



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

2020 Interim Report



***Cultivating a new prospect in crisis
Starting a new chapter through changes***



Important Notice

- I. The board of directors, supervisory committee and directors, supervisors and senior management of the Company warrant that this interim report does not contain any misrepresentations, misleading statements or material omissions, and are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this report.
 - II. This report was approved at the third meeting of the fifth session of the board of directors of the Company.
 - III. The interim financial statements in this report is unaudited. KPMG has issued a report on the review of the interim financial statements for 2020 prepared under International Accounting Standard 34, *interim financial reporting*.
 - IV. Wang Xiangxi (Chairman of the Company), Xu Shancheng (Chief Financial Officer) and Ban Jun (person-in-charge of the accounting department) warrant the authenticity, accuracy and completeness of the financial report contained in this interim report.
 - V. Profit distribution plan or reserve funds capitalisation plan for the reporting period considered by the board of directors: not applicable
 - VI. Disclaimer of forward-looking statements: The forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policies and economic conditions, which are subject to risks, uncertainties and assumptions, may differ materially from the actual outcome. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.
 - VII. Are there any situations of non-operating appropriation of funds by controlling shareholder(s) and its related parties? No
 - VIII. Are there any situations of violation of decision-making procedures for external guarantee provision? No
 - IX. Warning on Major Risks: Investors please note that the Company has disclosed the risks it faced in connection with safety, environmental protection, and internationalised operation, etc. in the section headed "Discussion and Analysis on Operation Results".
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Section I Definitions

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

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

Section I Definitions (Continued)

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

Section I Definitions (Continued)

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	$\frac{\text{Long-term interest bearing debts} + \text{short-term interest bearing debts (including bills payable)}}{\text{Long-term interest bearing debts} + \text{short-term interest bearing debts (including bills payable)} + \text{total equity of shareholders}}$
RMB	Renminbi, unless otherwise specified

Section II Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

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

II. CONTACTS AND CONTACT DETAILS

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

III. PARTICULARS

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

IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENT INSPECTION

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

Section II Company Profile and Major Financial Indicators (Continued)

V. BASIC INFORMATION ON SHARES

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

VI. OTHER INFORMATION

Accountant engaged by the Company (A Share)	Name	KPMG Huazhen LLP
	Office Address	8th Floor, Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing
	Signing Accountants	Zhang Nan, Wang Xia
Accountant engaged by the Company (H Share)	Name	KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)
	Office Address	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Share Registrar and Transfer Office of the Company (A Share)	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office Address	3rd Floor, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
Share Registrar and Transfer Office of the Company (H Share)	Name	Computershare Hong Kong Investor Services Limited
	Office Address	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

VII. MAJOR ACCOUNTING DATA OF THE COMPANY

Major Accounting Data	Unit	The first half of 2020	The first half of 2019	Change %
Revenue	RMB million	105,016	116,365	(9.8)
Profit for the period	RMB million	24,784	28,996	(14.5)
Profit for the period attributable to equity holders of the Company	RMB million	20,370	24,240	(16.0)
Basic earnings per share	RMB/share	1.024	1.219	(16.0)
Net cash generated from operating activities	RMB million	53,720	41,043	30.9
Net cash generated from operating activities excluding the effect of Shenhua Finance Company	RMB million	32,175	34,203	(5.9)

Section II Company Profile and Major Financial Indicators (Continued)

	Unit	As at 30 June 2020	As at 31 December 2019	Change %
Total assets	RMB million	580,277	563,083	3.1
Total liabilities	RMB million	161,020	142,865	12.7
Total equity	RMB million	419,257	420,218	(0.2)
Equity attributable to equity holders of the Company	RMB million	351,380	356,077	(1.3)
Total share capital	RMB million	19,890	19,890	0.0

VIII. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS*Unit: RMB million*

	Net profit attributable to equity holders of the Company		Net assets attributable to equity holders of the Company	
	The first half of 2020	The first half of 2019	As at 30 June 2020	As at 31 December 2019
Under China Accounting Standards for Business Enterprises	20,658	24,243	347,433	351,928
Adjustment:				
Simple production maintenance, production safety and other related expenditures	(288)	(3)	3,947	4,149
Under International Financial Reporting Standards	20,370	24,240	351,380	356,077

Explanation on differences in domestic and overseas accounting standards:

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

Section III Business Overview

I. EXPLANATION ON PRINCIPAL BUSINESSES AND OPERATION MODEL OF THE COMPANY AND INDUSTRY CONDITIONS DURING THE REPORTING PERIOD

China Shenhua Energy Company Limited was established in Beijing in November 2004 and was listed on HKEx and SSE in June 2005 and October 2007, respectively.

The Group is principally engaged in the production and sale of coal and electricity, railway, port and shipping transportation, and coal-to-olefins businesses. The integration of coal, power, railway, port, shipping and coal chemical into one unified operation chain is the Group's unique operation and profitability model.

During the reporting period, the Group made no significant change in the scope of its principal businesses.

For conditions of the industry in which the Group operates, please refer to the section "Discussion and Analysis on Operation Results" in the report.

II. EXPLANATION ON MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

As of 30 June 2020, the Group's total assets amounted to RMB580,277 million, representing an increase of 3.1% as compared with that at the end of the previous year, and the equity attributable to equity holders of the Company amounted to RMB351,380 million, representing a decrease of 1.3% as compared with that at the end of the previous year. The total offshore assets of the Group (including Hong Kong, Macau and Taiwan) amounted to RMB14,923 million, representing 2.6% to total assets, which are mainly composed of the assets from USD bonds issued in Hong Kong, PRC, and power generation and coal mine assets in countries like Indonesia and Australia.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

Section IV 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.

Section IV Chairman's Statement (Continued)

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.

Section IV Chairman's Statement (Continued)

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.

Wang Xiangxi
Chairman
28 August 2020

Overview of China Shenhua's Operating Results for the First Half of 2020

Table 1 Operation Targets and Status of Completion

	Target for 2020	Percentage of completion in the first half of 2020		
		Completed in the first half of 2020	Change %	
Commercial coal production	100 million tonnes	2.68	1.456	54.3
Coal sales	100 million tonnes	4.03	2,053	50.9
Power generation	100 million kWh	1,451	628.2	43.3
Revenue	RMB100 million	2,163	1,050.16	48.6
Cost of sales	RMB100 million	1,484	699.57	47.1
Selling, general and administrative expenses (including R&D) and net finance costs	RMB100 million	143	44.24	30.9
Change in unit production cost of self-produced coal		Increased by about 8%	Increased by 5.5% year-on-year	

Table 4 Operation Data

	The first half of 2020	The first half of 2019	Change %
Commercial coal production	145.6 million tonnes	145.4	0.1
Coal sales	205.3 million tonnes	217.1	(5.4)
Transportation turnover of self-owned railways	133.3 billion tonne km	142.9	(6.7)
Loading volume at Huanghua Port	93.7 million tonnes	100.6	(6.9)
Loading volume at Tianjin Coal Dock	21.5 million tonnes	22.1	(2.7)
Shipping volume	51.3 million tonnes	54.8	(6.4)
Shipment turnover	42.9 billion tonne nm	44.7	(4.0)
Gross power generation	62.82 billion kWh	79.90	(21.4)
Total power output dispatch	58.76 billion kWh	74.96	(21.6)
Sales of polyethylene	182.0 thousand tonnes	186.5	(2.4)
Sales of polypropylene	164.2 thousand tonnes	170.6	(3.8)

Table 9 Domestic Coal Sales Volume

	The first half of 2020		Proportion of domestic sales		The first half of 2019		Change %
	million tonnes	%	million tonnes	%	million tonnes	%	
Domestic sales	204.0	100.0	214.5	(4.9)			
By regions							
Northern China	61.3	30.0	69.1	(11.3)			
Eastern China	81.9	40.2	84.9	(3.5)			
Central China and Southern China	35.3	17.3	39.5	(10.6)			
Northeast China	18.6	9.1	16.4	13.4			
Others	6.9	3.4	4.6	50.0			
By usage							
Thermal coal	162.2	79.6	171.4	(5.4)			
Metallurgy	12.5	6.1	12.4	0.8			
Chemical (including coal slurry)	26.2	12.8	28.3	(7.4)			
Others	3.1	1.5	2.4	29.2			

Table 12 Coal Sales Price

	The first half of 2020			The first half of 2019			Change	
	Sales volume million tonnes	Percentage to total sales volume %	Price (excluding tax) RMB/tonne	Sales volume million tonnes	Percentage to total sales volume %	Price (excluding tax) RMB/tonne	Sales volume %	Price (excluding tax) %
Total sales/average price (excluding tax)	205.3	100.0	398	217.1	100.0	420	(5.4)	(5.2)
I. By contract pricing mechanisms								
(i) Sales through Trading Group	197.7	96.3	407	209.0	96.3	429	(5.4)	(5.1)
1. Annual long-term agreement	88.3	43.0	382	99.1	45.6	381	(10.9)	0.3
2. Monthly long-term agreement	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 of coal mines	7.6	3.7	179	8.1	3.7	191	(6.2)	(6.3)
II. By internal and external customers								
(i) Sales to external customers	181.9	88.6	403	188.0	86.6	427	(3.2)	(5.6)
(ii) Sales to internal power segment	21.1	10.3	364	26.7	12.3	377	(21.0)	(3.4)
(iii) Sales to internal coal chemical segment	2.3	1.1	354	2.4	1.1	361	(4.2)	(1.9)

Table 2 Financial Indicators

	The first half of 2020	The first half of 2019	Change %
Revenue	RMB million 105,016	116,365	(9.8)
Profit for the period	RMB million 24,784	28,996	(14.5)
EBITDA	RMB million 41,142	47,622	(13.6)
Profit for the period attributable to equity holders of the Company	RMB million 20,370	24,240	(16.0)
Basic earnings per share	RMB/share 1.024	1.219	(16.0)
Net cash generated from operating activities	RMB million 53,720	41,043	30.9
Net cash generated from operating activities excluding the effect of Shenhua Finance Company	RMB million 32,175	34,203	(5.9)

Table 5 Commercial Coal Production Volume

	The first half of 2020	The first half of 2019	Change %
Total production	145.6	145.4	0.1
By mines			
Shendong Mines	93.2	94.9	(1.8)
Zhunge'er Mines	31.0	25.4	22.0
Shengli Mines	9.4	9.8	(4.1)
Baorixile Mines	11.2	14.2	(21.1)
Baotou Mines	0.8	1.1	(27.3)
By regions			
Inner Mongolia	97.3	98.4	(1.1)
Shaanxi	46.7	45.0	3.8
Shanxi	1.6	2.0	(20.0)

Table 10 Status of Completion of Capital Expenditure

	Plan for 2020	Completion in the first half of 2020
	RMB100 million	RMB100 million
Coal segment	56.1	18.01
Power segment	121.5	15.46
Transportation segment	114.5	6.91
Including: Railways	99.4	6.56
Ports	15.0	0.35
Shipping	0.1	-
Coal chemical segment	16.1	0.60
Others	10.1	-
Total	318.3	40.98

Table 3 Segment Results

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	The first half of 2020 RMB million	The first half of 2019 RMB million	The first half of 2020 RMB million	The first half of 2019 RMB million	The first half of 2020 RMB million	The first half of 2019 RMB million	The first half of 2020 RMB million	The first half of 2019 RMB million	The first half of 2020 RMB million	The first half of 2019 RMB million	The first half of 2020 RMB million	The first half of 2019 RMB million	The first half of 2020 RMB million	The first half of 2019 RMB million	The first half of 2020 RMB million	The first half of 2019 RMB million	The first half of 2020 RMB million	
Revenue from external customers	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
Inter-segment revenue	8,913	11,642	36	43	15,452	16,857	2,466	2,643	523	753	-	-	530	554	(27,920)	(32,492)	-	-
Subtotal of segment revenue	84,201	93,638	22,604	26,221	18,188	20,174	2,934	2,952	1,306	1,588	2,409	3,084	1,294	1,200	(27,920)	(32,492)	105,016	116,365
Segment cost of sales	(66,104)	(72,205)	(16,970)	(20,562)	(8,843)	(10,043)	(1,512)	(1,471)	(1,201)	(1,420)	(2,407)	(2,653)	(17)	(12)	(27,920)	(31,634)	(69,957)	(76,732)
Segment profit/(loss) from operations	15,569	19,211	4,831	4,672	8,857	9,608	1,293	1,349	28	94	(75)	356	1,014	1,193	(823)	(858)	30,694	35,625
	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million
Segment total assets	234,789	224,344	150,068	148,754	130,705	128,578	22,580	22,197	6,678	6,516	8,932	9,202	468,727	449,806	(442,202)	(426,314)	580,277	563,083
Segment total liabilities	(111,197)	(108,449)	(107,617)	(109,730)	(53,915)	(56,774)	(7,786)	(8,285)	(547)	(397)	(3,103)	(3,346)	(228,258)	(188,866)	(351,403)	(332,982)	(161,020)	(142,865)

Table 6 Power Business

Power plants	Power grid	Location	Gross power generation 100 million kWh	Total power output dispatch 100 million kWh	Average utilisation hours	Standard coal consumption for power output g/kWh	Power tariff RMB/mWh	Total installed capacity as at 31 December 2019 MW	Increase/(decrease) in installed capacity for the first half of 2020 MW	Total installed capacity as at 30 June 2020 MW	Equity installed capacity as at 30 June 2020 MW
Zhunge'er Power	North China Power Grid	Inner Mongolia	16.5	15.1	2,503	349	239	660	-	660	381
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	113.6	105.1	1,989	324	290	5,814	(100)	5,714	5,228
Cangdong Power	North China Power Grid	Hebei	52.6	50.1	2,086	299	320	2,520	-	2,520	1,285
Dingzhou Power	North China Power Grid	Hebei	50.7	46.9	2,012	307	320	2,520	-	2,520	1,021
Taishan Power	South China Power Grid	Guangdong	67.5	67.5	1,417	315	389	5,090	-	5,090	4,072
Huizhou Thermal	South China Power Grid	Guangdong	19.7	17.9	2,988	310	333	660	-	660	660
Fujian Energy	East China Power Grid	Fujian	62.1	59.5	2,211	291	350	2,810	-	2,810	1,459
Jinjie Energy	North China Power Grid	Shaanxi	68.4	62.7	2,849	321	271	2,400	-	2,400	1,680
Shouguang Power	North China Power Grid	Shandong	40.2	38.2	1,988	280	349	2,020	-	2,020	1,212
Jiujiang Power	Central China Power Grid	Jiangxi	42.9	41.0	2,146	279	364	2,000	-	2,000	2,000
Sichuan Energy (coal-fired power)	Sichuan Power Grid	Sichuan	25.8	23.7	2,051	333	379	1,260	-	1,260	604
Mengjin Power	Central China Power Grid	Henan	19.2	17.9	1,601	310	323	1,200	-	1,200	612
Liu Zhou Power	Guangxi Power Grid	Guangxi	14.9	14.1	2,128	317	344	700	-	700	490
EMM Indonesia	PLN	Indonesia	7.5	6.5	2,506	366	551	300	-	300	210
Total of coal-fired power plants/weighted average			606.3	566.2	2,031	310	330	29,954	(100)	29,854	20,914
Other power plants											
Beijing Gas-fired Power	North China Power Grid	Beijing	19.3	18.8	2,028	186	561	950	-	950	950
Sichuan Energy (hydropower)	Sichuan Provincial Local Power Grid	Sichuan	2.6	2.6	2,095	-	254	125	-	125	48

Table 13 Coal Resources Reserve

Mines	Coal resources (under PRC standard)			Recoverable reserve (under PRC standard)			Marketable reserve (under JORC standard)		
	As at 30 June 2020	As at 31 December 2019	Change	As at 30 June 2020	As at 31 December 2019	Change	As at 30 June 2020	As at 31 December 2019	Change
	100 million tonnes	100 million tonnes	%	100 million tonnes	100 million tonnes	%	100 million tonnes	100 million tonnes	%
Shendong Mines	157.0	158.1	(0.7)	89.8	90.5	(0.6)	45.4	46.3	(1.9)
Zhunge'er Mines	38.2	38.5	(0.8)	30.5	30.8	(1.0)	19.8	20.1	(1.5)
Shengli Mines	20.0	20.1	(0.5)	13.6	13.7	(0.7)	1.9	2.0	(5.0)
Baorixile Mines	13.6	13.7	(0.7)	11.4	11.5	(0.9)	11.7	11.8	(0.8)
Baotou Mines	0.5	0.5	-	0.3	0.3	-	-	-	/
Xinjie Mines (under exploration rights permit to Taigemao North Area)	64.2	64.2	-	/	/	/	/	/	/
Watermark Mines (under exploration rights permit)	4.8	4.8	-	/	/	/	/	/	/
Total	298.3	299.9	(0.5)	145.6	146.8	(0.8)	78.8	80.2	(1.7)

Table 7 Cost of Sales of Coal Segment

	The first half of 2020	The first half of 2019	Change %
Cost of coal purchased	19,111 RMB million	24,073 RMB million	(20.6)
Raw materials, fuel and power	3,743	3,571	4.8
Personnel expenses	3,346	3,206	4.4
Repairs and maintenance	1,359	1,214	11.9
Depreciation and amortisation	2,642	2,629	0.5
Cost of transportation	23,587	25,598	(7.9)
Tax and surcharges	4,452	4,235	5.1
Other costs	7,864	7,679	2.4
Total cost of sales	66,104	72,205	(8.4)

Table 8 Cost of Sales of Power Segment

	The first half of 2020	The first half of 2019	Change in unit cost
Cost of power output dispatch	15,815 RMB million	15,815 RMB million	0.3
Raw materials, fuel and power	587.6 RMB/mWh	587.6 RMB/mWh	(4.1)
Personnel expenses	269.1	269.1	7.7
Repairs and maintenance			



煤礦 COAL MINE

A1. 神東礦區 Shendong Mines	A2. 准格爾礦區 Zhunge'er Mines	A3. 勝利礦區 Shengli Mines
A4. 寶日希勒礦區 Baorixile Mines	A5. 包頭礦區 Baotou Mines	
A6. 澳大利亞沃特馬克煤礦項目 (前期工作階段) Watermark Coal Project in Australia (preliminary work in progress)		
A7. 新街台格廟勒克區 (前期工作階段) Xinjie Taigemo Exploration Area (preliminary work in progress)		

電廠 POWER

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

鐵路 RAILWAY

C1. 神朔鐵路 Shenshuo Railway	C2. 朔黃鐵路 Shuohuang Railway	C3. 黃萬鐵路 Huangwan Railway
C4. 大准鐵路 Dazhun Railway	C5. 包神鐵路 Baoshen Railway	C6. 巴准鐵路 Bazhun Railway
C7. 甘泉鐵路 Ganquan Railway	C8. 准池鐵路 Zhunchi Railway	
C9. 黃大鐵路 (在建) Huangda Railway (under construction)	C10. 塔韓鐵路 Tahan Railway	

港口 PORT

D1. 黃驊港 Huanghua Port
D2. 天津煤碼頭 Tianjin Coal Dock
D3. 珠海煤碼頭 Zhuhai Coal Dock

註：① 於2020年6月30日之分佈圖，僅做示意
② 以審圖號GS(2016)2887號地圖為基礎編製
Note: ① This map as at 30 June 2020 is for illustrative purpose only.
② Prepared on the basis of the map with the approval number of "GS(2016)2887."

航運 SHIPPING

E1. 神華中海航運 Shenhua Zhonghai Shipping Company

煤化工 COAL CHEMICAL

F1. 包頭煤化工 Baotou Coal Chemical



圖例 Legend

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

Section V Discussion and Analysis on Operation Results

I. 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

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

Section V Discussion and Analysis on Operation Results (Continued)

II. 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;

Section V Discussion and Analysis on Operation Results (Continued)

- 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.

Section V Discussion and Analysis on Operation Results (Continued)

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

Breakdown of cost of sales	The first half of 2020		The first half of 2019		Change of the amount %
	Amount <i>RMB million</i>	Percentage %	Amount <i>RMB million</i>	Percentage %	
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.

Section V Discussion and Analysis on Operation Results (Continued)

(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.

Section V Discussion and Analysis on Operation Results (Continued)

(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 CO₂ 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.

Section V Discussion and Analysis on Operation Results (Continued)

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

Applicable Not Applicable

(III) Analysis on Assets and Liabilities**1. Analysis on Changes in the Major Items in the Consolidated Statement of Financial Position**

	As at 30 June 2020		As at 31 December 2019		Change of the amount %	Main reasons for changes
	Amount <i>RMB million</i>	Percentage of total assets %	Amount <i>RMB million</i>	Percentage of total assets %		
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 power tariff receivables and coal sales receivables during the reporting period
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

Section V Discussion and Analysis on Operation Results (Continued)

	As at 30 June 2020		As at 31 December 2019		Change of the amount %	Main reasons for changes
	Amount <i>RMB million</i>	Percentage of total assets %	Amount <i>RMB million</i>	Percentage of total assets %		
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
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.

Section V Discussion and Analysis on Operation Results (Continued)

(IV) 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.

Section V Discussion and Analysis on Operation Results (Continued)

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 Beidian 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. Please see "Railway segment" in this section and Overview of Operating Results in this report for details of operation of self-owned railways of the Group.

(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.

Section V Discussion and Analysis on Operation Results (Continued)

① By contract pricing mechanisms

	The first half of 2020			The first half of 2019			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
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 report 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 <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
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.

Section V Discussion and Analysis on Operation Results (Continued)

③ *By sales regions*

	The first half of 2020			The first half of 2019			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
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.

Section V Discussion and Analysis on Operation Results (Continued)

(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)
Shandong 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.

Section V Discussion and Analysis on Operation Results (Continued)

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

Mines	Major types of coal	Calorific value of major commercial coal products kcal/kg	Sulphur content average, %	Ash content average, %
Shandong 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	

Section V Discussion and Analysis on Operation Results (Continued)

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 <i>RMB million</i>	Costs <i>RMB million</i>	Gross profit <i>RMB million</i>	Gross profit margin %	Revenue <i>RMB million</i>	Costs <i>RMB million</i>	Gross profit <i>RMB million</i>	Gross profit margin %
Domestic	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%.

Section V Discussion and Analysis on Operation Results (Continued)

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.

Section V Discussion and Analysis on Operation Results (Continued)

(2) Power output dispatch and power tariffs

Power type/ Location	Gross power generation (billion kWh)			Total power output dispatch (billion kWh)			Power tariff (RMB/mWh)		
	The first half of 2020	The first half of 2019	Change %	The first half of 2020	The first half of 2019	Change %	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
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.

Section V Discussion and Analysis on Operation Results (Continued)

(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.

Power type	Average utilisation hours			Power consumption ratio of power plant		
	Hour			%		
	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

Section V Discussion and Analysis on Operation Results (Continued)

(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).

Section V Discussion and Analysis on Operation Results (Continued)

(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 decrease 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	

Section V Discussion and Analysis on Operation Results (Continued)

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 %
	Costs RMB million	Percentage %	Costs RMB million	Percentage %	
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)

Section V Discussion and Analysis on Operation Results (Continued)

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.

Section V Discussion and Analysis on Operation Results (Continued)

(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-s tacking-fetching-loading process, filling the technical gap of intelligent shipping operations in bulk ports around the world.

Section V Discussion and Analysis on Operation Results (Continued)

(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 dredging 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%.

Section V Discussion and Analysis on Operation Results (Continued)

(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)	
Gross profit margin	%	8.0	10.6	Decreased by 2.6 percentage points	Decrease in volume and price for shipping by chartering
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.

Section V Discussion and Analysis on Operation Results (Continued)

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.

Section V Discussion and Analysis on Operation Results (Continued)

(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)	
Gross profit margin	%	0.1	14.0	Decreased by 13.9 percentage points	Significant decrease in gross profit
Profit from operations	RMB million	(75)	356	(121.1)	
Profit margin from operations	%	(3.1)	11.5	Decreased by 14.6 percentage points	

Section V Discussion and Analysis on Operation Results (Continued)

(V) 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.

Section V Discussion and Analysis on Operation Results (Continued)

(VI) 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. Material investment in equity interest

Applicable ✓ N/A

3. Material investment in non-equity interest

Applicable ✓ N/A

4. 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

Section V Discussion and Analysis on Operation Results (Continued)

5. 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.

(VII) Disposal of material assets and equity interest

Applicable N/A

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

(VIII) Analysis on major holding and associated companies

1. Major subsidiaries

Unit: RMB million

No.	Company	Registered capital	Total assets	Net assets	Net profit attributable to the equity holders of the parent company			Reasons for changes
		As at 30 June 2020			The first half of 2020	The first half of 2019	Change %	
1	Shandong 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

Section V Discussion and Analysis on Operation Results (Continued)

- 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 Finance 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 report, such transaction has not been completed.

(IX) Structured Entities Controlled by the Company

Applicable N/A

Section V Discussion and Analysis on Operation Results (Continued)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY²

(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.

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 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.

Section V Discussion and Analysis on Operation Results (Continued)

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.

Section V Discussion and Analysis on Operation Results (Continued)

(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

Section V Discussion and Analysis on Operation Results (Continued)

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%	/

Section V Discussion and Analysis on Operation Results (Continued)

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 mining 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.

IV. 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

Section V Discussion and Analysis on Operation Results (Continued)

(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,

Section V Discussion and Analysis on Operation Results (Continued)

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.

Section VI Significant Events

I. GENERAL MEETINGS

Meetings	Date	Inquiry index of the designated website for publishing the voting results	Date of disclosure of the publication of the voting results
2019 Annual General Meeting	29 May 2020	Website of SSE	30 May 2020
2020 First Class Meeting of the Holders of A Shares	29 May 2020	website of HKEx	29 May 2020
2020 First Class Meeting of the Holders of H Shares	29 May 2020		

On 29 May 2020, the Company convened the 2019 Annual General Meeting, the 2020 First Class Meeting of the Holders of A Shares and 2020 First Class Meeting of the Holders of H Shares, at which all the resolutions considered were approved. The voting results were disclosed on the website of HKEx on 29 May 2020 and the website of SSE on 30 May 2020.

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

The shareholders' representative, supervisors' representative, witness lawyers and the representative of Computershare Hong Kong Investor Services Limited acted as scrutineers at the 2019 Annual General Meeting. The PRC legal advisor of the Company issued the legal opinions.

II. PROPOSALS FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Proposals for profit distribution or conversion of capital reserve to share capital formulated for the half year

Whether to be distributed or converted: No

Relevant description of proposals for profit distribution or conversion of capital reserve to share capital: The Company has no plan to declare or pay interim dividends (including cash dividends).

(II) Implementation of or adjustment to the profit distribution plan carried out during the reporting period

On 29 May 2020, it was approved at the 2019 Annual General Meeting of the Company to distribute the 2019 final dividends of RMB1.26 per share (inclusive of tax), amounting to RMB25.061 billion in aggregate (inclusive of tax), to all shareholders. As of the date of disclosure of this report, the distribution of the aforesaid dividends has been completed. The distribution of the 2019 final dividends complied with the requirements of the resolutions passed at the general meeting.

Section VI Significant Events (Continued)

III. PERFORMANCE OF COMMITMENTS

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

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

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

Being the parent company subsequent to the restructuring, China Energy merged with China Guodian Limited by way of merger by absorption. As approved in the 2018 first extraordinary general meeting of the Company, the Company entered into the Supplemental Agreement to the Existing Non-Competition Agreement with China Energy. It is agreed by both parties that other than the amendments in the Supplemental Agreement to the Existing Non-Competition Agreement, the clauses of the Existing Non-competition Agreement will not be changed.

Section VI Significant Events (Continued)

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

IV. APPOINTMENT AND REMOVAL OF AUDITORS

(I) Description of appointment and removal of auditors

On 29 May 2020, KPMG Huazhen LLP and KPMG were appointed as the A-shares and H-shares auditors of the Company respectively for 2020 at the Company's 2019 Annual General Meeting.

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

V. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

Applicable Not applicable

VI. MATERIAL LITIGATION AND ARBITRATION

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

As at 30 June 2020, the Group was the plaintiff, the defendant or the party of certain non-material litigations and arbitrations. The management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

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

Applicable Not applicable

Section VI Significant Events (Continued)

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

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

IX. PARTICULARS AND IMPACT OF THE SHARE OPTIONS INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES

Applicable Not applicable

X. MATERIAL RELATED/CONNECTED TRANSACTIONS

(I) Related/Connected transactions during the daily operation

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

1. Annual caps for the daily connected/related transactions in 2020

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

The Resolution on the Capital Increase in Shenhua Finance Co., Ltd and on the Company’s Waiver of Preemptive Subscription Right and the Resolution in Relation to the Entering into of the Financial Services Agreement with Shenhua Finance Co., Ltd in 2020 were approved at the 2019 annual general meeting of the Company (Please refer to the H-shares announcement of the Company dated 27 March 2020 and the A-shares announcement of the Company dated 28 March 2020). The new financial services agreement in 2020 entered into by the Company and Shenhua Finance Company on 28 March 2020 and the caps of its transactions in 2020 shall take effect from the date of completion of the capital increase in Shenhua Finance Company by China Energy (the “Capital Increase”). At the same time, the Existing Financial Services Agreement entered into between the Company and China Energy shall be terminated as of the date of completion of the Capital Increase. As of the date of this report, the Capital Increase has not yet been completed.

Section VI Significant Events (Continued)

2. Implementation of agreements during the reporting period

The following are the annual caps for major discloseable continuing related/connected transactions during the reporting period and their implementations. The related/connected transactions regarding the provision of products and labour services by the Group to China Energy Group amounted to a total of RMB28,357 million during the reporting period, accounting for 27.0% of the Group's revenue during the reporting period.

Name of the agreement	Provision of products and services by the Group to related/connected persons and other inflows			Purchase of products and services from related/connected persons by the Group and other outflows		
	Prevailing transaction cap	Transaction amount during the reporting period	Proportion in the same type of transactions	Prevailing transaction cap	Transaction amount during the reporting period	Proportion in the same type of transactions
	RMB million	RMB million	%	RMB million	RMB million	%
1. Mutual Coal Supply Agreement entered into between the Company and China Energy	65,500	24,814	33.9	16,000	3,315	17.3
2. Mutual Supplies and Services Agreement entered into between the Company and China Energy	13,000	3,543	-	9,000	969	-
Including: (1) Products		2,821	11.9		517	2.0
(2) Services		722	9.9		452	4.1
3. Continuing Connected Transactions Framework Agreement entered into between the Company and China State Railway Group Co., Ltd.	7,300	655	0.8	19,800	3,996	7.2

Section VI Significant Events (Continued)

Name of Agreement	Transaction item	Prevailing transaction cap <i>RMB million</i>	Transaction amount during the reporting period <i>RMB million</i>
Financial Services Agreement entered into between the Company and China Energy	(1) Total amount of providing financial services of guarantee (including guarantee business within the business scope of financial enterprises, such as performance guarantee and quotation sharing) to members of China Energy Group	3,500	0
	(2) Annual total transaction amount of bill acceptance and discount services	10,000	32
	(3) Daily balance (including relevant interests accrued thereon) of deposits placed by members of China Energy Group	65,000	50,783
	(4) Daily balance of loans, consumption credit, buyer's credit and finance leasing (including relevant accrued interests thereon) granted to members of China Energy Group	30,000	25,481
	(5) Daily balance (including interests accrued thereon) of entrusted loans granted by China Energy to the Company through Shenhua Finance Company	10,000	893
	(6) Annual total fees, including agency fee, handling fee or other services expenses, charged for providing members of China Energy Group with financial services (including but not limited to consultation, agency, settlement, transfer, investment, finance and lease, letter of credit, online banking, entrusted loan, guarantee, bill acceptance)	200	10

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

Section VI Significant Events (Continued)

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

Applicable Not applicable

(III) Material connected transactions regarding joint external investments**1. Events disclosed in interim announcements without subsequent development or changes during implementation**

Applicable Not applicable

2. Events disclosed in interim announcements with subsequent development or changes during implementation**Overview of Event****Index**

The Resolution on the Capital Increase in Shenhua Finance Co., Ltd and on the Company's Waiver of Preemptive Subscription Right was approved at the 2019 annual general meeting of the Company, it is agreed that the new registered capital of Shenhua Finance Company shall be paid in cash by China Energy, the controlling shareholder of the Company.

H-shares announcement of the Company dated 29 May 2020 and the A-shares announcement of the Company dated 30 May 2020

3. Events not disclosed in interim announcements

Applicable Not applicable

Section VI Significant Events (Continued)

(IV) Debts and liabilities between related parties*Unit: RMB million*

Related parties	Relationship	Funds provided to related parties			Funds offered by related parties to the listed company		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
China Energy and its subsidiaries	Controlling shareholders and its subsidiaries	175.84	289.86	465.70	873.85	-	873.85
Other related parties	Others	483.82	(1.50)	482.32	-	-	-
Total		659.66	288.36	948.02	873.85	-	873.85

Reasons for debts and liabilities between related parties

The above related debts and liabilities incurred were mainly due to the fact that the Group provided entrusted loans to an associated company of a subsidiary of the Company through a bank, and the Company, throughout its subsidiaries, provided finance leasing to subsidiaries of China Energy (the finance lease represents the financial lease services provided by Shenhua Lease Company to the power plants the Company contributed prior to the transaction for establishing Beijing GD Power. Upon approval by the Company's general meeting, the finance lease was gradually repaid in accordance with the original contractual arrangement), the Group's operating accounts receivable from the China Energy Group, and the long-term and short-term borrowings from China Energy Group to the Group, performed internal decision procedures in accordance with relevant requirements.

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

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

(V) Other material related transactions

Applicable Not applicable

Section VI Significant Events (Continued)

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trust, contracting and leasing

Applicable Not applicable

2. Guarantees

Unit: RMB million

Guarantees provided by the Company to external parties (excluding guarantee granted to its subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Guarantee	Amount guaranteed	Date of provision of guarantee (execution date of agreement)		Expiry date of guarantee	Type of guarantee	Whether performance has been completed	Whether guarantee is overdue	Amount of guarantee overdue	Whether counter guarantee is provided	Whether guarantee is for the benefit of related parties	Relationship
				Beginning date of guarantee									
Shenbao Energy	Controlling subsidiary	Hulunbeier Liangyi Railway Company Limited	85.32	2008.08.30	2008.08.30	2029.08.29	Joint and several liability guarantee	No	No	0	No	No	N/A
Zuhai Coal Dock	Controlling subsidiary	Zuhai Port Co., Ltd.	46.6	2018.06.13	2018.06.13	2027.09.30	Joint and several liability guarantee	No	No	0	Yes	No	N/A
Zuhai Coal Dock	Controlling subsidiary	Guangdong Yudean Farnon Investment Co., Ltd.	46.6	2018.12.21	2018.12.21	2027.09.30	Joint and several liability guarantee	No	No	0	Yes	No	N/A
Total amount of guarantee provided during the reporting period (excluding guarantee provided to its subsidiaries)													(24.47)
Total balance of guarantee at the end of the reporting period (A) (excluding guarantee provided to its subsidiaries)													178.52
Guarantee provided by the Company and its subsidiaries to its subsidiaries													
Total amount of guarantee provided to its subsidiaries during the reporting period													(3,486.45)
Total balance of guarantee provided to its subsidiaries at the end of the reporting period (B)													3,539.75
Aggregated amount of guarantee (including guarantee provided to its subsidiaries)													
Total amount of guarantee (A+B)													3,718.27
Proportion of total amount of guarantee to the net assets attributable to shareholders of the Company under China Accounting Standards for Business Enterprises at the end of the reporting period (%)													1.1
Including: Amount of guarantee provided to its shareholders, de facto controller and their related parties (C)													0
Amount of guarantee directly or indirectly provided to its parties with a gearing ratio in excess of 70% (D)													3,625.07
Portion of the total amount of guarantee in excess of 50% of net assets (E)													0
Aggregated amount of the above three amounts of guarantee (C+D+E)													3,625.07
Description of the potential joint and several repayment liability for unmatured guarantee													See below
Description of guarantee													See below

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

Section VI Significant Events (Continued)

As at the end of the reporting period, the total balance of the amount of guarantee provided by the Group amounted to RMB3,718.27 million, including:

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

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

As of the end of the reporting period, Shenbao Energy, in proportion to its shareholding, repaid the principal on the loans on behalf of Liangyi Railway Company Limited amounting to a total of RMB50.48 million. Shenbao Energy already made full provision for impairment on its 14.22% equity interest in Liangyi Railway Company and the repayment amount paid on its behalf. Together with other shareholders, Shenbao Energy will continue to call for improvement of business operation of Liangyi Railway Company. As at 30 June 2020, Liangyi Railway Company had a gearing ratio of 154%.

Section VI Significant Events (Continued)

- (2) As at the end of the reporting period, the external joint and several liability counter guarantee provided by Zhuhai Coal Dock, a controlling subsidiary held as to 40% by the Company is as follows:

Each of Guangdong Yudean Farnon Investment Co., Ltd. (“Yudean Farnon”) and Zhuhai Port Co., Ltd. (“Zhuhai Port”) held 30% equity interests in Zhuhai Coal Dock, respectively.

Zhuhai Coal Dock entered into a loan contract with Zhuhai branch of Shanghai Pudong Development Bank for a term of 10 years (from 30 September 2017 to 30 September 2027) with an amount of RMB336.0 million, pursuant to which, Yudean Farnon and Zhuhai Port provided joint and several liabilities guarantee for such loan with an amount of RMB168 million, respectively. The guarantee periods are both two years from the expiry of term of debt performance by the debtor in the loan contract. Zhuhai Coal Dock provided counter guarantee of joint and several liabilities to Yudean Farnon and Zhuhai Port with the caps of counter guarantee amount of RMB168 million, respectively. The above counter guarantee was approved at the eleventh meeting of the fourth session of the Board of the Company.

As at the end of the reporting period, Zhuhai Coal Dock has entered into a counter guarantee contract for joint and several liabilities counter guarantee (“Counter Guarantee Contract”) with Zhuhai Port and Yudean Farnon respectively, with the caps of counter guarantee amount of RMB168 million. The counter guarantee period would be from the effective date of the Counter Guarantee Contract to the settlement of all payment by Zhuhai Coal Dock.

As of 30 June 2020, Zhuhai branch of Shanghai Pudong Development Bank granted a loan of RMB233 million to Zhuhai Coal Dock, the principal and interest of which being repaid on a regular basis.

The Resolution on the Counter Guarantee Provided by Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd. to Shareholders of Two Other Parties was considered and approved at the 24th meeting of the fourth session of the board of directors of the Company (Please refer to the A-shares announcement of the Company dated 31 December 2019 for details). As the general meeting of the Zhuhai Coal Dock has not approved the replacement of the Shanghai Pudong Development Bank loan with the entrusted loan provided by the Company to Zhuhai Coal Dock, related counter guarantee was not implemented.

Section VI Significant Events (Continued)

- (3) As of the end of the reporting period, the amount of guarantee between subsidiaries in consolidated reports of the Company, in proportion to its shareholding, amounted to approximately RMB3,539.75 million, which was mainly due to the fact that Shenhua Hong Kong Limited, the wholly-owned subsidiary of the Company, provided guarantees for the issuance of USD0.5 billion bonds by China Shenhua Overseas Capital Co., Ltd., its wholly-owned subsidiary. The loan guarantee liability of Shenhua Funeng Power Co., Ltd., 51% indirectly owned by the Company, for its controlled subsidiaries has been lifted.

(III) Other Material Contracts

1. Entrusted wealth management

(I) General status of entrusted wealth management

Unit: RMB million

Type of product	Source of fund	Amount incurred during the reporting period	Closing balance of undue principal of the reporting period	Unrecovered amount overdue
Banks' wealth management products	Own fund	33,200	0	0

Note: Amount incurred during the reporting period refers to the daily maximum balance of the entrusted wealth management of such type of the Group in the first half of 2020.

Section VI Significant Events (Continued)

(II) Individual entrusted wealth management

Unit: RMB million

No.	Trustor	Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Initial date of entrusted wealth management	Expiry date of entrusted wealth management	Source of fund	Investment of fund	Determination of compensation	Annualised rate of return	Actual profit gained in the first half of 2020	Amount of principal redeemed in the first half of 2020	Whether it has been through legal procedures
1	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	5,000	26 September 2019	2 April 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.50%	89.4	5,000	Yes
2	China Shenhua	Agricultural Bank of China	Banks' wealth management products	5,000	29 September 2019	30 March 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.15%	79.0	5,000	Yes
3	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	500	24 October 2019	23 January 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	5.2	500	Yes
4	China Shenhua	China Construction Bank	Banks' wealth management products	2,000	22 November 2019	20 May 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.00%	29.6	2,000	Yes
5	China Shenhua	China Merchants Bank	Banks' wealth management products	1,000	22 November 2019	21 February 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.80%	9.5	1,000	Yes

Section VI Significant Events (Continued)

No.	Trustor	Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Initial date of entrusted wealth management	Expiry date of entrusted wealth management	Source of fund	Investment of fund	Determination of compensation	Annualised rate of return	Actual profit gained in the first half of 2020	Amount of principal redeemed in the first half of 2020	Whether it has been through legal procedures
6	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	200	22 November 2019	21 February 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	1.9	200	Yes
7	China Shenhua	Industrial Bank	Banks' wealth management products	8,000	29 November 2019	29 May 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.05%	121.7	8,000	Yes
8	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	500	2 December 2019	1 March 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	4.7	500	Yes
9	China Shenhua	Postal Savings Bank of China	Banks' wealth management products	1,000	17 December 2019	17 March 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.60%	8.9	1,000	Yes
10	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	1,000	18 December 2019	22 June 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.15%	16.2	1,000	Yes
11	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	1,000	18 December 2019	23 June 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.15%	16.3	1,000	Yes
12	China Shenhua	China Everbright Bank	Banks' wealth management products	1,000	20 December 2019	19 March 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.80%	9.4	1,000	Yes

Section VI Significant Events (Continued)

No.	Trustor	Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Initial date of entrusted wealth management	Expiry date of entrusted wealth management	Source of fund	Investment of fund	Determination of compensation	Annualised rate of return	Actual profit gained in the first half of 2020	Amount of principal redeemed in the first half of 2020	Whether it has been through legal procedures
13	China Shenhua	Bank of China	Banks' wealth management products	1,000	24 December 2019	24 March 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.55%	8.9	1,000	Yes
14	China Shenhua	China Construction Bank	Banks' wealth management products	1,000	24 December 2019	24 March 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.55%	8.9	1,000	Yes
15	China Shenhua	China Construction Bank	Banks' wealth management products	4,000	25 December 2019	23 June 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.10%	61.2	4,000	Yes
16	China Shenhua	China CITIC Bank	Banks' wealth management products	1,000	26 December 2019	26 March 2020	Own fund	Bonds and money market instrument assets, non-standardised credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.85%	9.6	1,000	Yes

As of 30 June 2020, all entrusted wealth management of the Group had been fully recovered, and there was no default or failure to recover the principal amount due. The Group has not made any provision for impairment of the aforementioned wealth management products.

Section VI Significant Events (Continued)

2. Entrusted loans

(I) General status of entrusted loans

Unit: RMB million

Type of product	Source of fund	Amount incurred during the reporting period	Closing balance undue of the reporting period	Unrecovered amount overdue
Entrusted loans	Own fund	457.4	420.0	37.4

Note: Amount incurred during the reporting period refers to the daily maximum principal balance of such entrusted loans of the Group in the first half of 2020.

(II) Individual entrusted loans

Unit: RMB million

Name of borrower	Relationship between the borrower and the Group	Trustee	Amount of entrusted loans	Initial date of loans	Expiry date of loans	Duration of loans	Source of fund	Investment of fund	Determination of compensation	Interest rate	Actual return for the reporting period	Principal recovered for the reporting period	Whether it has been through legal procedures
Sanxin Railway Company	Joint stock company	Bank of Beijing	37.4	13 February 2014	13 February 2015	1 year	Own fund	Working capital	One-off payment of principal with accrued interest upon expiry	6%	0	0	Yes
Yili Chemical	Joint stock Company	Bank of China	420.0	29 December 2017	29 December 2020	3 years	Own fund	Replacement of loans	Interest to be paid quarterly	4.75%	9	0	Yes

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

2. In December 2017, Shendong Power, being the wholly-owned subsidiary of the Company, entered into entrusted loan agreements with amounts of RMB420 million and RMB200 million with Inner Mongolia Yili Chemical Industry Co., Ltd. ("Yili Chemical"), respectively, of which the entrusted loan agreement with RMB420 million has been performed on 29 December 2017, while the entrusted loan agreement with RMB200 million has not been performed.

As of 30 June 2020, the Group did not grant entrusted loans with an amount exceeding 5% of the Group's latest audited net assets attributable to equity holders of the Company to any individual party. The Company did not utilise the proceeds raised to grant entrusted loans, and there was no entrusted loan that was involved in litigations. No provision for impairment for the above entrusted loans has been made by the Group.

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

Section VI Significant Events (Continued)

XII. POVERTY ALLEVIATION EFFORTS OF LISTED COMPANY

1. Targeted poverty alleviation plan

The Group has intensified the implementation of the Opinions of the State Council on Three-year Plan of Winning the Tough Battle against Poverty and China Energy Group Working Plan on Poverty Alleviation 2018–2020, followed basic strategy of targeted poverty alleviation and targeted poverty relief, and effectively combined targeted assistance with overall regional development, extensive input with leadership, as well as poverty alleviation through development with ecological conservation. Focusing on “Three Prefecture and Three Provinces”, which are extremely poverty-stricken areas and aged revolutionary areas, the Company was committed to improving public services, including education, culture and health, in extremely poverty-stricken areas, and took various assistance measures in terms of livelihood, intellectuality and industry, based on local conditions, improved infrastructure and production facilities, implemented a number of targeted poverty alleviation projects, helped all assisted poverty-stricken counties shake off poverty as scheduled, explored the establishment of a stable and long-lasting mechanism for poverty alleviation, consolidate the achievements of poverty alleviation, and strengthened the strategic connection between poverty alleviation and rural revitalisation.

In 2020, the Group plans to invest RMB81 million in poverty alleviation in targeted counties, introduce RMB1.1 million in support funds, and deploy 1,180 grassroots cadres and 1,130 technicians; the Group also plans to purchase agricultural products totaled RMB35.92 million from impoverished counties and help sell RMB2.5 million of agricultural products from impoverished areas.

2. Summary of the targeted poverty alleviation during the reporting period

The Group has undertaken the targeted poverty alleviation work in three counties – Wubu county and Mizhi county in Shaanxi province, and Butuo county in Sichuan province. In the first half of 2020, the Group has contributed approximately RMB111.2689 million in targeted poverty alleviation in the above mentioned three counties and has implemented 33 targeted poverty alleviation projects. The Group principally implemented the following projects for targeted poverty alleviation: (1) poverty alleviation through industrial development, such as the Walnut forest enhancement project in Guanjazui Village, Mizhi County and alpine free-range chicken breeding project in Juesa Village, Butuo County; (2) poverty alleviation by ecological protection, such as the construction of a new ecological forest of approximately 400 mu in Yanhuang Highway in Wubu County, a new ecological economic forest of approximately 160 mu in Jiangxingzhuang Village of Mizhi County, and an ecological forest of approximately 300 mu in Guanjazui Village in Mizhi County; (3) education poverty alleviation. A nine-year integrated curriculum school in the Mixi District of Mizhi County (九年一貫制學校) and Zeluo Town No. 2 Primary School of Butuo County (布拖縣則洛鄉第二小學) were newly established, and supplementary materials were purchased for 43,957 primary and middle school students in the Butuo County; (4) poverty alleviation through improvement in health, such as the Butuo County Red Heart Ribbon project; (5) infrastructure construction, such as construction project of rural drinking water safety work in Wubu County and the new tourist road project in Suomahua Scenic Area of Wuke Town, Butuo County; (6) offering trainings to grass-root cadres and skill training.

Section VI Significant Events (Continued)

3. Targeted poverty alleviation results¹

Index	Number and status
I. General	
In which: 1. Capital (RMB 0'000)	11,126.89
II. Contribution By Category	
1. Industry Development Support	
In which: 1.1 Category of industry support project	Agriculture and forestry support project
1.2 Number of industry support project (<i>unit</i>)	2
1.3 Amount of industry support project (<i>RMB0'000</i>)	143.64
2. Employment transfer for poverty elimination	
Including: 2.1 Amount of subsidy for vocational skill training (<i>RMB0'000</i>)	200
2.2 Number of people received vocational skill training (<i>person per time</i>)	883
2.3 Number of registered poor households who were helped to be employed (person)	1
3. Poverty elimination through education	
Including: 3.1 Invested amount to improve the educational resources in impoverished areas (<i>RMB0'000</i>)	6,613.25
4. Poverty alleviation through improvement in health	
Including: 4.1 Invested amount of medical resources in impoverished areas (<i>RMB0'000</i>)	330
5. Poverty alleviation by ecological protection	
Including: 5.1 Name of Project	Carry out ecological conservation and maintenance
5.2 Investment amount (<i>RMB0'000</i>)	590
6. Other projects	
Including: 6.1. Number of projects (<i>unit</i>)	9
6.2. Invested amount (<i>RMB0'000</i>)	3,250
6.3. Other details of the projects	Construction of drinking water safety works in rural areas of Wubu county, construction of Bozuo Village Road, establishment of "Poverty Alleviation Fund for Emergency and Difficulty" for Mizhi County, training programmes for grass-root cadres and training of electronic commerce skills, etc.

¹ The above statistical table is based on the Notice of the State Council on the Publication of Poverty Alleviation Plan for the "13th Five-Year" Plan Period (Guo Fa [2016] No. 64).

Section VI Significant Events (Continued)

Index	Number and status
III. Awards received (details and levels)	Luo Hong, temporary cadre of Butuo County has been elected by the Provincial Party Committee of Sichuan Provincial Government as an outstanding in-village worker (provincial and ministerial level) in 2019

4. Stage progress in fulfilling the social responsibility of targeted poverty alleviation

The Group has unswervingly followed the decisions and arrangements of the Central Committee of the Party, further increased financial input, kept optimising work mechanism, made steady progress in key assistance projects, obtained significant results from poverty alleviation and assistance work, and successfully helped two counties of Mizhi and Wubu in Yulin City, Shaanxi Province to shake off poverty in 2019. In the first half of 2020, all the poverty alleviation funds in the counties have been allocated; 9 new alleviation projects were organised in Butuo County, with an additional RMB29.0889 million in alleviation funds. External support funds of RMB1.18 million have been introduced and the project was completed and has been put into operation. The training of 541 members of the administrative village team, the first secretary and the resident team members has also been completed, and 690 special skill trainings for the deprived workforce were organised.

As of the end of the reporting period, the Group adhered to “Developing Education to Facilitate Medical Development, Industry assistance, Party Branch Building and Developing Both Ambition and Wisdom” (興教助醫·產業幫扶·支部共建·志智雙扶). The cumulative funds that have been put into poverty alleviation in Butuo County, Sichuan Province amounted to RMB166.5847 million; 41 poverty alleviation projects such as “One Village, One Road and Two Funds, Three Schools, Five Kindergarten and Four Industries, Joint Construction by Pairs and Change the Customs, Red Ribbons of Love and Medicine” have been implemented. Among them, a total investment of RMB104.2425 million was put into education poverty alleviation. Abuzelu Primary School (阿布澤魯小學), Dilluo Town Second Primary School (地洛鄉第二小學), Zeluo Second Primary School (則洛二小) were newly constructed; 5 kindergartens were newly constructed and renovated; the Butuo County Education Incentive Fund and Abuzelu Primary School Teachers and Students Motivation Fund were established to purchase school and daily supplies, 20 “Loving Care Libraries” were established with the donation. A total of RMB22.65 million was invested in health and poverty alleviation, and more than 40 sets of MRI equipment were purchased for county hospitals and CDCs. A mother-infant AIDS prevention and control project was established, and premature heart disease screening and treatment were carried out in the county. A total of RMB6.2 million was invested in the “Developing Both Ambition and Wisdom” project; 13 grassroots cadres, skilled personnel, Yi regional cadres and e-commerce training sessions were organised, more than 150 training sessions, including evening school for farmers and “Party Branch Construction” trainings were conducted and 6,034 persons have received training. In terms of poverty alleviation through infrastructure, a total of RMB27.46 million was invested to construct Bozuo Village Road (博作通村公路) and the Bozuo Happy

Section VI Significant Events (Continued)

New Village in Juesha Xiang (覺撒鄉博作幸福美麗新村). We have invested a total amount of RMB2.9564 million in industrial poverty alleviation, supported the development of 300 mu Yinhongli Plantation Project (茵紅李種植項目) and a cattle farm project, and implemented the ecological economic-forest project of Duoluo Village in Hejing Town and the alpine free-range chicken breeding project in Juesha Village, Butuo County. A total of RMB1.41 million was invested in the Party-building poverty alleviation work, the maintenance project of the county Party School and the renovation project of three village-level Party activity centers were implemented to assist in the establishment of the “Model Party Committee” of Juesha Xiang and the “Red Flag Branch” of Bozuo Village. Activities that aims to change the customs were proactively implemented.

In addition to the above three counties, the Group was also committed to poverty alleviation work in forms of education support and medical care through the platform of China Energy Group Public Welfare Foundation. In the first half of the year, the Group contributed approximately RMB28.9504 million¹ for treatment to children with leukemia, congenital heart disease and screening for congenital heart disease and provision of funds for education throughout the country. Donation of RMB81.33 million was made in the first half of the year, for the one-on-one supporting scheme in deprived villages near nine subsidiaries, including Guohua Power, with the implementation of 31 projects.

5. Subsequent targeted poverty alleviation plan

2020 is the last year for the PRC to win its battle against poverty, the Group will continue to adhere to our targeted poverty alleviation strategy, strengthen the responsibility for tackling the difficulties, resolutely engage in the war to eradicate poverty, consolidate poverty alleviation results and ensure poverty alleviation tasks are comprehensively performed on schedule.

To strengthen the support and efforts to further improve the two counties of Mizhi and Wubu, which have shaken off poverty, we will adhere to the requirements of “responsibilities, policies, assistance, and supervision in poverty-alleviation”. We will take the helm of the campaign against poverty, assist Butuo county in getting rid of poverty as planned. First, we will continue to put in place polices, measures and requirements for poverty eradication. Second, we will continue to implement the principle of “One Position, Two Responsibilities” in poverty alleviation and fulfill the principal responsibilities of cadre assigned to their respective positions, and ensure the completion of poverty alleviation tasks and indicators throughout the year. Third, we will focus on the key assistance projects in 2020, and strengthen safety and quality supervision of the projects within the construction period. At the same time, we will seek further breakthroughs in industrial poverty alleviation, which will enable the deprived population to increase their incomes. Fourth, we will continue to improve the ability of cadres performing their poverty alleviation duties. We will manage poverty alleviation projects and funds strictly, strengthen supervision over the use of poverty alleviation funds, proactively carry out special inspections, strengthen our supervision of discipline and accountability, and effectively improve the efficiency and effectiveness of the utilisation of funds.

¹ Financial input is calculated based on capital expenditure of China Energy Group Public Welfare Foundation for poverty alleviation on education and health care × the proportion of donation made by China Shenhua to China Energy Group Public Welfare Foundation. The proportion of donation made by China Shenhua has been 78.62% since the establishment of China Energy Group Public Welfare Foundation.

Section VI Significant Events (Continued)

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not applicable

XIV. ENVIRONMENTAL INFORMATION**(I) Environmental issues of listed companies and their significant subsidiaries classified as the key pollutant discharging units as published by the competent environmental protection authorities of the PRC****1. Information on pollutant discharge**

During the reporting period, total emissions of major pollutants of enterprises whose pollution sources were under key supervision and control of the state and enterprises whose pollution sources were under key supervision and control of pollution sources of the Company are as follows: sulfur dioxide of 4.6 thousand tonnes, nitrogen oxides of 8.4 thousand tonnes, soot of 0.7 thousand tonnes and chemical oxygen demand (COD) of 372.27 tonnes. In particular, total emissions of major air pollutants produced by the enterprises categorised as national major pollution sources under supervision are as follows: sulfur dioxide of 4.2 thousand tonnes, nitrogen oxides of 8.3 thousand tonnes, soot of 0.7 thousand tonnes and chemical oxygen demand (COD) of 280.86 tonnes.

As at 30 June 2019, 25 subsidiaries of the Group were categorised as national major pollution sources under supervision (among which 23 were waste gas exhausting enterprises, 5 were wastewater discharging enterprises (inclusive of two waste gas exhausting enterprise concurrently and a waste gas and hazardous solid waste enterprise concurrently) and 1 was hazardous solid waste discharging enterprise (a waste gas exhausting and wastewater discharging enterprise)), mainly are coal-fired power plants, coal chemical plants and coal preparation plants, etc, which are located in places including Inner Mongolia, Shaanxi, Hebei, Fujian and Guangdong.

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

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

Section VI Significant Events (Continued)

In the first half of 2020, the emissions from enterprises under the state's key supervision and control of pollution sources (waste gas) under the Group are as follows:

Unit name	Major pollutant	Total emissions <i>tonne</i>	Average emission concentration <i>mg/Nm³</i>	Total verified emissions <i>tonne/year</i>	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive emissions	Operation rate of pollution prevention facilities <i>%</i>
Power Plant of Shenhua Yili Energy Co., Ltd.	SO ₂	540	75.22	3,200	4	One discharge port per unit	Organised	2 hours	100
	NO _x	1,181	164.45	3,200			continuous	6 hours	100
	Soot	98	13.61	480			discharge	2 hours	100
Jinjie Energy	SO ₂	492	17.72	1,535	2	Units 1 and 2 share one discharge port; Units 3 and 4 share one discharge port.	Organised	Within limit	100
	NO _x	902	32.24	4,910.97			continuous	Within limit	100
	Soot	119	4.22	1,314.35			discharge	Within limit	100
Taishan Power	SO ₂	495	18.29	4,780	6	Units 1-2 share one discharge port; Units 3-7 each have one discharge port.	Organised	Within limit	100
	NO _x	797	29.46	9,560			continuous	Within limit	100
	Soot	48	1.77	20mg/Nm ³			discharge	Within limit	100
Shenhua Funeng	SO ₂	318	18.05	3,675	2	One discharge port per unit	Organised	Within limit	100
	NO _x	698	41.12	3,675			continuous	Within limit	100
	Soot	48	2.74	309			discharge	Within limit	100
Baotou Coal Chemical	SO ₂	249	Thermal power: 34.48; Sulfur recovery: 199.22	2,674	3	The flue gas of the thermoelectric boiler system shares a discharge port, and a separate discharge port for the tail gas of the sulfur recovery device.	Organised	Within limit	100
	NO _x	453	75.75	1,337			continuous or intermittent discharge	Within limit	100
	Soot	77	11.71	401			discharge	Within limit	100
Cangdong Power	SO ₂	245	11.50	1,842.65	2	Units 1 and 2 share one discharge port; Units 3 and 4 share one discharge port.	Organised	Within limit	100
	NO _x	288	22.91	2,632.36			continuous	Within limit	100
	Soot	41	1.90	292.06			discharge	Within limit	100
Dingzhou Power	SO ₂	227	11.14	1,814.31	2	Units 1 and 2 share one discharge port; Units 3 and 4 share one discharge port.	Organised	Within limit	100
	NO _x	401	21.20	2,591.87			continuous	Within limit	100
	Soot	21	1.09	521.86			discharge	Within limit	100

Section VI Significant Events (Continued)

Unit name	Major pollutant	Total emissions <i>tonne</i>	Average emission concentration <i>mg/Nm³</i>	Total verified emissions <i>tonne/year</i>	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive emissions	Operation rate of pollution prevention facilities <i>%</i>
Sichuan Energy Jiangyou Power Plant	SO ₂	224	57.42	2,427	1	The units share a discharge port.	Organised continuous discharge	Within limit	100
	NO _x	357	95.85	1,320				17 hours	99.53
	Soot	43	11.34	383				Within limit	100
Shandong Power Chongqing Wanzhou Port Power Co., Ltd.	SO ₂	187	34.60	1,000	2	One discharge port per unit	Organised continuous discharge	Within limit	100
	NO _x	387	16.85	1,500				Within limit	99.89
	Soot	32	2.93	200				Within limit	100
Huizhou Thermal	SO ₂	205	24.68	883.63	1	The units share a discharge port.	Organised continuous discharge	Within limit	100
	NO _x	317	38.06	1,767.27				Within limit	100
	Soot	9	1.11	353.45				Within limit	100
Mengjin Power	SO ₂	162	21.62	1,079	2	One discharge port per unit	Organised continuous discharge	Within limit	100
	NO _x	255	37.89	1,542				Within limit	100
	Soot	21	2.76	308				Within limit	100
Shandong Power Dianta Company	SO ₂	95	10.06	1,031.81	1	The units share a discharge port.	Organised continuous discharge	Within limit	100
	NO _x	340	35.90	1,474.02				3 hours	100
	Soot	21	2.40	294.80				Within limit	100
Shouguang Power	SO ₂	78	6.90	1,347.50	2	One discharge port per unit	Organised continuous discharge	Within limit	100
	NO _x	305	25.09	1,925				Within limit	100
	Soot	6	0.53	192.50				Within limit	100
Jiujiang Power	SO ₂	80	4.86	2,805	2	One discharge port per unit	Organised continuous discharge	Within limit	100
	NO _x	302	19.40	3,014				Within limit	100
	Soot	16	0.87	1,050				Within limit	100

Section VI Significant Events (Continued)

Unit name	Major pollutant	Total emissions <i>tonne</i>	Average emission concentration <i>mg/Nm³</i>	Total verified emissions <i>tonne/year</i>	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive emissions	Operation rate of pollution prevention facilities <i>%</i>
Zhunge'er Power	SO ₂	138	21.41	3,840	2	One discharge port each for Phase I and Phase II	Organised	Within limit	100
	NO _x	189	30.34	3,840			continuous	Within limit	100
	Soot	17	2.94	576			discharge	Within limit	100
Fujian Jinjiang Thermal Power Co., Ltd.	SO ₂	119	69.71	831.77	1	The units share a discharge port.	Organised	Within limit	100
	NO _x	169	99.82	831.11			continuous	Within limit	100
	Soot	21	12.44	124.77			discharge	Within limit	100
Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd.	SO ₂	50	9.52	2,400	1	The units share a discharge port.	Organised	Within limit	100
	NO _x	161	30.58	1,200			continuous	10 hours	99.81
	Soot	34	6.50	343			discharge	Within limit	100
Liuzhou Power	SO ₂	46	8.49	3,727.20	1	The units share a discharge port.	Organised	Within limit	100
	NO _x	161	33.73	1,863.60			continuous	Within limit	100
	Soot	15	2.85	559			discharge	Within limit	100
Shenhua Funeng (Fujian Yanshi) Power Co., Ltd.	SO ₂	58	21.78	2,092	1	The units share a discharge port.	Organised	Hourly average emission concentration exceeded the limit by two times	100
	NO _x	117	44.05	2,090			continuous	Hourly average emission concentration exceeded the limit by one time	100
	Soot	7	2.48	440			discharge	Within limit	100
Daliuta Power Plant of Shandong Power Company	SO ₂	56	72	290.90	1	The units share a discharge port.	Organised	3 hours	100
	NO _x	119	150	290.90			continuous	2 hours	100
	Soot	9	11	43.63			discharge	1 hour	100

Section VI Significant Events (Continued)

Unit name	Major pollutant	Total emissions <i>tonne</i>	Average emission concentration <i>mg/Nm³</i>	Total verified emissions <i>tonne/year</i>	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive emissions	Operation rate of pollution prevention facilities <i>%</i>
Guojiawan Power Plant of Shandong Power	SO ₂	12	2.55	420	1	The units share a discharge port.	Organised	Within limit	100
	NO _x	150	33.18	600			continuous	2 hours	100
	Soot	1	0.31	120			discharge	Within limit	100
Fuping Thermal Power	SO ₂	38	7.77	609.88	2	One discharge port per unit	Organised	Within limit	100
	NO _x	107	22.18	871.26			continuous	Within limit	100
	Soot	5	1.08	174.25			discharge	Within limit	100
Shenmu Power	SO ₂	36	6.96	1,276.74	1	The units share a discharge port.	Organised	1 hour	100
	NO _x	89	21.05	1,276.74			continuous	Within limit	100
	Soot	6	1.46	191.52			discharge	Within limit	100
Shenhua Bayannaer Energy	SO ₂	12	17.14	75	1	One discharge port for the coke oven chimney	Organised	Within limit	100
	NO _x	104	148.78	750			continuous	Within limit	100
	Soot	4	6.425	45			discharge	Within limit	100

Note: Taishan Power (soot) was subject to verification standard on emission concentration other than total emission.

The table below sets forth the emissions from enterprises under the state's key supervision and control of pollution sources (COD) under the Group in the first half of 2020:

Section VI Significant Events (Continued)

Unit Name	Total Emissions <i>tonne</i>	Average Emission Concentration <i>mg/L</i>	Total Verified Emissions <i>tonne/year</i>	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive Emissions	Operation rate of pollution prevention facilities %
Baotou Coal Chemical	61.25	47.95	150	1	One total sewage outlet	Continuous or intermittent discharge	Within limit	100
Jinjie Energy (Coal)	186.92	16	N/A	3	Discharge outlet for well water treatment plant in the main shaft; Zaoshaogou large discharge outlet; Hezegou large discharge outlet	Continuous or intermittent discharge	Within limit	100
Daliuta Well, Daliuta Coal Mine from Shendong Coal Group	30.02	16	N/A	1	Discharge outlet for well water treatment plant in the main shaft	Continuous or intermittent discharge	Within limit	100
Sichuan Energy Jiangyou Power Plant	1.06	6.07	100mg/L	1	Fujiang	Continuous or intermittent discharge	Within limit	100
Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd.	1.61	6.07	100mg/L	1	Fujiang	Continuous or intermittent discharge	Within limit	100

Section VI Significant Events (Continued)

- Notes:* (1) Currently, local environmental protection administration does not issue sewage and waste water license to coal enterprises and accordingly total emission was not verified.
- (2) Sichuan Energy Jiangyou Power Plant and Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd. use the emission concentration as the standard for verification and do not specify the amount of total emissions.

In the first half of 2020, the total emission of major enterprises under the state's key supervision and control of pollution sources (solid and hazardous waste) of the Group is as follows: 121.02 tonnes from Baotou Coal Chemical, all of which are disposed and transferred in compliance with the laws and regulations with no external discharge.

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

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

2. Construction and operation of pollution prevention and control facilities

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

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

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

Section VI Significant Events (Continued)

4. Emergency plan for unexpected environmental incidents

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

5. Environment self-monitoring plan

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

6. Other environmental information that should be disclosed

Fines at an amount of RMB50,000 and above imposed by environmental protection administration against subsidiaries of the Group in the first half of 2020 are as follows:

Unit Name	Date	Penalty No.	Fine Amount <i>RMB0'000</i>	Reason for Penalty	Rectification Progress
Shouguang Power	20 February 2020	Weihuan Penalty No. [2020] SG028	10	Online monitoring data on 24 March 2019 showed that the average daily nitrogen oxide emission concentration exceeded the standard by 0.64 time.	In order to avoid using the nitrogen oxide emission data during the unit start-up period as effective data to be counted within the daily average value, at present, when the unit starts, the data has been reported in accordance with the requirements of the environmental protection department.

Note: "Technical Specification for Application and Issuance of Pollution Discharge Permits for Thermal Power Industry" provides that: "The stable operation compliance period of NO_x starts when the output of the unit reaches 50% of the rated power after the unit is started and until the output of the unit drops to 50% of the rated power before the unit is decommissioned. The emission data during the startup and shutdown periods outside this period may not be used as the basis for determining the stable operation compliance of NO_x discharge for thermal power unit.

Section VI Significant Events (Continued)

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

In line with the principles of prevention from the source, control in the process and treatment at the end, the Group conducted clean production, as well as pollution prevention and control to minimise the impact of production on environment. It also strengthened comprehensive treatment and reuse of wastewater to improve its comprehensive utilisation efficiency. Coal-fired generating units implemented dust prevention and control, as well as technical transformation of boilers to reduce air pollutant emissions. By further exploiting the values of such solid wastes as coal gangue, coal ash and boiler slag, the Group increased their comprehensive utilisation, and make sure that all solid wastes are safely disposed. The Group also conducted such works as soil conservation, windbreaks and sand fixation, land subsidence treatment, land reclamation and afforestation, as well as ecological construction, so as to preserve and improve the local ecological environment.

(III) Explanation of reasons for non-disclosure of environmental information by companies other than those classified as the key pollutant discharging units

Applicable Not applicable

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

Applicable Not applicable

XV. OTHER MATERIAL MATTERS

(I) The situation, reasons and impact of the changes regarding accounting policies, accounting estimates and accounting methods as compared with the previous accounting period

The amendments to the China Accounting Standards for Business Enterprises and International Financial Reporting Standards effective from 1 January 2020 do not have a significant impact on the Group's financial position and operating results.

In order to meet the needs of the Company's business development, further strengthen fixed assets management, and more fairly reflect the impact of the Company's fixed assets on its financial position and operating results, with approval at the 26th meeting of the fourth session of the Board of the Company, from 1 January 2020, the Group has changed the accounting estimates relevant to the depreciation of certain fixed assets in accordance with the relevant provisions of "Accounting Standards for Enterprises No. 4 – Fixed Assets". Please refer to the Company's H-shares announcement and A-shares announcement dated 24 April 2020 and 25 April 2020, respectively, for details. The change of accounting estimate does not have a significant impact on the Group's financial position and operating results.

(II) The situation, amount of corrections, reasons and impact of corrections of material accounting mistakes requiring retrospective restatements during the reporting period.

Applicable Not applicable

Section VII Changes in Share Capital and Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

During the reporting period, there were no changes in the total number of ordinary shares and shareholding structure. The Company did not issue any preference shares.

	As at 30 June 2020	
	Number	Percentage %
I. Shares with selling restrictions	0	0.00
II. Shares without selling restrictions	19,889,620,455	100.00
1. RMB ordinary shares	16,491,037,955	82.91
2. Overseas listed foreign shares	3,398,582,500	17.09
III. Total number of shares	19,889,620,455	100.00

During the six months ended 30 June 2020, the Group did not purchase, sell or redeem any of the Company's securities as defined under the Hong Kong Listing Rules.

As at the disclosure date of this report, to the best knowledge of the Directors, the Company has satisfied the minimum public float provisions under Rule 8.08 of the Hong Kong Listing Rules.

2. Details of changes in shares:

Applicable Not applicable

3. Impacts of changes in shares on earnings per share, net assets per share and other financial indicators from the reporting period to the disclosure date of interim reports (if any):

Applicable Not applicable

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

Applicable Not applicable

(II) Changes in shares with selling restrictions:

Applicable Not applicable

Section VII Changes in Share Capital and Shareholders (Continued)

II. SHAREHOLDERS

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (<i>accounts</i>)	208,655
Of which: Holders of A shares (including China Energy)	206,549
Registered holders of H shares	2,106

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

Unit: share

Full name of shareholders	Increase/ decrease during the reporting period	Shareholdings of top ten shareholders		Number of shares held with selling restrictions	Shares subject to pledge or lock-up Status	Number	Nature of shareholders
		Number of shares held at the end of the reporting period	Percentage %				
China Energy Investment Corporation Limited	0	13,812,709,196	69.45	0	Nil	N/A	State-owned corporation
HKSCC NOMINEES LIMITED	-701,500	3,389,729,722	17.04	0	Unknown	N/A	Overseas corporation
China Securities Finance Corporation Limited	0	594,718,049	2.99	0	Nil	N/A	Others
Central Huijin Asset Management Ltd.	0	110,027,300	0.55	0	Nil	N/A	State-owned corporation
Hong Kong Securities Clearing Company Limited	+3,526,368	101,115,057	0.51	0	Nil	N/A	Overseas corporation
Industrial Bank Co., Ltd. – Aegon-industrial New Vision Flexible Allocation of Regularly Open Hybrid Initiating Securities Investment Fund	+35,337,607	50,406,151	0.25	0	Nil	N/A	Others
Beijing Chengtong Financial Control Investment Co., Ltd.	+28,477,449	37,014,678	0.19	0	Nil	N/A	State-owned corporation
Industrial and Commercial Bank of China – SSE 50 Exchange Traded Open-end Index Securities Investment Fund	-3,045,222	22,371,969	0.11	0	Nil	N/A	Others
Guotai Junan Securities Co., Ltd.	+13,898,254	14,920,000	0.08	0	Nil	N/A	Others
Agricultural Bank of China Limited – Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Securities Investment Fund	-6,525,342	14,773,320	0.07	0	Nil	N/A	Others

Section VII Changes in Share Capital and Shareholders (Continued)

Shareholdings of top ten shareholders without selling restrictions

Name of shareholders	Number of shares without selling restrictions	Type and number of shares	
		Type	Number
China Energy Investment Corporation Limited	13,812,709,196	RMB ordinary shares	13,812,709,196
HKSCC NOMINEES LIMITED	3,389,729,722	Overseas-listed foreign shares	3,389,729,722
China Securities Finance Corporation Limited	594,718,049	RMB ordinary shares	594,718,049
Central Huijin Asset Management Ltd.	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	101,115,057	RMB ordinary shares	101,115,057
Industrial Bank Co., Ltd. – Aegon-industrial New Vision Flexible Allocation of Regular Open Hybrid Initiating Securities Investment Fund	50,406,151	RMB ordinary shares	50,406,151
Beijing Chengtong Financial Control Investment Co., Ltd.	37,014,678	RMB ordinary shares	37,014,678
Industrial and Commercial Bank of China – SSE 50 Exchange Traded Open-end Index Securities Investment Fund	22,371,969	RMB ordinary shares	22,371,969
Guotai Jun-an Securities Co., Ltd.	14,920,000	RMB ordinary shares	14,920,000
Agricultural Bank of China Limited – Huaxia CSI State-Owned Enterprises Structural Adjustment Exchange Traded Open-end Index Securities Investment Fund	14,773,320	RMB ordinary shares	14,773,320
Details regarding the connected relationships among the above shareholders or whether they are parties acting in concert	HKSCC NOMINEES LIMITED and Hong Kong Securities Clearing Company Limited are both wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. Save as disclosed above, the Company is not aware of any connected relationships between the top ten shareholders without selling restrictions and the top ten shareholders and whether they are parties acting in concert as defined in the Measures for Administration of Acquisition of Listed Companies.		
Details regarding the holders of preference shares with voting rights restored and the number of shares held	N/A		

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

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

Applicable Not applicable

Section VII Changes in Share Capital and Shareholders (Continued)

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

Applicable Not applicable

(IV) Interests and short positions in the shares of the Company held by substantial shareholders

As at 30 June 2020, the persons as disclosed in the table below had interests and/or short positions in the shares or underlying shares of the Company which are required to be recorded in the register of equity interests and/or short positions to be kept under section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of Laws of Hong Kong):

No.	Name of shareholder	Capacity	H shares/ A shares	Nature of interest	Number of H shares/ A shares held	Percentage of H shares/ A shares over total issued H shares/ A shares respectively %	Percentage of total share capital of the Company %
1	China Energy	Beneficial owner	A shares	N/A	13,812,709,196	83.76	69.45
2	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	202,783,549	5.97	1.02
3	Citigroup Inc.	Person having a security interest in shares, interest of Corporation controlled by the substantial shareholder, and approved lending agent	H shares	Long position Short position Lending Pool	200,276,797 4,497,629 184,720,369	5.89 0.13 5.43	1.01 0.02 0.93

Notes: (1) Among 200,276,797 H shares in long position held by Citigroup Inc., 8,596,354 H shares are held in its capacity as the person having a security interest in shares, 6,960,074 H shares are held in its capacity as the interest of corporation controlled by the substantial shareholder, and 184,720,369 H shares are held in its capacity as the approved lending agent. 4,497,629 H shares in short position held by Citigroup Inc. are held in its capacity as the interest of corporation controlled by the substantial shareholder. In addition, the following H shares in both long position and short position involve derivatives, including:

- a. 545,224 H shares in long position and 105,500 H shares in short position: listed derivatives – physically settled;
- b. 152,500 H shares in short position: unlisted derivatives – cash settled

(2) Information disclosed above is based on information available on the website of HKEx(www.hkex.com.hk).

As at 30 June 2020, save as disclosed above, there was no other person who held interests and/or short positions in the shares or underlying shares of the Company which are required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was a substantial shareholder of the Company.

III. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER:

Applicable Not applicable

Section VIII Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING

(I) Changes in shareholding of current directors, supervisors, and senior management and those outgoing during the reporting period

During the reporting period, there were no changes in shareholding in the Company held by the directors, supervisors and senior management of the Company that were required to be disclosed pursuant to the relevant regulatory provisions promulgated by the China Securities Regulatory Commission ("CSRC").

All the directors and supervisors of the Company have confirmed that they have fully complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules, which was adopted by the Company, for the six months ended 30 June 2020.

As of 30 June 2020, none of the directors, supervisors and chief executive of the Company held any share of the Company nor had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the laws of Hong Kong), as recorded in the register required to be kept under section 352 of the SFO or which was otherwise required to be notified to the Company and HKEx under the Model Code for Securities Transactions by Directors of Listed Issuers.

As of 30 June 2020, the Company did not grant any equity securities or warrants to directors, supervisors and chief executive or their respective spouses or children under the age of 18.

(II) Equity incentives granted to directors, supervisors and senior management during the reporting period

Applicable Not applicable

Section VIII Directors, Supervisors, Senior Management and Employees (Continued)

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change
Wang Xiangxi	Executive Director Chairman	Elected at the 2019 annual general meeting on 29 May 2020 Elected at the first meeting of the fifth session of the Board on 29 May 2020
Yang Jiping	Executive Director	Elected at the 2019 annual general meeting on 29 May 2020
Xu Mingjun	Executive Director	Elected at the 2019 annual general meeting on 29 May 2020
Jia Jinzhong	Non-executive Director	Elected at the 2019 annual general meeting on 29 May 2020
Zhao Yongfeng	Non-executive Director	Elected at the 2019 annual general meeting on 29 May 2020
Yuen Kwok Keung	Independent non-executive Director	Elected at the 2019 annual general meeting on 29 May 2020
Bai Chong-En	Independent non-executive Director	Elected at the 2019 annual general meeting on 29 May 2020
Chen Hanwen	Independent non-executive Director	Elected at the 2019 annual general meeting on 29 May 2020
Wang Xingzhong	Employee Director	Democratically elected by employees of the Company on 29 May 2020
Luo Meijian	Supervisor Chairman of the supervisory committee	Elected at the 2019 annual general meeting on 29 May 2020 Elected at the first meeting of the fifth session of the supervisory committee on 29 May 2020
Zhou Dayu	Supervisor	Elected at the 2019 annual general meeting on 29 May 2020
Zhang Changyan	Employee Representative Supervisor	Democratically elected by employees of the Company on 29 May 2020
Zhao Yongfeng	Executive Vice President	Resigned from the position on 26 March 2020 due to adjustments to work
Li Dong	Executive Director	Resigned from the position on 29 March 2020 due to retirement age
Zhang Guangde	Executive Vice President	Resigned from the position on 28 May 2020 due to adjustments to work
Gao Song	Executive Director	Resigned from the position on 29 May 2020 due to term expiration
Mi Shuhua	Executive Director	Resigned from the position on 29 May 2020 due to term expiration
Zhao Jibin	Non-executive Director	Resigned from the position on 29 May 2020 due to term expiration
Tam Wai Chu, Maria	Independent non-executive Director	Resigned from the position on 29 May 2020 due to term expiration
Peng Suping	Independent non-executive Director	Resigned from the position on 29 May 2020 due to term expiration
Jiang Bo	Independent non-executive Director	Resigned from the position on 29 May 2020 due to term expiration
Zhong Yingjie, Christina	Independent non-executive Director	Resigned from the position on 29 May 2020 due to term expiration
Zhai Richeng	Supervisor, Chairman of the supervisory committee	Resigned from the position on 29 May 2020 due to term expiration

Section VIII Directors, Supervisors, Senior Management and Employees (Continued)

On 29 May 2020, the first and second meetings of the fifth session of the board of directors of the Company reviewed and approved the appointment:

1. Bai Chong-En, Chen Hanwen and Xu Mingjun are members of the Nomination Committee, and Bai Chong-En is the chairman of the Nomination Committee;
2. Wang Xiangxi, Yang Jiping and Jia Jinzhong are members of the Strategic Committee, and Wang Xiangxi is the chairman of the Strategy Committee;
3. Chen Hanwen, Yuen Kwok Keung and Bai Chong-En are members of the Audit Committee, and Chen Hanwen is the chairman of the Audit Committee;
4. Yuen Kwok Keung, Chen Hanwen and Xu Mingjun are members of the Remuneration Committee, and Yuen Kwok Keung is the chairman of the Remuneration Committee;
5. Yang Jiping, Zhao Yongfeng and Wang Xingzhong are members of the Safety, Health and Environmental Protection Committee, and Yang Jiping is the chairman of the Safety, Health and Environmental Protection Committee.

The term of office of each member and chairman shall be from the date of approval by the board of directors to the date of expiration of the term of office of the fifth session of the board of directors.

III. CORPORATE GOVERNANCE

The board of directors is responsible for the corporate governance of the Company. The Company has established its own system of corporate governance pursuant to the corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules. The convening, voting, disclosure procedures and rules of procedure of meetings of the board of directors of the Company, and procedures for nomination and election of directors, are in compliance with regulatory requirements. The board of directors is the standing decision-making entity of the Company. The Articles of Association sets out in detail the separate responsibilities of the Chairman and the Chief Executive Officer. During the six months ended 30 June 2020, the Company has been in full compliance with the principles and code provisions and most of the recommended best practices as specified therein. For the terms of reference of the board of directors and its special committees in performing duties under the Corporate Governance Code, please refer to the Articles of Association, Rules of Procedure of Meetings of the Board of Directors and rules of procedure of its special committees.

The board of directors of the Company has formulated its board diversity policy with members coming from a variety of backgrounds, which guarantees the rationality and reasonableness of decisions made by the board of directors. Directors are individuals from various domestic and overseas industries. The number of non-executive Directors accounts for more than half of the directors. Each director's knowledge and field of expertise are professional and complementary in the overall board structure.

Section VIII Directors, Supervisors, Senior Management and Employees (Continued)

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.

During the reporting period, China Shenhua adhered to the leadership of the Party, continuously improved the management system and process and optimised operating management mechanism, establishing the daily operation mechanism of the state-owned enterprise in line with its own characteristics. There are potential peer competitions between the coal business and other business of China Energy Group and the major business of the Company. In accordance with the resolution on entering into Supplemental Agreement to the Existing Non-Competition Agreement with China Energy (effective after conditions are satisfied) considered and approved at the 2018 first extraordinary general meeting of the Company, China Shenhua, as an integration platform of the coal business of China Energy Group, will discretionally exercise the options, the pre-emptive rights and the option to acquire pursuant to the Existing Non-Competition Agreement and the supplemental agreement entered between the two parties, thereby gradually reducing horizontal competition.

Save as disclosed above, during the reporting period, there was no material difference between the corporate governance of the Company and the relevant rules and requirements of the CSRC. China Shenhua has an independent and complete business system as well as a market-oriented self-operation capability. The Company is independent from its controlling shareholder in terms of business, personnel, assets, organisation and finance.

Section VIII Directors, Supervisors, Senior Management and Employees (Continued)

IV. EMPLOYEES OF THE COMPANY

As at 30 June 2020, the total number of employees of the Group was 75,412. Number of resigned and retired employees which the Group are responsible for is 11,548. The structure of employees is as follows:

1. By Function

Function	As of 30 June 2020 Number of employees	As of 31 December 2019 Number of employees	Change %
Operation and maintenance	43,786	44,188	(0.9)
Management and administration	12,084	12,208	(1.0)
Finance and accounting	1,600	1,556	2.8
Research and development	2,799	2,654	5.5
Technical support	9,857	9,656	2.1
Sales and marketing	626	633	(1.1)
Others	4,660	4,725	(1.4)
Total	75,412	75,620	(0.3)

2. By Educational Level

Educational Level	As of 30 June 2020 Number of employees	As of 31 December 2019 Number of employees	Change %
Postgraduate or above	3,353	3,360	(0.2)
University graduate	29,592	28,944	2.2
College graduate	19,516	19,524	(0.0)
Specialised secondary school graduate	9,794	10,133	(3.3)
Technical school graduate, high school graduate or below	13,157	13,659	(3.7)
Total	75,412	75,620	(0.3)

The Company has formulated a competitive remuneration policy that combines basic salary and performance assessment and is oriented towards first-tiered employees.

The Company has established a multi-layered and multi-channel training system, providing employees with suitable training programs on occupational skills, work safety, group-based management and other aspects.

Section IX Investor Relations

In the first half of the year, the directors, supervisors, senior management and relevant staff of the Company earnestly studied the new Securities Act, actively implemented the requirements of the new Securities Act, and strengthened the investor relations management to improve service quality, advocate positive investment culture, promote the sharing of development results, and continue to advance the protection of legitimate rights and interests of investors.

I. Prudent decision making and mindful of shareholders

In the first half of the year, the Company convened the annual general meeting on the spot, at which the Company communicated with 34 domestic and foreign institutional investors on the content of the resolutions at the meeting, earnestly answered relevant questions, and safeguarded the investors' right to know to the largest extent, under the premise of ensuring compliance with epidemic prevention requirements. The Chairman of the Company led the senior management of the Company to have in-depth and detailed communication with the participated shareholders, especially individual shareholders, and listened to the shareholders' views and recommendations on the operation and development of the Company. One of the concerns of investors is the future development prospects of the coal power industry, the future development plan of the main business of the Company, the annual production and operation, as well as the environment, responsibilities and governance. The second concern is the reasonableness of the transaction plan of capital increase in Shenhua Finance Company, the impact on China Shenhua, the risk control and information disclosure thereof, and the future development prospects of Shenhua Finance Company.

II. Integrity services and good investment relations

In the first half of the year, through the "roadshow center" platform of SSE, the Company convened the conference of annual results for 2019 and briefings on the first quarterly results for 2020, reporting the operating results and operation of the Company to investors in a timely manner. The Company communicated with domestic and overseas investment institutions and shareholders through online and offline channels, hotlines, e-mails, SMS, WeChat and other methods. In the first half of the year, the Company convened accumulated 59 communication meetings, communicating with analysts and fund managers for over 400 times. We have conducted 30 person-times of on-site survey of shareholders, answered more than 70 calls from investors, and communicated more than 300 times through emails, SMS and WeChat.

III. Learning and abiding by law, together sharing the results

In the first half of the year, the Company actively launched the "Investor Protection Month" activities. The new Securities Law is closely integrated with the internal work of the Company to raise the awareness of investor protection among all employees; and the "Investor Protection" column established on the Company's official website will place emphasis on in-depth and detailed explanation on information in the industry concerned by minority investors, domestic and overseas stock market rules, the implementation of dividend distributions and other aspects in the daily information exchange. The Company actively responded to the shareholders' request to increase the proportion of cash dividend distribution for the three years from 2019 to 2021 to not less than 50% of the net profit attributable to shareholders for the year as approved at the 2019 annual general meeting, in order to actively reward shareholders and to share the results of development.

Section X Report on Review of Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 96 to 137 which comprises the condensed consolidated statement of financial position of China Shenhua Energy Company Limited (the "Company") as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

28 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	Six months ended 30 June	
		2020 RMB million	2019 RMB million
Revenue			
Goods and services	4	105,016	116,365
Cost of sales	6	(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	10	236	1,867
Other income	7	297	362
Loss allowances, net of reversal	10	(273)	232
Other expenses		(88)	(160)
Interest income		665	645
Finance costs	8	(1,004)	(1,594)
Share of results of associates		484	192
Profit before income tax		31,291	36,933
Income tax expense	9	(6,507)	(7,937)
Profit for the period	10	24,784	28,996
Other comprehensive income for the period			
<i>Items that will not be reclassified to profit or loss, net of income tax:</i>			
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
<i>Items that may be reclassified subsequently to profit or loss, net of income tax:</i>			
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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

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

	Note	Six months ended 30 June	
		2020 RMB million	2019 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)	12	1.024	1.219

The notes on pages 107 to 137 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

at 30 June 2020 – unaudited
(Expressed in RMB)

	<i>Note</i>	30 June 2020 RMB million	31 December 2019 RMB million
Non-current assets			
Property, plant and equipment	13	238,687	245,993
Construction in progress	13	36,276	34,495
Exploration and evaluation assets		492	484
Intangible assets		3,313	3,648
Right-of-use assets	16	18,233	18,690
Interests in associates	14	40,954	40,539
Equity instruments at fair value through other comprehensive income		1,815	1,789
Other non-current assets	15	62,568	54,006
Deferred tax assets		2,998	2,945
Total non-current assets		405,336	402,589
Current assets			
Inventories	17	14,122	12,053
Accounts and bills receivables	18	12,852	10,436
Prepaid expenses and other current assets	19	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	20	108,030	41,827
Total current assets		174,941	160,494

Condensed Consolidated Statement of Financial Position (Continued)

at 30 June 2020 – unaudited
(Expressed in RMB)

	Note	30 June 2020 RMB million	31 December 2019 RMB million
Current liabilities			
Borrowings	21	4,442	4,172
Accounts and bills payables	22	23,401	25,043
Accrued expenses and other payables	23	81,243	53,578
Current portion of bonds		–	3,488
Current portion of lease liabilities		178	198
Current portion of long-term liabilities	24	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	21	32,790	36,943
Bonds		3,514	3,460
Long-term liabilities	24	2,519	2,201
Accrued reclamation obligations	25	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

Condensed Consolidated Statement of Financial Position (Continued)

at 30 June 2020 – unaudited
(Expressed in RMB)

	<i>Note</i>	30 June 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Equity			
Share capital	26	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

Approved and authorised for issue by the board of directors on 28 August 2020.

Wang Xiangxi
Chairman and Executive Director

Yang Jiping
*Executive Director and
Chief Executive Officer*

The notes on pages 107 to 137 form part of this interim financial report.

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

Condensed Consolidated Statement of Changes in Equity (Continued)

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

	Equity attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings			
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Note 26)	(Note (i))	(Note (ii))		(Note (iii))	(Note (iv))	(Note (v))			
At 1 January 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 11)	-	-	-	-	-	-	(17,503)	(17,503)	-	(17,503)
Appropriation of maintenance and production funds (Note (iii))	-	-	-	-	2,052	-	(2,052)	-	-	-
Utilisation of maintenance and production funds (Note (iii))	-	-	-	-	(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

Notes:

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

Condensed Consolidated Statement of Changes in Equity (Continued)

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

(iii) Statutory reserves

Statutory surplus reserve

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

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

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

Specific reserve for maintenance and production funds

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

General reserve

Pursuant to relevant regulations issued by the Ministry of Finance, the Company's subsidiary, Shenhua Finance Co., Ltd. ("Shenhua Finance"), is required to set aside a general reserve by the end of each financial year through appropriations of profit after tax as determined in accordance with China Accounting Standards at a certain ratio of the ending balance of gross risk-bearing assets to cover potential losses against such assets.

Discretionary surplus reserve

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

The directors of the Company (the "Directors") have not proposed any appropriation to the discretionary surplus reserve for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

(iv) Other reserves

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

(v) Retained earnings

Included in the retained earnings of the Group were its share of the surplus reserve of its domestic subsidiaries amounting to RMB25,753 million as at 30 June 2020 (31 December 2019: RMB25,753 million).

Condensed Consolidated Statement of Cash Flows

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

	Note	Six months ended 30 June	
		2020 RMB million	2019 RMB million
Operating activities			
Profit before income tax		31,291	36,933
Adjustments for:			
Depreciation and amortisation	10	9,996	9,932
Other gains and losses	10	(236)	(1,867)
Loss allowances, net of reversal	10	273	(232)
Interest income		(665)	(645)
Share of results of associates		(484)	(192)
Interest expense		1,008	1,522
Exchange (gain)/loss, net	8	(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

Condensed Consolidated Statement of Cash Flows (Continued)

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

	Six months ended 30 June		
	<i>Note</i>	2020 <i>RMB million</i>	2019 <i>RMB million</i>
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

Condensed Consolidated Statement of Cash Flows (Continued)

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

	Note	Six months ended 30 June	
		2020 RMB million	2019 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

The notes on pages 107 to 137 form part of this interim financial report.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in RMB)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Principal activities

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

Organisation

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

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

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

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

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

Immediate parent and ultimate controlling party

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

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

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

(Expressed in RMB)

2 BASIS OF PREPARATION

This interim financial report have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 28 August 2020.

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

This interim financial report 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.

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

(Expressed in RMB)

3 CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(a) Changes in accounting policies**

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

- Amendments to IFRS 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 depreciation before change <i>(year)</i>	Term for depreciation after change <i>(year)</i>
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

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

(Expressed in RMB)

4 REVENUE FROM GOODS AND SERVICES

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

Segments	For the six months ended 30 June															
	Coal		Power		Railway		Port		Shipping		Coal chemical		Others		Total	
	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million
Types of goods or services																
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
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
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

The Group's revenue from contracts with customers is RMB103,041 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB116,337 million).

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

(Expressed in RMB)

4 REVENUE FROM GOODS AND SERVICES (CONTINUED)

Set out below is the reconciliation of the revenue with the amounts disclosed in the segment information.

Segments	For the six months ended 30 June															
	Coal		Power		Railway		Port		Shipping		Coal chemical		Others		Total	
	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million
Revenue disclosed in segment information																
External customers	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
Inter-segment	8,913	11,642	36	43	15,452	16,857	2,466	2,643	523	753	-	-	530	554	27,920	32,492
	84,201	93,638	22,604	26,221	18,188	20,174	2,934	2,952	1,306	1,588	2,409	3,084	1,294	1,200	132,936	148,857
Adjustment and eliminations	(8,913)	(11,642)	(36)	(43)	(15,452)	(16,857)	(2,466)	(2,643)	(523)	(753)	-	-	(530)	(554)	(27,920)	(32,492)
Revenue	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

The Group produces and sells coal and coal chemical products to customers at spot market. For sales of coal and coal chemical products, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location. According to the Group's historical experiences, there was no significant exchange or return of coal and coal chemical products occurred. There is no sales-related warranties associated with coal and coal chemical products.

For sales of power, revenue is recognised upon the transmission of electric power to the power grid companies. Power could not be returned or exchanged and there is also no warranties associated with power sales.

The Group provides railway transportation services, shipment transportation services as well as port loading and storage services to customers. Such services are recognised as a performance obligation satisfied over time as the Group rendering the services. Revenue is recognised for these services based on the stage of completion of the performance obligation using output method.

All performance obligations of sales of coal, power and coal chemical products, railway and shipment transportation services, and port loading and storage services are part of contracts with an original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

(Expressed in RMB)

5 SEGMENT AND OTHER INFORMATION

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

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

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

(Expressed in RMB)

5 SEGMENT AND OTHER INFORMATION (CONTINUED)**(a) Segment results**

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below:

	Six months ended 30 June													
	Coal		Power		Railway		Port		Shipping		Coal chemical		Total	
	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million
Revenue from external customers	75,288	81,996	22,568	26,178	2,736	3,317	468	309	783	835	2,409	3,084	104,252	115,719
Inter-segment revenue	8,913	11,642	36	43	15,452	16,857	2,466	2,643	523	753	-	-	27,390	31,938
Reportable segment revenue	84,201	93,638	22,604	26,221	18,188	20,174	2,934	2,952	1,306	1,588	2,409	3,084	131,642	147,657
Reportable segment profit	15,519	19,384	4,182	4,207	8,385	9,117	1,180	1,174	39	93	(116)	354	29,189	34,329
Including:														
Interest expenses	322	343	639	790	449	528	148	191	2	4	49	12	1,609	1,868
Depreciation and amortisation	3,689	3,573	2,653	2,648	2,513	2,417	505	529	148	148	422	437	9,930	9,752
Share of results of associates	102	22	28	96	-	-	3	-	-	-	-	-	133	118
Loss allowances and impairment of assets	272	(64)	1	(1)	6	(3)	-	-	-	-	(1)	-	278	(68)

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

(Expressed in RMB)

5 SEGMENT AND OTHER INFORMATION (CONTINUED)

(b) Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the six months ended 30 June 2020 and 2019 are set out below:

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Revenue	131,642	147,657	1,294	1,200	(27,920)	(32,492)	105,016	116,365
Profit before income tax	29,189	34,329	2,412	2,849	(310)	(245)	31,291	36,933
Interest expenses	1,609	1,868	415	557	(1,051)	(903)	973	1,522
Depreciation and amortisation	9,930	9,752	66	180	-	-	9,996	9,932
Share of results of associates	133	118	727	79	(376)	(5)	484	192
Loss allowances and impairment of assets	278	(68)	2	(164)	-	-	280	(232)

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

(Expressed in RMB)

5 SEGMENT AND OTHER INFORMATION (CONTINUED)

(c) Other information

Certain other information of the Group's segments for the six months ended 30 June 2020 and 2019 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2020	2019	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										
Coal purchased	19,111	24,073	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,111	24,073
Cost of coal operation	22,304	21,337	-	-	-	-	-	-	-	-	-	-	-	-	(2,435)	(2,628)	19,869	18,709
Cost of coal transportation	23,587	25,898	-	-	7,008	7,882	1,372	1,329	638	688	-	-	-	-	(18,441)	(20,253)	14,164	15,224
Power cost	-	-	16,113	20,513	-	-	-	-	-	-	-	-	-	-	(5,599)	(8,053)	10,514	12,460
Cost of coal chemical production	-	-	-	-	-	-	-	-	-	-	2,122	2,375	-	-	(622)	(700)	1,500	1,675
Others	1,102	1,197	857	49	1,835	2,161	140	142	563	752	285	278	17	12	-	-	4,799	4,591
Total cost of sales	66,104	72,205	16,970	20,562	8,843	10,043	1,512	1,471	1,201	1,420	2,407	2,653	17	12	(27,097)	(31,634)	69,957	76,732
Profit from operations	15,569	19,211	4,831	4,672	8,857	9,608	1,293	1,349	28	94	(75)	356	1,014	1,193	(823)	(658)	30,694	35,625
Capital expenditures / (Note (i))	1,801	1,916	1,546	2,663	656	2,584	35	30	-	2	60	19	-	3	-	-	4,098	7,217

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	June 30	December	June 30	December	June 30	December	June 30	December	June 30	December	June 30	December	June 30	December	June 30	December	June 30	December
	2020	31 2019	2020	31 2019	2020	31 2019	2020	31 2019	2020	31 2019	2020	31 2019	2020	31 2019	2020	31 2019	2020	31 2019
Total assets / (Note (ii))	234,789	224,344	150,068	148,754	130,705	128,578	22,580	22,197	6,678	6,516	8,932	9,202	498,727	449,806	(442,202)	(426,314)	580,277	563,063
Total liabilities / (Note (iii))	(111,197)	(108,449)	(107,517)	(109,730)	(53,915)	(56,774)	(7,766)	(8,285)	(547)	(397)	(3,103)	(3,346)	(228,258)	(188,866)	351,403	332,982	(161,020)	(142,865)

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

(Expressed in RMB)

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

Notes:

- (i) Profit from operations is calculated as revenue minus cost of sales, selling expenses, general and administrative expenses, research and development costs, loss allowances and impairment of assets.
- (ii) Capital expenditures consist of addition in property, plant and equipment, construction in process, exploration and evaluation assets, intangible assets, long-term deferred expense and land use rights.
- (iii) Unallocated items of total assets include deferred tax assets and other unallocated corporate assets. Unallocated items of total liabilities include deferred tax liabilities and other unallocated corporate liabilities.

6 COST OF SALES

	Six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
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

7 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Government grants	219	169
Claim income	23	57
Other	55	136
	297	362

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

*(Expressed in RMB)***8 FINANCE COSTS**

	Six months ended 30 June	
	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Interest expense	1,126	1,824
Less: amount capitalised	(235)	(377)
	891	1,447
Others	35	–
Unwinding of discount	82	75
Exchange (gain)/loss, net	(4)	72
	1,004	1,594

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 <i>RMB million</i>	2019 <i>RMB million</i>
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 Taxation (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 be charged at a preferential corporate income tax rate of 15% from 1 January 2021 to 31 December 2030.

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

(Expressed in RMB)

9 INCOME TAX EXPENSE (CONTINUED)

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%.

10 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 (<i>Note</i>)	9,996	9,932

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

*(Expressed in RMB)***10 PROFIT FOR THE PERIOD (CONTINUED)**

	Six months ended 30 June	
	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Loss allowances, net of reversal		
– Loans receivables and interbank certificate of deposits	2	(173)
– Trade and other receivables	271	(59)
	273	(232)
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).

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

(Expressed in RMB)

11 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 29 May 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).

12 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.

13 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2020, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to RMB863 million (six months ended 30 June 2019: RMB2,163 million) and RMB2,761 million (six months ended 30 June 2019: RMB4,168 million), respectively. The disposals of property, plant and equipment amounted to RMB596 million (six months ended 30 June 2019: RMB909 million).

The Group is in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB4,053 million as at 30 June 2020 (31 December 2019: RMB7,896 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

As at 30 June 2020, the Group is in the process of obtaining requisite permits for certain of its power plants and railways from the relevant government authorities. The Directors are of the opinion that the Group will be able to obtain the requisite permits in due course.

No impairment loss was recognised by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

As at 30 June 2020, the Group has bank loans secured by the Group's property, plant and equipment with carrying amount of RMB929 million (31 December 2019: RMB973 million).

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

(Expressed in RMB)

14 INTERESTS IN ASSOCIATES

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
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
Shandong 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.

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

(Expressed in RMB)

15 OTHER NON-CURRENT ASSETS

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Prepayments in connection with construction work, equipment purchases and others (Note (i))	8,182	8,082
Prepayment for mining projects	9,052	8,842
Deductible VAT and other tax	774	675
Loans to China Energy Group and fellow subsidiaries (Note (ii))	23,700	16,098
Government bonds	5,508	5,009
Corporate bonds	292	–
Service concession receivables (Note (iii))	11,305	11,380
Goodwill	253	253
Long-term deferred expenses (Note (iv))	3,502	3,667
	62,568	54,006

Notes:

- (i) At 30 June 2020, the Group had prepayments to subsidiaries of China Energy Group (“fellow subsidiaries”) amounting to RMB67 million (31 December 2019: RMB67 million).
- (ii) The loans to China Energy Group and fellow subsidiaries bear interest at rates ranging from 4.12% to 4.75% per annum (31 December 2019: 4.22% to 4.75% per annum) and are receivables within two to twelve years.
- (iii) Pursuant to a Power Purchase Agreement (“PPA”) entered between PT Shenhua Guohua Pembangkitan JAWA Bali (“Shenhua Guohua JAWA”, a power plant of the Group) and PT Perusahaan Listrik Negara (Persero) (“PLN”), Shenhua Guohua JAWA build a 2 x 1,050 Mega Watt (“MW”) power plant to supply electricity to PLN for a 25-year period from the power plant’s commercial operation date. The power plant’s ownership shall be transferred to PLN at the expiry date of the agreement under the Build, Own, Operate and Transfer (“BOOT”) scheme. Service concession receivables represents service provided in connection with the service concession arrangement for which guaranteed minimum payments have been agreed irrespective of the extent of use of the electricity. Due to the length of the payment plans, receivables are the present value of future guaranteed cash receipts discounted using effective interest rate.
- (iv) The movement of long-term deferred expenses during the period/year as follows:

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
At the beginning of the period/year	3,667	3,664
Additions	329	1,024
Amortisation	(489)	(1,015)
Disposal	(5)	(6)
At the end of the period/year	3,502	3,667

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

*(Expressed in RMB)***16 RIGHT-OF-USE ASSETS**

The right-of-use assets represent land use rights paid to the PRC's government authorities and the leased assets. The Group is in the process of applying for the title certificates of certain land use rights certificates with an aggregate carrying amount of RMB1,957 million as at 30 June 2020 (31 December 2019: RMB1,938 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

As at 30 June 2020, the Group has bank loans secured by the Group's right-of-use assets with carrying amount of RMB816 million (31 December 2019: RMB841 million).

17 INVENTORIES

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Coal	6,221	5,573
Materials and supplies	9,003	7,799
Others (<i>Note</i>)	1,284	1,268
	16,508	14,640
Less: Write-down of inventories	(2,386)	(2,587)
	14,122	12,053

Note: Others mainly represent properties held for sale and properties under development.

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

(Expressed in RMB)

18 ACCOUNTS AND BILLS RECEIVABLES

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
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	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
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

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

(Expressed in RMB)

19 PREPAID EXPENSES AND OTHER CURRENT ASSETS

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Financial assets at FVTPL		
– Derivative financial instruments	–	101
– Wealth management products	–	33,334
	–	33,435
Financial assets measured at amortised cost		
– Interbank certificate of deposits (<i>Note (i)</i>)	11,953	28,621
– Loans and advances to China Energy Group and fellow subsidiaries (<i>Note (ii)</i>)	1,144	8,549
– Service concession receivables (<i>Note 15(iii)</i>)	1,090	428
– Bank bonds (<i>Note (iii)</i>)	100	100
– Entrusted loans (<i>Note (iv)</i>)	457	457
– Other receivables due from associates	499	454
– Other receivables	1,900	2,010
	17,143	40,619
Prepaid expenses and deposits	10,037	9,546
Deductible VAT and other tax	2,592	2,924
	29,772	86,524

Notes:

- (i) As at 30 June 2020, the Group invested RMB11,953 million in the interbank certificates of deposit, measured by amortised cost method.
- (ii) As at 30 June 2020, the Group had unsecured loans to China Energy Group and fellow subsidiaries amounting to RMB1,144 million (31 December 2019: RMB8,549 million), which bear interest at rates ranging from 3.20% to 4.35% per annum (31 December 2019: 3.87% to 4.35% per annum).
- (iii) As at 30 June 2020, the Group invested RMB100 million in bank bond which expires on 30 November 2020, with an interest rate of 4.90% per annum (31 December 2019: 4.90%).

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

(Expressed in RMB)

19 PREPAID EXPENSES AND OTHER CURRENT ASSETS (CONTINUED)

- (iv) As at 30 June 2020, the Group had entrusted loans to a third party and to an associate company through PRC state-owned banks as follows:

	Starting date	Due date	Interest rates	Amount <i>RMB million</i>
Entrusted loans to a third party	13/02/2014	On demand	6.00%	37
Entrusted loans to an associate company	29/12/2017	29/12/2020	4.75%	420

20 CASH AND CASH EQUIVALENTS

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

21 BORROWINGS

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

	30 June 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Current borrowings		
– Short-term bank and other borrowings	1,337	835
– Current portion of long-term borrowings	3,105	3,337
	4,442	4,172
Non-current borrowings:		
– Long-term borrowings, less current portion	32,790	36,943
	37,232	41,115
Secured	11,858	10,635
Unsecured	25,374	30,480
	37,232	41,115

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

*(Expressed in RMB)***21 BORROWINGS (CONTINUED)**

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

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Within one year	3,105	3,337
More than one year, but not exceeding two years	5,313	6,017
More than two years, but not exceeding five years	4,078	4,374
More than five years	23,399	26,552
	35,895	40,280

As at 30 June 2020, the Group had entrusted loans from China Energy Group and fellow subsidiaries amounting to RMB874 million (31 December 2019: RMB874 million).

22 ACCOUNTS AND BILLS PAYABLES

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
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

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

(Expressed in RMB)

22 ACCOUNTS AND BILLS PAYABLES (CONTINUED)

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
	<i>RMB million</i>	<i>RMB million</i>
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

23 ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Accrued staff wages and welfare benefits	5,303	4,249
Accrued interests	478	471
Taxes payable other than income tax	4,198	5,114
Dividends payable	5,453	1,631
Deposits from China Energy Group and fellow subsidiaries (<i>Note(i)</i>)	53,227	32,184
Other accrued expenses and payables (<i>Note (ii)</i>)	12,584	9,929
Financial liabilities measured at amortised cost	81,243	53,578

Notes:

- (i) As at 30 June 2020, deposits from China Energy Group and fellow subsidiaries bear interests at 0.42% to 1.62% per annum (31 December 2019: 0.42% to 1.62% per annum).
- (ii) Other accrued expenses and payables of the Group include:

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Amounts due to China Energy Group and fellow subsidiaries	732	1,137
Amounts due to associates	33	37
	765	1,174

The above amounts due to related parties are unsecured, interest-free and payable on demand.

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

*(Expressed in RMB)***24 LONG-TERM LIABILITIES**

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Payables for acquisition of mining rights <i>(Note (i))</i>	791	743
Deferred income <i>(Note (ii))</i>	1,525	1,240
Defined benefit plans	6	7
Others	637	1,704
	2,959	3,694
Analysed for reporting purpose as:		
– Current liabilities	440	1,493
– Non-current liabilities	2,519	2,201
	2,959	3,694

Notes:

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

25 ACCRUED RECLAMATION OBLIGATIONS

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change. Accordingly, the actual costs and cash flows may differ from estimates. The directors believe that the accrued reclamation obligations at 30 June 2020 are adequate and appropriate.

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

(Expressed in RMB)

26 SHARE CAPITAL

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	16,491	16,491
3,398,582,500 H shares of RMB1.00 each	3,399	3,399
	19,890	19,890

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

27 CAPITAL MANAGEMENT

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

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

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 30 June 2020 was 28% (31 December 2019: 25%).

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

As at 30 June 2020, the Group had capital commitments for land and buildings and equipment as follows:

	30 June 2020	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
Contracted for but not provided		
– Land and buildings	22,052	24,670
– Equipment	15,175	13,990
	37,227	38,660

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

*(Expressed in RMB)***28 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)****(b) Financial guarantees issued**

As at 30 June 2020, the Group had issued certain guarantees in respect of certain banking facilities granted to an entity of which the Group held less than 20% equity interest and accounted for as equity instruments at FVTOCI. The maximum amount guaranteed is RMB151 million (31 December 2019: RMB158 million).

(c) Legal contingencies

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

(d) Environmental contingencies

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

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

(Expressed in RMB)

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

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

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

	30 June 2020 RMB million	31 December 2019 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets				
Steam coal futures	–	70	Level 1	Quoted price in an active market.
Wealth management products	–	33,334	Level 2	Discounted cash flow. Future cash flows are estimated based on expected rate of return of comparable products.
Corporate bonds	292	–	Level 2	Quoted price in interbank market.
Equity instruments at fair value through other comprehensive income	1,815	1,789	Level 3	Market comparison approach. Fair value is estimated based on value of comparable listed companies, multiples and discounted for lack of liquidity.
Financial liabilities				
Steam coal futures	14	–	Level 1	Quoted price in an active market.

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

(Expressed in RMB)

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

During the year ended 31 December 2019 and the period ended 30 June 2020, there were no transfer between Level 1, Level 2 and Level 3.

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

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

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

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

	Note	Six months ended 30 June	
		2020 RMB million	2019 RMB million
Interest income	(i)	439	295
Income from entrusted loans	(ii)	9	9
Interest expense	(iii)	199	171
Purchases of ancillary materials and spare parts	(iv)	506	496
Ancillary and social services	(v)	294	171
Transportation service income	(vi)	722	759
Transportation service expense	(vii)	87	–
Sale of coal	(viii)	24,814	24,824
Purchase of coal	(ix)	3,606	6,038
Property leasing expense	(x)	34	10
Repairs and maintenance services expense	(xi)	–	1
Coal export agency expense	(xii)	2	2
Purchase of equipment and construction work	(xiii)	81	325
Sale of coal chemical product	(xiv)	1,859	2,411
Other income	(xv)	962	1,002
Granting of loans from Shenhua Finance	(xvi)	12,550	2,731
Repayment of loans from Shenhua Finance	(xvii)	12,346	5,266
Net deposits received by Shenhua Finance	(xviii)	21,044	511

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

(Expressed in RMB)

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

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

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

(Expressed in RMB)

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

(xviii) Receipt of deposits by Shenhua Finance represents net deposits received by Shenhua Finance from China Energy Group and fellow subsidiaries.

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

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

	30 June 2020 RMB million	31 December 2019 RMB million
Accounts and bills receivables	3,027	2,696
Prepaid expenses and other current assets	2,522	9,589
Other non-current assets	25,062	16,347
Total amounts due from China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group	30,611	28,632
Borrowings	874	874
Accounts payables	2,465	2,174
Accrued expenses and other payables	53,992	33,345
Contract liabilities	718	708
Total amounts due to China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group	58,049	37,101

(b) Key management personnel emoluments

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

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

	Six months ended 30 June	
	2020 RMB million	2019 RMB million
Short-term employee benefits	4	4

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

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

(Expressed in RMB)

30 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Contributions to post-employment benefit plans**

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

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

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

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

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

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

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

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

(Expressed in RMB)

30 RELATED PARTY TRANSACTIONS (CONTINUED)**(d) Transactions with other government-related entities in the PRC (Continued)****(i) Transactions with other government-related entities, including state-owned banks in the PRC**

	Six months ended 30 June	
	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Coal revenue	33,733	42,067
Power revenue	20,473	24,899
Transportation costs	4,637	6,659
Interest income	598	595
Interest expenses (including amount capitalised)	1,332	1,528

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

	30 June 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
	Accounts and bills receivables	5,687
Prepaid expenses and other current assets	4,770	3,800
Cash and time deposits at banks	108,097	43,731
Restricted bank deposits	8,217	7,664
Borrowings	35,957	40,001
Accrued expenses and other payables	1,644	1,687
Contract liabilities	82	86

31 EMPLOYEE BENEFITS PLAN

The Group participates, in line with the regulations of the PRC, mainly in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. In addition, as approved by the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the six months ended 30 June 2020 were RMB1,103 million (six months ended 30 June 2019: RMB1,572 million).

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 27 March 2020, China Energy Group, Shenhua Finance, the Company and certain of its subsidiaries entered into the Shenhua Finance Capital Increase Agreement. Pursuant to the Agreement, China Energy Group proposed to subscribe additional registered capital of RMB7.5 billion in Shenhua Finance at a consideration of RMB13.274 billion in cash (the "Shenhua Finance Capital Increase"). The Shenhua Finance Capital Increase have been approved by the Company's and Shenhua Finance's shareholders in May and July 2020 respectively. Upon the completion of the Shenhua Finance Capital Increase, the registered capital of Shenhua Finance will increase from RMB5 billion to RMB12.5 billion, and the Group will hold approximately 40% of the equity interest in Shenhua Finance. As a result, Shenhua Finance will become an associate of the Company and will no longer be consolidated into the consolidated financial statements of the Company.

Section XI Documents Available for Inspection

Documents available
for inspection

The interim report for the year 2020 signed by the Chairman

The financial statements signed and sealed by the Chairman, the chief accountant and the head of the accounting institution

The original copy of the review report issued by the accounting firm

The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period

The interim report for the year 2020 published on the websites of SSE and HKEx

Wang Xiangxi, *Chairman*

Approval date of the board of directors for submission: 28 August 2020