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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group in the first half of 2020 was RMB105,016 million, representing a decrease of RMB11,349 million or 9.8% over the same period of 2019.
- Profit for the period attributable to equity holders of the Company was RMB20,370 million, representing a decrease of RMB3,870 million or 16.0% over the same period of 2019.
- Basic earnings per share for the period was RMB1.024.
- EBITDA in the first half of 2020 was RMB41,142 million, representing a decrease of RMB6,480 million or 13.6% over the same period of 2019.

The board of directors (the "Board") of China Shenhua Energy Company Limited (the "Company") hereby presents the interim results of the Company and its subsidiaries (the "Group" or "China Shenhua") for the six months ended 30 June 2020 and reports our performance for the period.

I. INTERIM FINANCIAL INFORMATION

Financial information extracted from the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*":

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2020**	2019
		RMB million	*RMB million*
Revenue			
Goods and services	4	**105,016**	116,365
Cost of sales	5	**(69,957)**	(76,732)
Gross profit		**35,059**	39,633
Selling expenses		**(279)**	(328)
General and administrative expenses		**(3,561)**	(3,788)
Research and development costs		**(245)**	(128)
Other gains and losses		**236**	1,867
Other income		**297**	362
Loss allowances, net of reversal		**(273)**	232
Other expenses		**(88)**	(160)
Interest income		**665**	645
Finance costs		**(1,004)**	(1,594)
Share of results of associates		**484**	192
Profit before income tax		**31,291**	36,933
Income tax expense	6	**(6,507)**	(7,937)
Profit for the period	7	**24,784**	28,996

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Profit for the period	**24,784**	28,996
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss, net of income tax:		
Remeasurement of defined benefit obligations	**–**	37
Fair value changes on investments in equity instruments at fair value through other comprehensive income	**26**	–
Share of other comprehensive income of associates	**(2)**	2
Items that may be reclassified subsequently to profit or loss, net of income tax:		
Exchange differences	**68**	6
Share of other comprehensive income of associates	**1**	(19)
Fair value changes on investments in debt instruments at fair value through other comprehensive income	**(8)**	9
Other comprehensive income for the period, net of income tax	**85**	35
Total comprehensive income for the period	**24,869**	29,031

	Note	Six months ended 30 June	
		2020	**2019**
		RMB million	*RMB million*
Profit for the period attributable to:			
Equity holders of the Company		**20,370**	24,240
Non-controlling interests		**4,414**	4,756
		24,784	28,996
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**20,440**	24,273
Non-controlling interests		**4,429**	4,758
		24,869	29,031
Earnings per share			
—Basic *(RMB)*	8	**1.024**	1.219

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2020 – unaudited
(Expressed in RMB)

	Note	**30 June 2020** *RMB million*	31 December 2019 *RMB million*
Non-current assets			
Property, plant and equipment		**238,687**	245,993
Construction in progress		**36,276**	34,495
Exploration and evaluation assets		**492**	484
Intangible assets		**3,313**	3,648
Right-of-use assets		**18,233**	18,690
Interests in associates	9	**40,954**	40,539
Equity instruments at fair value through other comprehensive income		**1,815**	1,789
Other non-current assets		**62,568**	54,006
Deferred tax assets		**2,998**	2,945
Total non-current assets		**405,336**	402,589
Current assets			
Inventories		**14,122**	12,053
Accounts and bills receivables	10	**12,852**	10,436
Prepaid expenses and other current assets		**29,772**	86,524
Restricted bank deposits		**8,217**	7,664
Time deposits with original maturity over three months		**1,948**	1,990
Cash and cash equivalents		**108,030**	41,827
Total current assets		**174,941**	160,494

	Note	30 June 2020 RMB million	31 December 2019 RMB million
Current liabilities			
Borrowings		**4,442**	4,172
Accounts and bills payables	11	**23,401**	25,043
Accrued expenses and other payables		**81,243**	53,578
Current portion of bonds		**–**	3,488
Current portion of lease liabilities		**178**	198
Current portion of long-term liabilities		**440**	1,493
Income tax payable		**2,494**	2,727
Contract liabilities		**5,088**	4,784
Total current liabilities		**117,286**	95,483
Net current assets		**57,655**	65,011
Total assets less current liabilities		**462,991**	467,600
Non-current liabilities			
Borrowings		**32,790**	36,943
Bonds		**3,514**	3,460
Long-term liabilities		**2,519**	2,201
Accrued reclamation obligations		**3,454**	3,372
Deferred tax liabilities		**891**	783
Lease liabilities		**566**	623
Total non-current liabilities		**43,734**	47,382
Net assets		**419,257**	420,218

	30 June 2020	31 December 2019
	RMB million	*RMB million*
Equity		
Share capital	**19,890**	19,890
Reserves	**331,490**	336,187
Equity attributable to equity holders of the Company	**351,380**	356,077
Non-controlling interests	**67,877**	64,141
Total equity	**419,257**	420,218

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited
(Expressed in RMB)

	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 2020	19,890	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218
Profit for the period	–	–	–	–	–	–	20,370	20,370	4,414	24,784
Other comprehensive income for the period	–	–	–	53	–	17	–	70	15	85
Total comprehensive income for the period	–	–	–	53	–	17	20,370	20,440	4,429	24,869
Dividend declared *(Note 12)*	–	–	–	–	–	–	(25,061)	(25,061)	–	(25,061)
Appropriation of maintenance and production funds	–	–	–	–	1,811	–	(1,811)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(1,897)	–	1,897	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	89	89
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(782)	(782)
Others	–	–	–	–	–	–	(76)	(76)	–	(76)
At 30 June 2020	19,890	85,001	3,618	109	25,032	(14,807)	232,537	351,380	67,877	419,257

	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	19,890	85,001	3,612	11	26,540	(14,867)	211,506	331,693	77,144	408,837
Profit for the period	–	–	–	–	–	–	24,240	24,240	4,756	28,996
Other comprehensive income for the period	–	–	–	6	–	27	–	33	2	35
Total comprehensive income for the period	–	–	–	6	–	27	24,240	24,273	4,758	29,031
Dividend declared *(Note 12)*	–	–	–	–	–	–	(17,503)	(17,503)	–	(17,503)
Appropriation of maintenance and production funds	–	–	–	–	2,052	–	(2,052)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(1,725)	–	1,725	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	340	340
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(218)	(218)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(14,885)	(14,885)
Others	–	–	–	–	–	–	(76)	(76)	27	(49)
At 30 June 2019	19,890	85,001	3,612	17	26,867	(14,840)	217,840	338,387	67,166	405,553

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020 – unaudited
(Expressed in RMB)

		Six months ended 30 June	
	Note	**2020**	2019
		RMB million	*RMB million*
Operating activities			
Profit before income tax		**31,291**	36,933
Adjustments for:			
Depreciation and amortisation	7	**9,996**	9,932
Other gains and losses	7	**(236)**	(1,867)
Loss allowances, net of reversal	7	**273**	(232)
Interest income		**(665)**	(645)
Share of results of associates		**(484)**	(192)
Interest expense		**1,008**	1,522
Exchange (gain)/loss, net		**(4)**	72
Operating cash flows before movements in working capital		**41,179**	45,523
Increase in inventories		**(2,069)**	(2,944)
(Increase)/decrease in accounts and bills receivables		**(3,785)**	778
(Increase)/decrease in prepaid expenses, other receivables and service concession receivables		**(525)**	7,963
Increase/(decrease) in accounts and bills payables		**1,924**	(2,991)
Increase/(decrease) in accrued expenses and other payables		**23,377**	(320)
Increase in contract liabilities		**304**	2,257
Cash generated from operations		**60,405**	50,266
Income tax paid		**(6,685)**	(9,223)
Net cash generated from operating activities		**53,720**	41,043

	Six months ended 30 June	
	2020	2019
	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	**(7,897)**	(7,611)
Increase in right-of-use assets	**(26)**	(194)
Proceeds from disposal of property, plant and equipment, intangible assets, lease prepayments and other non-current assets	**127**	127
Proceeds from disposal of wealth management products included in prepaid expenses and other current assets	**33,657**	26,395
Proceeds on disposal of derivative financial instruments included in prepaid expenses and other current assets	**91**	–
Investments in associates	**(62)**	(1,460)
Cash and cash equivalent disposed of to establish Beijing GD Power Co., Ltd. (the "**Beijing GD**")	**–**	(1,510)
Repayments of net cash received for the transition period	**–**	(1,562)
Dividend received from associates	**60**	104
Interest received	**621**	617
(Increase)/decrease in restricted bank deposits	**(553)**	2,124
Placing of time deposits with original maturity over three months	**(23)**	(82)
Maturity of time deposits with original maturity over three months	**66**	55
Collection of entrusted loans	**–**	9,465
Investments in government bonds included in other non-current assets	**(790)**	–
Decrease in other current assets	**16,669**	–
Net cash generated from investing activities	**41,940**	26,468

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Financing activities		
Capital element of lease rentals paid	**(106)**	(75)
Interest element of lease rentals paid	**(17)**	(22)
Interest paid	**(1,080)**	(1,761)
Proceeds from borrowings	**3,697**	2,177
Repayments of borrowings	**(11,217)**	(9,869)
Contributions from non-controlling shareholders	**168**	340
Distributions to non-controlling shareholders	**(1,392)**	(574)
Dividend paid to equity holders of the Company	**(20,768)**	–
Proceeds from bills discounted	**1,226**	470
Net cash used in financing activities	**(29,489)**	(9,314)
Net increase in cash and cash equivalents	**66,171**	58,197
Cash and cash equivalents, at the beginning of the period	**41,827**	61,863
Effect of foreign exchange rate changes	**32**	22
Cash and cash equivalents, at the end of the period	**108,030**	120,082

NOTES

For the six months ended 30 June 2020

1. PRINCIPAL ACTIVITIES

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.

2. BASIS OF PREPARATION

The interim financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, Interim financial reporting, issued by the International Accounting Standards Board (IASB).

The interim financial information have been prepared in accordance with the same accounting policies adopted in the 2019 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual consolidated financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial information contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Group's annual consolidated financial statements for that financial year but is derived from those financial statements. The annual consolidated financial statements for the year ended 31 December 2019 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in the report dated 27 March 2020.

3. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(a) Changes in the accounting policies

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

(b) Changes in accounting estimates

With effect from 1 January 2020, the Group made a change in depreciation estimates. The estimated useful lives of the following categories property, plant and equipment have been changed. The change has been applied prospectively and the impact on these consolidated financial statements was not material.

Category	**Term for deprecation before change** *(year)*	**Term for deprecation after change** *(year)*
Buildings	10 – 50 years	10 – 55 years
Mining related machinery and equipment	5 – 20 years	5 – 40 years
Generators related machinery and equipment	5 – 20 years	8 – 35 years
Railway and port	6 – 45 years	6 – 45 years
Vessels	25 years	25 years
Coal chemical related machinery and equipment	8 – 20 years	8 – 20 years
Furniture, fixtures, motor vehicles and other equipment	5 – 20 years	5 – 35 years

4 REVENUE FROM GOODS AND SERVICES

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

	For the six months ended 30 June															
Segments	**Coal**		**Power**		**Railway**		**Port**		**Shipping**		**Coal chemical**		**Others**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**73,262**	80,068	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**73,262**	80,068
Power	**–**	–	**20,685**	25,727	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**20,685**	25,727
Coal chemical products	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,125**	2,806	**–**	–	**2,125**	2,806
Others	**2,026**	1,928	**1,883**	451	**–**	–	**–**	–	**–**	–	**284**	278	**–**	–	**4,193**	2,657
	75,288	81,996	**22,568**	26,178	**–**	–	**–**	–	**–**	–	**2,409**	3,084	**–**	–	**100,265**	111,258
Transportation and other services																
Railway	**–**	–	**–**	–	**2,340**	2,844	**–**	–	**–**	–	**–**	–	**–**	–	**2,340**	2,844
Port	**–**	–	**–**	–	**–**	–	**280**	280	**–**	–	**–**	–	**–**	–	**280**	280
Shipping	**–**	–	**–**	–	**–**	–	**–**	–	**783**	835	**–**	–	**–**	–	**783**	835
Others	**–**	–	**–**	–	**396**	473	**188**	29	**–**	–	**–**	–	**764**	646	**1,348**	1,148
	–	–	**–**	–	**2,736**	3,317	**468**	309	**783**	835	**–**	–	**764**	646	**4,751**	5,107
Total	**75,288**	81,996	**22,568**	26,178	**2,736**	3,317	**468**	309	**783**	835	**2,409**	3,084	**764**	646	**105,016**	116,365
Geographical markets																
Domestic markets	**74,769**	80,895	**20,683**	25,825	**2,736**	3,317	**468**	309	**783**	835	**2,409**	3,084	**764**	646	**102,612**	114,911
Overseas markets	**519**	1,101	**1,885**	353	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,404**	1,454
	75,288	81,996	**22,568**	26,178	**2,736**	3,317	**468**	309	**783**	835	**2,409**	3,084	**764**	646	**105,016**	116,365
Timing of revenue recognition																
A point in time	**75,288**	81,996	**22,568**	26,178	**–**	–	**–**	–	**–**	–	**2,409**	3,084	**–**	–	**100,265**	111,258
Over time	**–**	–	**–**	–	**2,736**	3,317	**468**	309	**783**	835	**–**	–	**764**	646	**4,751**	5,107
Total	**75,288**	81,996	**22,568**	26,178	**2,736**	3,317	**468**	309	**783**	835	**2,409**	3,084	**764**	646	**105,016**	116,365

5 COST OF SALES

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Coal purchased	**19,111**	24,073
Materials, fuel and power	**9,440**	10,565
Personnel expenses	**6,608**	6,487
Depreciation and amortisation	**8,350**	8,733
Repairs and maintenance	**4,328**	4,842
Transportation charges	**6,753**	7,552
Taxes and surcharges	**5,088**	5,024
Other operating costs	**10,279**	9,456
	69,957	76,732

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Current tax, mainly PRC enterprise income tax	**6,415**	7,103
Under provision in respect of prior year	**45**	984
Deferred tax	**47**	(150)
	6,507	7,937

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (six months ended 30 June 2019: 25%) except for subsidiaries and branches operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020.

On 23rd April 2020, the Ministry of Finance (the "**MOF**"), the State Administration of Taxationthe (the "**SAT**") and National Development and Reform Commission (the "**NDRC**") jointly issued the Announcement on Continuing the Income Tax Policy for Western Development (Announcement [2020] No.23 of the MOF, the SAT and the NDRC), according to the Announcement, the corporate income tax for the enterprises engaging in the encouraged industries in the Western China Region will charged at a preferential corporate income tax rate of 15% from 1 January 2021 to 31 December 2030.

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

	Six months ended 30 June	
	2020	2019
	%	*%*
Australia	**30.0**	30.0
Indonesia	**25.0**	25.0
United States	**21.0**	21.0
Russia	**20.0**	20.0
Hong Kong	**8.25/16.5***	8.25/16.5*

During the six months ended 30 June 2020 and 2019, there was no significant assessable profit and provision for income tax for the overseas subsidiaries.

* The two-tiered profits tax rates regime is applicable from the year of assessment 2019/20 onwards. The profits tax rate for the first HKD2,000,000 of profits of corporations will be lowered to 8.25%, and profits above that amount will continue to be subject to the tax rate of 16.5%.

7 PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Personnel expenses, including	**12,194**	11,861
– Contributions to defined contribution plans	**1,103**	1,572
Depreciation of property, plant and equipment	**8,991**	8,933
Depreciation of right-of-use assets	**336**	303
Amortisation of intangible assets, included in cost of sales	**202**	189
Amortisation of other non-current assets	**489**	507
Depreciation and amortisation charged for period	**10,018**	9,932
Less: amount capitalised	**22**	–
Depreciation and amortisation *(Note)*	**9,996**	9,932
Loss allowances, net of reversal		
– Loans receivables and interbank certificate of deposits	**2**	(173)
– Trade and other receivables	**271**	(59)
	273	(232)

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Other losses and (gains), represent		
– losses/(gains) on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets	**55**	(110)
– gains on disposal of subsidiaries and interest in an associate	**–**	(1,234)
– gains on disposal of financial assets at FVTPL	**(457)**	(409)
– gains on disposal of derivative financial instruments	**(20)**	–
– losses/(gains) on changes in fair value of financial assets	**179**	(110)
– impairment losses on construction in progress	**6**	–
– impairment losses on intangible assets	**1**	–
– write down of inventories	**–**	(4)
	(236)	(1,867)
Carrying amount of inventories sold	**51,201**	57,683
Operating lease changes relating to short-term leases, leases of low-value assets and variable lease payments	**121**	106
Exchange (gain)/loss, net	**(4)**	72

Note:

Cost of sales included an amount of depreciation and amortisation of RMB8,350 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB8,733 million).

8 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2020 was based on the profit attributable to ordinary equity holders of the Company of RMB20,370 million (six months ended 30 June 2019: RMB24,240 million) and the number of shares in issue during the six months ended 30 June 2020 of 19,890 million shares (six months ended 30 June 2019: 19,890 million shares).

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

9 INTERESTS IN ASSOCIATES

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Unlisted shares, at cost	**38,482**	38,419
Share of post-acquisition profits and other comprehensive income, net of dividend received	**2,472**	2,120
	40,954	40,539

Name of associate	Proportion of ownership interest and voting power held by the Group		Principal activities
	30 June 2020	31 December 2019	
	%	*%*	
Beijing GD	**42.53**	42.53	Generation and sale of electricity
Haoji Railway Co., Ltd. *(Note)*	**12.50**	12.50	Provision of transportation service
Shendong Tianlong Group Co., Ltd.	**20.39**	20.39	Production and sale of coal
Sichuan Guang'an Power Co., Ltd.	**20.00**	20.00	Generation and sale of electricity
Guohua (Hebei) Renewables Co., Ltd.	**25.00**	25.00	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	**43.83**	43.83	Provision of transportation service
Inner Mongolia Yili Chemical Industry Co., Ltd.	**25.00**	25.00	Production and sale of chemicals
Suizhong Power Generation Co., Ltd.	**15.00**	15.00	Generation and sale of electricity
Inner Mongolia Guohua Hulunbeler Power Generation Co., Ltd.	**20.00**	20.00	Generation and sale of electricity

Note:

Mengxi-Huazhong Railway Co., Ltd. changed its name to Haoji Railway Co., Ltd. on 29 October 2019. The Group is able to exercise significant influence over Haoji Railway Co., Ltd. because it has the power to appoint one out of eleven directors of that company under the Articles of Association of that company.

10 ACCOUNTS AND BILLS RECEIVABLES

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Accounts receivable		
– China Energy Group and fellow subsidiaries	**2,740**	2,179
– Associates	**465**	476
– Third parties	**8,629**	6,265
	11,834	8,920
Less: allowance for credit losses	**(1,333)**	(1,073)
	10,501	7,847
Bills receivable		
– China Energy Group and fellow subsidiaries	**180**	135
– Associates	**1**	3
– Third parties	**2,170**	2,451
	2,351	2,589
	12,852	10,436

As at 30 June 2020 and 31 December 2019, accounts and bills receivables from contracts with customers amounted to RMB14,185 million and RMB11,509 million, respectively.

Bills receivable were mainly issued by PRC banks and are expiring within one year. As at 30 June 2020, no bills was pledged to secure bills payable.

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

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Less than one year	**9,417**	6,523
One to two years	**180**	109
Two to three years	**63**	105
More than three years	**841**	1,110
	10,501	7,847

11 ACCOUNTS AND BILLS PAYABLES

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Accounts payable		
– China Energy Group, an associate of China Energy Group and fellow subsidiaries	**1,437**	1,252
– Associates	**1,028**	922
– Third parties	**20,659**	22,077
	23,124	24,251
Bills payable	**277**	792
	23,401	25,043

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

	30 June 2020	31 December 2019
	RMB million	*RMB million*
Less than one year	**16,661**	17,706
One to two years	**1,859**	2,109
Two to three years	**1,136**	1,494
More than three years	**3,745**	3,734
	23,401	25,043

12 DIVIDENDS

During the current interim period, a final dividend in respect of the year ended 31 December 2019 of RMB1.26 per ordinary share totaling RMB25,061 million (six months ended 30 June 2019: RMB0.88 per ordinary share totaling RMB17,503 million in respect of the year ended 31 December 2018) was approved at the annual general meeting held on 29May 2020 and paid in full by August 2020.

The Directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2019: Nil).

II. CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am delighted to present the interim report of China Shenhua for the first half of 2020 and the results during the period.

The first half of 2020 was an extremely unusual six-month. The globally rampant and spreading COVID-19 pandemic worsened the global economy and caused unprecedented pressure and challenges to the development of China. Striving to maintain overall stability in its production operations while using all endeavours to make up for its losses due to the pandemic, China Shenhua insisted upon being guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, resolutely implemented measures proposed by the government for "Six Stabilities" and "Six Guarantees", and made efforts to achieve the requirements of "Three Stabilities, Four Guarantees and One Enhancement", as well as uniting all of its employees against difficulties. In the first half of this year, the Company achieved RMB20,370 million in profit for the period attributable to equity holders of the Company and basic earnings per share of RMB1.024, representing a year-on-year decrease of 16.0%. As of 30 June 2020, the market capitalisation of China Shenhua reached USD38.8 billion.

We strictly guard and are resolute to win the fight against the pandemic. In the face of the sudden pandemic, we resolutely implement the essence of the series of important speeches delivered by Xi Jinping on coordinated efforts for epidemic prevention and control and socio-economic development by fully motivating our staff to plan for and realise "One Prevention and Three Guarantees" (prevention from the spreading of COVID-19 and guarantees for safe production, employee health and energy supply), whereby giving rise to powerful collaboration. To strengthen basic guarantee, we immediately established a leading group for pandemic prevention and control and a work mechanism for regularised joint prevention and control, as well as making relevant detailed plans for various industries. There have been no confirmed COVID-19 cases in our 24 coal mines; therefore, all of them resumed production before 10 February, leading to gradually restored operations month by month, stabilising and recovering economic benefits, and fully guaranteed stable energy supply during the special period. We endeavoured to erect the line of defense to prevent imported and cluster cases and ramped up caring for its overseas workers, which led to "zero infections" among its overseas workers and "zero imported cases" during the pandemic, passing the significant test arising from this massive battle against COVID-19.

We maintained a clear-cut stand, and always upheld and strengthened party building. We firmly develop still greater consciousness of the need to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in alignment, foster stronger confidence in the path, theory, system, and culture of socialism with Chinese characteristics, uphold the strong leadership of the Party Central Committee and Party Committee with General Secretary Xi Jinping as its core, as well as the authority and centralised, unified leadership of the Central Committee, thoroughly bear in mind the clarion call that "socialism is realised by earnest work", insist on simultaneous pandemic prevention and control and Party building, strengthen the promotion of political ideology, and fulfill our party building responsibilities. We also organised a series of activities such as those featuring the concepts of "being a pioneer in the fight against COVID-19 and being brave in times of crisis", and "being a pioneer during battles to strive for win-win". Taking full advantage of online instruments such as audio and videos, the Company actively provided trainings to cultivate knowledgeable, skilled, innovative, loyal and responsible staff team, in order to offer solid guarantee for the realisation of the Company's strategies.

The Company maintained its highly effective synergy and core competitiveness as a united entity. The Company attaches high importance to resources sharing, in-depth collaboration, synergy effects and low-cost operations to continuously enhance its integrated operational model, while increasing industrial consolidation and its products' added value to solidify and boost its core competitiveness. Also, the Company integrated its production, operations and marketing to establish a comprehensive internal sub-market and complete internal industrial chain; integrated the value-added processes of its coal, power and polyolefin products to increase resource utilisation rates and reduce integrated costs; integrated its mines, roads and port facility platforms to achieve highly effective scheduling and overall coordination to ensure the balance and stability of freight organisations, and integrated the management of its employees, finance, goods, technology and value to coordinate the arrangements for its employees, finance, goods and information and their coordinated relationships, bringing forth the overall advantages to the full extent. In terms of its coal segment, the Company worked hard in our production and operations and achieved 145.6 million tonnes of commercial coal production, exceeding its coal production and supply targets. Concerning its transportation segment, the Company developed its potential, improved its effectiveness and carried out refined management to further bolster its transportation organisations, thereby achieving 133.3 billion tonne kilometres in aggregate for transportation turnover of self-owned railways, 0.1152 billion tonnes loading volume at Huanghua Port and Tianjin Coal Dock, and 42.9 billion tonne nautical miles for shipment turnover. In regard to its power segment, the Company comprehensively strengthened its management of its equipment reliability and the marketing, generating 62.82 billion kWh of power and average utilisation of 2,031 hours for its coal-fired units, 37 hours higher than the national average. Twelve of the Company's coal-fired units were awarded at a national benchmarking contest for coal-fired power efficiency, four at a national benchmarking contest for coal-fired operation reliability. In relation to coal chemical segment, the Company coordinated its production load and adjusted its product structure in a timely manner, realising polyolefin product sales of approximately 346,200 tonnes. In the first half of 2020, some of the Company's operational data recorded year-on-year decreases; nevertheless, given the daunting environments both at home and abroad, its results were, in fact, both precious and hard earned.

The Company worked hard and comprehensively promoted high-quality development. The Company resolutely implemented the new energy safety strategy of "four reforms and one cooperation", paid close attention to the formulation of its development strategy, planned for the 14th Five-Year Plan, in order to accelerate its advancement as the world's first-class listed energy company and other tasks. The Company actively pushed for the preliminary work of the coal mine project in Xinjie. 79% of the main track of Huangda Railway has been laid, and the coal-fired projects such as Jinjie Phase III have been implemented orderly. It also accelerated our technological input and improved our innovation capabilities. The Company achieved active technological progress in its coal, transportation and power segments, with smart coal mining, intelligent working surfaces, mining robots, and smart coal collection plants for its coal segment; moving blocks, driverless driving, and 5G-based intelligent scheduling for its transportation segment; and smart power generation, clean and efficient power generation, big data analysis and artificial intelligence applications for its power segment. In the first half of this year, the Company obtained 653 authorised patents, 136 of which were invention patents. As of 30 June 2020, the Company had accumulated 4,999 valid authorised patents, including 1,101 invention patents.

We acted responsibly and actively fulfilled our social responsibilities. We comprehensively strengthened our ESG (environment, social responsibilities and corporate governance) governance and established a comprehensive management structure to promote the standardised construction of our ESG governance structure. Apart from that, we insisted on people-oriented standpoints for safe production, paid close attention to risk prevention and control, eliminating pitfalls and carrying out innovative reforms to ensure risks are controllable in various production systems. The fatality rate per million tonnes of raw coal output was nil, maintaining its internationally leading level in safe production. Solidifying the concept of "lucid waters and lush mountains are invaluable assets", we vigorously carried out pollution prevention and ecological governance, and created green mines, with 11 of our mines listed as national green mines; we developed green coal power and achieved desulfurisation, denitrification and ultra-low emissions for all of our coal-fired units, with multiple industry-leading green technologies. Insisting on giving back to the community, we, in the first half of this year, invested RMB111 million in targeted poverty alleviation funds and executed 33 related projects, with smooth progress in the key ones, and obtained noticeable results in poverty alleviation work; many of our on-spot leaders were named excellent poverty alleviation workers by the local governments.

We united and made joint efforts to bravely embrace future challenges. In the second half of 2020, as the pandemic situation is still complicated and severe, its spread abroad was still not under effective control, and there were still cluster cases in certain regions of the PRC. Facing considerable pressure on the domestic and international economies, the Company will be determined, confident and calm in overcoming difficulties, implement regularised measures for epidemic prevention and control, capitalise on its integrated strengths and strong anti-risk capabilities, in an effort to repay investors and society by achieving high-quality development and resolutely realising its yearly targets. The Company will persistently insist on new development concepts and concentrate on its major businesses by grasping opportunities from "new infrastructure, new urbanisation initiatives and major projects (兩新一重)" to vigorously expand its effective investment and actively cater for regional investment needs, in an attempt to secure a number of premium projects. Also, the Company will accelerate the construction of such projects as coal-fired projects and Huangda Railway; step up technological innovation, perfect its scientific research system and carry out key technological tasks in a high quality manner; enhance mining mechanisation and automation construction, promote technologies such as the application of unmanned driving in open-pit mines, and lift the operational levels of smart mines, smart power stations and smart transportation; fulfil its social responsibilities, resolutely accomplish its poverty alleviation mission, and effectively manage work in such areas as green mines, dust control and "three wastes" treatment, so as to reinforce the protection for the environmental ecosystem.

"Life is like a long road of hurdles and we simply have to fight albeit dangerous." During the fight against COVID-19, China's national spirits are once again severely tested. However, with high self-confidence and strong spirit, we will soon realise the "first centenary goal", whose strategic achievement is our historic responsibility and great honour. This is an exceptionally unusual year, when we bear significant responsibilities. As the path ahead is lengthy, we have even greater needs to make plans and efforts. With the concerted efforts by its board of directors, management and all employees, and under the staunch support of its shareholders and people from all walks of life, China Shenhua will fully fulfil its due responsibilities and forge ahead with extra caution, in order to realise high-quality development and create greater value.

III. DISCUSSION AND ANALYSIS ON OPERATION RESULTS

In the first half of the year, the Group actively responded to the impacts on the market demand and production and operation caused by the COVID-19 pandemic, focused efforts in quality improvement and efficiency increase, enhancing the integrated operation capability and the refined management level to strive for the achievement of annual operation targets.

The Group recorded a revenue of RMB105,016 million in the first half of 2020 (the first half of 2019: RMB116,365 million), achieving 48.6% of the business target for 2020, representing a year-on-year decrease of 9.8%; a profit for the period of RMB24,784 million (the first half of 2019: RMB28,996 million), representing a year-on-year decrease of 14.5%; a profit for the period attributable to equity holders of the Company of RMB20,370 million (the first half of 2019: RMB24,240 million); and basic earnings RMB1.024/share (the first half of 2019: RMB1.219/share), representing a year-on-year decrease of 16.0%.

Major financial indicators of the Group for the first half of 2020 are as follows:

	Unit	**The first half of 2020**	The first half of 2019	Change
Return on total assets as at the end of the period	%	**4.3**	5.1	Decreased by 0.8 percentage point
Return on net assets as at the end of the period	%	**5.8**	7.2	Decreased by 1.4 percentage points
EBITDA	RMB million	**41,142**	47,622	Decreased by 13.6%

	Unit	**As at 30 June 2020**	As at 31 December 2019	Change
Equity of shareholders per share	RMB/share	**17.67**	17.90	Decreased by 1.3%
Gearing ratio	%	**27.7**	25.4	Increased by 2.3 percentage points
Total debt to total equity ratio	%	**9.6**	10.6	Decreased by 1.0 percentage point

IV. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

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

Unit: RMB million

	The first half of 2020	The first half of 2019	Change %
Revenue	**105,016**	116,365	(9.8)
Operating costs	**(69,957)**	(76,732)	(8.8)
Other gains and losses	**236**	1,867	(87.4)
Loss allowances	**(273)**	232	(217.7)
Other revenue	**297**	362	(18.0)
Finance costs	**(1,004)**	(1,594)	(37.0)
Share of results of associates	**484**	192	152.1
Income tax	**(6,507)**	(7,937)	(18.0)
Net cash generated from operating activities	**53,720**	41,043	30.9
Of which: Net cash generated from operating activities of Shenhua Finance Company [Note]	**21,545**	6,840	215.0
Net cash generated from operating activities excluding the effect of Shenhua Finance Company	**32,175**	34,203	(5.9)
Net cash generated from investing activities	**41,940**	26,468	58.5
Net cash used in financing activities	**(29,489)**	(9,314)	216.6

Note: Except for the provision of services to the Group internally, 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) Explanations on the reasons for the changes in revenue

The revenue of the Group in the first half of 2020 recorded a year-on-year decrease. The main reasons for such change are:

① Influenced by downstream demand and coal source organisations, the Group recorded a year-on-year decrease of 5.4% and 5.2% in coal sales and average coal sales price, respectively;

② The year-on-year decrease of 21.6% in power output dispatch was mainly attributable to: firstly, the power output dispatch for the same period of the previous year included the power output dispatch of the power plant as at January 2019 invested by the Company in the transaction of investing and establishing Beijing GD Power; secondly, the decrease in power demand in secondary and tertiary industry for the first half of 2020 resulted in the year-on-year decrease in the power output dispatch of the Group;

③ Influenced by factors such as decrease in the price of international oil, the Group recorded year-on-year decreases in sales price and sales of polyolefin products;

④ Decrease in transportation turnover of railways resulted in the decrease in revenue from railway transportation business of the Company;

⑤ Decreases in maritime coal transportation charges and shipment turnover resulted in the decrease in revenue from shipping business.

Major operating indicator	Unit	**The first half of 2020**	The first half of 2019	Change %
(I) Coal				
1. Commercial coal production	Million tonnes	**145.6**	145.4	0.1
2. Coal sales	Million tonnes	**205.3**	217.1	(5.4)
Of which: Self-produced coal	Million tonnes	**141.9**	142.1	(0.1)
Purchased coal	Million tonnes	**63.4**	75.0	(15.5)
(II) Transportation				
1. Turnover of self-owned railways	Billion tonne kilometres	**133.3**	142.9	(6.7)
2. Loading volume at Huanghua Port	Million tonnes	**93.7**	100.6	(6.9)
3. Loading volume at Tianjin Coal Dock	Million tonnes	**21.5**	22.1	(2.7)
4. Shipping volume	Million tonnes	**51.3**	54.8	(6.4)
5. Shipment turnover	Billion tonne nautical miles	**42.9**	44.7	(4.0)
(III) Power generation				
1. Gross power generation	Billion kWh	**62.82**	79.90	(21.4)
2. Total power output dispatch	Billion kWh	**58.76**	74.96	(21.6)
(IV) Coal chemicals				
1. Sales of polyethylene	Thousand tonnes	**182.0**	186.5	(2.4)
2. Sales of polypropylene	Thousand tonnes	**164.2**	170.6	(3.8)

Note: According to the comparative basis, the power generation and power output dispatch of the Group in the first half of 2019 were 66.13 billion kWh and 61.95 billion kWh, respectively.

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

Breakdown of cost of sales	**The first half of 2020** **Amount** ***RMB million***	**Percentage** **%**	The first half of 2019 Amount *RMB million*	Percentage %	Change of the amount %
Cost of coal purchased	**19,111**	**27.3**	24,073	31.4	(20.6)
Raw materials, fuel and power	**9,440**	**13.5**	10,565	13.8	(10.6)
Personnel expenses	**6,608**	**9.4**	6,487	8.5	1.9
Depreciation and amortisation	**8,350**	**11.9**	8,733	11.4	(4.4)
Repairs and maintenance	**4,328**	**6.2**	4,842	6.3	(10.6)
Transportation charges	**6,753**	**9.7**	7,552	9.8	(10.6)
Tax and surcharge	**5,088**	**7.3**	5,024	6.5	1.3
Other operating costs	**10,279**	**14.7**	9,456	12.3	8.7
Total cost of sales	**69,957**	**100.0**	76,732	100.0	(8.8)

The cost of sales of the Group in the first half of 2020 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 decreases in sales volume of coal purchased and unit purchase cost of the Group;

② The year-on-year decrease in the cost of raw materials, fuel and power was mainly attributable to the decrease in coal consumption caused by the decrease in power generation, as well as the decrease in unit coal purchase cost;

③ The year-on-year decrease in the cost of repairs and maintenance was mainly attributable to delay in start date of maintenance projects of railways impacted by the COVID-19 pandemic, and the year-on-year decrease in the maintenance charges included in the reporting period;

④ The year-on-year decrease in the transportation charges was mainly attributable to the decreases in railway transportation turnover and multimodal transportation charges under the impact of decrease in coal sales, as well as the decrease in shipment volume by chartering.

(3) Other items of profit and loss statement

① The year-on-year decrease in other gains and losses was mainly attributable to a one-off investment income of RMB1.121 billion by the Group on the completion date of the investment of the transaction of establishing Beijing GD Power on 31 January 2019.

② The Group recorded loss allowances of RMB273 million in the first half of the year, which was mainly attributable to the loss allowance in provision for coal sales receivables.

③ The year-on-year decrease in other revenue was mainly attributable to the revenue generated from the disposal of fixed assets of Zhuhai Wing Energy, which was shut down, during the same period of the previous year.

④ The year-on-year decrease in finance costs was mainly attributable to the repayment of partial long-term borrowings by the Company and the corresponding decrease in interest expenses.

⑤ The year-on-year increase in share of results of associates was mainly attributable to the increase in investment income recognised in Beijing GD Power, by the Company compared with the same period of the previous year.

⑥ The year-on-year decrease in income tax was mainly attributable to the decrease in profit before tax during this reporting period. The average income tax rate of the Group for the first half of the year was 20.8% (the first half of 2019：21.5%), representing a year-on-year decrease of 0.7 percentage point.

(4) Items of cash flow statement

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

① Reasons for year-on-year increase in net cash generated from operating activities：net cash increased by 30.9% in the first half of 2020 on a year-on-year basis, of which, net cash generated from operating activities of Shenhua Finance Company was RMB21,545 million (the first half of 2019: RMB6,840 million), representing a year-on-year increase of 215.0%, which was mainly attributable to the increases in deposits and inter-bank deposits during the reporting period and the corresponding increase in net cash inflow. Excluding the effect of Shenhua Finance Company, net cash generated from operating activities of the Group represented a year-on-year decrease of 5.9%, which was mainly attributable to the decrease in cash flows due to decreased operating income during the reporting period.

② Reasons for year-on-year increase in net cash generated from investing activities：all bank wealth management products held by the Company during the reporting period were at maturity and recovered.

③ Reasons for year-on-year increase in net cash used in financing activities：the distribution of final dividend (A Shares) for the year 2019, as well as the increase in the amount of debt repayment during the reporting period compared to the same period of last year.

(5) Research and development expenses

Expensed research and development expenditure in the period *(RMB million)*	245
Capitalised research and development expenditure in the period *(RMB million)*	61
Total research and development expenditure *(RMB million)*	306
Ratio of capitalised research and development expenditure *(%)*	19.9
Percentage of total research and development expenditure to revenue *(%)*	0.3
Number of research and development personnel in the Company *(number of person)*	2,799
Ratio of research and development personnel to the total number of persons in the Company *(%)*	3.7

In the first half of 2020, the investment in research and development of the Group represented a year-on-year increase of 67.2% (the first half of 2019: RMB183 million), which was mainly used for the development of special equipment on the 8.8m-high working face and the development of specialised equipment on the 8.8m-high working surface, the development of the advanced support applicable to ultra-high roadway and ultra-high pressures, the researches and service charges of the safety assurance technology concerning the mine fire, gas prevention and hydrological geology, the operation, transformation and maintenance of 4,000 tonnes/year alumina pilot facilities, the researches on the full-chin demonstration project of capture and storage of CO_2 and high position layout technology of ultra-supercritical air-cooled turbo-generator unit, etc..

2. Explanation on material changes in the composition of profit or source of profit of the Company

During the reporting period, there were no material changes in the composition of profit or source of profit of the Group. Except for the negative operating profits in coal chemical segment, based on the profit from operations of all business segments before elimination on consolidation under the International Financial Reporting Standards, the percentages of profits from operations of coal, transportation, power, and coal chemical segments accounted for 51%, 33% and 16%, respectively.

(II) Analysis on Assets and Liabilities

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

	As at 30 June 2020		As at 31 December 2019			
	Amount *RMB million*	**Percentage of total assets** %	Amount *RMB million*	Percentage of total assets %	Change of the amount %	Main reasons for changes
Other non-current assets	**62,568**	**10.8**	54,006	9.6	15.9	Due to the increase in concession receivables of BOOT project in Java, Indonesia
Inventories	**14,122**	**2.4**	12,053	2.1	17.2	Increase in coal inventory and spare parts
Accounts and bills receivables	**12,852**	**2.2**	10,436	1.9	23.2	Due to the increase in the collection of accounts receivable by the Group at the end of last year, the relatively low base of accounts receivable, and the increase in coal sales receivables and power tariff receivables during the reporting period

	As at 30 June 2020		As at 31 December 2019			
	Amount	**Percentage of total assets**	Amount	Percentage of total assets	Change of the amount	Main reasons for changes
	RMB million	**%**	*RMB million*	*%*	*%*	
Prepaid expenses and other current assets	**29,772**	**5.1**	86,524	15.4	(65.6)	Due to the maturity of its interbank certificates of deposit and recovery of partial loans by Shenhua Finance Company
Restricted bank deposits	**8,217**	**1.4**	7,664	1.4	7.2	Due to the increase in statutory deposit reserve deposited in the People's Bank of China by Shenhua Finance Company
Cash and cash equivalents	**108,030**	**18.6**	41,827	7.4	158.3	Maturity of the wealth management products of the Company and interbank certificates of deposit of Shenhua Finance Company
Accrued expenses and other payables	**81,243**	**14.0**	53,578	9.5	51.6	Due to the increase in deposits in Shenhua Finance Company, and employee remuneration payable

	As at 30 June 2020		As at 31 December 2019			
	Amount	**Percentage of total assets**	Amount	Percentage of total assets	Change of the amount	Main reasons for changes
	RMB million	*%*	*RMB million*	*%*	*%*	
Bonds due within 1 year	**0**	**0.0**	3,488	0.6	(100.0)	USD bonds due in January 2020 reclassified to bonds due within 1 year in 2019
Long-term payables due within 1 year	**440**	**0.1**	1,493	0.3	(70.5)	Settlement of issues associated with partial estimated liabilities during the reporting period and decrease in corresponding payable
Long-term borrowings	**32,790**	**5.7**	36,943	6.6	(11.2)	Repayment of a portion of long-term borrowings during the reporting period
Long-term payables	**2,519**	**0.4**	2,201	0.4	14.4	Increase in payables for acquisition of mining rights

2. Restrictions on main assets as at the reporting period

As at the end of the reporting period, the balance of the restricted assets of the Group was RMB9,962 million, among which the statutory deposit reserve deposited in the People's Bank of China by Shenhua Finance Company amounted to RMB7,442 million. Other restricted assets mainly consisted of intangible assets, fixed assets and various deposits secured and guaranteed for acquiring bank borrowings.

(III) Operation results by business segment

1. Coal segment

(1) Production and operations

In the first half of 2020, faced with the adverse impact on coal production and downstream demand due to the COVID-19 pandemic, the Group advanced various works concerning the prevention and control of COVID-19 as well as the production and operation to ensure stable supply of coal to meet the market demand with all efforts. As a result, the commercial coal output achieved 145.6 million tonnes (the first half of 2019: 145.4 million tonnes), achieving 54.3% of the operation target for 2020, representing a year-on-year increase of 0.1%. In the first half of this year, the total footage of advancing tunnels at underground mines was 202 thousand metres (the first half of 2019: 211 thousand metres), representing a year-on-year decrease of 4.3%, among which Shendong Mines recorded footage of advancing tunnels of 194 thousand metres, while the Ha'erwusu Open-pit Mine realised an output of commercial coal of 12.5 million tonnes (the first half of 2019: 6.6 million tonnes), representing a year-on-year increase of 89.4%.

Based on the existing "digitised mines", the Group actively advanced the intelligent construction of coal mines. In the first half of 2020, construction of demonstration projects began on five intelligent coal mines, such as the Bulianta Coal Mine and Shangwan Coal Mine. The Group actively researched and developed the construction of intelligent working surface, among which Shendong Coal has constructed 10 intelligent and fully-mechanised mining surfaces and the average automation rate had reached 86.7%. The 8.8-metre ultra-large mining working surface set the world record of producing 65,500 tonnes of raw coal per day. Yujialiang Mines, the first intelligent and fully-mechanised mining surface in the thin coal seams in China was completed with a recovery rate of 95%. Driverless open-pit mine trucks began on-site tests. The Group successfully conducted research and development of an intelligent truck collision avoidance system terminal based on the Beidou positioning system, greatly improving the safety management level. Intelligent dry separation technology of coal blocks has been promoted in Ha'erwusu coal preparation plants.

Progress has been made in land use approval and continuous mining rights. Ha'erwusu and Heidaigou Open-pit Mines had obtained the planned area of land totalling 606 hectares. The work of application for approval of forest grass land in two mines was carried forward in an orderly manner. Baorixile Open-pit Mines received approval of land pre-approval of 325 hectares of land. We are actively promoting the relevant application procedures for the exploration rights of Taigemiao South Area of Xinjie Mining Area.

In the first half of 2020, 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 RMB14 million (the first half of 2019: RMB11 million), which was mainly attributable to the relevant expenses of Watermark Coal Project in Australia. The Company's relevant capital expenditure of mining development and exploration amounted to approximately RMB741 million (the first half of 2019: RMB469 million), which was mainly attributable to purchase of fixed assets required for coal mining, the construction of Nortel Shengli No. 1 open-pit mine, land requisition compensation of Zhunge'er mining area and land use rights expenditure of Shenbao mining area.

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 satisfy the transportation needs in the core mines.

(2) *Sales of coal*

The coal sold by the Group is mainly produced in its self-owned mines. In order to fulfill the needs of customers and adequately make use of railways transportation, the Group also purchased the coal from third parties in the surrounding areas of the self-owned mines and railways and produced different kinds and levels of coal products and sold them to external customers. The Group implemented 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 the first half of 2020, in response to the periodic and regional imbalance in coal resources caused by COVID-19, the Group strengthened organisation and coordination of coal transportation and production, and effectively guaranteed the coal demand of internal and external customers. Thus, the sales volume of coal of the Group amounted to 205.3 million tonnes (the first half of 2019: 217.1 million tonnes), achieving 50.9% of the business target for 2020, representing a year-on-year decrease of 5.4%, among which the domestic sales volume of three-year (2019–2021) long-term contracts amounted to 57.3 million tonnes, accounting for 27.9% of the total sales volume of coal. The Company adopted unified pricing policies in the sales of coal, which led to an average sales price of coal amounting to RMB398 per tonne (exclusive of tax, same below) (the first half of 2019: RMB420 per tonne), representing a year-on-year decrease of 5.2%.

In the first half of 2020, the sales volume of the Group to the top five domestic customers of coal was 73.2 million tonnes, which accounted for 35.9% of the domestic sales volume. In particular, the sales volume to China Energy Group, the largest customer, was 63.0 million tonnes, which accounted for 30.9% of the domestic sales volume. The top five domestic customers of coal were primarily power and coal trading companies.

① By contract pricing mechanisms

	The first half of 2020			The first half of 2019			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*	%	%
I. Sales by sales group	**197.7**	**96.3**	**407**	209.0	96.3	429	(5.4)	(5.1)
1. Annual long-term contracts	**88.3**	**43.0**	**382**	99.1	45.6	381	(10.9)	0.3
2. Monthly long-term contracts	**73.7**	**35.9**	**441**	85.9	39.6	481	(14.2)	(8.3)
3. Spot commodity	**35.7**	**17.4**	**397**	24.0	11.1	442	48.8	(10.2)
II. Direct sales by mine pits	**7.6**	**3.7**	**179**	8.1	3.7	191	(6.2)	(6.3)
Total sales volume/average price (exclusive of tax)	**205.3**	**100.0**	**398**	217.1	100.0	420	(5.4)	(5.2)

Note: 1. Sales prices of coal of the Group in this announcement are all exclusive of tax.
2. In the first half of 2020, the proportion of lower calorific value coal sales in the annual long-term contracts declined, resulting in a structural slight increase in the annual average sales price of the long-term contracts.

② By internal and external customers

	The first half of 2020			The first half of 2019			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*	*%*	*%*
1. Sales to external customers	**181.9**	**88.6**	**403**	188.0	86.6	427	(3.2)	(5.6)
2. Sales to internal power segment	**21.1**	**10.3**	**364**	26.7	12.3	377	(21.0)	(3.4)
3. Sales to internal coal chemical segment	**2.3**	**1.1**	**354**	2.4	1.1	361	(4.2)	(1.9)
Total sales volume/average price (exclusive of tax)	**205.3**	**100.0**	**398**	217.1	100.0	420	(5.4)	(5.2)

Note: In January 2019, the transaction of establishing Beijing GD Power was completed. Customers of power plant involved in the contributed asset of the Company have changed to external customers from internal customer, resulting in the increase in the percentage of sales to external customers and the decrease in the percentage of sales to internal power segment during the reporting period.

③ By sales regions

	The first half of 2020			The first half of 2019			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*	*%*	*%*
I. Domestic sales	**204.0**	**99.4**	**397**	214.5	98.8	419	(4.9)	(5.3)
(I) Self-produced coal and purchased coal	**195.6**	**95.3**	**399**	210.0	96.7	420	(6.9)	(5.0)
1. Direct arrival	**76.1**	**37.1**	**317**	81.5	37.5	321	(6.6)	(1.2)
2. Seaborne	**119.5**	**58.2**	**451**	128.5	59.2	483	(7.0)	(6.6)
(II) Sales of domestic trading coal	**4.9**	**2.4**	**314**	3.5	1.6	320	40.0	(1.9)
(III) Sales of imported coal	**3.5**	**1.7**	**441**	1.0	0.5	451	250.0	(2.2)
II. Export sales	**0.4**	**0.2**	**577**	1.0	0.5	631	(60.0)	(8.6)
III. Overseas coal sales	**0.9**	**0.4**	**493**	1.6	0.7	462	(43.8)	(6.7)
Total sales volume/average price (exclusive of tax)	**205.3**	**100.0**	**398**	217.1	100.0	420	(5.4)	(5.2)

(3) Production safety

In the first half of 2020, the Group has taken multiple measures to ensure coal mine safety. The Group implemented the annual safe production plan and followed up the progress on a monthly basis. The Group implemented the responsibility system for safety, carried out the leader-led shift system, and improved the safety management system for all employees. The Group carried out detection and consultation of potential safety issues and organised the "Safe Production Month" activities. The Group also made great efforts to prevent and control the spring and summer water disasters in coal mines, and sorted out the risks of slope and landslide in open-pit mines. In the first half of the year, there was no major or more serious safety accident occurred and the fatality rate per million tonnes of raw coal production mines of the Group was zero, enabling the Company to maintain its internationally leading position.

(4) Environmental protection

In the first half of 2020, the Group systematically promoted the detection and rectification of ecological environment issues. We vigorously carried out the reclamation and afforestation, completed ecological control as well as soil and water conservation monitoring in key coal mines. We continued to push forward green mine construction and strengthened the treatment of dust, noise, waste water and solid waste discharge in mining areas. There was no major or more serious environmental safety incident occurred in the first half of the year.

As of 30 June 2020, the balance of the "accrued reclamation obligations" of the Group amounted to RMB3.480 billion, serving as strong financial guarantee for ecological construction.

(5) Coal resources

As at 30 June 2020, under the PRC Standard, the Group had coal resources amounting to 29.83 billion tonnes, representing a decrease of 160 million tonnes as compared with that of the end of 2019; and recoverable coal reserve amounting to 14.56 billion tonnes, representing a decrease of 120 million tonnes as compared with that of the end of 2019. The Group's marketable coal reserve amounted to 7.88 billion tonnes under the JORC Standard, representing a decrease of 140 million tonnes as compared with that of the end of 2019.

Unit: 100 million tonnes

Mines	**Coal resources (under the PRC Standard)**	**Recoverable coal reserve (under the PRC Standard)**	**Marketable coal reserve (under the JORC Standard)**
Shendong Mines	157.0	89.8	45.4
Zhunge'er Mines	38.2	30.5	19.8
Shengli Mines	20.0	13.6	1.9
Baorixile Mines	13.6	11.4	11.7
Baotou Mines	0.5	0.3	0.0
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	64.2	/	/
Watermark Mines (under exploration rights permit)	4.8	/	/
Total	298.3	145.6	78.8

Note: As at 30 June 2020, the marketable coal reserve at Baotou Mines is 1.577 million tonnes under the JORC Standard.

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

Mines	**Major types of coal**	**Calorific value of major commercial coal products** *kcal/kg*	**Sulphur content** *average, %*	**Ash content** *average, %*
Shendong Mines	Long flame coal/ noncaking coal	5,000-5,800	0.2-0.6	5-18
Zhunge'er Mines	Long flame coal	4,700-5,300	0.4-0.6	18-26
Shengli Mines	Lognite	2,900-3,100	0.7-0.8	18-22
Baorixile Mines	Lognite	3,500-3,700	0.15-0.3	12-15
Baotou Mines	Long flame coal/ noncaking coal	4,300-4,800	0.5-1.0	10-15

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) Operation results

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

		The first half of 2020	The first half of 2019	Change %	Main reasons for changes
Revenue	RMB million	**84,201**	93,638	(10.1)	Decrease in sales volume and average price of coal
Cost of operations	RMB million	**(66,104)**	(72,205)	(8.4)	Decrease in the sales volume of purchased coal and unit purchase cost
Gross profit margin	%	**21.5**	22.9	Decreased by 1.4 percentage points	
Profit from operations	RMB million	**15,569**	19,211	(19.0)	
Profit margin from operations	%	**18.5**	20.5	Decreased by 2.0 percentage points	

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

	The first half of 2020				The first half of 2019			
	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	**81,064**	**(59,977)**	**21,087**	**26.0**	89,812	(65,728)	24,084	26.8
Export and overseas	**686**	**(570)**	**116**	**16.9**	1,341	(1,044)	297	22.1
Total	**81,750**	**(60,547)**	**21,203**	**25.9**	91,153	(66,772)	24,381	26.7

③ Unit production cost of self-produced coal

Unit: RMB/tonne

	The first half of 2020	The first half of 2019	Change %	Main reasons for changes
Unit production cost of self-produced coal	**126.9**	120.3	5.5	
Raw materials, fuel and power	**25.7**	25.0	2.8	
Personnel expenses	**23.0**	22.4	2.7	
Repairs and maintenance	**9.1**	8.5	7.1	Aging of some of our mining and excavating equipment, shortening their overhaul cycles, resulting in the increase in maintenance costs
Depreciation and amortisation	**18.2**	18.4	(1.1)	
Other costs	**50.9**	46.0	10.7	The year-on-year increase of compensation for relocation

Other costs consist of the following three components: (1) expenses directly related to production, including expenses for coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 58%; (2) auxiliary production expenses, accounting for 22%; (3) land requisition and surface subsidence compensation, environmental protection expenses, tax, etc., accounting for 20%.

④ Cost of coal purchased from third parties

The coal purchased from third parties by the Company includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal. In the first half of the year, cost of coal purchased from third parties was RMB19,111 million (the first half of 2019: RMB24,073 million), representing a year-on-year decrease of 20.6%, which was mainly due to year-on-year decreases in the sales volume of purchased coal and unit purchase cost.

2. ***Power segment***

(1) Production and operations

In the first half of 2020, the Group actively took measures to grab power generation to minimise the impact of the epidemic. Power generation in the first half of this year amounted to 62.82 billion kWh (the first half of 2019: 79.90 billion kWh), achieving 43.3% of the business target for 2020, representing a year-on-year decrease of 21.4% (representing a proportional year-on-year decrease of 5.0%); and total power output dispatch of 58.76 billion kWh (the first half of 2019: 74.96 billion kWh), representing a year-on-year decrease of 21.6% (representing a proportional year-on-year decrease of 5.1%).

We promoted the construction of key power generation projects in an orderly manner. Phase III of Jinjie Coal and Power Integration Project (2 x 660 MW) and Jawa Power (2 x 1,050 MW) #2 are scheduled to be put into production by the end of 2020. The Construction of Hunan Yongzhou Power Plant of Shenhua Guohua (2 x 1,000 MW) is progressing steadily as planned. The Construction of Guangtuo Beihai Power Plant of Shenhua Guohua (2 x 1,000 MW) has been approved by NDRC to be removed from the list of postponed projects and is scheduled to resume work within this year.

The construction of intelligent power systems continued to move forward. A four-in-one industrial Internet system integrating “unified development, unified operation and maintenance, big data analysis and processing and cloud edge collaboration” had been preliminarily formed. It innovated to realise big data comparative analysis of functional optimisation across units and equipment state diagnosis combined with mechanism model and big data analysis, providing a brand new technical method for improving unit economy.

(2) Power output dispatch and power tariffs

Power type/Location	Gross power generation (billion kWh) The first half of 2020	The first half of 2019	Change %	Total power output dispatch (billion kWh) The first half of 2020	The first half of 2019	Change %	Power tariff (RMB/mWh) The first half of 2020	The first half of 2019	Change %
(I) Coal-fired power	**60.63**	63.87	(5.1)	**56.62**	59.74	(5.2)	**330**	329	0.3
Shaanxi	**13.31**	13.40	(0.7)	**12.18**	12.35	(1.4)	**273**	274	(0.4)
Hebei	**10.33**	13.02	(20.7)	**9.71**	12.25	(20.7)	**320**	317	0.9
Guangdong	**9.19**	9.43	(2.5)	**8.55**	8.74	(2.2)	**377**	399	(5.5)
Fujian	**6.21**	6.26	(0.8)	**5.95**	5.99	(0.7)	**350**	347	0.9
Jiangxi	**4.29**	4.18	2.6	**4.10**	3.99	2.8	**364**	363	0.3
Shandong	**4.02**	4.67	(13.9)	**3.82**	4.45	(14.2)	**349**	344	1.5
Inner Mongolia	**3.78**	3.73	1.3	**3.45**	3.41	1.2	**232**	230	0.9
Chongqing	**2.77**	2.89	(4.2)	**2.64**	2.76	(4.3)	**369**	354	4.2
Sichuan	**2.57**	2.27	13.2	**2.37**	2.07	14.5	**379**	375	1.1
Henan	**1.92**	2.40	(20.0)	**1.79**	2.26	(20.8)	**323**	306	5.6
Guangxi	**1.49**	0.92	62.0	**1.41**	0.87	62.1	**344**	349	(1.4)
Indonesia (overseas)	**0.75**	0.70	7.1	**0.65**	0.60	8.3	**551**	548	0.5
(II) Gas-fired power	**1.93**	1.97	(2.0)	**1.88**	1.93	(2.6)	**561**	568	(1.2)
Beijing	**1.93**	1.97	(2.0)	**1.88**	1.93	(2.6)	**561**	568	(1.2)
(III) Hydropower	**0.26**	0.29	(10.3)	**0.26**	0.28	(7.1)	**254**	251	1.2
Sichuan	**0.26**	0.29	(10.3)	**0.26**	0.28	(7.1)	**254**	251	1.2
Subtotal	**62.82**	66.13	(5.0)	**58.76**	61.95	(5.1)	**337**	336	0.3
Others	**–**	13.77	–	**–**	13.01	–	**–**	–	–
Total	**62.82**	79.90	(21.4)	**58.76**	74.96	(21.6)	**–**	–	–

Note: In the above table, "others" refers to the power generation and power output dispatch in January 2019 of power plants contributed by the Company when establishing Beijing GD Power.

(3) Installed capacity

At the end of the reporting period, the total installed capacity of power generation of the Group reached 30,929 MW, among which, the total installed capacity of the coal-fired power generators is 29,854 MW, which is 96.5% of the total installed capacity of the Group.

Unit: MW

Power type	Gross installed capacity as at 31 December 2019	Installed capacity increased/ (decreased) during the reporting period	**Gross installed capacity as at 30 June 2020**
Coal-fired power	29,954	(100)	**29,854**
Gas-fired power	950	–	**950**
Hydropower	125	–	**125**
Total	31,029	(100)	**30,929**

In the first half of the year, Shenhua Shendong Power Chongqing Wanzhou Port and Power Co., Ltd., the subsidiary of the Company, has reduced the 100 MW installed capacity of coal-fired power generators.

(4) Utilisation rate of power generation equipment

In the first half of 2020, average utilisation hours of coal-fired generators of the Group reached 2,031 hours, representing a decrease of 185 hours as compared to 2,216 hours of the same period of last year, which was 37 hours higher than the national average utilisation hours of 1,994 hours for coal-fired generating equipment.

	Average utilisation hours *Hour*			**Power consumption ratio of power plant** *%*		
Power type	**The first half of 2020**	The first half of 2019	Change *%*	**The first half of 2020**	The first half of 2019	Change
Coal-fired power	**2,031**	2,216	(8.3)	**5.85**	5.62	Increased by 0.23 percentage point
Gas-fired power	**2,028**	2,059	(1.5)	**1.61**	1.65	Decreased by 0.04 percentage point
Hydropower	**2,095**	2,343	(10.6)	**0.35**	0.31	Increased by 0.04 percentage point
Weighted average	**2,031**	2,212	(8.2)	**5.70**	5.49	Increased by 0.21 percentage point

(5) Environmental protection

In the first half of this year, the Group's power plants reached emission standards for all pollutants and the ultra-low emissions of coal-fired units maintained good performance. The average standard coal consumption for power sold of coal-fired power generators of the Group for the first half of the year was 309.6 g/kWh, basically remaining stable on a year-on-year basis.

(6) Market Transaction of Power

In the first half of 2020, the volume of power in market-based transactions of the Group was 29.58 billion kWh, representing 50.3% of the total power output dispatch.

(7) Operation results of the power sales business

The Group currently owns three power sales companies located in Shandong, Jiangsu and Guangdong, respectively, which are principally engaged in procurement and sales of power, incremental distribution grid business, distributed energy, power equipment management and comprehensive energy utilisation and other value-added services. In the first half of 2020, the agent power output dispatch from non-self-owned power plants of the Group was approximately 2.17 billion kWh.

(8) Capitalised expenses

In the first half of 2020, the completed capital expenditure of the power segment of the Group was RMB1,546 million, primarily used in the construction of power generation projects including Construction of Coal-fired Units of Shenhua Bashu Jiangyou (2 x 1,000 MW), Phase III of Jinjie Coal and Power Integration Project (2 x 660 MW), Construction of Hunan Yongzhou Power Plant of Shenhua Guohua (2 x 1,000 MW) and Phase I of Power Plant Construction of Shengli Energy Branch (2 x 660 MW).

(9) Operation results

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

		The first half of 2020	The first half of 2019	Change %	Main reasons for changes
Revenue	RMB million	**22,604**	26,221	(13.8)	The power output dispatch of the Group in the first half of 2019 included the power output dispatch in January 2019 of power plants contributed by the Company to the establishment of Beijing GD Power; decrease in the power output dispatch of the Company due to the power demand of the whole society affected by the COVID-19 in the first half of this year
Cost of operations	RMB million	**(16,970)**	(20,562)	(17.5)	The impact of the completion of the transaction of investment in establishing Beijing GD Power in the same period last year on its high cost base in the same period last year; decrease in power generation leads to a reduction in coal-fired consumption; and decease in unit purchase cost of fire coal
Gross profit margin	%	**24.9**	21.6	Increased by 3.3 percentage points	
Profit from operations	RMB million	**4,831**	4,672	3.4	
Profit margin from operations	%	**21.4**	17.8	Increased by 3.6 percentage points	

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

Unit: RMB million

Power type	Revenue from power output dispatch			Cost of power output dispatch				
	The first half of 2020	The first half of 2019	Change	**The first half of 2020**	**Percentage to total costs of power output dispatch of the first half of 2020**	The first half of 2019	Percentage to total costs of power output dispatch of the first half of 2019	Change in the first half of 2020 over the first half of 2019
			%		**%**		%	%
Coal-fired power	**19,596**	24,439	(19.8)	**14,776**	**93.4**	18,860	93.7	(21.7)
Gas-fired power	**1,055**	1,249	(15.5)	**1,006**	**6.4**	1,222	6.1	(17.7)
Hydropower	**65**	72	(9.7)	**33**	**0.2**	36	0.2	(8.3)
Wind power	**0**	0	/	**0**	**0.0**	2	0.0	(100.0)
Total	**20,716**	25,760	(19.6)	**15,815**	**100.0**	20,120	100.0	(21.4)

The Group's cost of power output dispatch mainly comprised 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 the first half of 2020 was RMB269.1/mWh (the first half of 2019: RMB268.4/mWh), representing a year-on-year increase of 0.3%.

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

	The first half of 2020		The first half of 2019		Change in
	Costs	**Percentage**	Costs	Percentage	costs
	RMB million	*%*	*RMB million*	*%*	*%*
Raw material, fuel and power	**10,324**	**69.9**	13,820	73.3	(25.3)
Personnel expenses	**803**	**5.4**	955	5.1	(15.9)
Repairs and maintenance	**760**	**5.1**	701	3.7	8.4
Depreciation and amortisation	**2,393**	**16.2**	2,773	14.7	(13.7)
Others	**496**	**3.4**	611	3.2	(19.0)
Total cost of power output dispatch of coal-fired power plant	**14,776**	**100.0**	18,860	100.0	(21.7)

The power segment consumed a total of 21.8 million tonnes of the China Shenhua's coal, accounting for 76.5% of the 28.5 million tonnes of the thermal coal consumption of the power segment of the Group in the first half of 2020 (the first half of 2019: 88.2%).

3. Railway segment

(1) Production and operations

In the first half of 2020, the Group made great efforts to explore potential and improve efficiency, promoted refined management, optimised equipment maintenance arrangements. Railway transportation gradually resumed full chart operation, and Baoshen line and Shenshuo line hit a new high record of daily traffic volume. The Group opened up the connection of special railway lines, increased the organisation of reverse railway transportation, implemented special rewards for large-scale logistics transportation, explored the railway container transportation business and increased the non-coal transportation work. Transportation turnover of self-owned railways reached 133.3 billion tonne km (the first half of 2019: 142.9 billion tonne km), representing a year-on-year decrease of 6.7%. Among them, the turnover of providing railway transportation services to external customers amounted to 12.1 billion tonne km (the first half of 2019: 15.9 billion tonne km), representing a year-on-year decrease of 23.9%.

(2) Progress of projects

During the reporting period, the construction work of Huangda Railway Shandong section has been progressing steadily, and the laying and erection works have been carried out at Hebei section. It was expected to be completed by the end of 2020. The expansion renovation of 300 million tonnes capacity of Shenshuo Railway has been progressing steadily and it is expected to complete in the second half of 2021.

The intelligent driving technology of AC drive freight electric locomotive of "Shenhua" is becoming more and more mature, evidenced by the testing of whole scene intelligent driving of the "3+0" ten-thousand-tonne heavy-load train at Shenshuo Line, which included 23 operating scenarios such as auto-awakening, auto-shunting, automatic wireless reconnection marshalling, interval auto-operation and automatic picking aiming to further reduce the working intensity of drivers and passengers and optimise operation speed and efficiency. In the first half of this year, the Group completed the compiling of the construction plan for the intelligent railway system and initiated the establishment of the Shenhua Railway Dispatching Information System; the promotion and implementation of key projects such as the state repair of railway freight cars and mobile blocking; the first successful operation of 16,000-tonne heavy-load test train; the carrying out of smart substations transformation by applying drone monitoring, which effectively reduced the workload of walking inspections of power equipment by nearly 60%. On 29 July 2020, the "Shen 24" Electric Locomotive, jointly developed by the Company and CRRC Corporation Limited with the world's biggest power capacity (with a single power capacity of 28,800 KW and a single power traction of 2,280 kilonewtons), rolled off the production line, hitting another world record in the railway transportation equipment.

(3) Operation results

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

		The first half of 2020	The first half of 2019	Change %	Main reasons for changes
Revenue	RMB million	**18,188**	20,174	(9.8)	A year-on-year decrease in transportation turnover of railways
Cost of sales	RMB million	**(8,843)**	(10,043)	(11.9)	
Gross profit margin	%	**51.4**	50.2	Increased by 1.2 percentage points	
Profit from operations	RMB million	**8,857**	9,608	(7.8)	
Profit margin from operations	%	**48.7**	47.6	Increased by 1.1 percentage points	

In the first half of 2020, the unit transportation cost in the railway segment was RMB0.061/tonne km (the first half of 2019: RMB0.064/tonne km), representing a year-on-year decrease of 4.7%, mainly due to delay of railway maintenance projects, resulting in a decrease in maintenance costs included in the reporting period.

4. *Port segment*

(1) Production and operations

In the first half of 2020, the production and operation of the port segment of the Group was stable, and new progress had been made in technological innovation and management improvement.

Huanghua Port achieved 93.7 million tonnes of coal shipments (the first half of 2019: 100.6 million tonnes), representing a year-on-year decrease of 6.9%; 325,000 tonnes of bulk cargo shipments, representing a year-on-year increase of 5.5%; 2.821 million tonnes of oil shipments, representing a year-on-year increase of 8.9%. It has accelerated the construction of energy efficiency projects, increasing the unloading capacity to 220 million tonnes, and further enhanced the ability to guarantee the integrated industrial chain. Tianjin Coal Dock has rationally allocated arrival resources to improve the turnover efficiency of vehicles and ships. In the first half of this year, it has realised 21.5 million tonnes of coal shipment (the first half of 2019: 22.1 million tonnes), representing a year-on-year decrease of 2.7%; 1.758 million tonnes of non-coal transportation, representing a year-on-year double.

Significant achievements have been made in the construction of smart ports. It has made breakthroughs in the whole-process intelligent shipping at Huanghua Port and realised intelligent management and control of each step of turning-stacking-fetching-loading process, filling the technical gap of intelligent shipping operations in bulk ports around the world.

(2) *Operation results*

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

		The first half of 2020	The first half of 2019	Change %	Main reasons for changes
Revenue	RMB million	**2,934**	2,952	(0.6)	
Cost of sales	RMB million	**(1,512)**	(1,471)	2.8	The increase in the provision of dedging services to external customers, resulting in related business costs increased
Gross profit margin	%	**48.5**	50.2	Decreased by 1.7 percentage points	
Profit from operations	RMB million	**1,293**	1,349	(4.2)	
Profit margin from operations	%	**44.1**	45.7	Decreased by 1.6 percentage points	

5. Shipping segment

(1) Production and operations

In the first half of this year, affected by the epidemic, the domestic coastal bulk cargo transportation market was in a downturn as a whole. The shipping segment of the Group has taken effective measures to minimise the impact of the epidemic, such as prioritising to guarantee power supply for internal power plants of the Group, actively exploring external users, and significantly improving the efficiency of shipment turnover. In the first half of 2020, shipping volume amounted to 51.3 million tonnes (the first half of 2019: 54.8 million tonnes), representing a year-on-year decrease of 6.4%; shipment turnover amounted to 42.9 billion tonne nautical miles (the first half of 2019: 44.7 billion tonne nautical miles), representing a year-on-year decrease of 4.0%.

The shipping segment has continued to promote the establishment of smart shipping information, adopt the "integrated information platform + customised ship intelligent application" model to develop and apply the ship operation management and controlling systems, improve ship navigation safety and management efficiency, and reduce operation and maintenance costs. It has actively promoted the use of shore power and combined frequency conversion technology with shore power technology. The emissions of diesel particulars, nitrogen oxide, and sulfur oxide from docking ships decreased by approximately 95%.

(2) *Operation results*

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

		The first half of 2020	The first half of 2019	Change %	Main reasons for changes
Revenue	RMB million	**1,306**	1,588	(17.8)	Decrease in shipment turnover and shipping prices
Cost of sales	RMB million	**(1,201)**	(1,420)	(15.4)	Decrease in volume and price for shipping by chartering
Gross profit margin	%	**8.0**	10.6	Decreased by 2.6 percentage points	
Profit from operations	RMB million	**28**	94	(70.2)	
Profit margin from operations	%	**2.1**	5.9	Decreased by 3.8 percentage points	

In the first half of 2020, the unit transportation cost of the shipping segment was RMB0.028/tonne nautical mile (the first half of 2019: RMB0.032/tonne nautical mile), representing a year-on-year decrease of 12.5%.

6. *Coal chemical segment*

(1) *Production and operations*

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

In the first half of this year, Baotou Coal Chemical made great efforts to overcome the impact of adverse factors such as the international crude oil price plunge and COVID-19, coordinated production load, timely adjusted product structure and cleared sales channels, in order to ensure the safe and high-load operation of production facilities. In response to the changes in market demand, Baotou Coal Chemical launched new polyolefin products in a timely manner. Among them, polypropylene facilities were turned to produce polypropylene S2040 high melt index spinning material, a kind of raw materials to produce medical protective materials such as masks and protective clothing. The product achieved 100% superiority rate and successfully passed the US Food and Drug Administration test, the national standard test and the EU RoHS test. Polyethylene was developed to produce injection molding products, which effectively promoted the diversification of polyolefin products, increased the production ratio of special materials, and improved the added value of polyolefin products.

The project of coal chemical safety management information application and electronic inspection in Baotou is progressing as planned.

The sales of polyethylene and polypropylene products of the Group in the first half of 2020 is as follows:

Unit: thousand tonnes

	The first half of 2020	The first half of 2019	Change %
Sales of polyethylene	**182.0**	186.5	(2.4)
Sales of polypropylene	**164.2**	170.6	(3.8)

All the coals consumed by the coal chemical segment were the China Shenhua's coals. The coals consumed in the first half of 2020 were 2.3 million tonnes, representing a decrease of 4.2% as compared with 2.4 million tonnes for the same period last year.

Baotou Coal Chemical has firmly established the goal in environmental protection of "controlling total volume, meeting discharge standards, and zero accidents", to ensure the smooth and efficient operation of environmental protection facilities and standard pollutant discharge.

(2) Project progress

The environmental impact report of Baotou coal-to-olefins upgrading demonstrative project has been approved by the Ministry of Ecology and Environment. The project is currently in the preparation stage.

(3) Operation results

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

		The first half of 2020	The first half of 2019	Change %	Main reasons for changes
Revenue	RMB million	**2,409**	3,084	(21.9)	Decreases in sales price and volume of olefins products
Cost of sales	RMB million	**(2,407)**	(2,653)	(9.3)	Decrease in sales volume of olefins products
Gross profit margin	%	**0.1**	14.0	Decreased by 13.9 percentage points	
Profit from operations	RMB million	**(75)**	356	(121.1)	Significant decrease in gross profit
Profit margin from operations	%	**(3.1)**	11.5	Decreased by 14.6 percentage points	

(IV) Regional operation analysis

Unit: RMB million

	The first half of 2020	The first half of 2019	Change %
Revenue from external transactions in domestic markets	**102,612**	114,911	(10.7)
Revenue from external transactions in overseas markets	**2,404**	1,454	65.3
Total	**105,016**	116,365	(9.8)

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

The Group is mainly engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-to-olefins businesses in the PRC. In the first half of 2020, the revenue from external transactions in domestic markets was RMB102,612 million, accounting for 97.7% of the Group's revenue. Revenue from external transactions in overseas markets was RMB2,404 million, representing a year-on-year increase of 65.3%, which was mainly because the Indonesia No. 1 unit of Jawa Power (BOOT Project) was put into production in December 2019 and the revenue incurred was approximately RMB1,500 million during the reporting period.

In the first half of 2020, the Company prudently carried out international operations and carried forward the construction and operation of overseas projects. The epidemic prevention and control work at overseas projects was synchronised with that in China, realising normalised epidemic prevention and control to ensure safe production and construction work. The operation of Guohua Indonesia Sumsel EMM Project (Phase I) (2 x 150MW) was running continuously with two units, and No. 1 unit has been running continuously for over 1,100 days. The No. 1 unit of Jawa Power has also been running continuously for over 200 days, achieving good economic results. 29 wells in the shale gas project in Pennsylvania of the United States were under normal operation, although it was in a state of loss for the current period affected by the drop of international oil price, the epidemic COVID-19 and the unusual warm winter. However, the total investment in the shale gas project could be fully recovered from the calculation of the whole project life and the risk was under control. The Watermark Open-pit Coal Mine Project in Australia stepped up the preliminary work with adherence to relevant laws and regulations, and maintained good communication with local communities and indigenous organisations; we have submitted an application for an open-pit mining lease of Watermark project to the New South Wales Government. The environmental management plans such as the Heritage Management Plan and Koala Temporary Habitat Plan approved by the New South Wales Government is available on the website of Shenhua Australia Holdings PTY Limited (http://www.shenhuawatermark.com/). Other overseas projects were carried out in a prudent way.

(V) Analysis on investments

1. Overall analysis of external equity investments

The equity investments of the Company in the first half of 2020 amounted to RMB1,875 million (the first half of 2019: RMB30,659 million). The significant year-on-year decrease is mainly due to the recognised long-term equity investment of RMB27,213 million in Beijing GD Power.

2. Financial assets/liabilities at fair value

As at the end of the reporting period, the liabilities at fair value through profit or loss of the Group were the thermal coal futures of RMB14 million held by Trading Group. As at the end of the reporting period, the financial assets at fair value through other comprehensive revenue of the Group were the non-tradable equity investments amounting to RMB1,815 million held by the Group that have no significant impact on the investee and RMB292 million corporate bonds publicly issued by China Energy.

Details regarding the items and changes at fair value of the Group:

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**
Bank's wealth management products	33,334	0	(33,334)	323
Forward exchange contracts	31	0	(31)	(1)
Futures transactions	70	(14)	(84)	(13)
Other investments in equity instruments	1,789	1,815	26	0
Corporate bonds	0	292	292	0
Total	**35,224**	**2,093**	**(33,131)**	**309**

3. *Derivatives investment*

(1) U.S. dollar debt hedging

To avoid the risk of US dollar debts, the Group hedged a debt of USD150 million by way of financial derivatives. As of 30 June 2020, the above financial derivatives have all been delivered, with an impact on the profit before tax during the reporting period of RMB-0.7 million.

The exchange rate hedging carried out by the Group is aimed to manage risks rather than profit from it. The specific schemes adopted are in line with the nature of hedging.

(2) Thermal coal futures

During the reporting period, the Group completed the delivery of thermal coal futures amounting to 540,000 tonnes, liquidated thermal coal futures of 2,000 tonnes, and the profit before tax incurred from relevant futures transactions was RMB1 million (excluding the profit incurred from physical delivery). As of 30 June 2020, the Group held 797,000 tonnes of thermal coal futures, and the relevant fair value loss during the reporting period was RMB14 million.

(VI) Disposal of material assets and equity interest

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

(VII) Analysis on major holding and associated companies

1. Major subsidiaries

Unit: RMB million

No.	Company	**Registered capital**	**Total assets**	**Net assets**	**Net profit attributable to the equity holders of the parent company**			
		As at 30 June 2020			**The first half of 2020**	The first half of 2019	Change %	Reasons for changes
1	Shendong Coal	**4,989**	**32,976**	**29,798**	**5,613**	7,615	(26.3)	Decrease in coal sales
2	Shuohuang Railway	**5,880**	**45,533**	**37,760**	**3,984**	3,985	(0.0)	
3	Jinjie Energy	**2,278**	**12,338**	**10,897**	**1,422**	1,726	(17.6)	
4	Trading Group	**1,889**	**27,707**	**7,012**	**976**	1,466	(33.4)	Decrease in coal sales
5	Zhunge'er Energy	**7,102**	**42,534**	**34,264**	**960**	1,480	(35.1)	Decrease in commercial coal production, and more investment revenue for the same period last year
6	Huanghua Harbour Administration	**6,790**	**14,516**	**11,385**	**704**	722	(2.5)	
7	Shenhua Finance Company	**5,000**	**170,271**	**8,861**	**678**	606	11.9	
8	Shenbao Energy	**1,169**	**7,108**	**5,504**	**498**	533	(6.6)	
9	Railway Transportation	**5,003**	**22,310**	**8,094**	**412**	496	(16.9)	
10	Baotou Energy	**2,633**	**7,521**	**6,463**	**403**	811	50.3	Decrease in commercial coal production

Notes:

1. The financial information of the major subsidiaries disclosed in the above table (unassessed and unadjusted before consolidation) was prepared in accordance with the China Accounting Standards for Business Enterprises. The data has not been audited or reviewed.

2. Shendong Coal recorded a revenue of RMB25,052 million and a profit from operations of RMB6,628 million in the first half of 2020.

3. Shuohuang Railway recorded a revenue of RMB9,464 million and a profit from operations of RMB5,307 million in the first half of 2020.

2. Shenhua Finance Company

As of the end of the reporting period, the Company directly and indirectly held 100% equity interest in Shenhua Finance Company.

No.	**Name of Shareholder**	**Percentage of equity interest held** %
1	China Shenhua Energy Company Limited	81.43
2	Shuohuang Railway Development Co., Ltd.	7.14
3	Shenhua Zhunge'er Energy Co., Ltd.	7.14
4	Shenhua Baoshen Railway Co., Ltd.	4.29
Total		100.00

During the reporting period, Shenhua Finance Company strictly implemented the following resolutions passed at the 12th meeting of the second session of the Board of China Shenhua held on 25 March 2011: (1) China Shenhua currently had no intention or plan to change the existing operation policies and strategies of Shenhua Finance Company; (2) the deposits placed by China Shenhua and its subsidiaries and branches with Shenhua Finance Company would be used solely for the credit business of China Shenhua and its subsidiaries and branches, and would be deposited in the People's Bank of China and the five major commercial banks (namely, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications), and would not be invested in the public market/private equity market and real estate, etc.

For the unaudited balance sheet and income statement of Shenhua Finance Company for the first half of 2020, please refer to the H-shares announcement of the Company dated 17 July 2020 and the A-shares announcement of the Company dated 18 July 2020.

On 29 May 2020, the resolution relating to the capital increase of Shenhua Fiance Company and waiver of the preemptive subscription right by the Company was considered and approved at the general meeting of the Company. As at the date of this announcement, such transaction has not been completed.

(VIII) Structured Entities Controlled by the Company

☐ Applicable ✓ N/A

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

(I) Competition and Development Trend in the Industry

1. Macroeconomic Environment

In the first half of 2020, in the face of the severe impact of the COVID-19 pandemic, the PRC government insisted upon putting the lives, safety and health of people at the first place and accelerated its response to macro-policies, achieving major results from coordinated epidemic prevention and control and socio-economic development work. As the economy steadily improved and work resumption progressed month by month, gross domestic product (GDP) declined 1.6% year on year in the first half of this year, and recorded 3.2% growth in the second quarter.

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

At present, China's economic circumstances are still complicated and severe, with relatively considerable instability and uncertainties. The Chinese government will expedite the establishment of a new development system focusing on the major domestic cycle and mutually facilitated by both domestic and international cycles, as well as building a long-term coordination mechanism for pandemic prevention and control and socio-economic development. In the second half of 2020, in addition to seeking steady progress, China will insist on new development concepts to better coordinate epidemic prevention and control and socio-economic development tasks and deepening reforms and opening up through reliance upon supply-side structural reforms, concentrating on the strategy of stimulating domestic demand, and vigorously protecting and stimulating the vitality of market players, and implement measures for the "Six Stabilities" and "Six Guarantees" campaigns, in a bid to complete the socio-economic development objectives for the full year through the promotion of high quality economic development and maintenance of social stability.

2. ***Coal Market Environment***

(1) China's Thermal Coal Market

Review of the first half of 2020

In the first half of this year, impacted by the pandemic, China's domestic coal market observed a year-on-year decrease in consumption, phased mismatch of power demand and supply, and fluctuating coal prices. As of 30 June, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB533/tonne, decreasing by RMB19/tonne compared with the beginning of the year (RMB552/tonne). In the first half of 2020, the average value of Bohai Bay thermal coal (5,500 kcal) price index was RMB543/tonne, a year-on-year decrease of RMB33/tonne (the first half of 2019: RMB576/tonne).

	January to June 2020	Change %
Raw coal output (million tonnes)	**1,805**	0.6
Coal import (million tonnes)	**174**	12.7
Coal transportation by railways (million tonnes)	**1,130**	(6.2)

Under the effects of the pandemic in the first half of this year, China's coal market observed a year-on-year decrease of approximately 1.9% in consumption. The coal consumption saw an approximately 1.7% year-on-year decrease in power industry, a 6.3% drop in the construction materials industry, and basically no change in steel and chemical industries.

While coal production resumption was swift and generally stable, coal supply was subject to factors including safety and environmental inspections for coal production sites and resources rectification issues, which caused phased effects to it. From January to June, China's national coal production reached 1,810 million tonnes, rising 0.6% from last year, and coal imports reached 174 million tonnes, up 12.7% year on year.

Outlook for the second half of the year

In the second half of the year, under the general tone of seeking progress while maintaining stability, China's economic development will continue to improve, and social demand will be fully restored, which will drive the recovery of coal demand. Although hydropower generation increased during summer, stocking up with coal for winter and other factors will bring phased fluctuations to coal demand for the second half of the year. In regard to the supply side, high quality production capacity will continue to increase; the transportation structure will continue to be adjusted and coal supply will remain adequate; yet, factors including safety, environmental and resource inspection will continue causing certain effects to coal supply. It is expected that in the second half of this year, coal demand and supply will remain balanced overall, whereas coal prices will continue fluctuating within the green range.

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

Review of the first half of 2020

Affected by the pandemic, the demand from major coal consumption countries in Asia-Pacific weakened in the first half of 2020, which, coupled with factors such as pandemic measures, resulted in the slow growth or slight decrease in the coal supply, leading to the downward fluctuations in coal prices. In the first half of the year, coal production in India decreased by 1.5% to 406 million tonnes, Indonesia by 4.6% to 272 million tonnes, the US by 26.9% to 238 million tonnes, and Russia by 8.4% to 195 million tonnes; in the first quarter of the year, coal production of Australia decreased by 3.5% to 137 million tonnes.

Under decreased coal demand, and cooling in global trade, major state importers of coal, in the first half of this year, recorded coal imports year-on-year contraction. Specifically, India witnessed a year-on-year drop of 27.1% in its coal imports to 73.29 million tonnes; the figures were 1.3% to 88.63 million tonnes for Japan, 11.0% to 59.24 million tonnes for South Korea.

As of 30 June, the spot price of Newcastle NEWC thermal coal amounted to USD50.19 per tonne, representing a decrease of 22.5% as compared to the start of the year (USD64.73 per tonne), and a decrease of 27.1% as compared to the end of June 2019 (USD68.81 per tonne).

Outlook for the second half of the year

In the second half of 2020, with relatively great uncertainties looming for the global economic recovery, coal demand remained weak; coal supply stayed abundant, and coal prices lacked growth momentum.

3. Power Market Environment

Review of the first half of 2020

In the first half of 2020, with declined electricity demand, China's national power consumption reached 3,354.7 billion kWh, down 1.3% year on year. As a major power source, coal-fired electricity supply was subject to most of the demand decrease. Power demand recovered in the second quarter as work resumption was implemented in an orderly manner, which resulted in 3.9% year-on-year growth in national power consumption, with the growth rate increasing by 10.4 percentage points as compared with the first quarter.

In terms of industries, the power consumption in the secondary and tertiary industries was down 2.5% and 4.2% in the first half of this year, with the growth rates 5.6 and 13.6 percentage points down in the same period last year; the figures were a 6.6% increase and a drop by 3.0 percentage points for the use of power by urban and rural residents, and an 8.2% increase and a climb by 3.2 percentage points for primary industries.

In the first half of this year, power generation by national and international power plants in China totalled 3,364.5 billion kWh, representing a year-on-year decrease of 1.4%. Among them, the coal-fired power totaled 2,434.3 billion kWh, representing a year-on-year decrease of 1.6%, with utilisation hours decreasing by 119 hours to 1,947 hours (coal-fired power decreasing by 133 hours to 1,994 hours); the statistics were 476.9 billion kWh for hydropower, representing a year-on-year decrease of 7.3%, with utilisation hours decreasing by 146 hours to 1,528 hours; 237.9 billion kWh for grid-connected wind power, representing a year-on-year increase of 10.9%; 171.6 billion kWh for nuclear power, representing a year-on-year increase of 7.2%, and 127.8 billion kWh for photovoltaic power, representing a year-on-year increase of 20.0%. In the second quarter, power generation recorded a year-on-year increase of 3.9%, with a growth rate up by 10.7 percentage points as compared with the first quarter.

The scale of newly installed capacity decreased year on year. As of the end of June 2020, the national full-calibre power generation installed capacity reached 2.05 billion kilowatts, of which non-fossil energy power generation installed capacity accounted for 42.4%, an increase of 0.4 percentage point over the end of the previous year. The power system reforms continued to move forward. In the first half of the year, the national inter-regional power transmission amounted to 245.4 billion kWh, an increase of 9.4% year on year, whilst the national inter-provincial power transmission was 647 billion kWh, edging up 0.7% year on year. The medium and long-term direct transaction volume of power was 960.2 billion kWh, with an 8.5% growth from previous year, constituting 28.6% of total power consumption, with an increase of 2.6 percentage points year on year.

Outlook for the second half of the year

In the second half of the year, power consumption will continue rising under an improving economy. It is expected that in the second half of the year, the growth rate for power consumption will recover from the first half, reaching a 1.5%-3% jump in total power consumption for the entire year. With a continuous growth in the installed capacity, a slight decline in the growth rate, and a loose balance between the power supply and demand, it is estimated that utilisation hours for power generation equipment in 2020 will see a year-on-year decrease.

(II) Status of Completion of 2020 Business Targets

Item	Unit	Targets of 2020	**Completion in the first half of 2020**	Percentage of completion %
Commercial coal production	100 million tonnes	2.68	**1.456**	54.3
Coal sales	100 million tonnes	4.03	**2.053**	50.9
Power output dispatch	100 million kWh	1,451	**628.2**	43.3
Revenue	RMB100 million	2,163	**1,050.16**	48.6
Operating cost	RMB100 million	1,484	**699.57**	47.1
Selling, general and administrative expenses (including research and development expenses) and net financial costs	RMB100 million	143	**44.24**	30.9
Change in unit production cost of self-produced coal	/	Year-on-year increase of approximately 8%	**Year-on-year increase of 5.5%**	/

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

(III) Completion of Capital Expenditures Plans for 2020

Unit: RMB100 million

	Plan for 2020	**Completion in the first half of 2020**
1. Coal segment	56.1	**18.01**
2. Power generation segment	121.5	**15.46**
3. Transportation segments	114.5	**6.91**
including: railways	99.4	**6.56**
ports	15.0	**0.35**
shipping	0.1	**0**
4. Coal chemical segment	16.1	**0.60**
5. Others	10.1	**0**
Total	318.3	**40.98**

In the first half of 2020, total amount of capital expenditure of the Group was RMB4.098 billion, primarily used for the National Coal Emergency Reserve base of Shenhua Bashu Jiangyou, the second panel project in Guojiawan coal mine and the purchase of coal ming equipment; the construction of power projects such as the new engineering project of Shenhua Bashu Jiangyou coal-fired unit (2 x 1,000 MW), Phase III of Jinjie Coal and Power Integration Project (2 x 660 MW); the construction of Huangda Railway, the railway capacity expansion and reconstruction project, etc.

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.

VI. OTHER DISCLOSURES

(I) Caution and explanation as to the possibility of anticipated accumulated net profits being losses from the beginning of the year to the end of next reporting period or significant changes over the same period of the preceding year

☐ Applicable ✓ Not applicable

(II) Potential risks

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

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

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

The Company will further strengthen the research on the development trend of relevant industries, and enhance the development quality constantly by optimising the industrial structure and implementing the clean energy strategy. (1) In safe production and environmental protection, the Company will focus on the development direction of clean energy, constantly build the brand of "ultra-low emission" of coal power and comprehensively promote ecological progress, with a core of the efficient development, utilisation and conversion of clean coal. The Company will be in compliance with laws and regulations and prioritise the protection, strictly defend the ecological red line, vigorously promote green mine construction, accelerate environmental governance in water, gas, noise and slag, and continue to strengthen environmental monitoring. The Company will further improve the production safety management and control system, strengthen the works of safety training, hidden danger detection and control and emergency management, implement the 2020 Shenhua coal mine major disaster prevention and control plan, give full play to the advantages of informatisation, and effectively improve the level of safety management and control. (2) In international operation, the Company further strengthen the collection, analysis and research of information before the decision-making of investment in overseas projects to ensure the economic and technical feasibility of projects. Actively responding to the impact of COVID-19 on overseas business, the Company will strengthen overseas risk screening and take multiple measures to prevent and defuse risks for the promotion of international business in an orderly manner, and strengthen the cultivation and introduction of compound talents to provide a strong guarantee for "going out". (3) In marketing and sales, the Company will fully and accurately grasp market conditions and formulate the reasonable marketing policies; the Company will also optimise the structure of coal products for further enhancing the brand advantages, increase the development of new market and the maintenance of old market as well as balancing arrangements for transportation and sales, further improve the quality and efficiency of power business development, and participate in power market transactions in accordance with laws and regulation. We will improve the collection, distribution and transportation networks, promote the construction of special lines in coal core areas, accelerate the expansion and upgrading of railway lines, and improve the transportation capacity of trunk railway lines. (4) In policy risks, the Company will comprehensively track policy trends for accelerating the policy changes and solving the problems left over from history; the Company will focus on organising breakthroughs in related problems affecting production and operation; further standardise the order in which coal-power projects begin construction, and actively promote industrial upgrading and structural adjustment. (5) In project management, the Company will strengthen the awareness of project risk management, strengthen standardised site construction, strengthen project construction organisation and site management, and ensure the progress of the project.

In the face of COVID-19, the Company has made unified deployment of "one prevention and three guarantees" to prevent and control the spread of COVID-19, and ensure safe production, health of employees and energy supply, and coordinated epidemic prevention and control as well as production and operation. The epidemic prevention and control are orderly, and the production and operation are basically stable.

VII. SIGNIFICANT EVENTS

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (as provided under the Hong Kong Listing Rules).

CORPORATE GOVERNANCE

During the six months ended 30 June 2020, the Company has adopted the corporate governance polices as set out in Appendix 14 of the Hong Kong Listing Rules, the Company and all directors have been in full compliance with all the principles and code provisions and most of the recommended best practices as specified therein.

SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as provided in Appendix 10 of the Hong Kong Listing Rules, requiring all securities transactions of the Company's directors be made in accordance with the Model Code. The system also applies to the supervisors and the senior management of the Company.

The Company has made specific enquiries, and all directors and supervisors have confirmed that they had fully complied with the Model Code for the six months ended 30 June 2020.

Other than the working relationships within the Company, none of the directors, supervisors or senior management had any financial, business or family relationship or any relationship in other material aspects with each other.

Other than their own service contracts, none of directors or supervisors had any actual personal interest, directly or indirectly, in any material contracts made by the Company or any of its subsidiaries in the first half of 2020.

AUDIT COMMITTEE

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

During the reporting period, the Audit Committee performed its duties in strict compliance with the Rules of Procedures of the Audit Committee of the Board of Directors and the Work Procedures of the Audit Committee of the Board of Directors of China Shenhua. On 26 August 2020, the Audit Committee reviewed the Group's interim financial statements for the six months ended 30 June 2020 and approved the submission of the same to the board of directors for consideration and approval.

VIII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms used in this announcement have the following meanings:

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司)
China Energy Group	China Energy and its subsidiaries (excluding the Group)
Shendong Coal	Shenhua Shendong Coal Group Co., Ltd.
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.

Shuohuang Railway	Shuohuang Railway Development Co., Ltd.
Railway Equipment	Shenhua Railway Equipment Co., Ltd.
Trading Group	Shenhua Trading Group Limited
Huanghua Harbour Administration	Shenhua Huanghua Harbour Administration Co., Ltd.
Baoshen Railway	Shenhua Baoshen Railway Group Co., Ltd.
Baotou Coal Chemical	Shenhua Baotou Coal Chemical Co., Ltd.
Shenbao Energy	Shenhua Baorixile Energy Co., Ltd.
Tianjin Coal Dock	Shenhua Tianjin Coal 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
Jawa Power	PT.Shenhua Guohua Pembangkitan Jawa Bali
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 the Company
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
Beijing GD Power	The joint venture company co-established by the Company and GD Power Development Co., Ltd. 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" scheme 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 HKEx
China Accounting Standards for Business Enterprises	The latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Committee
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
EBITDA	Profit for the period + net finance cost + income tax + depreciation and amortisation – share of results of associates
Gearing ratio	Total liabilities/total assets
Total debt to total equity ratio	[Long-term interest bearing debts + short-term interest bearing debts (including bills payable)]/[Long-term interest bearing debts + short-term interest bearing debts (including bills payable) + total equity of shareholders]
RMB	Renminbi, unless otherwise specified

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

Beijing, 28 August 2020

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