve the number of the 20 thousand-tonne trains and 10 thousand-tonne trains to ensure the transportation capacity of the main channel, and has opened the two uploading terminals of Yanjiata Kaiyue and Huangyangcheng Weihua along Shenshuo railway with the improvement of the loading capacity by 20 million tonnes/year in aggregate. The Group has completed the approval procedures of ten special lines for connecting the railways of the Group and the industrial and mining enterprises and logistics parks, and completed the environmental protection renovation for a total of 8 loading points along Baoshen and Shenshuo railways, which is conducive to improving the overall loading capacity. The Baoshen Railway has optimised its hierarchical authorisation system, implemented reforms in human resources management, labour employment and salary incentive mechanisms, operated a market-oriented freight rate system, actively promoted industrial upgrading and increased transportation volume and income, and achieved positive progress in the reforms of the "Double Hundred Actions" campaign, which significantly enhanced the vitality of the enterprise.

The Group dug deep into the railway transportation capacity resources and accelerated the development of large-scale logistics business. Leveraging on the transportation network distribution of the Group and the characteristics of the regional economic structure along the line, the Group has gradually formed a transportation channel serving for the transportation of iron ore and manganese ore in Ningxia, Western Inner Mongolia zone and Hebei, as well as an outward transportation channel for transportation of chemicals and mineral construction materials. The container multimodal transport business has achieved staged progress, forming a new transportation channel for "combined transportation of railway and waterway" of containers for ore and coke in the entire process.

During the year, the turnover volume of self-owned railways of the Group reached 285.5 billion tonne km (2018: 283.9 billion tonne km), up by 0.6% year-on-year. The transportation volume of non-self-owned coal in the railway segment was 120.5 million tonnes; reverse transportation volume was 9.5 million tonnes, and transportation volume of non-coal cargo was 19.1 million tonnes. The turnover of cargo transportation offered to external customers in the railway segment throughout the year was 36.2 billion tonne km (2018: 30.7 billion tonne km), representing a year-on-year increase of 17.9%. The revenue generated from transportation services offered to external customers amounted to RMB6,464 million (2018: RMB5,877 million), representing a year-on-year increase of 10.0%, accounting for 16.3% of total revenue of the railway segment (2018: 15.0%).

(2) Progress of projects

In 2019, the Group actively promoted the railway production capacity expansion project and the renovation of new lines. The 300 million-tonne production capacity expansion and renovation project of Shenshuo Railway is entering the preparation stage for commencement and expected to be completed at the end of 2021. The construction of Huangda Railway was advancing steadily. The project of Shandong section (172.6 km) was constructed in October 2019, and the project of Hebei section (44.2 km) will commence construction in March 2020.

(3) Operation results

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

		2019	2018	Change %	Main reasons for changes
Revenue	RMB million	**39,701**	39,149	1.4	
Cost of sales	RMB million	**20,641**	19,915	3.6	Increase in labor costs, volume of transportation services provided to customers other than the Group
Gross profit margin	%	**48.0**	49.1	Decreased by 1.1 percentage points	
Profit from operations	RMB million	**17,360**	17,695	(1.9)	
Profit margin from operations	%	**43.7**	45.2	Decreased by 1.5 percentage points	

In 2019, the unit transportation cost in the railway segment was RMB0.067/tonne km (2018: RMB0.066/tonne km), representing a year-on-year increase of 1.5%.

4. Port segment

(1) Production and operations

In 2019, the Group continued to improve port operation efficiency, accelerated green, intelligent and efficient development of ports, and ensured their integrated and efficient operation. During the year, the seaborne coal sales volume through self-owned ports of the Group was 232.1 million tonnes (2018: 238.3 million tonnes), representing a year-on-year decrease of 2.6%. Huanghua Port accelerated the operation organization and ship turnover to reduce the docking time of ships at port by approximately 21%, and the docking time at anchorage by approximately 27%. The Company has realised remote operation of the ship loader and become the first coal port in the world to realise the remote centralised operation of equipment in the entire process. The green port development mode of dust governance and sewage treatment and recycling has been highly recognised.

The construction of the operation capacity of ports prompted steadily. The 70 thousand-tonne round-way channel project of Huanghua Port passed the investigation of relevant departments, and the commencement review on No. 3 and No. 4 wharfs was completed. The preliminary preparation for projects including the Tianjin Coal Dock Sewage Treatment System Project and Zhuhai Coal Dock No. 6 Storage Yard Project was solidly promoted.

(2) Operation results

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

		2019	2018	Change %	Main reasons for changes
Revenue	RMB million	**5,926**	6,124	(3.2)	Year-on-year decrease in loading volume of vessels at the ports
Cost of sales	RMB million	**3,064**	3,511	(12.7)	Full depreciation of port equipment, resulting in a lower costs for depreciation and amortisation, and lower dredging fees
Gross profit margin	%	**48.3**	42.7	Increased by 5.6 percentage points	
Profit from operations	RMB million	**2,536**	2,325	9.1	
Profit margin from operation	%	**42.8**	38.0	Increased by 4.8 percentage points	

The unit transportation cost in the port segment was RMB10.5/tonne in 2019 (2018: RMB11.9/tonne), representing a year-on-year decrease of 11.8%.

5. Shipping segment

(1) Production and operations

In 2019, the shipping segment of the Group overcame unfavorable factors, including market downturn and insufficient self-own transportation capacity, to fully satisfy the Group's internal transportation capacity demand. The Group improved the operation and deployment management level, and further released the transport capacity by leveraging on the ship shore connection advantage. The Group constantly optimised the cooperation mechanism with internal and external ports, and actively implemented the policy of "quasi liner", and the number of such ships increased from 51 in 2018 to 54. The Group also actively expanded external quality customers to enhance the ability against shipping market risks and the annual freight volume of external customers accounted for approximately 59% of the total freight volume.

The shipping volume of the shipping segment amounted to 109.8 million tonnes (2018: 103.6 million tonnes), representing a year-on-year increase of 6.0%, while shipment turnover amounted to 89.6 billion tonne nautical miles (2018: 89.9 billion tonne nautical miles), representing a year-on-year decrease of 0.3%.

(2) Operation results

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

		2019	2018	Change %	Main reasons for changes
Revenue	RMB million	**3,297**	4,089	(19.4)	Decrease in freight rates
Cost of sales	RMB million	**2,913**	3,232	(9.9)	Downturn in the shipping market and decrease in ship leasing cost
Gross profit margin	%	**11.6**	21.0	Decreased by 9.4 percentage points	
Profit from operations	RMB million	**232**	723	(67.9)	
Profit margin from operation	%	**7.0**	17.7	Decreased by 10.7 percentage points	

In 2019, the unit transportation cost of the shipping segment was RMB0.032/tonne nautical mile (2018: RMB0.036/tonne nautical mile), representing a year-on-year decrease of 11.1%.

6. Coal chemical segment

(1) Production and operations

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

In 2019, the coal-to-olefins project had maintained stable and consecutive operation for 7,771 hours, with the average production capacity reaching 105.6%, and produced 615.7 thousand tonnes of olefins products in aggregate. The project conducted strict control over the production process and realised significant improvement in quality product rate. The Group further advanced clean production and further improved the level of energy conservation and emission reduction. The fuel coal and raw coal used in the production of Baotou coal-to-olefins project were all supplied by the Group with the special railway line for coal transportation and product delivery to ensure the supply of raw materials and product delivery.

The sales of polyethylene and polypropylene products of the Group in 2019 is as follows:

	2019		2018		Change	
	Sales volume	**Price**	Sales volume	Price	Sales volume	Price
	Thousand tonnes	***RMB/tonne***	*Thousand tonnes*	*RMB/tonne*	*%*	*%*
Polyethylene	**319.0**	**6,292**	315.4	7,442	1.1	(15.5)
Polypropylene	**302.3**	**6,797**	297.7	7,327	1.5	(7.2)

In 2019, environmental protection investment of Baotou Coal Chemical was approximately RMB8.04 million, mainly for ecological greening and governance of prevention and control of waste water and gas. During the year, the coal-to-olefin project met emission standards of waste water and gas, and met compliance standards of hazardous wastes disposal. There were no major environmental pollution accidents.

The environmental impact report of the Baotou-based coal-to-olefins upgrade and demonstration project (the 750,000 tonnes of coal-to-olefins equipment) has been submitted to relevant departments for completion of technology assessment.

(2) *Operation results*

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

		2019	2018	Change %	Main reasons for changes
Revenue	RMB million	**5,327**	5,840	(8.8)	Decrease in price of polyolefin products
Cost of sales	RMB million	**4,693**	4,901	(4.2)	Decrease in consumption of raw materials as the days of suspension of operation for repair in 2019 were more than that in 2018
Gross profit margin	%	**11.9**	16.1	Decreased by 4.2 percentage points	
Profit from operations	RMB million	**311**	751	(58.6)	
Profit margin from operation	%	**5.8**	12.9	Decreased by 7.1 percentage points	

(3) *Unit production cost of main products*

	2019		2018		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	**319.4**	**5,857**	317.1	5,905	0.7	(0.8)
Polypropylene	**296.3**	**5,759**	300.3	5,759	(1.3)	0.0

(V) Regional operation analysis

Unit: RMB million

	2019	2018
Revenue from external transactions in domestic markets	**238,889**	261,330
Revenue from external transactions in overseas markets	**2,982**	2,771
Total	**241,871**	264,101

Note: Revenue from external transactions was classified based on the locations of the recipients of the services and products.

The Group is mainly engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-to-olefins businesses in the PRC. In 2019, the revenue from external transactions in domestic markets was RMB238,889 million, accounting for 98.8% of the Group's operating revenue and representing a year-on-year decrease of 8.6%, mainly due to the decrease in sales volume of power. Revenue from external transactions in overseas markets was recorded a year-on-year increase of 7.6%, mainly due to the increase in sales price of coal exports and growth in the revenue from overseas sales of power.

In 2019, the Group proactively responded to the promotion of the "Belt and Road Initiative", conducted international operation stably to promote the construction and operation of overseas projects. The No. 1 unit of Guohua Indonesia Java No. 7 Project was put into commercial operation in December 2019, which symbolised that Indonesia's highly efficient environmental protection power station with the largest installed capacity, the highest parameters, the most advanced technology and the best indicators has been officially put into operation, adding a new energy landmark to Indonesia, the first place of "Maritime Silk Road". The Guohua Sumsel EMM Coal-fired Power Project (Phase I) (2 × 150MW) in Indonesia has been under safe and stable operation for seven consecutive years without unplanned operation suspension. In 2019, the project obtained three awards, including "Independent Power Generation Enterprise of the Year (Indonesia)", "Technology Innovation Award of the Year (Indonesia)" and "Environmental Protection Promotion and Renovation Award of the Year (Indonesia)". All 29 gas wells of the shale gas project in Pennsylvania, the

US, were put into operation, and produced a satisfactory economic return. The Watermark Open-pit Coal Mine Project in Australia has put more efforts in pre-construction work. The approval of feasibility research of the Russia Zhassul project was completed and its preliminary design was initiated. Other external projects are in progress under the principle of stability and prudence.

(VI) Analysis on Investments

The equity investments of the Company in 2019 amounted to RMB33.047 billion (2018: RMB2.049 billion), representing a year-on-year increase of 1,512.8%. Equity investments are mainly included recognised costs of long-term equity investment in the Joint Venture Company of RMB27,213 million as well as capital contributions to Mengxi-Huazhong Railway Co., Ltd., Baoshen Railway and Railway Transportation.

1. Material investment in equity interest

The 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 details, please refer to the H-shares announcement dated 31 January 2019 and the A-shares announcement dated 1 February 2019 of the Company.

2. Material investment in non-equity interest

☐ Applicable ✔ Not applicable

3. Financial assets 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, thermal coal futures, and the derivative financial instruments of Shenhua Lease Company to hedge against the US dollar-denominated liabilities. By the end of 2019, the fair value of derivative financial instruments amounted to RMB101 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 RMB1,789 million held by the Group that have no significant impact on the investee. In 2019, the changes in fair value of other investments in equity instruments before income tax amounted to RMB2 million.

Details regarding the amounts of and changes in the major financial assets at fair value of the Group in 2019 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	30,000	**33,334**	3,334	702
Interbank certificates of deposit	2,447	**0**	(2,447)	53
Forward foreign exchange contracts	5	**31**	26	26
Futures trading	0	**70**	70	0
Other investments in equity instruments	811	**1,789**	978	0
Total	33,263	**35,224**	1,961	781

4. Investment in derivatives

(1) Thermal coal futures

As of the end of 2019, the Group held 4,000 lots of thermal coal futures (100 tonnes/lot), and the loss of changes in fair value in 2019 was RMB0.17 million.

(2) USD debt hedging

In order to avoid the USD debt risk, the Company used financial derivatives to make exchange rate hedge against the debt of USD150 million. As of the end of 2019, the hedging was still under performance stage, and the profit of changes in fair value was RMB26 million during 2019.

The exchange rate hedging conducted by the Group aimed at risk management rather than investment profit, and the specific scheme adopted conformed to the nature of hedging.

(VII) Disposal of material assets and equity interest

☐ Applicable ✔ Not applicable

(VIII) Analysis on major holding and associated companies

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 2019			2019	2018	Change %	Main reasons for changes
1	Shendong Coal	**4,989**	**32,673**	**24,189**	**12,945**	15,397	(15.9)	Decrease in production volume of part of the mine
2	Shuohuang Railway	**5,880**	**40,680**	**33,680**	**7,601**	7,492	1.5	
3	Jinjie Energy	**2,278**	**11,346**	**9,035**	**3,211**	3,241	(0.9)	
4	Zhunge'er Energy	**7,102**	**40,752**	**33,248**	**2,769**	3,146	(12.0)	
5	Trading Group	**1,889**	**16,598**	**6,027**	**2,514**	2,850	(11.8)	
6	Huanghua Harbour Administration	**6,790**	**14,260**	**10,664**	**1,391**	1,213	14.6	
7	Shenhua Finance Company	**5,000**	**118,243**	**8,183**	**1,077**	947	13.7	
8	Baotou Energy	**2,633**	**7,017**	**5,958**	**963**	1,165	(17.3)	Decrease in production volume of part of the mine
9	Shenbao Energy	**1,169**	**7,604**	**5,849**	**935**	1,274	(26.6)	Adjustment to the applicable corporate income tax rate to 25% from 15%
10	Railway Transportation	**5,003**	**22,005**	**7,695**	**838**	965	(13.2)	

Notes: (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 China Accounting Standards for Business Enterprises. The data have not been audited or reviewed.

(2) Shendong Coal recorded a revenue of RMB58,250 million and a profit from operations of RMB15,341 million in 2019.

(3) Shuohuang Railway recorded a revenue of RMB19,878 million and a profit from operations of RMB10,169 million in 2019.

(IX) Subsequent Events

1. Upon consideration and approval of the 25th meeting of the fourth session of the Board of the Company, on 27 March 2020, China Energy Group, the Company, Shenhua Finance Company and other shareholders of Shenhua Finance Company entered into Capital Increase Agreement, pursuant to which China Energy Group proposed to conduct capital contribution to Shenhua Finance Company, the controlled subsidiary of the Company. Such capital increase is subject to the approval at the general meeting of the Company and relevant regulatory authorities. Upon completion of the capital increase, China Energy will directly hold 60% equity interest in Shenhua Finance Company and Shenhua Finance Company will change to an associate of the Company, and will not be included in the consolidated financial statements of the Company. For details, please refer to the H share announcement of the Company dated 27 March 2020 and the A share announcement of the Company date 28 March 2020.

2. From January to February 2020, the Group insisted on "two persistence", i.e. doing the best for prevention and control of the epidemic and corporate operation, completing commercial coal production of 49.5 million tonnes, representing a year-on-year increase of 5.8%; coal sales of 57.4 million tonnes, representing a year-on-year decrease of 11.6%; gross power generation of 18.70 billion kWh, representing a proportional year-on-year decrease of 13.7%.

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

(I) Competition and Development Trend in the Industry

1. Macro economy

In 2019, guided by the Thought on Socialism with Chinese Characteristics for a New Era proposed by Xi Jinping, the Chinese government adhered to the general principle of making progress while ensuring stability, scientifically and steadily grasped the intensity of macro-adjustment, and continued to deepen the supply-side structural reform. The national economy is generally stable, and the quality of the development has been steadily improved. The Gross Domestic Product (GDP) for the year has seen a year-on-year increase of 6.1%. The Consumer Price Index (CPI) has seen a year-on-year increase of 2.9%. The Producer Price Index for Industrial Products (PPI) has seen a year-on-year decrease of 0.3%.

In 2020, the continued slowdown in world economic growth led to the significant development of global turbulence and risk points and the accumulation of downward pressure on the domestic economy. From January to February, the COVID-19 brought great impact on the economic operation. The Chinese government organized the advancement of epidemic prevention and control as well as social development, paid close attention to the mission of building a moderately prosperous society in all respects, adhered to the general principle of making progress while ensuring stability, adhered to the new development ideologies, adhered to the main line of supply-side structural reform, promoted high-quality development and exerted all efforts on "stabilisation in six aspects", protected basic livelihood in the country, and maintained stability of the social situation. There has been no change in the fundamentals and internal growth of steady economic development.

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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, National Energy Administration, 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 2019

In 2019, the domestic coal market maintained fundamental balance in terms of supply and demand, with steady and decrease in coal price. As of the end of 2019, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB551/tonne, decreasing by RMB18/tonne compared with the end of the previous year; the average value of the price index for the year remained stable on a year-on-year basis at RMB573/tonne. The spot price of Bohai Bay thermal coal (5,500 kcal) fluctuated widely within the interval of RMB550–650/tonne.

	2019	Year-on-year change %
Raw coal output *(100 million tonnes)*	**37.5**	4.2
Coal import *(100 million tonnes)*	**3.0**	6.3
National coal transportation volume by railway *(100 million tonnes)*	**24.6**	3.2

In respect of the supply side, the structural de-capacity process of coal has been continuously deepened, and high-quality coal production capacity has been continuously released, which has seen further concentration in resource-rich areas. In 2019, the raw coal production volume above national scale reached 3.75 billion tonnes, representing a year-on-year increase of 4.2%. The production volume of raw coal in Inner Mongolia, Shanxi and Shaanxi accounted for 70.5% of the national output, representing an increase of approximately 2.6 percentage points over the previous year. Among which, the raw coal production of Inner Mongolia was 1,040 million tonnes, representing a year-on-year increase of 8.5%; the raw coal production of Shanxi was 970 million tonnes, representing a year-on-year increase of 6.1%; and the raw coal production of Shaanxi was 630 million tonnes, representing a year-on-year increase of 1.7%. The coal supply channel was smoother. The coal transportation volume through railways in China was 2,460 million tonnes, representing a year-on-year increase of 3.2%. The volume of coal shipment through major ports in China was 782 million tonnes, representing a year-on-year decrease of 1.0%.

The import volume of coal continued to grow, and the total import volume of coal throughout the year amounted to 300 million tonnes, representing a year-on-year increase of 6.3%.

In respect of the demand side, total consumption of coal of the nation in 2019 increased slightly by 1.5%, while the consumption of coal by the power industry has increased year-on-year by 1.7%, accounting for 52.8% of the national total consumption of coal. The growth of coal consumption in the steel and building materials industries expanded; the coal consumption in the chemical industries recorded steady increase, and the coal consumption in other industries and residents has continued to decrease. Regional differences in coal consumption increased, and inland coal consumption recorded rapid growth.

Prospects for 2020

In 2020, despite a more complex and severe economic development environment in China, steady development will remain the key principle of the PRC's economy. The economy will play a supporting role in energy consumption, coal consumption is expected to maintain fundamentally stable, and coal demand continues to show regional differentiation.

In 2020, new domestic production capacity will be released continuously; the capacity of major coal rail transportation channels will increase, and domestic coal supply will be stable. Imported coal volume is expected to remain at a high level.

Overall, the supply and demand of coal are expected to be practically balanced in 2020. However, subject to uncertainties, including resource conditions, seasonal factors and unexpected events, there may be structural tight or loose supply in some periods and regions.

(2) Thermal coal market in the Asia Pacific region

Review of 2019

In 2019, the pressure of global economic downturn intensified, the energy structure continued to shift towards clean energy, and international trade frictions escalated. The Asia Pacific region remains the focus of global coal consumption and growth, slower growth in coal demand in China and India slows growth in coal demand in the Asia Pacific region, coal supply was relatively sufficient and coal price showed downward pressure.

The growth in coal import volume of the Southeast Asian and South Asian countries along the Belt and Road was obvious. India imported 249 million tonnes of coal for the year, representing a year-on-year increase of 9.7%, while coal imports from countries such as the Philippines, Vietnam and Pakistan recorded more than double digits' growth. Imports of coal by Japan, Korea and Taiwan in the East Asia region decreased slightly, and coal imports by countries in Western Europe continued to decline. Indonesia, Australia and Russia continued to expand their share of global coal exports in 2019. The export volume of coal from Indonesia was 459 million tonnes, representing a year-on-year increase of 7.0%; the export volume of coal from Russia increased year-on-year by 1.0%; the export volume of coal from Australia remained stable on the whole, while export volume of coal from the US decreased year-on-year by 19.7%.

Global coal price weakened throughout the year. As of 31 December 2019, the spot price of Newcastle NEWC thermal coal amounted to USD64.78 per tonne, representing a decrease in 36.1% as compared to the beginning of the year.

Prospects for 2020

In 2020, affected by various factors such as changes in the world economic structure, trade friction, and heightened attention towards climate change, global coal consumption and demand are expected to remain roughly the same as the previous year. South and Southeast Asian economies will continue to be the mainstay of new coal demand, while coal demand in Europe, America and East Asia could be further contracted. With increased domestic consumption of coal in Indonesia, it is expected that export volume of coal may decrease slightly; export volume from countries such as Russia and Mongolia continued to grow; supply from Australia remained fundamentally stable, and a portion of coal exports were transferred from Western Europe to Asia.

It is expected that supply and demand of the global coal market in 2020 will fundamentally be balanced with relatively sufficient supply, and thermal coal price may see a slight decline.

3. Market environment of the power industry

Review of 2019

In 2019, the growth rate of the national power consumption slowed down, the overall power supply was generally sufficient, and the scope and proportion of market transaction of power were further expanded. The total electricity consumption for the year was 7,225.5 billion kWh, representing a year-on-year increase of 4.5%, and the growth rate decreased by 4.0 percentage points as compared with that of last year. The total power generation in the PRC was 7,325.3 billion kWh, representing a year-on-year increase of 4.7%, and the growth rate decreased by 3.7 percentage points as compared with that of last year. Among which, thermal power generated 5,045.0 billion kWh, representing a year-on-year increase of 2.4%, and accounting for 68.9% of the power generation in the PRC, which was 1.5 percentage points lower than that of the previous year.

The growth of installed capacity of power plants slowed down, and the installed capacity of thermal power generation continued to decrease in market share. By the end of 2019, the installed capacity of power plants was 2.01 billion kW in China, increasing by 5.8% as compared to that by the end of the previous year. Among which, The installed capacity of thermal power was 1.19 billion kW, accounting for 59.2% of the total installed capacity, and decreasing by 1.0 percentage point from the end of the previous year. In 2019, the average utilisation hours of power generation equipment of power plants with capacity of 6,000 kW and above in the PRC was 3,825 hours, decreasing by 54 hours year-on-year. Among them, the average utilisation time of thermal power equipment was 4,293 hours, decreasing by 85 hours year-on-year. The average utilisation time of hydropower and solar power equipment both recorded year-on-year increase.

In 2019, the market reforms of the power industry advanced rapidly, and the medium- to long-term direct transaction volume of power in the PRC power market was 2,177.1 billion kWh, accounting for 30.1% of the total power consumption. The length of the newly added power transmission line with 220 kV or above was 34,022 km, and the allocation capabilities of power grid resources improved steadily.

Prospects for 2020

It is expected that total power consumption will continue to grow steadily in 2020, the pricing mechanism of "benchmark price + float price" will be adopted, and market-oriented competition in the power industry will be intensified. Regional integration of coal-fired power will promote the continuous structural optimisation of thermal power generation capacity, which is expected to secure certain space for the growth of thermal power.

(II) Business Targets for 2020

Item	Unit	**Target of 2020**	Actual amount in 2019	Increase/ (decrease) %
Commercial coal production	100 million tonnes	**2.68**	2.827	(5.2)
Coal sales	100 million tonnes	**4.03**	4.471	(9.9)
Gross power generation	100 million kWh	**1,451**	1,535.5	(5.5)
Revenue	RMB100 million	**2,163**	2,418.71	(10.6)
Cost of sales	RMB100 million	**1,484**	1,649.79	(10.0)
Selling, general and administrative expenses (including research and development costs), net finance costs	RMB100 million	**143**	126.92	12.7
Percentage change of unit production cost of the self-produced coal	/	**Year-on-year increase of approximately 8%**	Year-on-year increase of 16.1%	/

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 2020 is expected to reach a year-on-year change of 50% or above:

☐ Applicable ✔ Not applicable

(III) Capital expenditure plan for 2020

Unit: RMB100 million

	Target of 2020	Actual amount in 2019
1. Coal segment	**56.1**	52.91
2. Power segment	**121.5**	68.28
3. Transportation segments	**114.5**	72.58
Of which: Railway	**99.4**	69.90
Port	**15.0**	2.38
Shipping	**0.1**	0.30
4. Coal chemical segment	**16.1**	1.42
5. Others	**10.1**	0.02
Total	**318.3**	195.21

Total capital expenditure of the Group in 2019 amounted to RMB19.521 billion, which were mainly used for expenditure such as acquisition of land use rights of open-pit mines, acquisition of coal mining equipment, and coal mine construction, etc.; the expansion and transformation of Huangda Railway and traction power supply system; as well as power plant projects such as Phase III of Jinjie Coal and Power Integration Project (2×660MW) and Phase I of Shengli Energy Branch (2×660MW), etc.

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 2020 of RMB31.83 billion (excluding equity investment). In terms of the capital expenditure on the coal segment, approximately RMB1.13 billion will be used for infrastructure, such as coal transportation system, construction of mines, and approximately RMB4.28 billion will be used for technological transformation, such as mine equipment purchase, environmental protection transformation. In terms of the capital expenditure on the railway segment, approximately RMB6.28 billion will be used for infrastructure, such as the station production capacity expansion transformation, the construction of railway lines and equipment purchase, and approximately RMB3.22 billion will be used for technological transformation, such as the capacity expansion transformation of the traction power supply system and the automatic blocking transformation projects. In terms of the capital expenditure on the power segment, approximately RMB10.44 billion will be used for infrastructure, such as Hunan Yongzhou Phase I Project (2×1,000MW), Guohua Indonesia South Sumatra No. 1 Project (2×350MW) and Guohua Shaanxi Jinjie Phase III project (2 x 660MW), and approximately RMB1.48 billion will be used for energy saving and environmental protection transformation and enclosure transformation of power stations and coal mines.

The capital expenditure plans of the Group in 2020 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 safety production and environmental protection

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

To cope with the risks of production safety for coal mines, the Group will strengthen 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.

To cope with the risks of environmental protection, 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 ensuring capital investment to carry out the brand image building 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.

3. *Risks 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 international operations*

With the increasingly complicated international political situation, the long term and complication trend of trade frictions remain unchanged. 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.

5. Risk of market competition

In 2019, 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. As reforms of the electricity market accelerated, the proportion of power transactions continued to increase; the market competition intensified, and the transaction size and price were uncertain. 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 power market transactions in compliance 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;

6. Risk of project management

The overall progress of the Group's existing projects is stable, however, there are uncertainties to a certain extent in the construction of specific projects, which includes risks arising from safety incidents due to the inadequate fulfillment of safety responsibilities and the lack of safety awareness of some of the construction workers; risks of excessive visas during the construction period and significant adjustments in investment and construction cost resulting from poor level of design unit or extra construction content of the project unit being added; risks of delayed constructions and increased investment in projects.

The Group will strengthen its construction safety management, enforce its administration in safety emergency plans and eliminate major and more severe safety incidents. Strict control of project construction and settlement will be implemented, and construction cost control will be strengthened. It will strengthen the contract management of design units, clarify design quality and investment control responsibilities, as well as reduce design changes. Each project team will keep track, timely and comprehensively interpret the production status of each participating unit and supplier, actively communicate and formulate effective measures to reduce or eliminate the impact of the factors of phase expansion.

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 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 China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, whichever is lower. Annual profit distribution in cash shall be no less than 35% of the net profit for the year attributable to equity holders of the Company subject to the relevant conditions.

(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 China 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 2019 (Proposed)	12.6	25,061	43,250	57.9
Final dividend for year 2018	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

Net profit for the year attributable to equity holders of the Company for 2019 under the China Accounting Standards for Business Enterprises amounted to RMB43,250 million, with basic earnings per share of RMB2.174/share; profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards amounted to RMB41,707 million, with basic earnings per share of RMB2.097/share. As at 31 December 2019, the retained earnings available for distribution to shareholders of the Company under the China Accounting Standards for Business Enterprises amounted to RMB168,230 million.

In order to implement the revised Securities Law of the PRC, strengthen the protection of investors' legitimate rights and interests, and respond to the demands of investors, especially minority shareholders, the Board proposed the payment of a final dividend in cash of RMB1.26 per share (inclusive of tax) for the year 2019 based on the total share capital registered on the equity registration date of implementing equity distribution. According to the total share capital of 19,889,620,455 shares of the Company as at 31 December 2019, the final dividend totals RMB25,061 million (inclusive of tax), accounting for 60.1% of the profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards, or 57.9% of the net profit for the year attributable to equity holder of the Company under the China Accounting Standards for Business Enterprises.

2. The above final dividend plan for year 2019 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 2019, the Board has attended to and considered the opinions and concerns of the shareholders of the Company. The Company will hold the 2019 annual general meeting on Friday, 29 May 2020 to consider the relevant resolutions, including the above dividend plans as proposed by the Board.

3. The final dividend for year 2019, 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 2019 and annual general meeting of the Company, the final dividend for year 2019 for the Company's H shareholders are estimated to be distributed on or about 31 July 2020.

4. Pursuant to the Articles of Association:

(1) After the SSE is closed in the afternoon on Wednesday, 29 April 2020, the shareholders of A shares of the Company 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 2019 annual general meeting of the Company;

(2) According to the relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement on implementation of equity distribution in respect of the distribution of final dividend for year 2019 to holders of A shares after the 2019 annual general meeting to determine the record date, ex-rights date and dividend distribution date for the distribution of final dividend for year 2019 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 2019 annual general meeting	29 April 2020 (Wednesday)	29 May 2020 (Friday)	28 April 2020 (Tuesday) 4:30 p.m.	Computershare Hong Kong Investor Services Limited
2	Entitled to the final dividend for year 2019	6 June 2020 (Saturday)	12 June 2020 (Friday)	5 June 2020 (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 2019 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 12 June 2020.

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. 35 Announcement of the State Administration of Taxation in 2019). If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of over 10% but less than 20% with China, the Company shall withhold the individual income tax at the agreed actual rate. In case the individual shareholders of the H shares are residents of countries which have not entered into any tax agreement with China, or the agreed tax rate with China is 20% or otherwise, the Company shall withhold the individual income tax at a rate of 20%.

The Company shall use the registered address (hereinafter referred to as "**registered address**") as recorded in the register of members of H shares on 12 June 2020 as the criterion in determining the residence of the individual shareholders of H shares who are entitled to receive the final dividend for year 2019 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 5 June 2020 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 on the HKEx through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. For Mainland securities investment funds investing in shares listed on the HKEx through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. The Company is not required to withhold income tax on dividends derived by 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.

10. Pursuant to the Articles of Association, the Company is entitled to forfeit the dividends which have been declared for more than six years but yet to be claimed, subject to compliance with relevant Chinese laws and administrative regulations. Shareholders are advised to collect the dividends distributed by the Company in a timely manner.

CORPORATE GOVERNANCE

The Company has been in compliance with the requirements of corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules to establish its own system of corporate governance. During the year ended 31 December 2019, 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

As 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	Wang Xiangxi (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), Zhao Jibin
Safety, Health and Environment Committee	Zhao Jibin (Chairman), Li Dong, Mi Shuhua, Tam Wai Chu, Maria, Zhong Yingjie, Christina

(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 2019, the Strategy Committee of the Board held two meetings by correspondence to consider the 2019 Production Plan, 2019 Investment Plan, 2020 Production Plan and 2020 Investment Plan of the Company, all of which were approved at the meetings.

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 2019, the Audit Committee held 9 meetings to consider proposals such as the financial reports, internal control reports, and connected transactions of the Company; debriefing on utilizing idle funds to increase the gains of the Company, land acquisition for open-pit mine, 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 2019 annual report and internal control report of the Company:

(1) Before the accounting firms for 2019, namely KPMG Huazhen LLP and KPMG ("**KPMG**"), proceeded with on-site auditing, the Audit Committee had negotiation with KPMG on the determination of the schedule of the Company's 2019 audit. On 19 August 2019, the Audit Committee reviewed the internal control assessment plan for the year 2019. On 22 December 2019, the Audit Committee reviewed the Company's plans for the audit plan for the year 2019.

(2) After the issue of preliminary audit opinions by KPMG, the Audit Committee reviewed the draft internal control assessment report and financial statements for 2019. On 10 March 2020, the Audit Committee reviewed the 2019 Assessment Report on Internal Control (Draft) and 2019 Financial Statements (Draft) of China Shenhua prepared by the Company.

(3) KPMG completed all audit procedures within the agreed time and reported to the Audit Committee its intention to issue a standard unqualified audit report for 2019. On 26 March 2020, 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 and corporate governance report for the year 2019 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, Chief Executive Officer and other senior management, including but not limited to the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; to examine how Directors, supervisors, Chief Executive Officer 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 2019, the Remuneration Committee held one meeting to consider proposals including the remuneration of Directors, supervisors and senior management for the year 2018 and the purchase of liability insurance for directors, supervisors and senior management with liability limit, all of which were approved at the meeting and all members attended the meetings in person. During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for Directors, supervisors and senior management for the relevant period.

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, Chief Executive Officer and other senior management and make recommendations to the Board; to extensively seek for qualified candidates of Directors, Chief Executive Officer and other senior management; to examine the aforementioned candidates and make recommendations; to nominate candidates for members of the Board Committees (other than members of the Nomination Committee and the

Chairman of any Board Committee); to draft development plans for Chief Executive Officer, other senior management and key reserve talents; to review the board diversity policy where appropriate, and review the quantitative objectives set up by the Board to implement the board diversity policy and their progress of achievement, as well as to disclose the results of review in the Corporate Governance Report annually; and to carry out any other matters as authorized by the Board.

In 2019, the Nomination Committee held four meetings to consider proposals including the nominations of candidates for Chief Executive Officer, Executive Vice President, 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. The committee is also responsible for routine supervision on the environmental, social responsibility and corporate governance matters of the Company.

In 2019, the Safety, Health and Environment Committee held one meeting in the form of writing to consider and approved the 2018 ESG Report.

OTHERS

For the year ended 31 December 2019, 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 2019 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2019 annual report, which contains consolidated financial statements for the year ended 31 December 2019, 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)
China Guodian	China Guodian Group Co., Ltd. (中國國電集團有限公司)
Guodian Group	China Guodian and its subsidiaries
GD Power	GD Power Development Co., Ltd.
Shendong Coal	Shenhua Shendong Coal Group Co., Ltd.
Shendong Power	Shenhua Shendong Power Co., Ltd.
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.
Shuohuang Railway	Shuohuang Railway Development Co., Ltd.
Railway Transportation	Shenhua Railway Transportation Co., Ltd. (renamed as Shenhua Railway Equipment Co., Ltd. in January 2020)
Trading Group	Shenhua Trading Group Limited
Huanghua Harbour Administration	Shenhua Huanghua Harbour Administration Co., Ltd.

Baoshen Railway	Shenhua Baoshen Railway Group Co., Ltd.
Baotou Energy	Shenhua Baotou Energy Co., Ltd.
Baotou Coal Chemical	Shenhua Baotou Coal Chemical Co., Ltd.
Shenbao Energy	Shenhua Baorixile Energy Co., Ltd.
Tianjin Coal Dock	Shenhua Tianjin Coal Port Dock Co., Ltd.
Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
Sichuan Energy	Shenhua Sichuan Energy Co., Ltd.
Fujian Energy	Shenhua Fujian Energy Co., Ltd.
Shenhua Finance Company	Shenhua Finance Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of China Shenhua
Beijing Gas-fired Power	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.
Fuping Thermal Power	Fuping Thermal Power Plant of Shenhua Shendong Power Co., Ltd.
Shenhua Lease Company	Shenhua (Tianjin) Finance Lease Co., Ltd.
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
Joint Venture Company/ Beijing GD Power	the joint venture company co-established by the Company and GD Power with their respective holding of equities and assets of the relevant coal-fired power generation companies, i.e. Beijing GD Power Co., Ltd
BOOT Scheme	the "Build-Own-Operate-Transfer" model adopted by the Group in the Indonesia Java power project
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on SSE
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the HKEx
China Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Board
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
EBITDA	profit for the year + net 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 SSE and HKEx
Shenzhen-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between Shenzhen Stock Exchange and HKEx
RMB	Renminbi unless otherwise specified

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

Beijing, 27 March 2020

As at the date of this announcement, the Board comprises the following: Mr. Wang Xiangxi, 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 and Ms. Zhong Yingjie, Christina as independent non-executive directors.